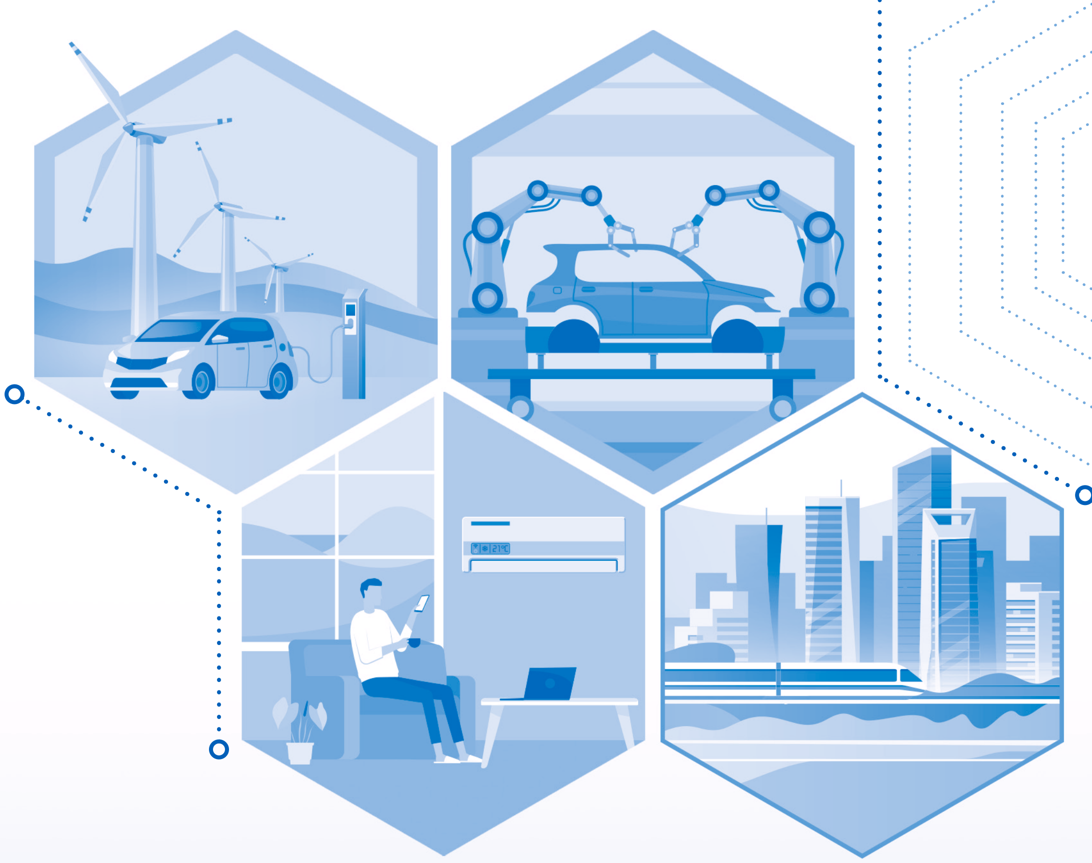
金力永磁
JLMAG

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

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

STOCK CODE : 6680

2021
ANNUAL REPORT



CONTENTS

CHAIRMAN'S STATEMENT

Dear Shareholders,

Thank you for your continuous trust and support. On behalf of the Board of Directors of the Company, I would like to present to you the annual results of the Company for the year ended December 31, 2021.

In 2021, the COVID-19 pandemic continued to have adverse impact on the global social and economic life. At the same time, factors such as rising raw material prices and exchange rate fluctuations also had a periodical impact on various industries. The global economic development was highly uncertain, and the economic environment remained complex.

Facing severe challenges, the management team of the Company, was led by the core value of "Customer Orientation and Value Co-Creation", and guided by the development strategy formulated by the Board of Directors, led all employees to work hard, which achieved substantial growth in operating results. During the Reporting Period, the Company achieved revenue of RMB4,080.1 million, representing an increase of 68.8% as compared with the same period of last year. Profit for the year attributable to owners of the parent amounted to RMB453.2 million, representing an increase of 85.4% as compared with the same period of last year. The production and sales volume of high-performance REPM products of the Company both recorded a historical high. In particular, the production and sales volume of grain boundary diffusion products increased significantly, and its leading position in market segments such as NEVs, energy-saving VFACs and wind power generation was further consolidated. Our technology, quality and management capability has been significantly improved, and our performance and delivery capability has also received widespread acclaim from customers.

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

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

Over the past fourteen years since our establishment, we have been practicing the mission of "Employing rare earth to create better life", adhering to the long-term principle, and striving to achieve the strategic goal of becoming the global leader in the REPMs industry. Looking forward to 2022, the Board of Directors has set the operating policy as "Customer-orientated, overcoming the difficulties, and moving forward courageously". We will further expand our high-end production capacity, strengthen technological innovation, expand our global business footprint, adhere to the concept of low-carbon development, and actively fulfill our social responsibility for sustainable development.

Finally, on behalf of the Board of Directors, I would like to thank our shareholders and business partners for their strong support and encouragement in 2021, as well as our sincere gratitude to all of our staff for their hard work.

Cai Baogui
Co-founder, Chairman and General Manager

March 30, 2022

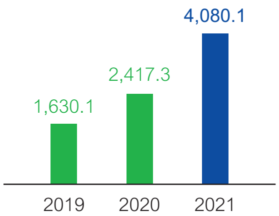
HIGHLIGHT

KEY FINANCIAL PERFORMANCE

Revenue

Unit：RMB million

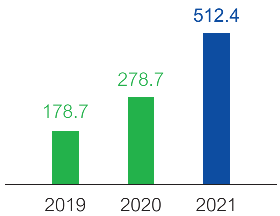
4,080.1 ↑ **68.8%**



Profit before tax

Unit：RMB million

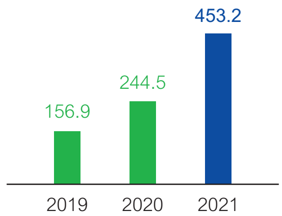
512.4 ↑ **83.9%**



Profit for the year attributable to owners of the parent

Unit：RMB million

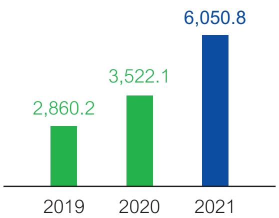
453.2 ↑ **85.4%**



Total assets

Unit：RMB million

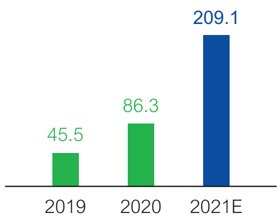
6,050.8 ↑ **71.8%**



Dividends

Unit：RMB million

209.1 ↑ **142.3%**



Return on equity

23.1% ↑ **5.98 percentage points**

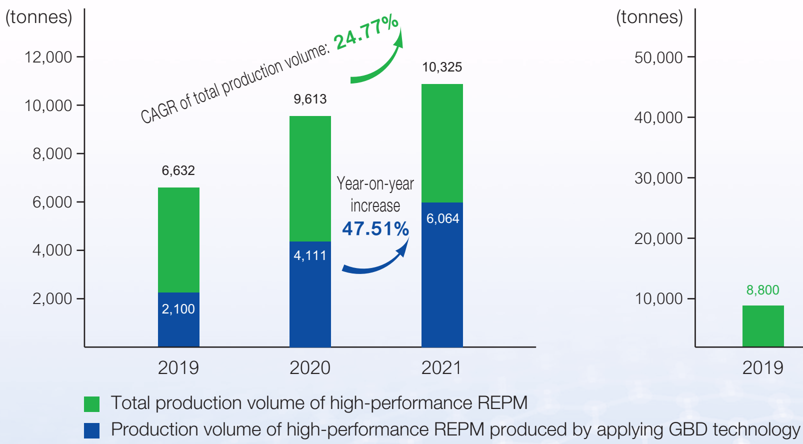
Earnings per share

RMB/share

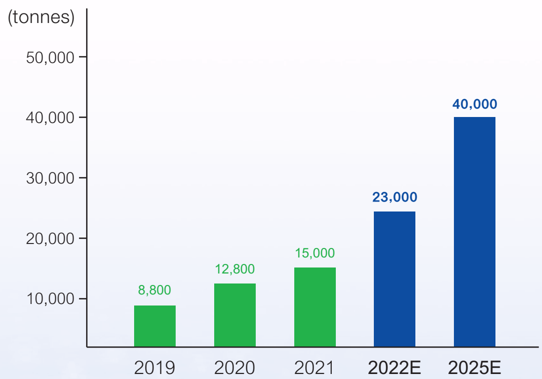
0.65 ↑ **80.6%**

PRODUCTS AND PRODUCTION CAPACITY

Production volume of high-performance REPM finished products



Annual production capacity of high-performance NdFeB PM blanks



Factory location	Capacity (tonnes/year)	Status	Schedule for production output
Ganzhou City, Jiangxi Province	15,000	Production output reached	2021
Baotou, Inner Mongolia	8,000	Under production(1)	2022
Ningbo City, Zhejiang Province	3,000	Under construction(2)	2023 - 2024
Baotou, Inner Mongolia	12,000	Under planning and construction(3)	2023 - 2024
Ganzhou City, Jiangxi Province	2,000	Under planning and construction(4)	2024 - 2025
Total	40,000		

(1) Base project for high-performance REPMs

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

(3) Base project for high-performance REPMs (Phase II)

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

LEADING POSITION IN THE INDUSTRY

In 2021, the Company's products are used for the production of drive motors by eight of the top ten NEV manufacturers worldwide

The sales volume of the Company's magnetic steel products for NEV drive motors can assemble approximately **1.24** million passenger NEVs

Facilitating to reduce carbon emissions by approximately **2.56** million tonnes/year

In 2021, the Company has maintained close cooperation with the top five VFAC compressor manufacturers worldwide for years

The sales volume of the Company's magnetic steel products for energy-saving VFACs can assemble approximately **48.50** million VFAC compressors

Facilitating to reduce carbon emissions by approximately **17.55** million tonnes/year

In 2021, four of the top five wind turbine generators manufacturers worldwide are the customers of the Company

The sales volume of the Company's magnetic steel products for wind power sector can equip wind turbine generators with an approximate aggregate installed capacity of **8.65** GW

Facilitating to reduce carbon emissions by approximately **14.33** million tonnes/year

DEFINITIONS

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

"A Share(s)"	domestic shares of the Company with a par value of RMB1.00 each, the shares of which are listed on the ChiNext of the Shenzhen Stock Exchange and traded in RMB
"alloy"	a compound of two or more elements, at least one of which is a metal, and where the resulting material has metallic properties
"Articles of Association"	The articles of association of JL MAG RARE-EARTH CO., LTD.
"Board"	the board of Directors
"Bosch", "Bosch Group"	Robert Bosch Investment Nederland B.V. (羅伯特－博世投資荷蘭有限公司) and its subsidiaries
"CAGR"	compound annual growth rate
"Chairman"	the chairman of the Board
"close associate(s)"	has the meaning ascribed to it under the Hong Kong Listing Rules
"coercivity"	a measure of the ability of a ferromagnetic material to withstand an external magnetic field without becoming demagnetized
"Corporate Governance Code"	Corporate Governance Code as set out in Appendix 14 to the Listing Rules
"Company Law"	Company Law of the PRC (《中華人民共和國公司法》)
"Controlling Shareholders"	has the meaning ascribed to it under the Listing Rules and, unless the context requires otherwise, means, a group of controlling shareholders of our Company comprising of Mr. Cai Baogui (蔡報貴), Mr. Hu Zhibin (胡志濱), Mr. Li Xinnong (李忻農), Ruide Venture, Ganzhou Geshuo Investment Management Center (limited partnership) (贛州格碩投資管理中心(有限合夥)) and Ganzhou Xinsheng Investment Management Center (limited partnership)(贛州欣盛投資管理中心(有限合夥))
"COVID-19"	Coronavirus disease 2019, an infectious disease caused by severe acute respiratory syndrome coronavirus 2, which has resulted in an ongoing global pandemic since December 2019

DEFINITIONS (CONTINUED)

"CRRC Yongdian"	CRRC Xi'an Yongdian Jieli Wind Energy Co., Ltd. (西安中車永電捷力風能有限公司)
"CSRC"	China Securities Regulatory Commission (中國證券監督管理委員會)
"Director(s)"	the director(s) of the Company or any one of them
"energy-saving VFACs"	energy-saving variable-frequency air-conditioners
"Frost & Sullivan"	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., a global market research and consulting company, which is an Independent Third Party
"Global Offering"	the Hong Kong Public Offering and the International Offering
"Goertek"	Goertek Inc. (歌爾股份有限公司)
"Goldwind Technology"	Xinjiang Goldwind Science And Technology Co., Ltd. (新疆金風科技股份有限公司), a wind turbine generator producer
"grain boundary diffusion (GBD) technology"	technology that allows the Dysprosium or Terbium to penetrate into the magnet through its grain boundary when the heat treatment temperature is higher than the melting point of Nd-rich phase
"Gree"	Gree Electric Appliances, Inc. Of Zhuhai (珠海格力電器股份有限公司) and its subsidiaries
"Group"	JL MAG and its subsidiaries
"GW"	a unit of power, 1 GW equals 1,000 MW
"H Shares"	overseas listed foreign shares of the Company, with a nominal value of RMB1.00 each, which are listed on the Stock Exchange and traded in HK dollars
"high-performance REPMs"/ "high-performance NdFeB PMs"	According to industry practice, sintered NdFeB PMs with the sum of intrinsic coercivity (Hcj, kOe) and maximum energy product ((BH)max, MGOe) higher than 60 are high performance NdFeB PMs.
"Hong Kong"	Hong Kong Special Administrative Region of the People's Republic of China
"Hong Kong Listing Rules" or "Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time

"Hong Kong dollar"	Hong Kong dollars and cents, the lawful currency of Hong Kong
"IDC"	An international data company, a world-renowned professional provider of consulting, advisory services, and event services for the information technology, telecommunications industry and consumer technology
"IFRS"	the International Financial Reporting Standards
"Independent Third Party(ies)"	a person or persons or a company or companies which, to the best of our directors' knowledge, information and belief, having made all reasonable enquiries, is independent of and not connected with (within the meaning of the Hong Kong Listing Rules) any of the directors, chief executive and substantial shareholders (within the meaning of the Hong Kong Listing Rules) of our Company, any of its subsidiaries or any of their respective associates (within the meaning of the Hong Kong Listing Rules)
"installed capacity"	the capacity of wind turbines or power generators that have been completely assembled and erected and which have been commissioned and started producing electricity
"Investment Projects"	The proceeds-funded projects
"Jiangtong Cicai"	Sichuan Jiangtong Rare Earth Magnetic Material Co., Ltd. (四川江銅稀土磁材有限公司)
"JL MAG", "Company", "Our Company"	JL MAG RARE-EARTH CO., LTD. (江西金力永磁科技股份有限公司)
"Kone Elevator"	KONE Industrial Oy, KONE Elevators Co., Ltd.
"Latest Practicable Date"	March 30, 2022, being the latest practicable date prior to printing of this annual report for ascertaining certain information contained herein
"Listing Date"	Friday, January 14, 2022, being the date on which the H Shares were listed on the Stock Exchange and permitted to commence trading on the Stock Exchange
"Midea"	Midea Group Co.,Ltd. (美的集團股份有限公司) and its subsidiaries
"Mitsubishi Electric"	Mitsubishi Electric (Guangzhou) Compressor Co., Ltd. (三菱電機(廣州)壓縮機有限公司)
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers under Appendix 10 to the Listing Rules

DEFINITIONS (CONTINUED)

"MSCI"	MSCI Inc., an American finance company serving as a global provider of equity, fixed income, hedge fund stock market indexes, multi-asset portfolio analysis tools and environmental, social and corporate governance responsibilities products
"NdFeB PMs"	permanent magnets made from an alloy of neodymium, iron, and boron that are divided into two subcategories, namely sintered NdFeB magnets and bonded NdFeB magnets because of different manufacturing processes
"NEVs"	new energy vehicles
"NIDEC"	NIDEC CORPORATION (日本電產株式會社)
"Northern Rare Earth"	China Northern Rare Earth Group High-Tech Co., Ltd. (中國北方稀土（集團）高科技股份有限公司), a state-owned limited liability company incorporated in the PRC on September 12, 1997
"permanent magnets" or "PM"	Permanent magnets, also known as permanent magnetic material or hard magnetic material, refers to a functional material that can retain the magnetic field for a long time after the external magnetic field is removed after magnetization and can withstand the interference of a certain intensity of external magnetic field. PMs can realize important functions such as electrical signal conversion and electrical energy/mechanical energy transmission, and are widely applied to the fields of energy, transportation, machinery, medical treatment, computers and home appliances
"PRC" or "China"	the People's Republic of China, which, for the purpose of this annual report, shall exclude the Hong Kong Special Administrative Region, the Macao Special Administrative Region and Taiwan
"rare earth"	Rare earth elements are a set of 17 elements of lanthanides, including lanthanum (La), cerium (Ce), praseodymium (Pr), neodymium (Nd), promethium (Pm), samarium (Sm), europium (Eu), gadolinium (Gd), terbium (Tb), dysprosium (Dy), holmium (Ho), erbium (Er), thulium (Tm), ytterbium (Yb) and lutetium (Lu), and its congeners elements scandium (Sc) and yttrium (Y). According to the atomic weight and physical and chemical properties of the elements, they are divided into light, medium and heavy rare earth elements. The first five elements are light rare earth and the rest are medium and heavy rare earth. Due to their unique physical and chemical properties, rare earth are widely used in new energy, new materials, energy conservation and environmental protection, aerospace, electronic information and other fields, and are indispensable and important element in modern industry

"REPMs"	Rare earth permanent magnets are permanent magnetic magnets based on intermetallic compounds formed by rare earth metal elements ("RE", including Sm, Nd and Pr) and transition metal elements ("TM", including Fe and Co), commonly referred to as rare earth intermetallic compound permanent magnets, or REPMs for short. Since the 1960s, with three major breakthroughs in the magnetic energy product, three generations of rare earth permanent magnets with practical application value have been successfully developed. The first generation is represented by SmCo5 alloy, the second generation is represented by Sm2Co17 alloy, third generation is represented by Nd-Fe-B series alloy. Among them, NdFeB magnets have been industrialized and are with the best comprehensive performance in current industrial production
"Reporting Period"	From January 1, 2021 to December 31, 2021
"RMB"	Renminbi, the lawful currency of the PRC
"RMB", "RMB'0,000", "RMB100 million"	Renminbi Yuan, Renminbi 10,000 Yuan and Renminbi 100 million Yuan
"Ruide Venture"	Jiangxi Ruide Venture Investment Co., Ltd. (江西瑞德創業投資有限公司), one of our controlling shareholders
"Same period last year", "last period"	From January 1, 2020 to December 31, 2020
"Securities Law"	The Securities Law of the PRC (《中華人民共和國證券法》)
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Law of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Shanghai Haili"	Shanghai Haili (Group) Co., Ltd (上海海立(集團)股份有限公司) and its subsidiaries
"Shanghai Mitsubishi Elevator"	Shanghai Mitsubishi Elevator Co., Ltd. (上海三菱電梯有限公司)
"sintering"	a heat treatment for mineral powder that applies a temperature below the melting point, the purpose of which is to combine the component particles in order to increase size and strength
"smelting"	a refining technology which extracts metal from ores by such methods as roasting, smelting, electrolysis and the use of chemical reagents, reduce impurities contained in the metal, increase a certain composition of the metal and make the required metal

"surface treatment"	a process which aims to artificially form a surface layer which differs with that of the substrate material in mechanical, physical and chemical properties
"Restricted Share Incentive Plan"	a restricted share incentive plan adopted by our Company on August 26, 2020 and amended on September 8, 2020, for the purpose of incentivize eligible management and employees of our Group
"Shares"	domestic Shares and H Shares
"Siemens Gamesa"	Siemens Gamesa Renewable Energy A/S, a wind turbine generator producer
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Supervisor(s)"	the supervisor (s) of the Company or any one of them
"Shenzhen Stock Exchange" or "SZSE"	Shenzhen Stock Exchange (深圳證券交易所)
"Type I Restricted Share(s)"	A Share(s) issued to the grantees with certain restrictions stipulated under the Restricted Share Incentive Plan
"Type II Restricted Share(s)"	restricted share(s) granted to the grantees pursuant to which A Shares could be newly issued and subscribed for upon the satisfaction of certain vesting conditions under the Restrict Share Incentive Plan
"UAES" or "United Automotive Electronic"	United Automotive Electronic Systems Co., Ltd. (聯合汽車電子有限公司), a joint venture established in China by Zhonglian Automobile Electronics Co., Ltd. (中聯汽車電子有限公司) and Robert Bosch GmbH
"ultra-high grade products"	The Company's sintered NdFeB Permanent Magnets using grain boundary diffusion technology, the sum of the intrinsic coercivity (Hcj, kOe) and the maximum energy product ((BH)max, MGOe) being greater than 75
"Xiexin Chaoneng"	Ganzhou Poly-Max Magnetics Co., Ltd. (贛州協鑫超能磁業有限公司)
"%"	percentage
"3C"	An abbreviation for three types of electronic products: Computer, Communication and Consumer Electronics

CORPORATE INFORMATION

Legal Name

JL MAG RARE-EARTH CO., LTD.

English Name

JL MAG RARE-EARTH CO., LTD.

Chinese Short Name

金力永磁

English Short Name

JLMAG

Legal Representative

Mr. Cai Baogui

Executive Directors

Mr. Cai Baogui
Mr. Lyu Feng

Non-executive Directors

Mr. Hu Zhibin
Mr. Li Xinnong
Mr. Li Fei
Mr. Huang Weixiong

Independent non-executive Directors

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

Supervisors

Mr. Su Quan
Mr. Li Hua
Ms. Sun Yixia

Audit Committee

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

Nomination Committee

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

Remuneration and Appraisal Committee

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

Strategy Committee

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

Authorized Representatives

Mr. Cai Baogui
Ms. Zhang Xiao

Company Secretaries

Mr. Lu Ming
Ms. Zhang Xiao

Securities Representative

Mr. Lai Xunlong

CORPORATE INFORMATION (CONTINUED)

Principal Banks

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

Share Registrar

A Share:
China Securities Depository and
Clearing Co., Ltd., Shenzhen Branch
Shenzhen Stock Exchange Plaza
No. 2012 Shennan Avenue
Futian CBD, Futian District, Shenzhen
Guangdong Province
H Share:
Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor, Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

Listing Venue

A Share:
Shenzhen Stock Exchange
Stock Short Name: 金力永磁
Stock Code: 300748
H Share:
The Stock Exchange of Hong Kong Limited
Stock Code: 06680

Auditors

International Auditor
Ernst & Young
PRC Auditor
Ernst & Young Hua Ming LLP

Registered Office and Principal Place Of Business

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

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

Company's Website

www.jlmag.com.cn

Legal Advisers

The PRC:
China Commercial Law Firm, Guangdong
Floor 21-25, Hong Kong CTS Tower
No. 4011 Shennan Avenue
Futian District, Shenzhen

Hong Kong:
Herbert Smith Freehills
23/F, Gloucester Tower
15 Queen's Road, Central
Hong Kong

Compliance Advisor

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

SUMMARY OF FINANCIAL INFORMATION

	For the year ended December 31,		
	2021	2020	Change
	RMB'000	RMB'000	%
Revenue	**4,080,072**	2,417,346	68.78
Gross profit	**914,939**	574,557	59.24
Profit for the year attributable to owners of the parent	**453,224**	244,502	85.37
Net cash flows from operating activities	**101,791**	158,035	-35.59
Basic and diluted earnings per share (RMB)	**0.65**	0.36	80.56

During the Reporting Period, the Company achieved a revenue of RMB4,080.1 million, representing an increase of RMB1,662.8 million or 68.8% as compared to that of RMB2,417.3 million for the year ended December 31, 2020.

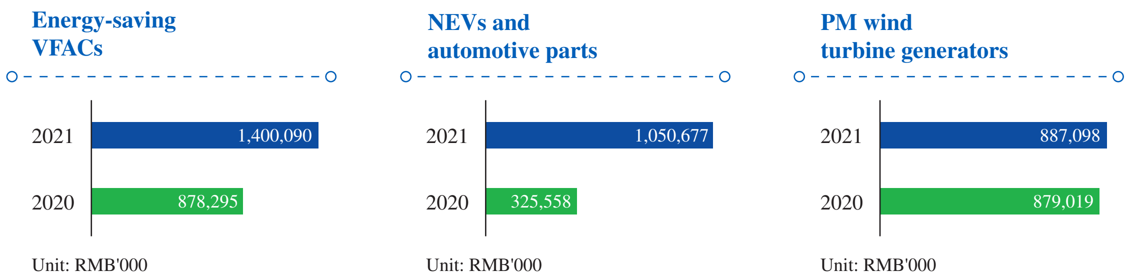
During the Reporting Period, profit for the year attributable to owners of the parent amounted to RMB453.2 million, representing an increase of 85.4% as compared to that of RMB244.5 million for the year ended December 31, 2020.

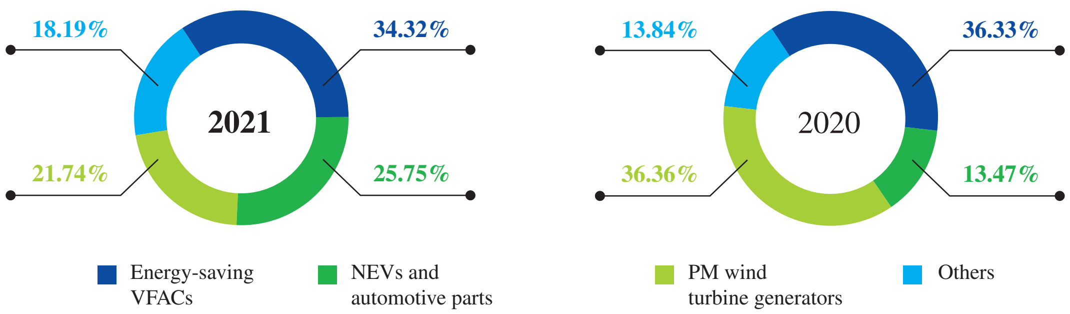
During the Reporting Period, net cash flows from operating activities amounted to RMB101.8 million, representing a decrease of 35.6% as compared to that of RMB158.0 million for the year ended 31 December, 2020.

The Board of Directors of the Company has resolved to recommend the declaration of a final dividend of RMB2.50 (including tax) for every 10 Shares, or RMB209.1 million in aggregate for the year ended December 31, 2021.

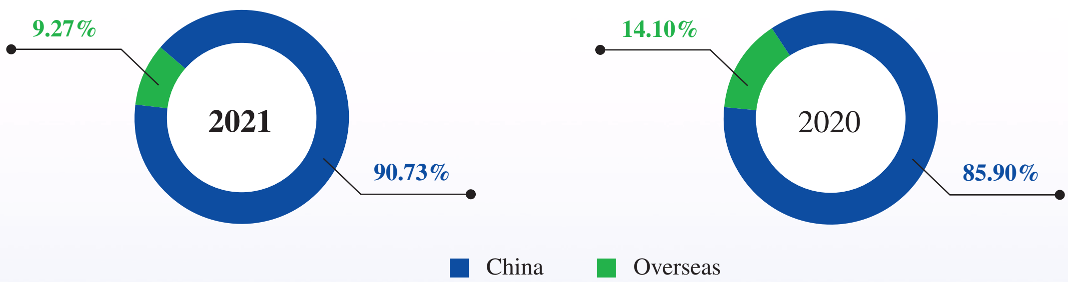
SUMMARY OF FINANCIAL INFORMATION (CONTINUED)

REVENUE BY PRODUCT CATEGORY AND DOWNSTREAM APPLICATION





REVENUE BY SALES REGION



FINANCIAL HIGHLIGHTS FOR THE LAST FIVE FINANCIAL YEARS

	For the year ended December 31,				
	2017 RMB'000	2018 RMB'000	2019 RMB'000	2020* RMB'000	**2021** **RMB'000**
Operating performance					
Revenue	912,427	1,282,004	1,630,117	2,417,346	**4,080,072**
Gross profit	258,482	284,111	344,161	574,557	**914,939**
Profit before tax	157,261	159,012	178,741	278,717	**512,419**
Profit for the year	139,034	146,347	156,597	244,700	**453,974**
Profit for the year attributable to owners of the parent	139,363	147,019	156,889	244,502	**453,224**
Profitability					
Gross profit margin	28.33%	22.16%	21.11%	23.77%	**22.42%**
Profit margin for the year	15.24%	11.42%	9.61%	10.12%	**11.13%**
Earnings per share (RMB)					
Earnings per share – basic	0.22	0.23	0.23	0.36	**0.65**
Earnings per share – diluted	0.22	0.23	0.23	0.36	**0.65**

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

	For the year ended December 31,				
	2017 RMB'000	2018 RMB'000	2019 RMB'000	2020 RMB'000	**2021** **RMB'000**
Total assets	1,475,416	2,143,585	2,860,186	3,522,128	**6,050,784**
Total liabilities	659,394	1,035,956	1,529,980	1,954,652	**3,084,433**
Equity attributable to owners of the parent	819,038	1,111,315	1,330,183	1,567,301	**2,965,400**
Leverage ratio	44.69%	48.33%	53.49%	55.50%	**50.98%**

MANAGEMENT DISCUSSION AND ANALYSIS

1 INDUSTRY DEVELOPMENT TREND

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

High-performance NdFeB PMs are national key new materials and high-tech products, and have always been strongly supported by relevant national industrial policies.

In March 2021, the "Fourteenth Five-Year Plan for National Economic and Social Development and the Outline of Long-Term Goals for 2035 of the People's Republic of China" approved by the Fourth Session of the Thirteenth National People's Congress put forward the in-depth implementation of the manufacturing power strategy. The strategy will deepen the implementation of intelligent manufacturing and green manufacturing engineering, develop new service-oriented manufacturing models, and promote high-end, intelligent, and green manufacturing. It proposes to improve the core competitiveness of the manufacturing industry and promote breakthroughs in high-end rare earth functional materials.

On December 29, 2021, the Ministry of Industry and Information Technology, the Ministry of Science and Technology and the Ministry of Natural Resources jointly issued the "'Fourteenth Five-Year' Raw Material Industry Development Plan", which emphasized on optimizing the management mechanism of control indicators for total annual mining volume and scientifically regulating the mining scale of rare earth, tungsten and other mineral resources. The plan supports enterprises to accelerate cross-regional and cross-ownership mergers and reorganizations, increase industrial concentration, and develop international operations. The plan proposes to cultivate a group of leading enterprises in the industry chain with ecological dominance and core competitiveness, strengthen and expand rare earth enterprise groups, and encourage rare metal enterprises to accelerate integration. By focusing on key application areas such as large aircraft, aeroengines and energy industry, it emphasizes on the development of a number of key materials such as ultra-high purity rare earth metals and compounds, high-performance rare earth magnetism, catalysis, optical functions, and hydrogen storage materials. It also promotes the efficient utilization of resources such as green and efficient mining of ion-adsorbed rare earth minerals and associated rare earth polymetallic minerals, enhances the engineering of technologies for the precise infiltration of high-performance REPM in selected regions, and encourages the industrial application of technologies such as the balanced utilization of high-abundance rare earth elements.

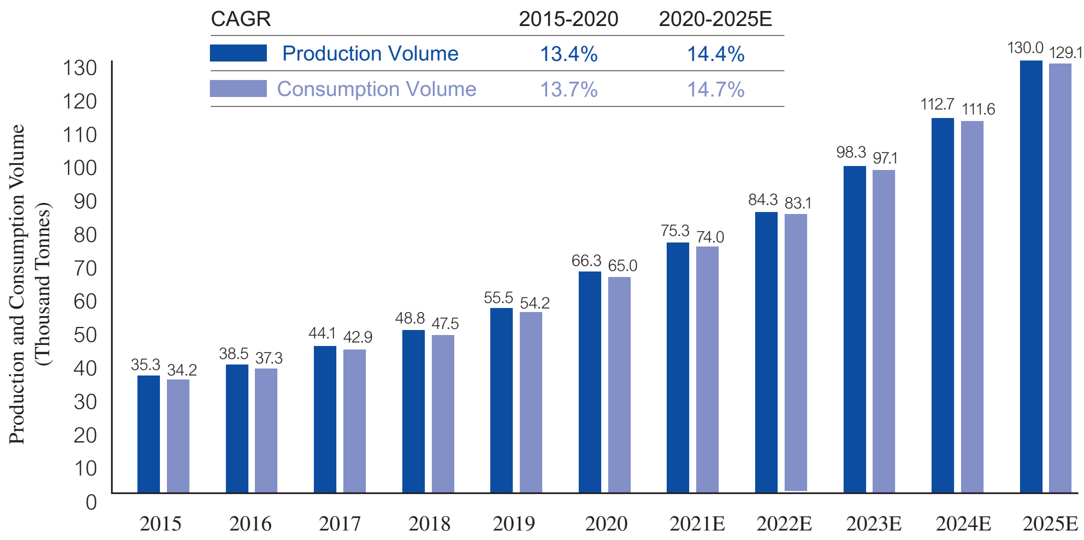
In February 2020, the Jiangxi Provincial Government issued the "Implementation Opinions on Promoting the High-quality Development of the Rare Earth Industry", which clearly stated the development goals of the rare earth industry: by 2023, the province's rare earth industry innovation and development capability, green development capability and other capability will achieve the leading position in the nation and top class in the world, further consolidating and improving its position in the industrial division and value chain of the global rare earth industry. The rare earth industry will maintain steady growth as a whole, and some key segments will accelerate in growth. The output value of new rare earth materials and devices will reach more than 30%, 1-2 enterprises with a value of RMB 10 billion will be formed, and the scale of the industry will exceed RMB100 billion; R&D investment will continue to increase, 2-3 new national-level scientific research and innovation platforms will be added, the development of new products and the promotion and application of new technologies will be accelerated, and the level of resource development and utilization technology will be continuously improved; China's Ganzhou Rare Gold Valley will become a domestic and internationally influential medium and heavy rare earth innovation center and represent high-tech industry cluster area.

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

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

With the world's consensus on global climate change, carbon emission reduction has become a key aspect of environmental protection. In response to climate change, governments around the world have taken active actions to promote new energy and reduce carbon emissions. In particular, China plans to achieve carbon peak and carbon neutrality by 2030 and 2060, respectively. REPMs show their inherent advantages in reducing carbon emissions. According to Frost & Sullivan Report, more than 50% of the world's electricity consumption comes from electric motors, and compared with traditional motors, REPM motors can save up to 15% to 20% of energy. In addition, the application of REPMs enables variable-frequency home appliances, NEVs and automotive parts, as well as 3C smart electronic products to achieve lighter weight and miniaturization, which are in line with consumer preferences. According to Frost & Sullivan Report, the global consumption of REPMs (mainly including NdFeB PMs) increased from approximately 146,600 tonnes in 2015 to 209,500 tonnes in 2020, and is expected to be further increased to 305,200 tonnes in 2025.

Global Production and Consumption Volume of High-performance NdFeB PMs, 2015-2025E



Source: Frost & Sullivan Report

1. *New Energy Vehicles Sector:*

New energy vehicles are one of the main applications of high-performance NdFeB PMs. Governments all over the world have implemented policies to facilitate the development of NEV market. The PRC government implemented the "Notice on Improving the Financial Subsidy Policy for the Promotion and Application of New Energy Vehicles" in 2020 and issued the "New Energy Automobile Industry Development Plan (2021-2035)" in 2020. Relevant policies aimed to promote further development of the NEV industry. According to a research report on the global electric vehicle market released by Canalys, a technology research company, global electric vehicles (EV) sales in 2021 reached 6.5 million, representing an increase of 109% year on year, accounting for 9% of all passenger vehicle sales. Affected by the COVID-19 pandemic and the shortage of chips, in 2021, the total sales volume of the global automotive market only grew by 4%. The report stated that in 2021, consumer demand for EV remained strong. If the impact of component shortage is excluded, the sales volume of global automakers may reach a higher level. The report stated that in 2021, 85% of global EV sales came from the markets of mainland China and Europe. Among them, in 2021, more than 3.2 million EV were sold in the mainland China market, accounting for half of the global EV sales, 2 million more than that in 2020. EV sales in Europe accounted for 19% of total vehicle sales in 2021, bringing up a total of 2.3 million vehicles delivered.

According to Frost & Sullivan Report, global sales of new energy passenger vehicles is expected to reach approximately 11.3 million by 2025, with a CAGR of approximately 30.9% from 2020 to 2025; global consumption of high-performance NdFeB PMs for new energy vehicles is expected to reach approximately 37,500 tonnes, with a CAGR of approximately 30.9% from 2020 to 2025. In 2020, JL MAG ranked second in the world in terms of the number of new energy passenger vehicles using high-performance NdFeB PMs.

2. *Energy-saving VFACs Sector*

In 2019, seven departments including the National Development and Reform Commission and the Ministry of Industry and Information Technology jointly issued the "Notice on the Issuance of the Green and Efficient Refrigeration Action Plan" F.G.H.Z. [2019] No. 1054), which specified that by 2022, the energy efficiency access level of household air conditioners will increase by 30%, multi-connected air conditioners will increase by 40%, refrigerated display cabinets will increase by 20%, and heat pump water heater will increase by 20%. By 2030, the energy efficiency access level for major refrigeration products will further increase by more than 15%. With the official implementation of "Minimum Allowable Values of the Energy Efficiency and Energy Efficiency Grades for Room Air Conditioners" on July 1, 2020, fixed-frequency air-conditioning products were completely phased out and high-efficiency VFACs have become the mainstream of the market, and the demand for high-performance NdFeB magnetic steel, which are used as core materials for VFAC compressors, will increase significantly in the future.

According to Frost & Sullivan Report, by 2025, the global output of energy-saving VFACs will reach approximately 214 million units, with a CAGR of approximately 16.6% from 2020 to 2025; the global consumption of high-performance NdFeB PMs for energy-saving VFACs may reach approximately 19,700 tonnes, with a CAGR of approximately 16.6% from 2020 to 2025. In 2020, among all REPMs manufacturers in the world, JL MAG ranked first in terms of the number of energy-saving VFAC compressors equipping, with a market share of approximately 31.5%.

3. *Wind Power Generation Sector*

In March 2021, the "Fourteenth Five-Year Plan for National Economic and Social Development and the Outline of Long-Term Goals for 2035 of the People's Republic of China" proposed the establishment of a modern energy system. It proposed to promote a energy revolution, build a clean, low-carbon, safe and efficient energy system, and improve the ability to guarantee energy supply. It also proposed to accelerate the development of non-fossil energy, adhere to both centralized and distributed power generation, vigorously increase the scale of wind power and photovoltaic power generation, accelerate the development of distributed energy in the eastern and central regions, develop offshore wind power in an orderly manner, accelerate the construction of hydropower bases in the southwest, promote the construction of coastal nuclear power safely and securely, build a number of clean energy bases with various complementary energy forms, and increase the proportion of non-fossil energy in total energy consumption to around 20%. Compared with double-fed induction generators, PM wind turbine generators equipped with high-performance NdFeB PMs are generally simpler in structure, lower in operation and maintenance costs, longer in service life, better in grid connection performance and higher in power generation efficiency. It is more efficient to operate in a low wind speed environment. The penetration rate of REPM motors will gradually increase, resulting in a strong increase in the consumption of high-performance NdFeB PMs.

According to Frost & Sullivan Report, by 2025, it is expected that the global newly installed capacity of wind power will reach approximately 112.2GW, and the consumption of high-performance NdFeB materials will reach approximately 19,600 tonnes. In 2020, in terms of the newly installed capacity of PM wind turbine generators, JL MAG ranked first among all REPMs manufacturers in the world, with a market share of approximately 40.3%.

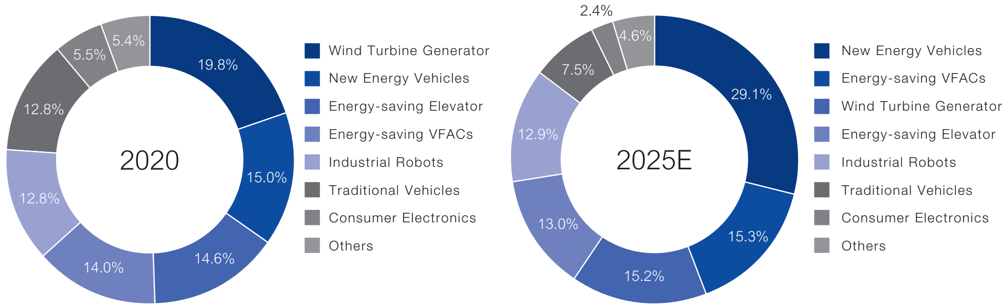
4. *Energy-saving Motor Sector*

In October 2021, the Ministry of Industry and Information Technology and the State Administration for Market Regulation jointly issued the "Electrical Motor Efficiency Improvement Plan (2021-2023)", which proposed to guide enterprises to implement the renewal and upgrade of key energy-consuming equipment such as motors, give priority to high-efficiency and energy-saving motors, accelerate the elimination of obsolete and low-efficiency motors that do not meet the requirements of the current national energy efficiency standards, and increase the application of high-efficiency and energy-saving motors. In particular, it is proposed to promote variable-frequency speed-regulating permanent magnet motors with level 2 energy efficiency and above for variable load operating conditions. For transmission systems using gearboxes and couplers, low-speed direct-drive and high-speed direct-drive permanent magnet motors are encouraged. The implementation of "Electrical Motor Efficiency Improvement Plan (2021-2023)" will increase the penetration rate of REPM motors in the next two years and further increase the demand for REPMs.

5. *3C Sector*

On January 29, 2021, the Ministry of Industry and Information Technology released the "Action Plan for the Development of Basic Electronic Components Industry (2021-2023)", clearly stated that it should be oriented towards smart terminals, 5G, industrial Internet and other key markets and promote the breakthrough of the basic electronic components industry, and by 2023, the total sales of electronic components will reach RMB2,100 billion. Currently, the emergence of 3C smart terminal products has accelerated the pace of product upgrade and iteration in the consumer electronics industry, and has created a huge demand for magnetic materials and magnetic components in the 3C field. According to the data released by the China Academy of Information and Communications Technology, in 2021, the total shipment volume of mobile phones in the domestic market amounted to 351 million units, representing a year-on-year increase of 13.9%, among which, the shipment volume of 5G mobile phones amounted to 266 million units, representing a year-on-year increase of 63.5%, accounting for 75.9% of mobile phone shipments over the same period. IDC expects that the global smartphone shipments had reached 1.38 billion units in 2021, representing a year-on-year increase of 7.7%. Looking into the future, IDC forecasts a five-year CAGR of 12.4%, and will reach 637.1 million units by 2024.

Global Consumption of High-performance NdFeB PMs by Applications, 2020 vs 2025



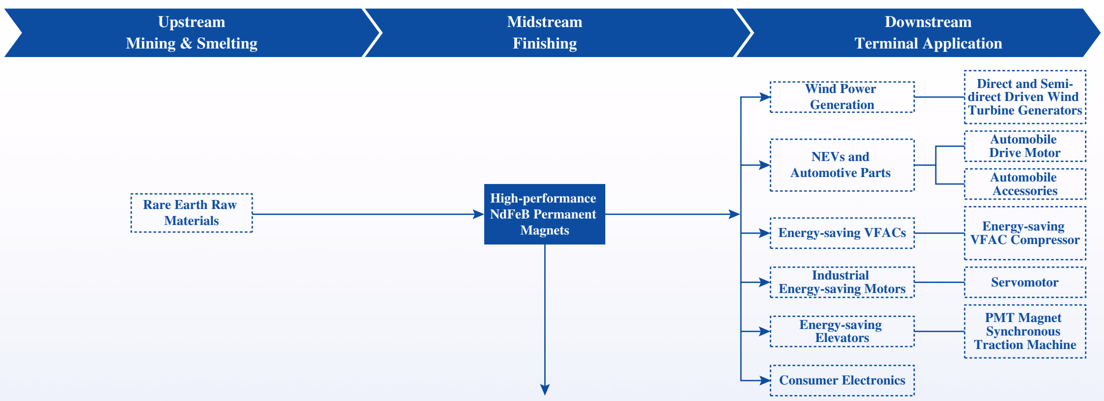
Source: Frost & Sullivan Report

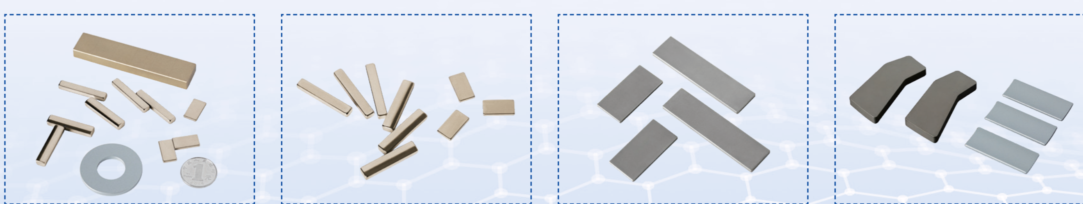
2 PRINCIPAL BUSINESS OF THE COMPANY DURING THE REPORTING PERIOD

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

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

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

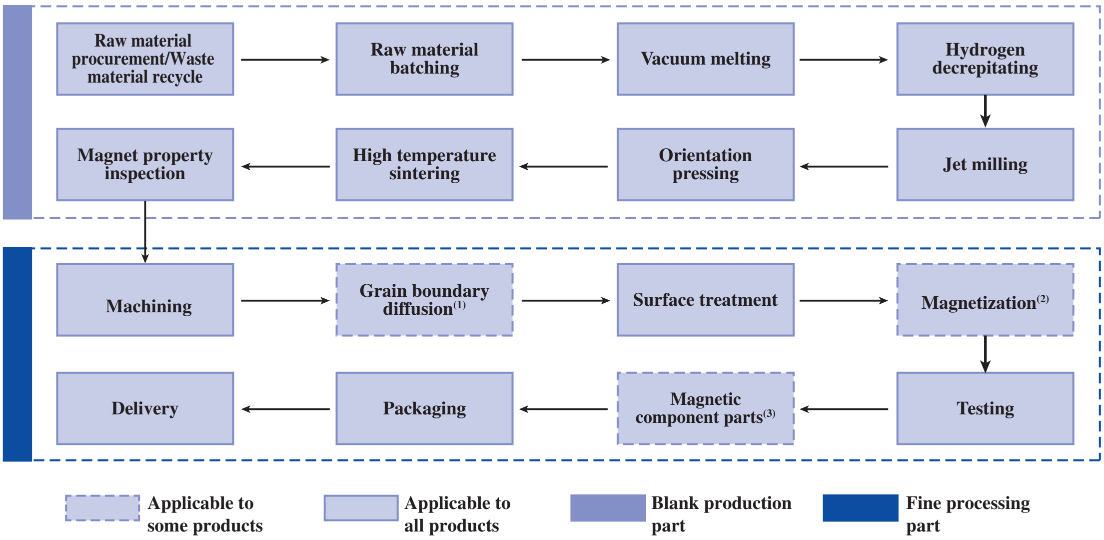




Products of the Company

(2) The business model of the Company

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



Production Workflow

Notes:

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

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

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

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

The Company insists on being customer-oriented and continuously carries out technological upgrades and product differentiation designs. The Company shifts its technical service forward to the customer end, leveraging its professional technical advantages in NdFeB PMs, to participate in the design process of new products for customers, assist customers in optimizing product performance, reducing product costs, and provide a full range of technical solutions. The Company implements strict quality management systems and has strong lean production capacity. The Company's product delivery capability and production efficiency are at a leading level in the industry.

3 CORE COMPETITIVENESS OF THE COMPANY

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

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

The Company is the world's leading manufacturer of high-performance REPM. In 2021, the Company had an output of high-performance REPM of 10,325 tonnes, including 6,064 tonnes produced using grain boundary diffusion technology and 3,437 tonnes of ultra-high-grade materials. In 2021, with its huge production capacity, excellent R&D capability, proprietary technology and strong product delivery capability, the Company established global market leadership in the following key downstream fields. In the field of new energy vehicles, the Company's products were used for the production of drive motors by eight of the world's top ten new energy vehicle manufacturers in 2021. In the field of energy-saving VFAC, the Company has maintained good cooperation relationships with the world's top five VFAC compressor manufacturers for years. In the field of wind power, four of the world's top five wind power generator manufacturers are the customers of the Company. In the field of energy-saving elevators, the Company is an important magnetic steel supplier for top elevator manufacturers such as KONE and Shanghai Mitsubishi Elevator. The Company has actively expanded its business in the fields such as 3C, industrial energy-saving motors and rail transit, and successfully entered the supply system of top customers in various fields, such as Bosch Rexroth, with a leading position in the market.

The Company's production capacity layout provides a strong guarantee for its product delivery in response to the growing market demand. As the Company's downstream industries are expected to see substantial growth, the Company has strategically expanded its capacity. The annual capacity of high-performance NdFeB PM blanks of the Company increased from 7,000 tonnes in 2018 to 15,000 tonnes in 2021, representing a compound annual growth rate of 28.92%. Currently, the Company has sufficient orders in hand and its capacity is fully utilized, with the utilization rate for the most recent four years being above 95% each. Mass production enables the Company to realize economies of scale and achieve cost-effective production. Benefiting from higher production efficiency and fewer costs, the Company has witnessed improvement in its profitability and overall competitiveness, which has further consolidated the Company's leading position in the high-performance NdFeB PMs market.

The Ganzhou Plant, where the Company's headquarters is located, is now the largest production base in terms of high-performance REPM production capacity for a single plant, with an annual blank production capacity of 15,000 tonnes. Meanwhile, the Company keeps optimizing its capacity layout and building production bases in Baotou and Ningbo. Currently, the first phase of Baotou Production Base of the Company has been completed and put into operation and the project, upon reaching full production capacity, will have a production capacity of 8,000 tonnes/annum of high-performance REPM. The Company's blanks production capacity will reach 23,000 tonnes per annum. Additionally, the project with an annual output of 3,000 tonnes of high-end magnetic materials and 100 million sets of components, invested by the Company in Ningbo, has commenced construction and is expected to be completed and put into operation in 2023. The Company has also planned to invest in and construct a High-Efficiency and energy-saving motors Magnets Base Project in Ganzhou and a high-performance REPM base (Phase II) project with an annual capacity of 12,000 tonnes in Baotou. The Company plans to build a production capacity of 40,000 tonnes/year of high-performance NdFeB PMs by 2025.

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

Rare earths are China's strategic resources. The Company is headquartered in Ganzhou, Jiangxi Province, the main production area for heavy rare earths. In Baotou, Inner Mongolia, the main production area of light rare earths, the Company has built a high-performance REPM production base. In December 2021, in order to respond to national policies, China Rare Earth Group Co., Ltd. was officially established in Ganzhou, aiming to complement the advantages of peers in rare earth resources and coordinate the development of the rare earth industry. The Company, as a leader of the key REPMs industry in Ganzhou, will obtain benefits and faster development. Additionally, the Company has established a stable cooperation relationship with important rare earth raw material suppliers including China Southern Rare Earth Group Co., Ltd. and China Northern Rare Earth Group High-Tech Co., Ltd. Meanwhile, the Company has purchased rare earth raw materials in advance based on the orders in hand, established a price adjustment mechanism with customers, optimized formulas, improved the process, and taken other measures to reduce the adverse effect of rare earth raw material price fluctuations on the Company's operating results.

(3) Strong production optimization, research and development capability and industry-leading grain boundary diffusion technology

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

The Company has the industry-leading grain boundary diffusion technology. On the one hand, the Company helps customers in the wind power industry to reduce their production costs by optimizing formulas to reduce and even eliminate the addition of medium and heavy rare earths in the production of high-performance NdFeB PMs. On the other hand, in the field of NEVs and VFACs, etc., the Company has the ability to realize large-scale production and delivery and constantly develop high-grade products adopting grain boundary diffusion technology. By using this technology, the Company can maintain the high performance of magnetic products while greatly reducing the consumption of medium and heavy rare earths. According to Frost & Sullivan, grain boundary diffusion technology can reduce the consumption of medium and heavy rare earths by 50% to 70% in general cases. In 2018, 2019 and 2020, the Company applied grain boundary diffusion technology to the production of about 1,200 tonnes, 2,100 tonnes and 4,111 tonnes of PM respectively. In 2021, the Company used this technology to produce 6,064 tonnes of high-performance REPM, representing a year-on-year growth of 47.51%, and accounting for 58.73% of the Company's total product output in the same period, an increase of 16 percentage points compared to the same period in the previous year. Among these products, the ultra-high grade products amounted to approximately 3,437 tonnes, accounting for 56.68% of the high-performance REPM products using grain boundary diffusion technology. In 2021, the Company's research and development expenses totaled RMB160.2 million, representing a year-on-year increase of 55.23% and 3.93% of the revenue. Four new invention patents and ten utility model patents were authorized and 20 patent applications were subject to scrutiny.

(4) First-mover advantage in the rare earth permanent magnets industry, which features high customer stickiness and entry barriers

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

The Company continues to improve its lean production capability and is committed to satisfying customer needs based on its product delivery capability and production efficiency. Generally, the Company will not outsource its production steps to sub-contractors, so it can control quality and organize production on schedule more efficiently.

There are also high entry barriers for customer certification in the rare earth permanent magnets industry. High-performance NdFeB permanent magnets are considered as important functional materials in related industries, and their quality is vital to the performance and quality of customers' final products. Once a partnership is established, customers will not easily shift to other suppliers. Therefore, in the rare earth permanent magnets industry, it is difficult and even impossible for new entrants to become qualified suppliers of leading enterprises in downstream industries within a short period of time. In view of high barriers for customer certification, the Company's capacity as a main certified supplier for many leading customers proves the Company's consistently high quality and leading position in the rare earth permanent magnets industry. In 2021, the Company received the "Global Supplier Excellence Award" from Bosch Group, the "2020 Technical Support Award" and "2020 AAAAA Supplier Award for Quality and Credit" from Goldwind Technology, the "Best Delivery Award" from Goertek, and the "2020 Best Quality Award" from CRRC Yongdian, etc.

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

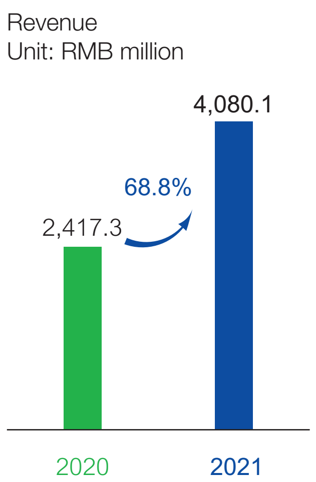
The Company was established in 2008. Under the leadership of its management team, the Company continued to expand its business in the emerging areas then and focused on the research, development and production of high-performance NdFeB permanent magnets. The Company focuses on technological innovation and capacity expansion. It has established cooperation relationships with industry-leading customers through the implementation of long-term strict certification procedures, which has laid a solid foundation for its subsequent business expansion. The Company started to produce the high-performance NdFeB permanent magnets used for wind turbine generators, energy-saving VFACs, new energy vehicles and automotive parts in 2010, 2011 and 2012, respectively. It has witnessed an overall rise in revenues arising from the abovementioned fields year by year. The Company will continue to explore high-end markets such as industrial energy-saving motors and energy-saving elevators. It has realized mass production and sales of high-performance NdFeB permanent magnets in the 3C field and is exploring new fields such as rail transit.

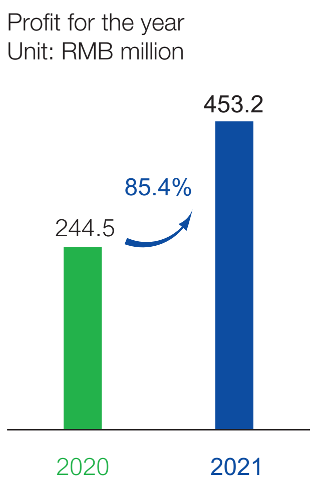
The Company boasts a young and energetic management team with senior industry background and rich experience in management and operation. Members of the team can timely and accurately understand the development trends of the industry, keenly seize market opportunities and formulate sustainable development strategies to lead the Company to become a leader of high-performance rare earth permanent magnets in the world step by step. The Company has continued to improve the quality and technical level of its existing products to further increase the competitiveness of the products. The Company has launched a multi-dimensional incentive system including the equity incentive scheme, which has effectively stimulated the enthusiasm and creativity of employees and maintained the stability of its team. During the Reporting Period, the trade moratorium release conditions for the first trade moratorium release period and the vesting conditions for the first vesting period under the 2020 Restricted Stock Incentive Scheme of the Company were satisfied. Related trade moratorium release and stock registration work has been successfully carried out and the cohesion of talents has been further improved. Focusing on long-term business development, the Company has actively deployed overseas markets. It has set up subsidiaries in Hong Kong, Europe, Japan, and the United States, with local talent teams engaged, as the Company's platforms for technological exchanges, logistics service and sales. The Company has seen an increasing degree of internationalization.

4 REVIEW OF OPERATIONS DURING THE REPORTING PERIOD

(1) Continuously growing results

During the Reporting Period, the Company continued to focus on the areas of new energy and energy conservation and environmental protection, as well as core applications, including new energy vehicles and automotive parts, energy-saving VFACs, wind turbine generators, 3C, industrial energy-saving motors, energy-saving elevators and rail transit, maintaining a significant growth in its revenue and profit. During the Reporting Period, the Company recorded a revenue of RMB4,080.1 million, representing a year-on-year increase of 68.8%; the revenue of RMB3,701.7 million in China, representing a year-on-year increase of 78.3%; the revenue of RMB378.4 million overseas, representing a year-on-year increase of 11.0%, of which revenue from exports to the United States amounted to RMB54.4 million; profit attributable to the owners of the parent of RMB453.2 million, representing a year-on-year increase of 85.4%.





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

In terms of the NEVs and automotive parts sector, the Company is the magnetic steel supplier of Tesla, BYD, UAES, NIDEC and other NEV drive motors, with SAIC Motor, NIO, and Li Auto as the end-users of the Company. In addition, the Company has been the magnetic steel supplier for automotive parts of Bosch Group for years and is also the REPM supplier to the NEV platforms of Volkswagen and General Motors. In 2021, the Company's revenue from the areas of new energy vehicles and automotive parts reached RMB1,050.7 million, representing an increase of 222.7% as compared with the same period last year. The Company's sales volume in this sector can assemble approximately 1.24 million passenger NEVs. As a leading supplier of magnetic steel for drive motors in the global new energy vehicle industry, the Company's products have been used in the production of drive motors by eight of the world's top ten new energy vehicle manufacturers in 2021. In addition, the Company continued to explore the market, striving to obtain more projects from international and domestic automobile customers. In December 2021, the Company received a Project Assignment Notice from the Automotive Motor & Electronic Control (AMEC) Business Unit of Nidec Corporation, stating that the Company has become its supplier of rare earth permanent magnets. The Company was also awarded the "Global Excellent Supplier" by Bosch Group.

In terms of the energy-saving VFACs sector, the Company is the major magnetic steel supplier of well-known brands such as Midea, Gree, Shanghai Haili and Mitsubishi Electric. In 2021, the revenue of the Company generated from the energy-saving VFACs sector reached RMB1,400.1 million, representing a year-on-year increase of 59.4%. In 2021, the Company's sales volume of magnetic steel products for energy-saving VFACs can assemble approximately 48.50 million units of VFAC compressors, which further solidified the Company's leading position in the global energy-saving VFACs sector. The top five manufacturers of VFAC compressors in the world have maintained close cooperation with the Company for many years. The Company won the "Golden Reward for Suppliers in 2021" from Mitsubishi Electric.

In terms of the wind power sector, the Company's customers include the world's leading wind turbine manufacturers such as Goldwind Technology and Siemens Gamesa. In 2021, the revenue of the Company generated from the wind power sector reached RMB887.1 million, which is basically approximate to the amount of last year. The sales volume of the Company's magnetic steel products for wind power sector can equip wind turbine generators with an approximate aggregate installed capacity of 8.65GW in 2021. Four of the world's top five wind turbine generator manufacturers were the Company's customers. The Company was recognized as the "5A Supplier with Good Quality and Credit" by Goldwind for seven consecutive years.

The Company increased the scale of mass production in the 3C sector and won the "Best Delivery Award" from Goertek. In 2021, the Company continued to develop high-end markets in the fields of industrial energy-saving motors and energy-saving elevators, and was a major supplier of KONE Elevator and Shanghai Mitsubishi Elevator. The Company was also involved in the research and development of magnetic steel and magnetic component parts in the field of maglev rail transportation.

(3) Further enhancement in technology, quality and management capability

In terms of technology R&D, the Company achieved progress in the fields including material engineering, process optimization, surface processing and recycling technology. The Company worked closely with customers in the R&D of new products and product iteration and upgrade. In return, the Company has developed high-grade products, free heavy rare earth products and low heavy rare earth products, especially the GBD products, which was well received by many strategic customers. The project of "Key Technology Research and Industrialization of High Temperature Resistant, Low Heavy Rare Earth and High Performance Rare Earth Permanent Magnets" led by the Company won the "First Prize of Scientific and Technological Progress" of the Rare Earth Science and Technology Award jointly established by China Rare Earth Society and China Rare Earth Industry Association in December 2021. In terms of automation, in 2021, the Company self-developed, manufactured, delivered and used more than 250 units of new automation equipment and conducted upgrade and alteration on over 130 units of existing equipment, which improved our product quality and consistency. In terms of quality management, the Company fully built the IATF16949:2016 international automobile industry quality management system, creatively integrated the quality management system standards of various automobile customers including General Motors BIQS, established and improved the Company's quality management system JLQS. The Company was promoting lean production, integrating business processes, promoting digital management and building enterprise value chain. The Company's product delivery capability and production efficiency were at the front of the industry, which had won widespread acclaim from our customers.

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

During the Reporting Period, with the completion of the "High Performance Rare Earth Permanent Magnets Base Project" invested and constructed by the Company in Baotou at the end of 2021, the project, upon reaching full production capacity by 2022, will have a production capacity of 8,000 tonnes/year of high performance rare earth permanent magnets. The Company's blanks production capacity will reach an annual production capacity of 23,000 tonnes, and the production base will also move from a single factory to a group of factories in multiple locations. The Company plans to build a high-performance NdFeB permanent magnets with an annual production capacity of 40,000 tonnes by 2025.

Factory location	Production capacity (tonnes/year)	Status	Schedule for production output
Ganzhou City, Jiangxi Province	15,000	Production output reached	2021
Baotou, Inner Mongolia	8,000	Under production(1)	2022
Ningbo City, Zhejiang Province	3,000	Under construction(2)	2023 - 2024
Baotou, Inner Mongolia	12,000	Under planning and construction(3)	2023 - 2024
Ganzhou City, Jiangxi Province	2,000	Under planning and construction(4)	2024 - 2025
Total	40,000		

(1) Base project for high-performance REPMs

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

(3) Base project for high-performance REPMs (Phase II)

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

(5) Supporting the Company's development by issuing H Shares successfully

The Company was successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited on January 14, 2022, becoming the first "A+H" listed company around the world in high-performance REPMs industry. The H-Share IPO of the Company introduced a number of heavyweight cornerstone investors, including China State-owned Enterprises Mixed Ownership Reform Fund, CR Alpha Investment II Limited (a company indirectly owned and controlled by the China Resources (Holdings) Company Limited), YHG Investment, L.P., CITIC-Prudential Life Insurance Company Limited, and SINO-BLR Industrial Investment Fund, L.P. which was initiated by China Merchants Group. A total of 125,466,000 overseas listed foreign shares (H Shares) were offered in the Global Offering. The proceeds from the Global Offering are approximately HK$4,241.0 million, which are planned for the construction of production bases, expansion of the global industrial chain and technology R&D. In February 2022, the Company's H Shares were added into the list of Southbound Stock Connect by the Shanghai Stock Exchange and the Shenzhen Stock Exchange.

(6) Continuous improvement and optimization of corporate governance

The Company conducts corporate governance in strict accordance with relevant rules of the regulatory bodies, and constantly updates and improves the internal control system in accordance with the latest regulations. In 2021, the Board of Directors of the Company considered and approved 9 system documents including the Risk Management System and the Board Diversity Policy, and revised 20 systems including the Articles of Association, the Information Disclosure Management System and relevant procedure rules. In July 2021, the Company scored A (Excellent) in the 2020 listed company information disclosure assessment of Shenzhen Stock Exchange for two consecutive years; in May 2021, the Company was awarded the Best Board of Directors in the 12th "Tianma Awards"; in December 2021, the Board of Directors of the Company was awarded the "Best Board of Directors" in the 2021 China Listed Company Reputation List released by the Daily Economic News; in the same month, the Company won the "2021 Growth Potential 'Star' Company" award in the "China Listed Company Competitiveness and Credibility" survey and selection activity by Chinese Securities Journal; in December 2021, Mr. Cai Baogui, the chairman of the Company, was awarded the "Pioneer of Emerging Company of the Year" of China Listed Company Jinglun Award (經綸獎).

The Company conducts extensive communication with investors through performance briefings and in other various forms, so as to achieve the goal of "respecting investors, honor investors and protecting investors". On September 2, 2021, JL MAG was selected as the "Best Practice Case of the 2020 Annual Report Performance Briefing Session of Listed Companies" at the experience exchange meeting of the 2020 annual report performance briefing session hosted by the China Listed Company Association.

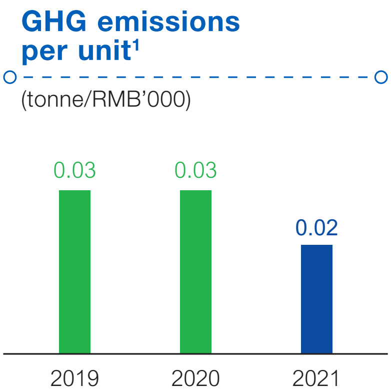
(7) Practicing the concept of low-carbon development and fulfilling the social responsibility of listed companies

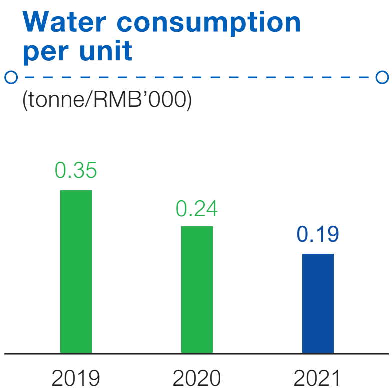
The Company attaches great importance to social responsibility and extensively engaged in charitable activities. In 2021, the Company donated RMB1.0 million to Ganzhou Charity Federation and RMB0.2 million to the First Affiliated Hospital of Gannan Medical College through Ganzhou Charity Federation, the Company also set up scholarships or education funds totaling RMB0.9 million in a number of colleges and universities. In 2021, the Company continued to increase its investment in production safety and environmental protection, the total expenditure on environmental protection and occupational safety for the year was RMB17.4 million, representing a year-on-year increase of 46.83%. The Company pays taxes in accordance with the law. In 2021, the parent company paid various taxes of RMB115.0 million, becoming the major taxpayer for ten consecutive years in Ganzhou Economic and Technological Development Zone, and won the "Top Taxpayer" Award in Ganzhou Economic and Technological Development Zone.

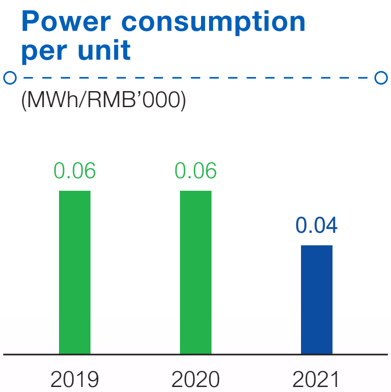
The Company has always attached great importance to the training and development of talents. The Company continues to increase its investment in talent training, provides high-quality guarantees, conducts in-depth training, and improves the skills and overall quality of employees. On April 27, 2021, Wen Xiaozhen, an employee of the Company, won the National May 1st Labor Medal, and was awarded the honorary title of "The Most Beautiful Worker" in 2021 by the Central Propaganda Department and the All-China Federation of Trade Unions.

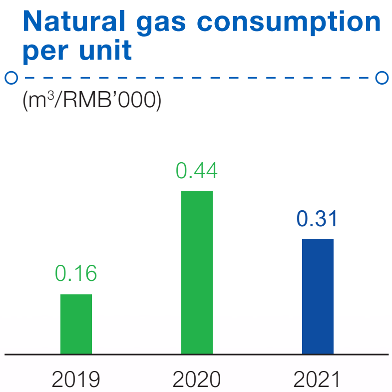
The Company always regards the occupational health of employees as the first priority of employees' rights and interests. The Company is committed to establishing a standardized safety management system and an occupational disease prevention system for employees, providing employees with a safer and healthier working environment, preventing injuries and health problems, and striving to continuously improve occupational health and safety. In January 2022, the Company obtained the Occupational Health and Safety Management System Certification issued by SGS Group, a globally recognized quality and integrity certification benchmarking institution. During the Reporting Period, the Company's "2020 Restricted Share Incentive Plan" fulfilled the conditions for unlocking restrictions for the first unlocking period and the vesting conditions for the first vesting period, a total of 1,623,040 shares of Type I restricted shares were unlocked, and 3,372,800 shares of Type II restricted shares were vested accordingly. The unlocking and the completion of the vesting of the relevant restricted shares effectively achieved the purpose of the Company's equity incentives, further improved the Company's long-term incentive mechanism, to ensure the realization of the Company's development strategy and business objectives.

The Company is committed to supporting the realization of strategic goal of China's carbon neutrality and global sustainable development through its "dual-carbon" business layout and product technology innovation. To better implement the concept of low-carbon development, the Company intends to cooperate with Goldwind Technology in a green power initiative on, amongst others, construction of no more than 15 MW photovoltaic power plants in our production sites, including, among others, spare areas in Ganzhou Production Base, Baotou Production Base and Ningbo Production Base. On August 13, 2021, the results of the First Session of Sina Finance China Carbon Company Awards were released, JL MAG was awarded as the "Emerging Power of China Carbon Company" for its outstanding performance in the "dual-carbon" field.









[1] Calculated by emission/consumption divided by annual revenue

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

V FINANCIAL REVIEW

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

(1) Overview

During the Reporting Period, the Company had adequate order in hand and the production capacity was fully utilized. The output and sales volume of high-performance PM products produced by GBD technology increased rapidly.

During the Reporting Period, the Company's revenue amounted to RMB4,080.1 million, representing an increase of RMB1,662.8 million from RMB2,417.3 million for the year 2020. The gross profit of the Company was RMB914.9 million, representing an increase of RMB340.3 million from RMB574.6 million in 2020. The basic earnings per share of the Company was RMB0.65.

During the Reporting Period, the profit attributable to owners of the parent amounted to RMB453.2 million, representing an increase of RMB208.7 million or 85.4% from RMB244.5 million in 2020, which was mainly due to the fast and steady growth of the Company's business.

(2) Revenue and Cost of Sales Analysis

During the Reporting Period, the Company generated revenue from sales of NdFeB magnetic steel and other products. Revenue increased by RMB1,662.8 million from RMB2,417.3 million in 2020 to RMB4,080.1 million in 2021. The increase in revenue was mainly due to the continuous increase in the sales of NdFeB magnetic steel during the Reporting Period, in which the sales volume of NdFeB magnetic steel products increased by 1,890.29 tonnes from 8,818.25 tonnes in 2020 to 10,708.54 tonnes in 2021, representing an increase of 21.4%; as a result of the adjustment of product structure and the increase in the price of rare earth raw materials, the average selling price of NdFeB magnetic steel products in 2021 increased as compared with the same period of the previous year.

1. *Analysis of main business by products and regions*

By product downstream applications:

	For the year ended December 31,			
	2021		2020	
	RMB'000	**%**	RMB'000	%
– Energy-saving VFACs	**1,400,090**	**34.32**	878,295	36.33
– NEVs and automotive parts	**1,050,677**	**25.75**	325,558	13.47
– PM wind turbine generators	**887,098**	**21.74**	879,019	36.36
– Other	**742,207**	**18.19**	334,474	13.84
Total	**4,080,072**	**100.00**	2,417,346	100.00

By sales regions:

	For the year ended December 31,			
	2021		2020	
	RMB'000	**%**	RMB'000	%
China	**3,701,658**	**90.73**	2,076,542	85.90
Overseas	**378,414**	**9.27**	340,804	14.10
Total	**4,080,072**	**100.00**	2,417,346	100.00

During the Reporting Period, the cost of sales of the Company mainly consisted of direct materials, direct labour and manufacturing expenses for the production of NdFeB magnetic steel and other products. Cost of sales increased by RMB1,322.3 million from RMB1,842.8 million in 2020 to RMB3,165.1 million in 2021. The increase in cost of sales was mainly due to the continuous increase in both production and sales volume of NdFeB magnetic steel as well as the significant increase of rare earth raw materials price during the Reporting Period.

(3) Gross Profit and Gross Profit Margin

During the Reporting Period, the Company's gross profit was approximately RMB914.9 million (RMB574.6 million in 2020), with a gross profit margin of 22.4% (2020: 23.8%). The slight decrease in gross profit margin was mainly due to the significant increase in the price of rare earth raw materials in 2021.

(4) Other income and gains

The Company's other income and gains, mainly including government grants, bank interest income, changes in fair value of forward exchange agreements and others, increased by 62.3% from RMB31.6 million in 2020 to RMB51.3 million in 2021, which was mainly due to (i) an increase in gains on wealth management products of RMB7.7 million; (ii) an increase in fair value changes of forward exchange agreements of RMB3.9 million; and (iii) an increase in bank interest income of RMB5.7 million, which was mainly related to proceeds from issuance of A Shares to certain shareholders by the Company in January 2021.

(5) Selling and Distribution Expenses

The Company's selling and distribution expenses, which mainly consist of employee benefit expenses, traveling expenses and marketing expenses, increased by 46.2% from RMB17.1 million in 2020 to RMB25.0 million in 2021, mainly due to an increase of RMB3.80 million in exhibition promotion expenses in 2021.

(6) Administrative Expenses

The Company's administrative expenses, which mainly consist of employee benefit expenses, taxes other than income tax expenses, professional service expenses and depreciation and amortization, increased by 53.0% from RMB104.3 million in 2020 to RMB159.6 million in 2021, primarily due to (i) an increase in share incentive expenses of RMB24.0 million in 2021; (ii) new recruits to support business growth of the Company, as well as an increase in average compensation, resulting in an increase of RMB11.3 million in compensation; and (iii) an increase of RMB8.4 million in related professional expenses due to equity financing.

(7) Research and Development Expenses

The Company's research and development expenses, which mainly consisted of employee benefit expenses, consumables and testing materials costs, increased by 55.2% from RMB103.2 million in 2020 to RMB160.2 million in 2021, primarily due to (i) an increase of RMB19.9 million in testing and processing fee for product research and development as customer orders increased; (ii) a significant increase of RMB18.5 million in testing materials costs consumed by new R&D projects; (iii) an increase of approximately RMB7.6 million in share incentive expenses for R&D staff.

(8) Impairment Losses on Inventories

The Company's impairment losses on inventories represented the amount by which the carrying amount of inventories exceeds their recoverable amount, which increased by 35.2% from RMB5.4 million in 2020 to RMB7.3 million in 2021, mainly due to fluctuations in the net realizable value of inventories based on the estimated selling price of finished products.

(9) Impairment Losses on Financial Assets, Net

The net impairment losses on financial assets of the Company mainly represents impairment provisions for our trade receivables and notes receivables, which decreased from RMB7.0 million in 2020 to RMB0.9 million in 2021, mainly due to the reversal of the impairment of receivables, which was subsequently received in 2021.

(10) Other Expenses

The Company's other expenses mainly includes donation and loss on disposal of non-current assets, representing a decrease of 18.6% from RMB4.3 million in 2020 to RMB3.5 million in 2021.

(11) Finance Costs

The Company's finance costs, which mainly includes interest expense on interest-bearing bank and other borrowings and other finance costs in relation to the Company's lease liabilities, increased by 5.1% from RMB73.9 million in 2020 to RMB77.7 million in 2021, mainly due to an increase in interest-bearing bank and other borrowings.

(12) Foreign Exchange Differences, Net

The net foreign exchange differences, represents the losses or gains resulting from translation of currencies at different exchange rates, which was recorded a loss of RMB16.5 million in 2021, as compared to a loss of RMB10.6 million in 2020, mainly due to the impact of exchange rate fluctuations.

(13) Share of Losses of Associates

The Company's share of losses of associates primarily represents losses from our investments in Jiangtong Cicai and Xiexin Chaoneng, which increased from RMB1.7 million in 2020 to RMB3.2 million in 2021, mainly due to the increase in losses of Jiangtong Cicai in 2021. The Company's investment in Jiangtong Cicai was disposed of during the Reporting Period, and the gains from disposal was also recorded in the relevant accounts.

(14) Income Tax Expenses

The Company's income tax expenses, including current income tax and deferred income tax, increased by 71.8% from RMB34.0 million in 2020 to RMB58.4 million in 2021, primarily due to the increase in the Company's profit before tax.

(15) Profit for the Year

The Company's profit for the year increased by 85.5% from RMB244.7 million in 2020 to RMB454.0 million in 2021. The Company's profit margin for the year (i.e. profit for the year as a percentage of revenue) increased from 10.1% in 2020 to 11.1% in 2021.

(16) Cash Flow

Summary of cash flows	**For the year ended December 31, 2021 RMB'000**	2020 RMB'000
Net cash flows from operating activities	**101,791**	158,035
Net cash flows used in investing activities	**(652,545)**	(208,138)
Net cash flows from/(used in) financing activities	**1,217,738**	(203)
Net increase/(decrease) in cash and cash equivalents	**666,984**	(50,306)

1. Net cash flow from operating activities

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

The Company's net cash flow generated from operating activities for the year ended December 31, 2021 was RMB101.8 million, mainly due to the Company's profit before tax of RMB512.4 million, and adjusted for non-cash and non-operating items. The Company's net cash generated from operating activities for the year ended December 31, 2020 was RMB158.0 million, mainly due to the Company's profit before tax of RMB278.7 million, adjusted for non-cash and non-operating items.

2. Net cash flow used in investing activities

The Company's net cash flow used in investing activities mainly included payment for leasehold land, purchases of items of property, plant and equipment, purchases of wealth management products and proceeds from sale of wealth management products, and purchases of items of other long-term assets.

The Company's net cash flow used in investing activities for the year ended December 31, 2021 was RMB652.6 million, mainly due to the purchase of property, plant and equipment of RMB563.2 million and the leasehold land of RMB91.3 million.

The Company's net cash flow used in investing activities for the year ended December 31, 2020 was RMB208.1 million, mainly due to the purchase of property, plant and equipment of RMB117.6 million and the leasehold land of RMB83.1 million.

3. Net cash flow from/(used in) financing activities

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

The Company's net cash flow from financing activities for the year ended December 31, 2021 was RMB1,217.7 million. Cash inflows mainly consisted of RMB1,046.7 million of increase in bank loans and RMB566.2 million of proceeds from issuance of shares. Such cash inflows were offset by repayments of bank borrowings of RMB445.3 million, dividends paid of RMB86.3 million, and interest paid outflows of RMB43.0 million.

The Company's net cash flow used in financing activities for the year ended December 31, 2020 was RMB0.2 million. Cash outflows mainly consisted of repayment of bank borrowings of RMB378.5 million, settlement of letter of credit of RMB61.1 million, and interest paid of RMB45.5 million. Such cash outflows were offset by inflows of new bank borrowings of RMB455.3 million and proceeds from issuance of shares of RMB54.9 million.

(17) Financial Position

Non-current assets increased by RMB723.5 million from RMB762.3 million as of December 31, 2020 to RMB1,485.8 million as of December 31, 2021, primarily due to the increase in the balance of property, plant and equipment and the increase in the balance of right-of-use assets during the Reporting Period. Current assets increased by RMB1,805.2 million from RMB2,759.8 million as of December 31, 2020 to RMB4,565.0 million as of December 31, 2021, primarily due to the increase in the balance of trade and notes receivables, the increase in the balance of inventories and the increase in the balance of cash and cash equivalents during the Reporting Period.

Current liabilities increased by RMB1,295.7 million from RMB1,272.3 million as of December 31, 2020 to RMB2,568.0 million as of December 31, 2021, primarily due to the increase in the balance of interest-bearing bank and other borrowings and the increase in the balance of trade and notes payable during the Reporting Period.

Non-current liabilities decreased by RMB165.9 million from RMB682.3 million as of December 31, 2020 to RMB516.4 million as of December 31, 2021, mainly due to the full conversion or redemption of A Share convertible corporate bonds issued during the Reporting Period and a decrease in deferred income tax liabilities.

As of December 31, 2021 and December 31, 2020, the Company had net current assets of RMB1,997.0 million and RMB1,487.5 million, respectively, and total equity of RMB2,966.4 million and RMB1,567.5 million, respectively.

As of December 31, 2021 and December 31, 2020, the Company's cash and cash equivalents amounted to RMB1,255.5 million and RMB593.0 million, respectively.

(18) Inventories

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

	As of December 31,	
	2021	2020
	RMB'000	RMB'000
Raw materials	**456,678**	313,961
Work in progress	**339,675**	112,919
Finished goods	**532,272**	501,119
	1,328,625	927,999
Less: Impairment provision		
Work in progress	**(3,469)**	(945)
Finished goods	**(956)**	(2,067)
	(4,425)	(3,012)
	1,324,200	924,987

The Company's inventories increased from RMB925.0 million as of December 31, 2020 to RMB1,324.2 million as of December 31, 2021, mainly because the Company increased our raw materials in preparation for subsequent production and finished goods for subsequent sales, along with the increase in orders. The Company's work in progress increased primarily due to the increase in our production scale along with the increase in our production capacity.

(19) Property, Plant and Equipment

Property, plant and equipment mainly consist of buildings, machinery and equipment, furniture and fixtures, motor vehicles, office and other equipment and construction in progress. As of December 31, 2021 and December 31, 2020, the net book value of the Company's property, plant and equipment amounted to RMB1,038.1 million and RMB562.6 million, respectively. The increases in the Company's plant, property and equipment during the Reporting Period were primarily due to the increase in investment in equipment in relation to additional production lines and automation of production facilities.

(20) Indebtedness and Gearing Ratio

As of December 31, 2021, the Company's interest-bearing bank and other borrowings amounted to RMB1,762.7 million. Among the total borrowings, RMB1,350.9 million of the borrowings will be due within one year while RMB411.8 million will be repayable after one year.

As of December 31, 2021, our gearing ratio, calculated by dividing total liabilities by total assets, was 51.0%, compared to 55.5% as of December 31, 2020.

(21) Pledge of Assets

As of December 31, 2021, the net carrying amount of the property, plant and equipment pledged by the Company was approximately RMB136.5 million (as of December 31, 2020: nil); the net carrying amount of the pledged right-of-use assets was approximately RMB77.3 million (as of December 31, 2020: nil). The above pledges are used to obtain bank loans, please refer to note 31 for details.

(22) Contingent Liabilities

At of December 31, 2021 and December 31, 2020, we did not have any material contingent liabilities.

VI FUTURE DEVELOPMENT STRATEGY AND BUSINESS PLAN OF THE COMPANY

1. Development strategy of the Company

In 2021, the impact on social economy and livelihoods globally brought about by the COVID-19 pandemic dragged on. The global economy was on its way of recovery amidst the persisting complicated economic environment. Benefiting from the effective management and control of the pandemic in China, the domestic economy witnessed a rapid recovery, further enhancing the global position of China's manufacturing industry. At the same time, factors such as tight capacity of global transportation, increasing raw material prices, exchange rate fluctuations and electricity rationing for energy saving also had a temporary impact on various industries. In the face of new challenges, the management of the Company continued to keep a close watch on pandemic prevention, and proactively formulated relevant measures to ensure the steady growth of the Company's performance in the year.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

The Company's strategic goal is to become a global leader in the rare earth permanent magnets industry, which will be achieved by implementing the following strategies:

(1) *Further scale up production capacity*

In order to respond to the increasing demand from downstream industries, the Company plans to expand its existing production capacity of high-performance NdFeB PMs and deepen the penetration of our products in the downstream industries through R&D and upgrading production lines. The Company's gross production capacity of high-performance NdFeB PMs blank will amount to 23,000 tonnes per annum upon the commencement of operation of Phase I of Baotou Production Base in the second quarter of 2022. At the same time, the composition of production bases of the Company is shifting from the model of single factory to multiple factories as part of collective management. The Company plans to continue to significantly increase production capacity in the next few years and endeavors to reach production capacity of high-performance NdFeB PMs blank of 40,000 tonnes per annum by 2025.

Ganzhou Production Base

Baotou Production Base

Ningbo Production Base

(2) Strengthen our R&D efforts and broaden our product offering

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

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

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

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

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

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

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

(3) Expand the Company's global business footprint

As China has pledged to reach carbon neutrality by 2060 and most of the developed countries, such as U.S., Japan and UK, aims to achieve such goal by 2050, relevant supportive policies have been promulgated to reduce carbon emission. REPMs, by virtue of its inherent energy-saving advantages and wide applications in energy-saving industries, is expected to achieve robust development in the following years domestically and abroad. The Company plans to expand its global footprint and grasp the strategic opportunity period of upward development of the industry to proactively lay out its business in overseas markets. The Company will focus on building overseas technology exchange platform, sales platform and logistics services.

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

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

According to the resolution passed by the Board of Directors, the Company intends to cooperate with Goldwind Technology in a green power initiative on, among others, construction of no more than 15 MW photovoltaic power plants in its production sites, including, among others, spare areas in Ganzhou Production Base, Baotou Production Base and Ningbo Production Base. In addition to contributing REPMs to assist China in achieving its goal of carbon peak and carbon neutrality, the Company has also actively cooperated with leading new energy companies, including Goldwind Technology, in a green power initiative based on its business needs.

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

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

2. 2022 Annual Business Plan

Formulated by the Board of Directors of the Company, the Company's business strategy for the year 2022 is "customer-oriented, forging ahead with determination, and moving forward valiantly". The Company will continue to enhance lean, quality, production efficiency and informatization management through innovative technologies, replenish industrial chain resources, and continue to increase production capacity to achieve leap-forward development of the Company. To implement the above business policies, the Company's 2022 annual business plan is as follows:

(1) Safety Compliance Work Plan

The COVID-19 pandemic resurgence still brings huge risks to the life and production of the whole society. The Company continuously carries out on-going prevention measures to contain the spreading of the virus, reinforces the successful outcomes attained in combating the pandemic, actively cooperates with the municipal and district pandemic prevention headquarters and implements the regulations, and supervises all employees to strictly perform the epidemic prevention management regulations till we achieve a resounding victory in the battle against the virus. In terms of the production process, the Company pragmatically conduct safety production and environmental compliances and act in accordance with various laws and regulations, as well as abide by the listed company rules of Shenzhen Stock Exchange and Hong Kong Stock Exchange.

(2) Construction Plan For Projects Under Construction

Multi-base production is not only a requirement from customers for supply chain security, but also helps the Company diversify risks, reduce costs and better secure resources. The Company will actively promote the "High-performance REPMs Base Project" with an annual production capacity of 8,000 tonnes in Baotou to reach the production capacity as soon as possible and generate benefits. The Company will constantly promote the "Project of Realizing an Annual Production Capacity of 3,000 Tonnes of High-end Magnets and 100 million Units/Sets of Component Parts" in Ningbo, as well as plan to invest in the construction of the High-efficiency and Energy-saving Motors Magnets Base Project in Ganzhou and the construction of Project of High-performance REPMs Base (Phase 2) with Annual Production Capacity of 12,000 tonnes in Baotou to capture the development opportunities in the downstream market, expand the scale of production capacity and realize scale effect, as well as to improve the Company's competitiveness in various fields to attain constant enhancement of the Company's profitability.

(3) Market Development Plan

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

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

(4) Technology Development and Innovation Plan

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

(5) Quality Control and Lean Management Plan

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

(6) Team Building Plan

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

Over the past fourteen years since its establishment, the Company has kept in mind the mission of "Employing rare earth to create better life". We uphold our core values of the Company to achieve the unity of knowledge and practice and have implemented the allocation and incentive mechanism of "Build the platform together and share the fruits together". In 2022, the management of the Company will take value creation as the start and the goal of the Company's operation and management and lead all employees to forge into the lead of the industry to strive to enhance the strength of the listed companies and create a better performance to investors and the society in return.

CHANGES IN SHARE CAPITAL AND SHAREHOLDINGS OF SUBSTANTIAL SHAREHOLDERS

I STATEMENT OF CHANGES IN SHARE CAPITAL

Details of the movements in the share capital of the Company during the current year are set out in Note 34 to the Consolidated Financial Statements.

II NUMBER AND SHAREHOLDING OF SHAREHOLDERS

As of December 31, 2021, JL MAG had a total of 55,298 shareholders, including 55,298 holders of domestic A shares and 0 holder of oversea H Shares.

(1) Shareholding of the top ten shareholders

As of December 31, 2021, the shareholding of the top ten shareholders of JL MAG was set out as below

Unit: share

Name	Nature	Shareholding percentage	Number of shares held at the end of the reporting period	Changes during the reporting period	Number of shares held subject to trading moratorium	Number of shares held not subject to trading moratorium	Shares pledged, marked or frozen: Status	Shares pledged, marked or frozen: Number
Jiangxi Ruide Venture Investment Co., Ltd. (江西瑞德創業投資有限公司)	Domestic non-state owned legal person	34.03%	241,937,600	90,726,600	N.A	241,937,600	Pledged	4,800,000
Goldwind Investment Holding Co., Ltd. (金風投資控股有限公司)	Domestic non-state owned legal person	8.26%	58,736,320	11,406,763	N.A	58,736,320	N.A	N.A
Ganzhou Rare Earth Group Co., Ltd. (贛州稀土集團有限公司)	State-owned legal person	6.08%	43,200,000	16,200,000	N.A	43,200,000	N.A	N.A
Hong Kong Securities Clearing Company Limited	Oversea legal person	4.35%	30,901,109	29,673,205	N.A	30,901,109	N.A	N.A
Ganzhou Geshuo Investment Management Center (limited partnership) (贛州格碩投資管理中心(有限合夥))	Domestic non-state owned legal person	3.11%	22,105,584	22,105,584	N.A	22,105,584	N.A	N.A
Ganzhou Xinsheng Investment Management Center (limited partnership) (贛州欣盛投資管理中心(有限合夥))	Domestic non-state owned legal person	2.07%	14,710,272	14,710,272	N.A	14,710,272	N.A	N.A
BILL & MELINDA GATES FOUNDATION TRUST	Oversea legal person	0.96%	6,819,217	N.A	N.A	6,819,217	N.A	N.A
CDPQ or la Caisse	Oversea legal person	0.72%	5,147,393	N.A	N.A	5,147,393	N.A	N.A
Monetary Authority of Macao – Self-owned Funds	Oversea legal person	0.66%	4,699,827	N.A	N.A	4,699,827	N.A	N.A
Li Yuping (李豫平)	Domestic individual	0.57%	4,073,358	N.A	N.A	4,073,358	N.A	N.A
Description on the affiliated or acting-in-concert relationships among the above shareholders	(1) Jiangxi Ruide Venture Investment Co., Ltd. ("Ruide Venture") was the controlling shareholder of the Company, which was held as to 40%, 30% and 30%, respectively, by Cai Baogui (蔡報貴), Hu Zhibin (胡志濱) and Li Xinnong (李忻農) who were the de facto controllers of the Company and persons acting in concert. In particular, Ganzhou Xinsheng Investment Management Center (limited partnership) was held as to 89.12% and 10.88% by Cai Baogui and Hu Zhibin, respectively; and Ganzhou Geshuo Investment Management Center (limited partnership) was held as to 61.00% and 39.00% by Hu Zhibin and Li Xinnong, respectively; and (2) apart from the above shareholders, the Company was not aware of any affiliated or acting-in-concert relationships among other shareholders.							
Description on shareholders engaging in securities margin trading business, if any	Li Yuping held 0 share through his ordinary securities account and held 4,073,358 shares through his securities margin account.							

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

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

As H Shares had not been listed on the Stock Exchange as of December 31, 2021, the Securities and Futures Ordinance was not applicable to the Company during the Reporting Period.

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

Name	Class of Shares	Capacity/Nature of interest	Number of Shares held[1]	Approximate percentage shareholding in the relevant class of Shares of the Company[2]	Approximate percentage of total shareholdings in the Company[3]
Cai Baogui[4][5]	A Shares	Interests of controlled corporation	241,937,600(L)		
	A Shares	Interests of controlled corporation	14,710,272(L)		
	A Shares	Beneficial owner	640,000(L)		
	A Shares	Interests of parties acting in concert	23,065,584(L)		
			280,353,456(L)	39.43%	33.52%
Hu Zhibin[4]	A Shares	Interests of controlled corporation	241,937,600(L)		
	A Shares	Beneficial owner	960.000(L)		
	A Shares	Interests of parties acting in concert	37,455,856(L)		
			280,353,456(L)	39.43%	33.52%
Li Xinnong[4][6]	A Shares	Interests of controlled corporation	241,937,600(L)		
	A Shares	Interests of controlled corporation	22,105,584(L)		
	A Shares	Interests of parties acting in concert	16,310,272(L)		
			280,353,456(L)	39.43%	33.52%
Jiangxi Ruide Venture Investment Co., Ltd.[4]	A Shares	Beneficial owner	241,937,600(L)	34.03%	28.93%

Name	Class of Shares	Capacity/Nature of interest	Number of Shares held[1]	Approximate percentage shareholding in the relevant class of Shares of the Company[2]	Approximate percentage of total shareholdings in the Company[3]
Xinjiang Goldwind Technology Co., Ltd.[7]	A Shares	Interests of controlled corporation	58,736,320(L)	8.26%	7.02%
Goldwind Investment Holdings Limited[7]	A Shares	Beneficial owner	58,736,320(L)	8.26%	7.02%
Ganzhou Rare Earth Group Co., Ltd.	A Shares	Beneficial owner	43,200,000(L)	6.08%	5.17%
China State-owned Enterprise Mixed Ownership Reform Fund Co., Ltd.[8]	H Shares	Beneficial owner	34,270,800(L)	27.31%	4.10%
China Chengtong Holdings Group Ltd.[8]	H Shares	Interests of controlled corporation	34,270,800(L)	27.31%	4.10%
CR Alpha Investment II Limited	H Shares	Beneficial owner	11,423,600(L)	9.10%	1.37%
CCB Financial Holdings Limited[9]	H Shares	Interests of controlled corporation	6,923,400(L)	5.52%	0.83%
CCB International (Holdings) Limited[9]	H Shares	Interests of controlled corporation	6,923,400(L)	5.52%	0.83%
CCB International Group Holdings Limited[9]	H Shares	Interests of controlled corporation	6,923,400(L)	5.52%	0.83%
CCB International Overseas Limited[9]	H Shares	Beneficial owner	6,923,400(L)	5.52%	0.83%
Central Huijin Investment Ltd.[9]	H Shares	Interests of controlled corporation	6,923,400(L)	5.52%	0.83%
China Construction Bank Corporation[9]	H Shares	Interests of controlled corporation	6,923,400(L)	5.52%	0.83%
CITIC Corporation Limited[10]	H Shares	Interests of controlled corporation	6,923,400(L)	5.52%	0.83%

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

Name	Class of Shares	Capacity/Nature of interest	Number of Shares held[1]	Approximate percentage shareholding in the relevant class of Shares of the Company[2]	Approximate percentage of total shareholdings in the Company[3]
CITIC Glory Limited[10]	H Shares	Interests of controlled corporation	6,923,400(L)	5.52%	0.83%
CITIC Group Corporation[10]	H Shares	Interests of controlled corporation	6,923,400(L)	5.52%	0.83%
CITIC Limited[10]	H Shares	Interests of controlled corporation	6,923,400(L)	5.52%	0.83%
CITIC Polaris Limited[10]	H Shares	Interests of controlled corporation	6,923,400(L)	5.52%	0.83%
Prudential PLC[11]	H Shares	Interests of controlled corporation	6,923,400(L)	5.52%	0.83%
CITIC-Prudential Life Insurance Company Limited[10] [11]	H Shares	Beneficial owner	6,923,400(L)	5.52%	0.83%
Rosefinch Fund Management Co., Ltd.	H Shares	Investment manager	6,326,600(L)	5.04%	0.76%

Notes:

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

(2) Represents the percentage of the number of shares in the relevant class as at the date of this annual report divided by the number of all shares of the Company in issue (totalling 836,439,590 shares, including 125,466,000 H Shares and 710,973,590 domestic shares).

(3) Represents the percentage of the number of shares in the relevant class as at the date of this annual report divided by the number of shares in the relevant class of the Company in issue.

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

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

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

(6) Mr. Li is the general partner of Ganzhou Geshuo Investment Management Center (Limited Partnership) and directly holds 22,105,584 A shares of the Company.

(7) Goldwind Investment Holding Limited directly holds 58,736,320 A shares of the Company. Goldwind Investment Holding Limited is a wholly-owned subsidiary of Xinjiang Goldwind Technology Co., Ltd., which under the SFO is deemed to be interested in 58,736,320 A shares held by Goldwind Investment Holdings Limited.

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

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

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

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

III ISSUE AND LISTING OF H SHARES

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

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

IV CHANGES IN THE CONTROLLING SHAREHOLDER AND DE FACTO CONTROLLERS

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

(1) Controlling shareholder

As of the date of this annual report, Mr. Cai Baogui, Mr. Hu Zhibin and Mr. Li Xinnong, and the investment holding entities under their control, namely Jiangxi Ruide Venture Investment Co., Ltd., Ganzhou Geshuo Investment Management Center (limited partnership), and Ganzhou Xinsheng Investment Management Center (limited partnership), jointly hold approximately 33.52% interest of the total issued share capital of the Company, which constitutes a group of controlling shareholders of the Company under the Hong Kong Listing Rules.

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

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

(3) De facto controllers

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

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICE

(1) Improvement of Corporate Governance in the Reporting Period

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

(2) General Meetings of Shareholders

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

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

As the H Shares are listed on the Stock Exchange on the Listing Date, the Company is not required to maintain any register under Part XV of the SFO as of December 31, 2021.

As at the end of the Reporting Period, the interests of Directors, Supervisors and other senior management in the securities of the Company are set out in the section headed Profile of Directors, Supervisors and Senior Management in this annual report.

(4) Securities Transactions by Directors and Supervisors

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

(5) Performance of Duties by Independent Directors

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

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

(6) The Company's Independence of Controlling Shareholders

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

(7) Horizontal Competition with Controlling Shareholders

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

(8) Improvement and Implementation of Internal Control System

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

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

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

(9) Assessment and Incentive Mechanism for Senior Managers

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

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

1. Compliance with the Corporate Governance Code

The Company has adopted the applicable corporate governance rules specified in the Corporate Governance Code set out in Appendix XIV of the Listing Rules since the Listing Date. Since the shares of the Company have not been listed on the Stock Exchange during the year ended December 31, 2021, the Corporate Governance Code did not apply to the Company during the abovementioned period but has applied to the Company since the Listing Date.

Pursuant to code provision A.2.1 of the Corporate Governance Code (renumbered as code provision C.2.1 with effect from January 1, 2022), the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Cai Baogui is our co-founder, the Chairman and the general manager (same nature as the chief executive officer). From the inception of the Group's business, Mr. Cai has been responsible for the overall management, decision-making and strategy planning of our Group and is essential to our Group's growth and business expansion. Since Mr. Cai is the key reason for our Group's development and he will not undermine our Group's interests in any way under any circumstances, our Board considers that vesting the roles of chairman and general manager in the same person, Mr. Cai, would not create any potential harm to the interest of our Group and it is, on the contrary, beneficial to the management of our Group. In addition, the operation of the senior management and our Board, which are comprised of experienced individuals, effectively checks and balances the power and authority of Mr. Cai, as both the Chairman and general manager of our Group. Our Board currently comprises two executive directors (including Mr. Cai), four non-executive directors and three independent non-executive directors and therefore has a fairly strong independence element in its composition. Save as disclosed above, the Board of Directors believes that the Company has complied with the applicable provisions set out in the Corporate Governance Code.

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

1 THE BOARD OF DIRECTORS

(1) The Board of Directors

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

2 The Board of Directors of JL MAG shall convene regular Board meeting at least four times each year. The Board meeting is convened by the chairman, and all directors and supervisors shall be notified in writing 14 days prior to the meeting. In 2021, a total of 11 Board meetings were held by JL MAG.

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

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

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

(2) Chairman and General Manager

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

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

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

(3) Composition of the Board

1 Currently, the Board of JL MAG consists of nine members

(see the information of directors, supervisors, and other senior managers and employees in this annual report), including two executive directors and seven non-executive directors (including three independent non-executive directors, accounting for one third of the total directors of the Board).

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

(4) Appointment, Reelection and Removal

1 The term of office of all directors of JL MAG is three years, and an independent non-executive director shall not be reelected if he/she assumes office for more than six years. During the Reporting Period, Mr. Li Fei, Mr. Huang Weixiong and Mr. Xu Feng were nominated by the Board as candidates for the Company's directors, and were elected as the directors of the Company at the general meeting of shareholders. For the specific term of office of directors, please refer to the section headed "Profile of Directors, Supervisors and Senior Management."

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

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

(5) Nomination Committee

1 The Board of JL MAG has set up a Nomination Committee, in which Mr. Xu Feng, an independent non-executive director of the Company, serves as chairman of the committee and Mr. Cai Baogui, chairman of the Company, and Mr. Yuan Taifang serve as members of the committee. The Nomination Committee mainly proposes suggestions to the Board on the scale and composition of the Board, the selection criteria, procedures and candidates for directors and senior managers. The Procedures for Nomination of Director Candidates of JL MAG are available on the website of the Company (http://www.jlmag.com.cn/).

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

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

4 During the year, three meetings were convened by the Nomination Committee. From January 1, 2021 to April 23, 2021, members of the second session of the Nomination Committee under the Board of Directors attended two meetings. From April 23, 2021 to December 31, 2021, members of the third session of the Nomination Committee under the Board attended one meeting. The following matters had been considered at the Nomination Committee meetings:

(1) The third meeting of the second session of the Nomination Committee under the Board of Directors was held on March 8, 2021, which considered and approved the Proposal on the Re-election of the Board of Directors and the Nomination of Non-independent Director Candidates for the Third Session of the Board of Directors of the Company (《關於董事會換屆選舉暨提名公司第三屆董事會非獨立董事候選人的議案》).

(2) The fourth meeting of the second session of the Nomination Committee under the Board of Directors was held on April 23, 2021, which considered and approved the Proposal on the Appointment of General Manager of the Company (《關於聘任公司總經理的議案》) and the Proposal on the Appointment of the Deputy General Manager and Financial Director of the Company (《關於聘任公司副總經理、財務總監的議案》).

(3) The first meeting of the third session of the Nomination Committee under the Board of Directors was held on April 23, 2021, which considered and approved the Proposal on the Election of the Chairman of the third session of the Nomination Committee under the Board of Directors (《關於選舉第三屆董事會提名委員會主任委員的議案》).

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

(6) Duties of Directors

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

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

3 All directors of JL MAG have confirmed that they have complied with the provisions of the Model Code from the Listing Date until the date of this annual report.

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

(7) Attendance Record of Directors

For the year ended December 31, 2021, the record of the directors attending the Board meetings, Board Committees' meetings and general meetings are as follows:

Name	Board	Remuneration and Assessment Committee	Audit Committee	Nomination Committee	Strategy Committee	Number of general meetings attended
	Number of Board meetings and Board Committees' meetings attended/number of Board meetings and Board Committees' meetings held for the year ended December 31, 2021					
Executive Directors						
Mr. Cai Baogui	11/11	N/A	N/A	3/3	2/2	4
Mr. Lyu Feng	11/11	5/5	N/A	N/A	N/A	4
Non-executive Directors						
Mr. Hu Zhibin	11/11	N/A	6/6	N/A	N/A	3
Mr. Li Xinnong	11/11	N/A	N/A	N/A	N/A	2
Mr. Li Fei(1)	9/9	N/A	N/A	N/A	N/A	1
Mr. Huang Weixiong(1)	9/9	N/A	N/A	N/A	N/A	2
Independent Non-executive Directors						
Mr. You Jianxin	11/11	5/5	6/6	N/A	2/2	3
Mr. Xu Feng(2)	6/6	3/3	N/A	N/A	N/A	1
Mr. Yuan Taifang	11/11	N/A	6/6	3/3	N/A	3

Notes：

(1) Mr. Li Fei and Mr. Huang Weixiong were appointed as Directors of the Company on April 23, 2021. During the year ended December 31, 2021, Mr. Li Fei and Mr. Huang Weixiong attended nine out of the nine Board meetings during their term of office.

(2) Mr. Xu Feng was appointed as an Independent Non-executive Director of the Company on July 19, 2021. During the year ended December 31, 2021, Mr. Xu Feng attended six out of the six Board meetings during his term of office.

(8) Data Provision and Use

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

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

2 REMUNERATION AND ASSESSMENT COMMITTEE

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

2 The Remuneration and Assessment Committee consults the chairman and president regarding the remuneration proposals for other executive directors. Through the assessment by the Remuneration and Assessment Committee, it is believed that the executive director of JL MAG fulfilled the responsibilities specified in the Director Service Contract in 2021.

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

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

(1) The sixth meeting of the second session of the Remuneration and Assessment Committee under the Board of Directors was held on March 8, 2021, which considered and approved the Proposal on the Assessment Report in respect of the Remuneration and Performance of the Senior Management of the Company in 2020 (《關於公司2020年度高管薪酬績效考核報告的議案》) and the Proposal on the Set-up of Performance Assessment Indicators for the Senior Management in 2021 (《關於2021年度高管績效考核指標設定的議案》);

(2) The first meeting of the third session of the Remuneration and Assessment Committee under the Board of Directors was held on April 23, 2021, which considered and approved the Proposal on the Election of the Chairman of the Third Session of the Remuneration and Assessment Committee under the Board of Directors (《關於選舉第三屆董事會薪酬與考核委員會主任委員的議案》);

(3) The second meeting of the third session of the Remuneration and Assessment Committee under the Board of Directors was held on August 21, 2021, which considered and approved the Proposal on the Grant of Remaining Reserved Restricted Stocks to the Participants《關於向激勵對象授予剩餘預留限制性股票的議案》;

(4) The third meeting of the third session of the Remuneration and Assessment Committee under the Board of Directors was held on September 17, 2021, which considered and approved the Proposal on the Fulfilment of the Conditions for Releasing Restrictions during the First Release Period of the 2020 Restricted Stock Incentive Plan of the Company《關於公司2020年限制性股票激勵計劃第一個解除限售期解除限售條件成就的議案》, the Proposal on the Repurchase and Cancellation of the Restricted Stocks Granted, but not yet Released, to Certain Participants under the 2020 Restricted Stock Incentive Plan《關於回購註銷2020年限制性股票激勵計劃部分激勵對象已獲授但尚未解除限售的限制性股票的議案》 and the Proposal on the Invalidation of Certain Type II Restricted Shares Granted but not yet Vested《關於作廢部分已授予尚未歸屬的第二類限制性股票的議案》;

(5) The fourth meeting of the third session of the Remuneration and Assessment Committee under the Board of Directors was held on October 14, 2021, which considered and approved the Proposal on the Fulfilment of Vesting Conditions during the First Vesting Period of the 2020 Restricted Stock Incentive Plan of the Company《關於公司2020年限制性股票激勵計劃第一個歸屬期歸屬條件成就的議案》.

3 ACCOUNTABILITY AND AUDIT

(1) Financial Reporting

1 The directors are responsible for supervising accounts preparation in each financial period so that all accounts truly and fairly present the business condition, operating results and cash flow performance of the Company during the same period. The Board of the Company approved the Annual Financial Report (2021) and guarantees that the information contained in the financial report is free of any false records, misleading statements or material omissions and will assume joint and several liabilities for the authenticity, accuracy and completeness of the information contained therein.

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

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

4 The external auditor of JL MAG has stated its reporting duty on the Auditor's Report in the financial report.

(2) Internal Controls and Risk Management

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

2 In terms of internal control, JL MAG has formulated and continuously improved the Internal Control Manual based on the Articles of Association and the current management system, combined with the domestic and overseas regulatory rules and the actual situation of the Company's production, operation and management, to realize all-element internal control of internal environment, risk assessment, control activities, information and communication and internal supervision. At the same time, JL MAG continued to supervise and evaluate the internal control of the Company. Through regular testing, enterprise self-inspection, audit inspection and other comprehensive and all-level inspections, the headquarter and all enterprises were included in the scope of internal control evaluation, and internal control evaluation reports were prepared. The Board reviews the Company's internal control evaluation report annually. For details of the internal control of JL MAG during the Reporting Period, please refer to the internal control evaluation report. JL MAG has formulated and implemented an information disclosure system and an insider registration system. The Company regularly evaluates the implementation of the system and discloses it in accordance with relevant regulations.

3 In terms of risk management, based on the Articles of Association and the current management system, JL MAG has formulated a risk management system and established a risk management organization system, in combination with the domestic and overseas regulatory rules and the actual situation of the Company's production, operation and management. The Company organizes annual risk assessment every year, identifies major and important risks, implements risk management responsibilities, formulates major and important risk response strategies and measures in combination with internal control, and regularly tracks the implementation of major risk response measures to ensure the Company's major risks can receive sufficient attention, monitoring and response.

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

(3) Audit Committee

1 The Board of JL MAG has set up an Audit Committee, in which Mr. Hu Zhibin serves as chairman of the Committee and Mr. You Jianxin and Mr. Yuan Taifang serve as members of the Committee. The primary functions of the Audit Committee include reviewing and supervising the Group's financial reporting process and internal control system, reviewing connected transactions and making recommendations to the Board.

2 From the Listing Date to the end of the Reporting Period, a meeting of the Audit Committee was held on March 29, 2022. At the meeting, the annual results of the Group for the year ended December 31, 2021, material issues related to financial reporting and compliance procedures were reviewed; the re-appointment of the external auditor was considered and suggestions were made to the Board. During the year, six meetings were convened by the Audit Committee under the Board of Directors. The following matters had been considered at the Audit Committee meetings:

(1) The eleventh meeting of the second session of the Audit Committee under the Board of Directors was held on March 8, 2021, which considered and approved the Proposal on the Full Text and Summary of the 2020 Annual Report of the Company (《關於<公司2020年年度報告全文及摘要>的議案》), the Proposal on the 2020 Financial Accounting Report of the Company (《關於<公司2020年度財務決算報告>的議案》), the Proposal on the 2020 Profit Distribution Proposal (《關於2020年度利潤分配預案的議案》), the Proposal on the Special Report in respect of the Deposit and Actual Usage of the Proceeds in 2020 (關於<2020年度募集資金存放與實際使用情況的專項報告>的議案), the Proposal on the 2020 Internal Control Self-assessment Report of the Company (《關於<公司2020年度內部控制自我評價報告>的議案》) and the 2020 Internal Audit Work Report and 2021 Internal Audit Work Plan (《2020年度內部審計工作報告及2021年度工作計劃》);

(2) The twelfth meeting of the second session of the Audit Committee under the Board of Directors was held on April 18, 2021, which considered and approved the Proposal on the 2021 First Quarterly Report of the Company (《關於<公司2021年第一季度報告>的議案》), the Proposal on the Special Report in respect of the Deposit and Usage by the Company of the Proceeds in the First Quarter of 2021 (《關於<公司2021年第一季度募集資金存放與使用情況的專項報告>的議案》) and the 2021 First Quarterly Internal Audit Work Report (《2021年一季度內部審計工作報告》);

(3) The first meeting of the third session of the Audit Committee under the Board of Directors was held on April 23, 2021, which considered and approved the Proposal on the Election of the Chairman of the Third Session of the Audit Committee under the Board of Directors (《關於選舉第三屆董事會審計委員會主任委員的議案》);

(4) The second meeting of the third session of the Audit Committee under the Board of Directors was held on August 21, 2021, which considered and approved the Proposal on the 2021 Half-year Report and its Summary of the Company (《關於<公司2021年半年度報告及其摘要>的議案》), the Proposal on the Special Report in respect of the Deposit and Actual Usage by the Company of the Proceeds in the Half Year of 2021 (《關於<公司2021年半年度募集資金存放與實際使用情況的專項報告>的議案》) and the 2021 Audit Work Summary and Audit Work Plan for the Second Half of the Audit Department of the Company (《公司審計部2021年審計工作總結與下半年審計工作計劃》);

(5) The third meeting of the third session of the Audit Committee under the Board of Directors was held on October 14, 2021, which considered and approved the Proposal on the 2021 Third Quarterly Report of the Company 《關於<公司2021年第三季度報告>的議案》, the Proposal on the Appointment of Audit Firm for 2021 《關於聘請2021年度審計機構的議案》, the Proposal on the Special Report in respect of the Deposit and Usage by the Company of the Proceeds in the Third Quarter of 2021 《關於<公司2021年三季度募集資金存放與使用情況的專項報告>的議案》, the Proposal on Initiation of Green Power Cooperation and Related Transaction Matters 《關於開展綠色電力合作暨關聯交易事項的議案》 and the 2021 Third Quarterly Audit Work Summary and Audit Work Plan for the Fourth Quarter of the Audit Department of the Company 《公司審計部2021年三季度審計工作總結與四季度審計工作計劃》;

(6) The fourth meeting of the third session of the Audit Committee under the Board of Directors was held on December 3, 2021, which considered and approved the Proposal on the Appointment of Foreign Audit Firm for 2021 《關於聘請2021年度境外審計機構的議案》.

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

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

4 DELEGATION OF BOARD POWERS

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

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

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

(1) The fourth meeting of the second session of the Strategy Committee under the Board of Directors was held on March 8, 2021, which considered and approved the Proposal on the Capital Increase to a Wholly-owned Subsidiary and the Investment in Establishing "High-performance Rare Earth Permanent Magnets Base Project" (《關於向全資子公司增資並投資建設「高性能稀土永磁材料基地項目」的議案》);

(2) The first meeting of the third session of the Strategy Committee under the Board of Directors was held on April 23, 2021, which considered and approved the Proposal on the Election of the Chairman of the Third Session of the Strategy Committee under the Board of Directors (《關於選舉第三屆董事會戰略委員會主任委員的議案》).

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

5 INVESTOR RELATIONS

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

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

3 Some members of the Board, the Board of Supervisors and senior managers of JL MAG, through the extraordinary general meetings and annual general meetings held from time to time, conduct in-depth exchanges with investors.

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

6 COMPANY SECRETARY

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

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

3 For the year ended December 31, 2021, the company secretary of JL MAG has accepted relevant professional training for not less than 15 hours in accordance with Section 3.29 of the Listing Rules. From 2022 onwards, the company secretary of the Company will also receive the same professional training.

7 BOARD DIVERSITY POLICY

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

Looking forward, JL MAG will continue to carry forward gender diversity on the Board. The Board will make every effort to include female directors into the Board (keeping in mind the importance of management continuity and the timeline for retirement and reappointment of directors under the Articles) and the Nomination Committee will use its best endeavors and on suitable basis to, within one year after Listing, identify and recommend suitable female candidates to the Board for its consideration on appointment of a director. JL MAG will, when recruiting middle and senior managers, continue to ensure gender diversity. In this way, JL MAG will be able to have a number of senior management positions for females and invite potential females to join the Board in due course, so as to ensure the gender diversity of the Board. The Group will continue to attach importance to the training for female talents and provide them with long-term development opportunities.

8 DIVIDEND POLICY

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

9 SHAREHOLDERS' RIGHTS

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

(1) Right to convene extraordinary general meetings

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

(2) To put forward proposals at general meetings

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

(3) Making enquiries to the Board

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

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

10 ARTICLES OF ASSOCIATION

The Company has amended the Articles of Association in accordance with the requirements of the Listing Rules and the amended Articles of Association shall take effect from the Listing Date. The Articles of Association are available on the website of the Company and the website of the Stock Exchange.

REPORT OF THE BOARD OF DIRECTORS

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

1 BUSINESS REVIEW

(1) Principal Activities

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

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

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

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

(3) Environmental, Social and Governance Performance

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

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

2 ANNUAL GENERAL MEETING AND PROFIT DISTRIBUTIONS

(1) Annual General Meeting

The 2021 annual general meeting of the Company will be held on Friday, May 20, 2022 and an H Share circular containing further information of the 2021 annual general meeting will be despatched to the shareholders as soon as practicable. In order to determine the holders of Shares who are eligible to attend and vote at the 2021 annual general meeting, the register of members of the Company will be closed from Wednesday, April 20, 2022 to Friday, May 20, 2022, both days inclusive. To be eligible to attend the 2021 annual general meeting, unregistered holders of H Shares of the Company shall lodge share transfer documents accompanied by the relevant share certificates with the Company's H Share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Tuesday, April 19, 2022.

(2) Final Dividend

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

The Board proposed to distribute cash dividend of RMB2.5 (tax inclusive) for every 10 shares to all shareholders of the Company, based on the total share capital of the Company as at the record date of shareholding, and no conversion of capital reserve into share capital. 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. Such cash dividend distribution plan is subject to shareholders' approval at the 2021 annual general meeting, and dividends are expected to be distributed within 2 months after the conclusion of such general meeting. An H Share circular containing, among other things, further information in respect to the 2021 annual general meeting and the cash dividend will be dispatched to the shareholders of the Company as soon as practicable. Eligibility for receiving the cash dividend will be specified in the circular. Information relating to the expected date of payment will be otherwise announced by the Company.

(3) Taxation

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

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

3 FINANCIAL SUMMARY

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

4 PROPERTY, PLANT AND EQUIPMENT

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

5 SHARE CAPITAL

Details of changes in share capital of the Company during the Reporting Period are set out in Note 34 to the Consolidated Financial Statements of this annual report.

6 EQUITY-LINKED AGREEMENTS

From the Listing Date to the date of this annual report, the Company did not enter into any equity-linked agreement.

7 RESERVES

Details of changes in the reserves of the Company during the Reporting Period are set out in Note 36 to the Consolidated Financial Statements of this annual report.

As of the end of the Reporting Period, the reserves of the Company available for distribution to shareholders amounted to approximately RMB943.3 million.

8 BORROWINGS

Details of the borrowings of the Company during the Reporting Period are set out in Note 31 to the Consolidated Financial Statements.

9 MATERIAL EVENTS AFTER THE END OF THE REPORTING PERIOD

On January 14, 2022, 125,466,000 overseas listed foreign shares (H Shares) issued by the Company were listed and traded on the Main Board of the Hong Kong Stock Exchange at an issue price of HK$33.80. Among them, 25,093,600 shares were publicly offered in Hong Kong, accounting for approximately 20% of the total shares issued in the global offering and 100,372,400 shares were internationally offered, accounting for approximately 80% of the total shares issued in the global offering.

10 CHARITABLE DONATIONS

During the Reporting Period, the Company's charitable donations amounted to RMB2.1 million.

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

From the Listing Date to the date of this annual report, the Company has not purchased, sold or redeemed any of the Company's listed securities.

12 PRE-EMPTIVE RIGHTS

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

13 DIRECTORS

During the Reporting Period, the Board of our Company was comprised of Mr. Cai Baogui (蔡報貴), Mr. Hu Zhibin (胡志濱), Mr. Li Xinnong (李忻農), Mr. Lyu Feng (呂鋒), Mr. Cao Zhigang (曹志剛), Mr. Xie Zhihong (謝志宏), Mr. You Jianxin (尤建新), Mr. Xu Feng (徐風), Mr. Chen Zhanheng (陳佔恒) and Mr. Yuan Taifang (袁太芳).

On April 23, 2021, our Company convened its annual general meeting, at which Mr. Cai Baogui, Mr. Lyu Feng, Mr. Hu Zhibin, Mr. Li Xinnong, Mr. You Jianxin, Mr. Chen Zhanheng and Mr. Yuan Taifang were re-elected as the directors of the Company, Mr. Li Fei (李飛) and Mr. Huang Weixiong (黃偉雄) were elected as the directors of the Company. On July 2, 2021, Mr. Chen Zhanheng resigned as an independent non-executive director. Mr. Xu Feng was subsequently elected as an independent non-executive director on July 19, 2021.

Both of Mr. Cao Zhigang and Mr. Xie Zhihong ceased to be directors of our Company after completing their terms of appointment (approximately ten years) and did not offer themselves for re-election due to personal commitments. Mr. Chen Zhanheng ceased to be an independent non-executive Director due to his other personal commitments that would take much of his time. Each of Mr. Cao Zhigang, Mr. Xie Zhihong and Mr. Chen Zhanheng has confirmed that he has had no disagreement with our Company.

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

14 SUPERVISORS

From the end of the Reporting Period to the date of this annual report, the supervisors were Mr. Su Quan, Mr. Li Hua and Ms. Sun Yixia.

15 BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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

16 SERVICE CONTRACTS OF DIRECTORS AND SUPERVISORS

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

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

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

17 CONTRACTS WITH DIRECTORS, SUPERVISORS AND CONTROLLING SHAREHOLDERS

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

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

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

19 DIRECTORS' AND SUPERVISORS' INTERESTS IN COMPETING BUSINESS

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

20 NON-COMPETITION AGREEMENT

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

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

21 INDEMNITY OF DIRECTORS AND SUPERVISORS

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

22 MANAGEMENT CONTRACTS

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

23 LOAN AND GUARANTEE

Details of the Company's interest-bearing bank and other borrowings during the Reporting Period are set out in Note 31 to the financial statements. During the Reporting Period, the Company did not make any loan or provide any guarantee for any loan, directly or indirectly, to the Company's directors, supervisors, senior management, the controlling shareholders or their respective connected persons.

24 SHARE INCENTIVE PLAN

The Company operates a share incentive plan("Share Incentive Plan")for the purpose of providing incentives and rewards to eligible participants who made contribution to the success of the Group's operations. Eligible participants of the Share Incentive Plan include the directors of the Company and other employees of the Group. The Share Incentive Plan became effective on August 26, 2020 and, unless otherwise cancelled or amended, will remain in effect for three years from that date. The Share Incentive Plan is not subject to the provisions of Chapter 17 of the Listing Rules as the Share Incentive Plan does not involve the grant of options by our Company to subscribe for new Shares.

Details of the implementation of the aforesaid Share Incentive Plan during the Reporting Period are set out in Note 35 to the Consolidated Financial Statements.

25 RIGHTS TO PURCHASE SHARES OR DEBENTURES

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

26 MAJOR CUSTOMERS AND SUPPLIERS

During the Reporting Period, the Company's largest customer accounted for approximately 18.93% of the Company's total revenue. The total revenue from the Company's five largest customers accounted for approximately 56.93% of the Company's revenue.

During the Reporting Period, the Company's largest supplier accounted for approximately 28.47% of the Company's total amount of procurement. The Company's five largest suppliers accounted for approximately 73.20% of the Company's total amount of procurement.

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

27 EMPLOYEE AND REMUNERATION POLICY

The Company had total 3,529 employees as at the end of the Reporting Period. The employment contracts signed by the Company with its employees cover matters such as position, term of employment, wage, employee benefits and liabilities for breach and grounds for termination.

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

28 RETIREMENT BENEFITS

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

29 RELATED PARTY TRANSACTIONS

Details of related party transactions in the normal course of business are set out in Note 40 to the Consolidated Financial Statements. Save as disclosed above, none of these related party transactions constitutes connected transactions or continuing connected transactions as defined under the Listing Rules, and the Company has complied with the disclosure requirements under Chapter 14A of the Listing Rules and disclosed the transactions in this annual report.

30 CONTINUING CONNECTED TRANSACTIONS

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

31 CONVERTIBLE DEBENTURES ISSUED

The details of the convertible debentures of the Company for the year ended December 31, 2021 are set out in Note 32 to the financial statements.

32 SUFFICIENCY OF PUBLIC FLOAT

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

33 AUDITORS

There has been no change in auditors since the Listing Date. The consolidated financial statements of the Company for the Reporting Period contained in this annual report have been audited by the Ernst & Young. Ernst & Young and Ernst & Young Hua Ming LLP, as the Company's international auditor and PRC auditor, respectively will be re-appointed at the 2021 annual general meeting.

The remuneration for the audit services of Ernst & Young and Ernst & Young Hua Ming LLP for the year ended December 31, 2021 was RMB3.2 million.

34 COMPLIANCE WITH LAWS AND REGULATIONS

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

35 MATERIAL LEGAL, LITIGATION AND ARBITRATION

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

36 RISK FACTORS

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

Rare earth is the main raw materials for NdFeB magnetic steel production. China is an important supplier of rare earth raw materials in the world. Sharp fluctuations in the prices of rare earth raw materials will bring an adverse effect on the production and sales of the Company within a short period. The recent relatively sharp rise in the price of rare earth raw materials has caused pressure over the Company's production cost control. The failure of the Company to pass the pressure onto downstream customers in a timely manner may cause a possible reduction in the Company's profitability.

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

(2) Policy risks

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

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

(3) Risks relating to exchange rate fluctuations

With the improvement of our product quality, our products have been widely accepted by customers both at home and abroad. While increasing its domestic market share, the Company has steadily developed overseas markets and its overseas business gradually increased. The Company settles its sales revenue with overseas customers mainly in foreign currencies. With the deepening of the exchange rate system reform, the fluctuations of the RMB exchange rate have tended to be increasingly market-oriented. Recently, the United States, the European Union, and other countries and regions have successively launched monetary easing policies and economic recovery plans to respond to the impact of the COVID-19 epidemic on the economy, which may lead to fluctuations in exchange rates. This will affect the Company's sales revenue denominated in foreign currencies and the foreign exchange gains and losses, which may have an adverse impact on the Company.

Countermeasures: The Company will pay close attention to the global financial market and relevant national policies on exchange rates for analysis and judgment, and select appropriate exchange rate management tools for active management of exchange rate risks to offset the possible risk of operating performance decline due to exchange rate changes.

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

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

Countermeasures: The management of the Company has always attached great importance to the management of trade receivables. The Company has conducted a reasonable evaluation on customers and granted appropriate credit periods according to customer evaluation results to ensure the safety of trade receivables from the source. It has also identified the persons accountable for sales results and payment collection targets and regarded the completion of sales and payment collection tasks as an important indicator for routine performance assessment. The Company regularly analyzes aging and timely arranges the payment collection, with particular emphasis on the collection of large-amount trade receivables, so that the risk of trade receivables is controlled within a controllable range.

(5) Risks relating to the impact of the COVID-19 epidemic

Since the beginning of 2020, the global spread of the COVID-19 epidemic has affected macroeconomic operations to varying degrees. According to the current situation, the epidemic in China has been generally under control, but the epidemic in overseas countries and regions still involves a possible risk of intensification. Failure to effectively eliminate the impact of this COVID-19 epidemic within a short period would produce a lasting systematic impact on the normal operation of the whole world, thus adversely affecting the Company's operating results.

Countermeasures: Regular epidemic prevention is of top priority for the current epidemic prevention work. The Company updates its epidemic prevention management rules in a timely manner according to the regulations issued by the municipality and district command centre. Meanwhile, the Company actively communicates with upstream and downstream partners and pays close attention to changes in the upstream and downstream supply and demand. Till now, with the joint efforts of all staff of the Company, the COVID-19 epidemic has not caused any material adverse effect on the Company's operation.

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

The Company's H Shares were listed on the Stock Exchange on January 14, 2022. According to the Announcement of Offer Price and Allotment Results of the Company dated January 13, 2022, the Company's net proceeds from the Global Offering were approximately HK$4,045.2 million.

As at the date of this annual report, we estimate that there will not be any changes in the use of proceeds as set out in the prospectus disclosed on December 31, 2021. The intended and actual use of the net proceeds is set forth in the following table:

Use of proceeds	Allocation of net proceeds (HK$ million)	Percentage of net proceeds (%)	Amount used from the Listing Date to the date of this annual report (HK$ million)*	Unutilised net proceeds as at the date of this annual report (HK$ million)*	Expected timeline for the use of the unutilised net proceeds
Construction of Ningbo production base	1,415.8	35.0	154.6	1,261.2	By the end of 2023
Potential acquisitions	1,011.3	25.0	–	1,011.3	By the end of 2023
Research and development	809.1	20.0	–	809.1	By the end of 2024
Repayment of loans for the construction of Baotou Production Base project	404.5	10.0	404.5	–	N/A
Working capital and general corporate purposes	404.5	10.0	179.6	224.9	By the end of 2022
Total	4,045.2	100.0	738.7	3,306.5	

* The amount used from the Listing Date to the date of this annual report and the unutilised net proceeds as at the date of this annual report have been translated using the exchange rate as at December 31, 2021.

REPORT OF THE BOARD OF SUPERVISORS

To all the shareholders,

In 2021, in accordance with the Articles of Association and relevant domestic and overseas regulations, the Board of Supervisors of JL MAG and all its supervisors strictly performed their supervisory duties, actively participated in the supervision of the decision-making process, carefully reviewed and effectively regulated major decisions of the Company, and endeavored to safeguard the interests of the shareholders and the Company.

During the Reporting Period, the Board of Supervisors convened ten meetings in total, at which, among others, Proposals on the Annual Report, the Financial Report, the Internal Control Evaluation Report, the Report on the Work of the Board of Supervisors, equity incentives and H Shares issuance were considered and approved.

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

Through supervision and regulation on the production, operation and financial management of JL MAG, the Board of Supervisors and all the supervisors believed that facing the unfavorable situation including the COVID-19 outbreak in 2021, JL MAG had resolutely implemented the decisions and arrangements made by the Board, focused on epidemic prevention and control as well as production and operation targets; the production operation of the Company was generally stable throughout the year, with operating results better than expected. The Board of Supervisors had no objection to the matters of supervision during the Reporting Period.

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

Secondly, the 2021 Annual Report and Financial Reports, among others, prepared by JL MAG conform to the requirements of domestic and overseas securities regulatory authorities and relevant systems. The information disclosed therein is true, accurate and complete, which objectively and fairly presents the operating results and financial condition of JL MAG. The dividend distribution scheme takes into account both the long-term benefits of the Company and shareholders' benefits. No violation of confidentiality provisions in the persons who were responsible for financial report preparation and review has been found.

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

In 2022, the Board of Supervisors of JL MAG and all its supervisors will continue to adhere to the principle of diligence and integrity, earnestly fulfill the supervisory duties conferred by shareholders, strictly review major decisions, strengthen procedure control and process supervision, increase the efforts to supervise the affiliated branches (subsidiaries), and endeavor to safeguard the interests of the Company and shareholders.

PROFILE OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

1 BASIC INFORMATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Overview

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

Our Board of Supervisors consists of three Supervisors, including the Chairman of the Board of Supervisors and an employee representative Supervisor.

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

Board

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

Name	Age	Position	Date of joining our Group	Date of appointment as Director	Roles and responsibilities
Mr. Cai Baogui (蔡報貴)	51	Chairman, executive Director and general manager	August 2008	August 2008	Responsible for overall planning and strategic development, management and business operations of the Group
Mr. Lyu Feng (呂鋒)	54	Vice chairman, executive Director and deputy general manager	August 2008	April 2016	Responsible for participating in the decision-making of material matters of the Company and responsible for the supply chain management of the Company
Mr. Hu Zhibin (胡志濱)	50	Non-executive Director	August 2008	August 2008	Responsible for participating in the decision-making of material matters of the Company

Chairman and Executive Director

Mr. Cai Baogui (蔡報貴), aged 51, is one of our founders and the Chairman, executive Director and general manager of our Company. After being appointed as the chairman and the general manager of the Company in August 2008, Mr. Cai was subsequently re-designated as an executive Director in July 2021, primarily responsible for the overall planning and strategic development, management and business operations of the Group.

PROFILE OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (CONTINUED)

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

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

Executive Director

Mr. Lyu Feng (呂鋒), aged 54, is the vice Chairman, executive Director and the deputy general manager of the Company. After being appointed as a Director of the Company in April 2016, Mr. Lyu was subsequently re-designated as an executive Director in July 2021, and is primarily responsible for participating in the decision-making of material matters and supply chain management of the Company.

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

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

Non-executive Directors

Mr. Hu Zhibin (胡志濱), aged 50, is one of our founders and a non-executive Director of our Company. After being appointed as a Director of the Company in August 2008, Mr. Hu was subsequently re-designated as a non-executive Director in July 2021, and is primarily responsible for participating in the decision-making of material matters of the Company.

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

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

Mr. Li Xinnong (李忻農), aged 53, 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, primarily responsible for participating in the decision-making of material matters of the Company.

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

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

Mr. Li Fei (李飛), aged 46, is a non-executive Director of the Company. After being appointed as a Director of the Company in April 2021, Mr. Li was subsequently re-designated as a non-executive Director in July 2021. Mr. Li is primarily responsible for participating in the decision-making of material matters of the Company.

Mr. Li currently holds the following positions in Goldwind Technology Group:

- Manager and executive director of Ningbo Tianshuo New Energy Co., Ltd. (寧波天朔新能源投資有限公司) (since March 2020)
- Manager and executive director of Beijing Goldwind Science & Creation Wind Power Equipment Co., Ltd. (北京金風科創風電設備有限公司) (since February 2020)
- Executive director of Jiangsu Goldwind Technology Co., Ltd. (江蘇金風科技有限公司) (since January 2020)
- Executive director of Gansu Goldwind Wind Power Equipment Manufacture Co., Ltd. (甘肅金風風電設備製造有限公司) (since January 2020)
- Executive director of Beijing Goldwind Tiantong Science and Technology Development Co., Ltd. (北京金風天通科技發展有限公司) (since December 2019)
- Executive director and general manager of Goldwind (Lianyungang) Technology Co., Ltd. (金風科技(連雲港)科技有限公司) (since January 2019)
- Executive director and general manager of Shaanxi Goldwind Technology Co., Ltd. (陝西金風科技有限公司) (since June 2017)
- Executive director and general manager of Changji Goldwind Technology Co., Ltd. (昌吉金風科技有限公司) (since September 2016)
- Vice president of Goldwind Technology (since January 2007)

In November 2002, he was appointed as a lecturer at the School of Economics and Management, Xinjiang University.

Mr. Li graduated from Lanzhou University of Finance and Economics (formerly known as Lanzhou College of Commerce) with a bachelor's degree in marketing in June 1997, and subsequently obtained a master's degree in business management from Huazhong University of Science and Technology in December 2002. In September 2020, he obtained a doctorate in management science and engineering from the University of Chinese Academy of Sciences.

Mr. Huang Weixiong (黃偉雄), aged 45, is a non-executive Director of the Company. After being appointed as a Director of the Company in April 2021, Mr. Huang was subsequently re-designated as a non-executive Director in July 2021, primarily responsible for participating in the decision-making of material matters of the Company.

Since February 2021, Mr. Huang has served as the executive director and general manager of Ganzhou Qiantai Rare Earth Advanced Materials Co., Ltd. (贛州虔泰稀土新材料有限公司). Since December 2020, he has been the director and secretary of the board of directors of Ganzhou Rare Earth Youli Science and Technology Development Co., Ltd. (贛州稀土友力科技開發有限公司). Since August 2020, he has been the director of Jiangxi Mingda Functional Materials Co., Ltd. (江西明達功能材料有限責任公司). Since January 2020, he has served as the chairman of Ganzhou Rare Earth (Longnan) Nonferrous Metals Co., Ltd. (贛州稀土(龍南)有色金屬有限公司). Since December 2019, Mr. Huang has been a supervisor of Guo Chuang New Material (Beijing) Rare Earth New Material Technology Innovation Center Co., Ltd. (國創新材(北京)稀土新材料技術創新中心有限公司). Since December 2018, he has served as the director of China Rare Earth Supply Chain Management Co., Ltd. (中稀供應鏈管理有限公司). Since June 2018, he has been the director of Ganzhou Cheng Zheng Motor Co., Ltd. (贛州誠正電機有限公司). Since March 2018, he has been the director of Ganzhou Shengyilun Rare Earth High-Tech Co., Ltd. (贛州生一倫稀土高科技有限公司). Since September 2017, he has served as the director of Jiangxi Taist New Material Testing And Evaluation Center Co., Ltd. (江西泰斯特新材料測試評價中心有限公司). Since December 2016, he has been the secretary of the board of directors and the director of capital operations of China Southern Rare Earth Group Co., Ltd. (中國南方稀土集團有限公司). From October 2013 to November 2016, he served as the securities representative and the secretary of the board of directors of Jiangxi Changjiu Biochemical Industry Company Ltd. (江西昌九生物化工股份有限公司).

Mr. Huang graduated from Jiangxi Normal University with a bachelor's degree in business administration in December 2016 and subsequently obtained a master's degree in business administration (economic management) from the Party School of Jiangxi Provincial Party Committee (江西省委黨校) in December 2018.

Independent Non-executive Directors

Mr. You Jianxin (尤建新), aged 61, is an independent non-executive Director of the Company. Mr. You was appointed as an independent Director of the Company in January 2017, primarily responsible for overseeing the operation and management of the Company and providing independent advice.

Mr. You has been the supervisor of Shanghai TongJi Engineering Consulting Co., Ltd. (上海同濟工程諮詢有限公司) since June 2021. Since February 2020, he has been a director of Shanghai Zhida Technology Development Co., Ltd. (上海摯達科技發展有限公司). Since January 2020, Mr. You has been a director of Shanghai SAIC Hengxu Investment Management Co., Ltd. (上海上汽恒旭投資管理有限公司). Since 2016, he has served as an independent non-executive director of Shanghai Huahong Jitong Smart System Co., Ltd. (上海華虹計通智能系統股份有限公司). Since June 2016, he has been an independent non-executive director of Shanghai International Airport Co., Ltd. Since January 2016, Mr. You has been a supervisor of Tongji Innovation Venture Holding Co., Ltd. (同濟創新創業控股有限公司).

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

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

Mr. Xu Feng (徐風), aged 49, 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.

Mr. Yuan Taifang (袁太芳), aged 54, was appointed as an independent Director of the Company in January 2017, primarily responsible for overseeing the operations and management of the Company and providing independent advice.

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

PROFILE OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (CONTINUED)

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

Board of Supervisors

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

Name	Age	Position	Date of joining our Group	Date of appointment as supervisor	Function and responsibility
Su Quan (蘇權)	36	Chairman of the Board of Supervisors	November 2008	March 2012	Responsible for the overall operation of the Board of Supervisors and the supervision of the Board, senior management and the business operations of the Group
Li Hua (李華)	48	Supervisor	December 2020	April 2021	Responsible for the supervision of the Board, senior management and the business operations of the Group
Sun Yixia (孫益霞)	47	Employee representative supervisor	October 2009	June 2013	Responsible for the supervision of the Board, senior management and the business operations of the Group

Mr. Su Quan (蘇權), aged 36, was appointed as the chairman of the Board of Supervisors of the Company in March 2012, primarily responsible for the overall operation of the Board of Supervisors and the supervision of the Board, senior management and the business operations of the Group. Since November 2008, he has served successively as the sales manager and assistant general manager.

Mr. Su graduated from Beijing University for Business Administration in the junior college program of business administration in July 2007.

Mr. Li Hua (李華), aged 48, 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 has served as an audit manager of the Company since December 2020, primarily responsible for reviewing the Company's business and management, assets and capital utilization.

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

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

Ms. Sun Yixia (孫益霞), aged 47, was appointed as the employee representative supervisor of the Company in June 2013, and is primarily responsible for the supervision of the Board, the senior management and the business operations of the Group. Since October 2009, Ms. Sun has served successively as the director and the manager of the human resources department, being responsible for the human resources and administrative management of the Company.

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

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

PROFILE OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (CONTINUED)

Senior Management

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

Name	Age	Position	Date of joining our Group	Date of appointment as a member of senior management	Function and responsibility
Cai Baogui (蔡報貴)	51	General manager	August 2008	August 2008	Responsible for the overall planning, management and business operations of the Group
Lyu Feng (呂鋒)	54	Deputy general manager	August 2008	June 2013	Responsible for the supply chain management of the Company
Huang Changyuan (黃長元)	41	Deputy general manager	August 2008	June 2013	Responsible for the marketing of the Company
Mao Huayun (毛華雲)	48	Deputy general manager	August 2009	June 2013	Responsible for the production, research and development of the Company
Lu Ming (鹿明)	45	Deputy general manager and secretary to the Board	September 2009	June 2013	Responsible for the investment and financing, strategic planning and capital operation of the Company
Yu Han (于涵)	41	Deputy general manager	June 2011	April 2013	Responsible for the marketing of the Company
Xie Hui (謝輝)	43	Finance director	July 2013	July 2013	Responsible for the financial management of the Company
Yi Pengpeng (易鵬鵬)	39	Deputy general manager	March 2019	March 2020	Responsible for the technical research and development in the field of 3C and the management of JL MAG Ningbo Technology (金力永磁(寧波)科技有限公司)

PROFILE OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (CONTINUED)

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

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

Mr. Huang Changyuan (黃長元), aged 41, has been successively served as the assistant general manager and deputy general manager of the Company since August 2008, and is primarily responsible for the Group's marketing. From September 2003 to February 2006, he served as the deputy engineer of procurement of Dongguan Kanghua Hospital (東莞康華醫院), and from March 2006 to April 2008 he served as the manager of the procurement contract department of Dongguan Renkang Hospital (東莞仁康醫院).

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

Mr. Mao Huayun (毛華雲), aged 48, has been successively served as the chief engineer and deputy general manager of our Company since August 2009, and is primarily responsible for the production, research and development of our Company.

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

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

Mr. Lu Ming (鹿明), aged 45, has been successively served as the senior manager of the department of finance and investment, the deputy general manager and the secretary to the Board of the Company since September 2009, and was appointed as a joint company secretary of the Company in July 2021. He is primarily responsible for the investment and financing, strategic planning and capital operations of the Company.

Mr. Lu has been a director of Sichuan Jiangtong Rare Earth Magnet Co., Ltd. (四川江銅稀土磁材有限公司) since April 2019. From September 1999 to December 2005, he served as the head of the secretary office of the board of directors of Sinopec Beijing Yanshan Petrochemical Co. Ltd. (中石化北京燕山石油化工股份有限公司).

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

Mr. Yu Han (于涵), aged 41, has been successively served as the assistant to deputy manager, deputy director, special assistant to general manager and deputy general manager of the Company since June 2011, and is primarily responsible for the marketing of the Company.

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

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

Ms. Xie Hui (謝輝), aged 43, was appointed as the Finance director of the Company in July 2013, and is primarily responsible for the financial management of the Company.

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

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

Mr. Yi Pengpeng (易鵬鵬), aged 39, has been successively served as the chief technology officer and deputy general manager of the Company since March 2019, and is primarily responsible for the technical research and development in the field of 3C and the management of JL MAG Ningbo Technology.

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

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

Joint Company Secretaries

Mr. Lu Ming (鹿明)

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

Ms. Zhang Xiao (張瀟)

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

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

Name	Position	Status	Gender	Age	Start date of the term of office	End date of the term of office	Number of shares held at the beginning of the period	Number of shares increased during the period	Number of shares reduced during the period	Other changes during the period	Number of shares held at the end of the period	Reason for changes
Cai Baogui	Chairman of the Board of Directors, general manager	In office	Male	51	April 23, 2021	April 23, 2024	400,000	–	–	240,000	640,000	Equity distribution in 2020
Hu Zhibin	Director	In office	Male	50	April 23, 2021	April 23, 2024	600,000	–	–	360,000	960,000	Equity distribution in 2020
Li Xinnong	Director	In office	Male	53	April 23, 2021	April 23, 2024	–	–	–	–	–	–
Li Fei	Director	In office	Male	46	April 23, 2021	April 23, 2024	–	–	–	–	–	–
Huang Weixiong	Director	In office	Male	45	April 23, 2021	April 23, 2024	–	–	–	–	–	–
Lyu Feng	Deputy chairman, deputy general manager	In office	Male	54	April 23, 2021	April 23, 2024	905,000	–	226,200	407,280	1,290,880[1]	Equity distribution, Type II restricted shares registration and implementation of shares reduction plan in 2020
You Jianxin	Independent director	In office	Male	61	April 23, 2021	January 13, 2023	–	–	–	–	–	–
Xu Feng	Independent director	In office	Male	49	July 19, 2021	April 23, 2024	–	–	–	–	–	–
Yuan Taifang	Independent director	In office	Male	54	April 23, 2021	January 13, 2023	–	–	–	–	–	–
Su Quan	Chairman of the Board of Supervisors	In office	Male	36	April 23, 2021	April 23, 2024	–	–	–	–	–	–

Name	Position	Status	Gender	Age	Start date of the term of office	End date of the term of office	Number of shares held at the beginning of the period	Number of shares increased during the period	Number of shares reduced during the period	Other changes during the period	Number of shares held at the end of the period	Reason for changes
Li Hua	Supervisor	In office	Male	48	April 23, 2021	April 23, 2024	–	–	–	–	–	–
Sun Yixia	Employee representative supervisor	In office	Female	47	April 23, 2021	April 23, 2024	–	–	–	–	–	–
Huang Changyuan	Deputy general manager	In office	Male	41	April 23, 2021	April 23, 2024	530,000	–	132,500	238,500	840,800	Equity distribution, Type II restricted shares registration and implementation of shares reduction plan in 2020
Mao Huayun	Deputy general manager	In office	Male	48	April 23, 2021	April 23, 2024	1,430,000	–	357,500	643,500	1,920,800	Equity distribution, Type II restricted shares registration and implementation of shares reduction plan in 2020
Lu Ming	Deputy general manager, secretary of the Board	In office	Male	45	April 23, 2021	April 23, 2024	525,000	–	131,200	236,280	834,880	Equity distribution, Type II restricted shares registration and implementation of shares reduction plan in 2020
Yu Han	Deputy general manager	In office	Male	41	April 23, 2021	April 23, 2024	630,000	–	157,500	286,700	964,000	Equity distribution, Type II restricted shares registration and implementation of shares reduction plan in 2020
Xie Hui	Financial director	In office	Female	44	April 23, 2021	April 23, 2024	565,000	–	141,200	254,280	831,680	Equity distribution, Type II restricted shares registration and implementation of shares reduction plan in 2020

PROFILE OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (CONTINUED)

Name	Position	Status	Gender	Age	Start date of the term of office	End date of the term of office	Number of shares held at the beginning of the period	Number of shares increased during the period	Number of shares reduced during the period	Other changes during the period	Number of shares held at the end of the period	Reason for changes
Yi Pengpeng	Deputy general manager	In office	Male	39	April 23, 2021	April 23, 2024	-	-	-	-	204,800	Type II restricted shares registration
Cao Zhigang	Former deputy chairman	Resigned	Male	47	July 27, 2018	April 23, 2021	-	-	-	-	-	-
Xie Zhihong	Former director	Resigned	Male	53	July 27, 2018	April 23, 2021	-	-	-	-	-	-
Chen Zhanheng	Former independent director	Resigned	Male	54	April 23, 2021	July 19, 2021	-	-	-	-	-	-
Zhu Qinglian	Former supervisor	Resigned	Female	46	July 27, 2018	April 23, 2021	-	3,000	-	-	3,000	Increased shares in the secondary market after resignation
Su Shan	Former supervisor	Resigned	Male	48	February 21, 2019	April 23, 2021	-	-	-	-	-	-
Liu Lujun	Former employee representative supervisor	Resigned	Male	40	July 27, 2018	April 23, 2021	-	-	-	-	-	-
Liang Qilu	Former employee representative supervisor	Resigned	Male	35	July 27, 2018	April 23, 2021	-	-	-	-	-	-
Total	-	-	-	-	-	-	5,585,000	3,000	1,146,100	2,666,540	8,490,840	-

Note: (1) As of the end of the Reporting Period, in addition to 1,290,880 A Shares of the Company held directly by Mr. Lyu Feng, as a general partner of Ganzhou Huirui Investment Management Center (Limited Partnership) ("Ganzhou Huirui"), he also indirectly holds 2,787,264 A Shares of the Company through Ganzhou Huirui.

3 CONTRACTUAL INTERESTS OF DIRECTORS AND SUPERVISORS

As at December 31, 2021 or during any time of this year, none of the directors or supervisors entered into any material contract to which JL MAG or any of its shareholding companies, any subsidiary or any fellow subsidiary of JL MAG was a party to make such director or supervisor entitled to any material interest.

4 CONTRACTS WITH DIRECTORS AND SUPERVISORS

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

PROFILE OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (CONTINUED)

5 REMUNERATIONS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGERMENT

Unit: RMB million

Name	Position	Gender	Age	Status	Total pre-tax remunerations received from the Company	Whether receiving remunerations from any related party of the Company
Cai Baogui	Chairman, general manager	Male	51	In office	1.85	No
Hu Zhibin	Director	Male	50	In office	0.10	Yes
Li Xinnong	Director	Male	53	In office	0.10	Yes
Li Fei	Director	Male	46	In office	0.07	Yes
Huang Weixiong	Director	Male	45	In office	–	Yes
Lyu Feng	Deputy chairman, deputy general manager	Male	54	In office	1.62	No
You Jianxin	Independent director	Male	61	In office	0.10	No
Xu Feng	Independent director	Male	49	In office	0.04	Yes
Yuan Taifang	Independent director	Male	54	In office	0.10	No
Su Quan	Chairman of the Board of Supervisors	Male	36	In office	0.71	No
Li Hua	Supervisor	Male	48	In office	0.36	No
Sun Yixia	Employee representative supervisor	Female	47	In office	0.27	No
Huang Changyuan	Deputy general manager	Male	41	In office	1.47	No
Mao Huayun	Deputy general manager	Male	48	In office	1.69	No
Lu Ming	Deputy general manager, secretary of the Board	Male	45	In office	2.02	No
Yu Han	Deputy general manager	Male	41	In office	1.53	No
Xie Hui	Financial director	Female	43	In office	1.58	No
Yi Pengpeng	Deputy general manager	Male	39	In office	1.39	No
Cao Zhigang	Former deputy chairman of the Board	Male	47	Resigned	0.03	Yes
Xie Zhihong	Former director	Male	53	Resigned	–	Yes
Chen Zhanheng	Former independent director	Male	54	Resigned	0.06	No
Zhu Qinglian	Former supervisor	Female	46	Resigned	–	No
Su Shan	Former supervisor	Male	48	Resigned	–	No
Liu Lujun	Former employee representative supervisor	Male	40	Resigned	0.51	No
Liang Qilu	Former employee representative supervisor	Male	35	Resigned	0.11	No
Total	–	–	–	–	15.71	–

6 INFORMATION OF EMPLOYEES OF THE COMPANY

As at December 31, 2021, the Company had 3,529 employees and there is no resigned or retired employees for which the Company is liable to bear costs.

7 CHANGES IN THE CORE TECHNICAL TEAM OR KEY TECHNICAL PERSONNEL

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

8 REMUNERATION POLICY

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

9 TRAINING

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

INDEPENDENT AUDITOR'S REPORT

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Independent auditor's report

To the shareholders of JL Mag Rare-Earth Co., Ltd.

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

OPINION

We have audited the consolidated financial statements of JL Mag Rare-Earth Co., Ltd. (the "Company") and its subsidiaries (the "Group") set out on pages 105 to 192, which comprise the consolidated statements of profit or loss, the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Group for the year ended 31 December 2021, and the consolidated statements of financial position of the Group and the statements of financial position of the Company as at 31 December 2021, and Notes to the Consolidated Financial Statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2021 and of the financial performance and cash flows of the Group for the year ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

KEY AUDIT MATTERS (CONTINUED)

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

Key audit matter	**How our audit addressed the key audit matter**
Impairment of trade receivables	
As at 31 December 2021, trade receivables of the Group were RMB1,231 million, accounting for 20.4% of the total assets. The impairment for trade receivables was RMB17 million, accounting for 1.3% of the trade receivables. An impairment analysis was performed at the end of each reporting period, using a provision matrix to measure expected credit losses. The provision rates were initially based on the Group's historical observed default rate. The Group calibrated the matrix to adjust the historical credit loss experience with forward-looking information. The Group is required to use significant accounting estimates and judgments when determining the historical loss rate of trade receivables. Therefore, we regard this matter as a key audit matter. The Group's accounting policies and estimation of impairment of trade receivables are disclosed in Note 2.4 and details of the Group's impairment of trade receivables are disclosed in Note 22 to the Consolidated Financial Statements.	We have performed relevant audit procedures, including but not limited to: 1) Evaluating the design, implementation, and effectiveness of key internal controls over the impairment of trade receivables; 2) Assessing the appropriateness of the Group's accounting policy over impairment; 3) Obtaining and reviewing the credit risk portfolio which was categorised by credit risk characteristic and testing the accuracy of the ageing of trade receivables; reviewing the impairment matrix model used by the management to estimate impairment of trade receivables; reviewing the calculation of expected credit loss rate, historical loss rate and forward-looking adjustments of trade receivables; analysing the rationality of expected credit loss rate, historical loss rate and forward-looking adjustments of trade receivables, and recalculating the expected credit losses; 4) Performing the confirmation procedure of trade receivables on sampling basis and checking subsequent settlement; and 5) Reviewing the completeness of the relevant disclosures in the Notes to the Consolidated Financial Statements.

KEY AUDIT MATTERS (CONTINUED)

Key audit matter	How our audit addressed the key audit matter
Revenue recognition	
During the year ended 31 December 2021, the Group derived revenue mainly from the sales of high-performance NdFeB permanent magnet materials. For the year ended 31 December 2021, the Group generated revenue on sale of NdFeB permanent magnet materials amounted to RMB3,766 million. Revenue from the sale of goods is recognised when control of goods (i.e. NdFeB permanent magnet materials) is transferred to the customers. As revenue is one of the Group's key performance indicators and the inherent risk of misstatement in revenue recognition is high, despite the diverse categories of business revenues, we identified the recognition of the Group's revenue as a key audit matter. The Group accounting policies are disclosed in Notes 2.4 and detail of the Group's revenue are disclosed in Note 5 to the Consolidated Financial Statements.	We have performed relevant audit procedures, including but not limited to: 1) Evaluating the design, implementation, and effectiveness of key internal controls over the revenue recognition and disclosure; 2) Reviewing the sales agreement terms, invoices, and documents supporting the control transfer on sampling basis to evaluate the management's judgment as to the point in time whether control of that good transfers to the customer, and whether the amount was appropriate; 3) Reviewing documents supporting the control transfers and other evidence on sampling basis before and after 31 December 2021 to evaluate whether the revenue was recorded in the appropriate accounting period. 4) Interviewing with major customers, and performing confirmation procedures for transaction and balances and alternative procedures for those without response; 5) Performing analytical review procedures on the change of the revenue and gross profit margin of the major products; and 6) Reviewing the adequacy and reasonableness of corresponding disclosure in the financial statements.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Certified Public Accountants
Hong Kong
30 March 2022

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

Year ended 31 December 2021

	Notes	Year ended 31 December 2021 RMB'000	Year ended 31 December 2020 RMB'000
Revenue	5	**4,080,072**	2,417,346
Cost of sales		**(3,165,133)**	(1,842,789)
Gross profit		**914,939**	574,557
Other income and gains	8	**51,308**	31,606
Selling and distribution expenses		**(24,971)**	(17,053)
Administrative expenses		**(159,620)**	(104,336)
Research and development expenses		**(160,159)**	(103,175)
Impairment losses on inventories		**(7,303)**	(5,444)
Impairment losses on financial assets, net		**(876)**	(6,953)
Other expenses	9	**(3,527)**	(4,323)
Finance costs	10	**(77,724)**	(73,859)
Foreign exchange differences, net		**(16,453)**	(10,564)
Share of losses of associates		**(3,195)**	(1,739)
PROFIT BEFORE TAX	11	**512,419**	278,717
Income tax expenses	12	**(58,445)**	(34,017)
PROFIT FOR THE YEAR		**453,974**	244,700
Attributable to:			
Owners of the parent		**453,224**	244,502
Non-controlling interests		**750**	198
		453,974	244,700
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	13		
Basic			
– For profit for the year (RMB)		**0.65**	0.36
Diluted			
– For profit for the year (RMB)		**0.65**	0.36

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Year ended 31 December 2021

	Year ended 31 December 2021 RMB'000	Year ended 31 December 2020 RMB'000
PROFIT FOR THE YEAR	**453,974**	244,700
Other comprehensive income that may be reclassified to profit or loss in subsequent years, net of tax:		
Exchange differences on translation of foreign operations	**2,151**	194
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**2,151**	194
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**456,125**	244,894
Attributable to:		
Owners of the parent	**455,349**	244,742
Non-controlling interests	**776**	152
	456,125	244,894

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Year ended 31 December 2021

	Notes	31 December 2021 RMB'000	31 December 2020 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	15	**1,038,124**	562,574
Right-of-use assets	16(a)	**199,333**	80,818
Other intangible assets	17	**4,654**	4,440
Investments in associates	18	**3,499**	10,772
Deferred tax assets	19	**5,002**	–
Other non-current assets	20	**235,212**	103,741
TOTAL NON-CURRENT ASSETS		**1,485,824**	762,345
CURRENT ASSETS			
Inventories	21	**1,324,200**	924,987
Trade receivables	22	**1,231,485**	743,067
Notes receivables at amortised cost	23	**383,411**	118,571
Notes receivables at fair value through other comprehensive income ("FVOCI")	23	**15,750**	127,167
Prepayments, other receivables and other assets	24	**37,833**	71,740
Financial assets at fair value through profit or loss	25	**7,226**	2,654
Other current assets	27	**65,548**	15,162
Restricted cash	26	**244,040**	163,423
Cash and cash equivalents	26	**1,255,467**	593,012
TOTAL CURRENT ASSETS		**4,564,960**	2,759,783
TOTAL ASSETS		**6,050,784**	3,522,128
CURRENT LIABILITIES			
Trade and notes payables	28	**1,017,661**	621,326
Contract liabilities	29	**29,594**	18,045
Other payables and accruals	30	**162,558**	146,522
Interest-bearing bank and other borrowings	31	**1,350,883**	466,633
Lease liabilities	16(b)	**2,222**	1,132
Tax payables		**5,106**	18,657
TOTAL CURRENT LIABILITIES		**2,568,024**	1,272,315
NET CURRENT ASSETS		**1,996,936**	1,487,468
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,482,760**	2,249,813

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)

Year ended 31 December 2021

	Notes	31 December 2021 RMB'000	31 December 2020 RMB'000
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,482,760**	2,249,813
NON-CURRENT LIABILITIES			
Convertible bonds	32	**–**	343,572
Interest-bearing bank and other borrowings	31	**411,810**	267,208
Lease liabilities	16(b)	**4,628**	738
Deferred income	33	**92,293**	58,029
Deferred tax liabilities	19	**7,678**	12,790
TOTAL NON-CURRENT LIABILITIES		**516,409**	682,337
NET ASSETS		**2,966,351**	1,567,476
EQUITY			
Equity attributable to owners of the parent			
Share capital	34	**710,974**	415,977
Equity component of convertible bonds		**–**	107,343
Reserves	36	**2,254,426**	1,043,981
		2,965,400	1,567,301
Non-controlling interests		**951**	175
TOTAL EQUITY		**2,966,351**	1,567,476

Executive Director: Cai Baogui

Chief Financial Officer: Xie Hui

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Year ended 31 December 2021

Year ended 31 December 2021

	Attributable to owners of the parent										
	Share capital RMB'000 (note 34)	Treasury shares* RMB'000	Share premium* RMB'000	Share incentive reserve* RMB'000	Equity component of convertible bonds RMB'000 (note 32)	Reserve fund* RMB'000	Exchange fluctuation reserve* RMB'000	Retained profits* RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2021	415,977	(54,949)	432,860	39,589	107,343	88,478	3,494	534,509	1,567,301	175	1,567,476
Profit for the year	-	-	-	-	-	-	-	453,224	453,224	750	453,974
Other comprehensive income for the year:											
Exchange differences on translation of foreign operations	-	-	-	-	-	-	2,125	-	2,125	26	2,151
Total comprehensive income for the year	-	-	-	-	-	-	2,125	453,224	455,349	776	456,125
Share incentive plan expense	-	-	-	69,084	-	-	-	-	69,084	-	69,084
Tax implications related to a share incentive plan (notes 12 and 19)	-	-	-	27,737	-	-	-	-	27,737	-	27,737
Dividends declared	-	-	-	-	-	-	-	(86,341)	(86,341)	-	(86,341)
Issue of shares	15,726	-	495,911	-	-	-	-	-	511,637	-	511,637
Redemption of convertible bonds	-	-	1,381	-	(1,862)	-	-	-	(481)	-	(481)
Vesting of Type I Restricted Shares	-	21,931	18,594	(18,594)	-	-	-	-	21,931	-	21,931
Exercise of Type II Restricted Shares	3,373	-	41,780	-	-	-	-	-	45,153	-	45,153
Conversion of convertible bonds	16,875	-	442,636	-	(105,481)	-	-	-	354,030	-	354,030
Transfer from share premium	259,023	-	(259,023)	-	-	-	-	-	-	-	-
Transfer from retained profits	-	-	-	-	-	49,707	-	(49,707)	-	-	-
At 31 December 2021	710,974	(33,018)	1,174,139	117,816	-	138,185	5,619	851,685	2,965,400	951	2,966,351

Year ended 31 December 2020

	Attributable to owners of the parent										
	Share capital RMB'000 (note 34)	Treasury shares* RMB'000	Share premium* RMB'000	Share incentive reserve* RMB'000	Equity component of convertible bonds RMB'000 (note 32)	Reserve fund* RMB'000	Exchange fluctuation reserve* RMB'000	Retained profits* RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2020	413,424	–	380,012	2,067	107,464	62,368	3,254	361,594	1,330,183	23	1,330,206
Profit for the year	–	–	–	–	–	–	–	244,502	244,502	198	244,700
Other comprehensive income for the year:											
Exchange differences on translation of foreign operations	–	–	–	–	–	–	240	–	240	(46)	194
Total comprehensive income for the year	–	–	–	–	–	–	240	244,502	244,742	152	244,894
Dividends declared	–	–	–	–	–	–	–	(45,477)	(45,477)	–	(45,477)
Issue of shares for an incentive plan	2,542	–	52,407	–	–	–	–	–	54,949	–	54,949
Share incentive plan expense	–	–	–	37,522	–	–	–	–	37,522	–	37,522
Repurchase obligation for shares issued under incentive plan (notes 30 and 35)	–	(54,949)	–	–	–	–	–	–	(54,949)	–	(54,949)
Conversion of convertible bonds	11	–	441	–	(121)	–	–	–	331	–	331
Transfer from retained profits	–	–	–	–	–	26,110	–	(26,110)	–	–	–
At 31 December 2020	415,977	(54,949)	432,860	39,589	107,343	88,478	3,494	534,509	1,567,301	175	1,567,476

* These reserve accounts comprise the consolidated reserves of RMB2,254,426,000 and RMB1,043,981,000 in the consolidated statements of financial position as at 31 December 2021 and 2020, respectively.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Year ended 31 December 2021

	Notes	**Year ended 31 December 2021 RMB'000**	Year ended 31 December 2020 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax:		**512,419**	278,717
Adjustments for:			
Finance costs	10	**77,724**	73,859
Loss on disposal of non-current assets	9	**1,365**	1,377
Share of losses of associates		**3,195**	1,739
Gain on disposal of an associate	8	**(4,292)**	–
Fair value changes of forward exchange agreements	8	**(4,572)**	(722)
Realised gains of wealth management products	8	**(13,430)**	(5,702)
Depreciation of property, plant and equipment	11	**60,829**	46,202
Depreciation of right-of-use assets	11	**5,713**	3,026
Amortisation of other intangible assets	11	**599**	588
Amortisation of non-current assets	11	**11,451**	8,514
Impairment of inventories	11	**7,303**	5,444
Impairment losses of financial assets	11	**876**	6,953
		659,180	419,995
Increase in inventories		**(400,626)**	(287,679)
Increase in trade receivables		**(485,767)**	(44,434)
Increase in notes receivables		**(156,098)**	(73,497)
Decrease/(Increase) in prepayments, other receivables and other assets		**54,789**	(37,236)
Increase in deferred tax assets		**(5,002)**	–
Increase in other current assets		**(50,386)**	(7,931)
Increase in trade and notes payables		**407,632**	170,096
Increase in other payables and accruals		**179,625**	34,266
Increase in contract liabilities		**11,549**	12,489
(Decrease)/Increase in deferred tax liabilities		**(5,112)**	3,522
Increase in deferred income		**34,264**	22,455
Increase in restricted cash		**(80,617)**	(29,212)
Cash generated from operations		**163,431**	182,834
Income tax paid		**(61,640)**	(24,799)
Net cash flows from operating activities		**101,791**	158,035

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

Year ended 31 December 2021

	Notes	Year ended 31 December 2021 RMB'000	Year ended 31 December 2020 RMB'000
Net cash flows from operating activities		101,791	158,035
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for leasehold land		(91,321)	(83,146)
Purchases of items of property, plant and equipment		(563,204)	(117,607)
Purchases of items of other long-term assets		(20,495)	(18,757)
Proceeds from disposal of items of property, plant and equipment		1,493	5,675
Additions to other intangible assets		(817)	(5)
Investment in an associate		(1,000)	–
Purchases of wealth management products		(411,431)	(839,909)
Proceeds from sale of wealth management products		434,230	845,611
Net cash flows used in investing activities		(652,545)	(208,138)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		566,154	54,949
Share issue expenses		(9,363)	–
New bank loans	37	1,046,707	455,256
Repayment of bank loans	37	(445,256)	(378,477)
Settlement of letters of credit	37	(27,614)	(61,085)
Increase in discounted commercial acceptance notes	37	250,341	22,175
Principal portion of lease payments	37	(2,414)	(2,064)
Redemption of convertible bonds		(7,599)	–
Dividends paid	37	(86,341)	(45,477)
Expenses relating to initial public offering		(23,918)	–
Interest paid	37	(42,959)	(45,480)
Net cash flows from/(used in) financing activities		1,217,738	(203)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		666,984	(50,306)
Cash and cash equivalents at beginning of year		593,012	644,305
Effect of foreign exchange rate changes, net		(4,529)	(987)
CASH AND CASH EQUIVALENTS AT END OF YEAR	26	1,255,467	593,012

1 CORPORATE INFORMATION

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

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

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

Information about subsidiaries

Particulars of the Company's subsidiaries are as follows:

Name*	Place and date of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company % Direct	% Indirect	Principal activities
Ganzhou Jinli Magnets Processing Co., Ltd. ("JL Processing") *	PRC/Mainland China 29 February 2012	RMB20,000,000	100	–	Production
Jiangxi Jinli Bonded Magnetic Co., Ltd. ("JL Bonded") *	PRC/Mainland China 12 January 2017	RMB20,000,000	80	–	Production
Jinli Permanent Magnet (Ningbo) Investment Co., Ltd. ("JL Ningbo Investment") *	PRC/Mainland China 21 December 2018	RMB21,000,000	100	–	Investment
Jinli Permanent Magnet (Ningbo) Technology Co., Ltd. ("JL Ningbo Technology") *	PRC/Mainland China 15 January 2020	RMB120,000,000	100	–	Production
Jinli Permanent Magnet (Baotou) Technology Co., Ltd. ("JL Baotou ") *	PRC/Mainland China 18 August 2020	RMB100,000,000	100	–	Production
JL Mag Rare-Earth (Hong Kong) Co. Limited ("JL HK")	Hong Kong 5 September 2014	HKD21,316,330	100	–	Trading and investment
JL Mag Rare-Earth (Europe) B.V. ("JL Europe")	Netherlands 8 October 2012	EUR100	–	85	Trading
JL Mag Rare-Earth (U.S.A.) Inc. ("JL USA")	the United States of America ("USA") 29 November 2018	USD600,000	–	100	Trading
JL Mag Rare-Earth Japan ("JL Japan")	Japan 6 September 2016	JPY30,000,000	–	100	Trading

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

2.1 BASIS OF PREPARATION

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

Basis of consolidation

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

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

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

(b) rights arising from other contractual arrangements; and

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

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

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

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

2.1 BASIS OF PREPARATION (CONTINUED)

Basis of consolidation (continued)

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	*Interest Rate Benchmark Reform – Phase 2*
Amendment to IFRS 16	*Covid-19-Related Rent Concessions*
Amendment to IFRS 16	*Covid-19-Related Rent Concessions beyond 30 June 2021* (early adopted)

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

(a) Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate ("RFR"). The amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of IFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedging relationships.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

(b) Amendment to IFRS 16 issued in April 2021 extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted. The Group has early adopted and assessed the impact of this amendment and concluded that it did not have any material impact on the financial position and performance of the Group.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

Amendments to IFRS 3	*Reference to the Conceptual Framework*[1]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
IFRS 17	*Insurance Contracts*[2]
Amendments to IFRS 17	*Insurance Contracts*[2,5]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current*[2]
Amendments to IAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*[1]
Amendments to IAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*[1]
Annual Improvements to *IFRS Standards 2018-2020*	Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41[1]
Amendments to IAS 1 and IFRS Practice Statement 2	*Disclosure of Accounting Policies*[2]
Amendments to IAS 8	*Definition of Accounting Estimates*[2]
Amendments to IAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*[2]

1 Effective for annual periods beginning on or after 1 January 2022
2 Effective for annual periods beginning on or after 1 January 2023
3 Effective for annual periods beginning on or after 1 April 2021
4 No mandatory effective date yet determined but available for adoption
5 As a consequence of the amendments to IFRS 17, issued in June 2020, IFRS 4 was amended to extend the temporary exemption that permits insurers to apply IAS 39 rather than IFRS 9 for annual periods beginning before 1 January 2023

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

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

Amendments to IFRS 3 are intended to replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* issued in June 2018 without significantly changing its requirements. The amendments also add to IFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC-21 if they were incurred separately rather than assumed in a business combination, an entity applying IFRS 3 should refer to IAS 37 or IFRIC 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group expects to adopt the amendments prospectively from 1 January 2022. Since the amendments apply prospectively to business combinations for which the acquisition date is on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

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

Amendments to IAS 1 *Classification of Liabilities as Current or Non-current* clarify the requirements for classifying liabilities as current or non-current. The amendments specify that if an entity's right to defer settlement of a liability is subject to the entity complying with specified conditions, the entity has a right to defer settlement of the liability at the end of the reporting period if it complies with those conditions at that date. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. The amendments are effective for annual periods beginning on or after 1 January 2023 and shall be applied retrospectively. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

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

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

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

Amendments to IAS 12 narrow the scope of the initial recognition exception so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset and a deferred tax liability for temporary differences arising from these transactions. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and shall be applied to transactions related to leases and decommissioning obligations at the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to the opening balance of retained profits or other component of equity as appropriate at that date. In addition, the amendments shall be applied prospectively to transactions other than leases and decommissioning obligations. Earlier application is permitted.

The Group has applied the initial recognition exception and did not recognise a deferred tax asset and a deferred tax liability for temporary differences for transactions related to leases. Upon initial application of these amendments, the Group will recognise a deferred tax asset and a deferred tax liability for deductible and taxable temporary differences associated with right-of-use assets and lease liabilities, and recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained profits at the beginning of the earliest comparative period presented.

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

Amendments to IAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied retrospectively only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 37 clarify that for the purpose of assessing whether a contract is onerous under IAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied to contracts for which an entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments. Earlier application is permitted. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening equity at the date of initial application without restating the comparative information. The amendments are not expected to have any significant impact on the Group's financial statements.

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

- *IFRS 9 Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual periods beginning on or after 1 January 2022. Earlier application is permitted. The amendment is not expected to have a significant impact on the Group's financial statements.

- *IFRS 16 Leases*: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying HKFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying IFRS 16.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fair value measurement

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

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

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of non-financial assets

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

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

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

Related parties

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

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

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

  (ii) has significant influence over the Group; or

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

or

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of non-financial assets (continued)

Related parties (continued)

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

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

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

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

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

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

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

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

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

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment and depreciation (continued)

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

	Estimated useful lives	**Annual depreciation rates**
Buildings	20 to 40 years	2.375% to 4.75%
Machinery and equipment	5 to 10 years	9.5% to 19%
Motor vehicles	4 to 6 years	15.83% to 23.75%
Furniture and fixtures	5 to 10 years	9.5% to 19%
Office and other equipment	3 to 6 years	15.83% to 33.00%

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

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

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

Other intangible assets

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

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

Software	5 to 10 years
Non-patented technology	10 years

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Research and development expenses

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

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

Leases

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

Group as a lessee

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

(a) Right-of-use assets

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

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

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

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

The Group applies the short-term lease recognition exemption to its short-term leases of office premises (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Lease payments on short-term leases are recognised as an expense on a straight-line basis over the lease term.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets

Initial recognition and measurement

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

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

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

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

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

Subsequent measurement

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

Financial assets at amortised cost (debt instruments)

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets (continued)

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

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

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through other comprehensive income, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Derecognition of financial assets

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derecognition of financial assets (continued)

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

Impairment of financial assets

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

General approach

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets (continued)

General approach (continued)

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

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

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

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

Simplified approach

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

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, or payables, as appropriate.

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

The Group's financial liabilities include trade and other payables, notes payables and interest-bearing bank and other borrowings, convertible bonds.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial liabilities (continued)

Subsequent measurement

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

Financial liabilities at amortised cost (loans and borrowings)

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

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

Convertible bonds

The component of convertible bonds that exhibits characteristics of a liability is recognised as a liability in the statement of financial position, net of transaction costs. On issuance of convertible bonds, the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond; and this amount is carried as a long-term liability on the amortised cost basis until extinguished on conversion or redemption. The remainder of the proceeds is allocated to the conversion option that is recognised and included in shareholders' equity, net of transaction costs. The carrying amount of the conversion option is not remeasured in subsequent years. Transaction costs are apportioned between the liability and equity components of the convertible bonds based on the allocation of proceeds to the liability and equity components when the instruments are first recognised.

Derecognition of financial liabilities

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Offsetting of financial instruments

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

Treasury shares

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

Inventories

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

Cash and cash equivalents

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

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

Provisions

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income tax

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

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

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

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

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income tax (continued)

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

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

Government grants

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

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to profit or loss over the expected useful life of the relevant asset by equal annual instalments.

Revenue recognition

Revenue from contracts with customers

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contract liabilities

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

Share incentive plan

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

The cost of equity-settled transactions with employees for grants is measured by reference to the fair value at the date on which they are granted. The fair value is determined based on the share price at the grant date, further details of which are given in Note 35 to the Consolidated Financial Statements.

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Share incentive plan (continued)

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

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

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

Other employee benefits

Pension schemes

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

Borrowing costs

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

Dividend distribution

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Declared final dividends are disclosed in the Note 14 to the Consolidated Financial Statements.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currencies

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

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

3 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Estimation uncertainty

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

Provision for expected credit losses on trade receivables

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

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty (continued)

Provision for expected credit losses on trade receivables (continued)

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in Note 22 to the Consolidated Financial Statements.

Estimation of inventories under net realisable value

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

It is reasonably possible that if there is a significant change in circumstances including the Group's business and the external environment, outcomes within the next financial year would be significantly affected. Further details are included in Note 21 to the Consolidated Financial Statements.

4 OPERATING SEGMENT INFORMATION

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

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

Geographical information

(a) Revenue from external customers

	Year ended 31 December 2021 RMB'000	Year ended 31 December 2020 RMB'000
Mainland China	**3,701,658**	2,076,542
Other countries/regions	**378,414**	340,804
	4,080,072	2,417,346

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

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

Information about major customers

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

	Year ended 31 December 2021 RMB'000	Year ended 31 December 2020 RMB'000
Customer A	**772,551**	599,501
Customer B	**737,882**	508,133

5 REVENUE

An analysis of revenue is as follows:

	Year ended 31 December 2021 RMB'000	Year ended 31 December 2020 RMB'000
Revenue from contracts with customers		
– Sale of NdFeB magnet materials	**3,766,762**	2,288,664
Revenue from other sources		
– Sale of rare-earth materials	**312,375**	127,830
– Rental income	**935**	852
	4,080,072	2,417,346

Revenue from contracts with customers

(a) Disaggregated revenue information

	Year ended 31 December 2021 RMB'000	Year ended 31 December 2020 RMB'000
Type of goods		
Sale of NdFeB magnet materials	**3,766,762**	2,288,664
	3,766,762	2,288,664
Geographical markets		
Mainland China	**3,388,413**	1,947,860
Other countries/regions	**378,349**	340,804
	3,766,762	2,288,664
Timing of revenue recognition		
Goods transferred at a point in time	**3,766,762**	2,288,664
	3,766,762	2,288,664

5 REVENUE (CONTINUED)

Revenue from contracts with customers (CONTINUED)

(a) Disaggregated revenue information (CONTINUED)

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

	Year ended 31 December 2021 RMB'000	Year ended 31 December 2020 RMB'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sale of NdFeB magnet materials	**16,751**	5,533
	16,751	5,533

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

6 DIRECTORS' AND SUPERVISORS' REMUNERATION

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

	Year ended 31 December 2021 RMB'000	Year ended 31 December 2020 RMB'000
Fees:	**–**	–
Other emoluments:		
Salaries, allowances and benefits in kind	**4,681**	3,173
Performance related bonuses	**1,347**	2,149
Equity-settled share option expense	**13,366**	6,780
Social insurance and housing fund	**236**	178
	19,630	12,280

During the year, certain directors were granted with restricted shares in respect of their services to the Group, under the share incentive plan of the Company, further details of which are set out in Note 35 to the Consolidated Financial Statements. The fair value of such restricted shares, which has been recognised in the statement of profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the year is included in the above directors' and chief executive's remuneration disclosures.

6 DIRECTORS' AND SUPERVISORS' REMUNERATION (CONTINUED)

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

Year ended 31 December 2021

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

* Zhigang Cao was appointed as a director on 24 June 2015 and resigned on 23 April 2021.

** Zhihong Xie was appointed as a director on 24 June 2015 and resigned on 23 April 2021.

*** Zhanheng Chen was appointed as an independent director on 23 January 2017 and resigned on 19 July 2021.

**** Qinglian Zhu was appointed as an independent director on 27 July 2018 and resigned on 23 April 2021.

***** Shan Su was appointed as an independent director on 21 February 2019 and resigned on 23 April 2021.

****** Lujun Liu was appointed as an independent director on 27 July 2018 and resigned on 23 April 2021.

******* Qilu Liang was appointed as an independent director on 27 July 2018 and resigned on 23 April 2021.

6 DIRECTORS' AND SUPERVISORS' REMUNERATION (CONTINUED)

Year ended 31 December 2020

	Position	Salaries, allowances and benefits in kind RMB'000	Performance related bonuses RMB'000	Restricted share incentive RMB'000	Social insurance and housing fund RMB'000	Total RMB'000
Baogui Cai	Chairman, Executive director and General manager	805	928	1,962	67	3,762
Zhigang Cao*	Former director	100	–	–	–	100
Zhihong Xie**	Former director	–	–	–	–	–
Zhibing Hu	director	100	–	2,943	–	3,043
Xinnong Li	director	100	–	–	–	100
Feng Lv	Vice chairman and Deputy general manager	647	851	1,875	55	3,428
Fei Li	Director	–	–	–	–	–
WeiXiong Huang	Director	–	–	–	–	–
Jianxin You	Independent director	100	–	–	–	100
Zhanheng Chen***	Independent director	100	–	–	–	100
Taifang Yuan	Independent director	100	–	–	–	100
Quan Su	Chairman of the Board of Supervisors and Assistant to the General Manager	476	212	–	14	702
Qinglian Zhu****	Supervisor	–	–	–	–	–
Shan Su*****	Supervisor	–	–	–	–	–
Lujun Liu******	Employee representative supervisor	360	108	–	14	482
Yixia Sun	Employee representative supervisor	189	45	–	14	248
Qilu Liang*******	Employee representative supervisor	96	5	–	14	115
		3,173	2,149	6,780	178	12,280

* Zhigang Cao was appointed as a director on 24 June 2015 and resigned on 23 April 2021.

** Zhihong Xie was appointed as a director on 24 June 2015 and resigned on 23 April 2021.

*** Zhanheng Chen was appointed as an independent director on 23 January 2017 and resigned on 19 July 2021.

**** Qinglian Zhu was appointed as an independent director on 27 July 2018 and resigned on 23 April 2021.

***** Shan Su was appointed as an independent director on 21 February 2019 and resigned on 23 April 2021.

****** Lujun Liu was appointed as an independent director on 27 July 2018 and resigned on 23 April 2021.

******* Qilu Liang was appointed as an independent director on 27 July 2018 and resigned on 23 April 2021.

7 FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the years ended 31 December 2021 and 2020 included two and three, respectively, details of whose remuneration are set out in note 6 above. Details of the remuneration for the years of the remaining highest paid employees who are neither a director nor chief executive of the Company are as follows:

	Year ended 31 December 2021 RMB'000	Year ended 31 December 2020 RMB'000
Salaries, allowances and benefits in kind	**1,400**	2,671
Performance related bonuses	**1,816**	2,356
Restricted share incentive	**7,439**	5,724
Social insurance and housing fund	**109**	158
	10,764	10,909

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

	Year ended 31 December 2021	Year ended 31 December 2020
Nil to HK$1,000,000	**–**	–
HK$1,000,001 to HK$1,500,000	**–**	–
HK$1,500,001 to HK$2,000,000	**–**	–
HK$2,000,001 to HK$2,500,000	**–**	–
HK$2,500,001 to HK$3,000,000	**–**	–
HK$3,000,001 to HK$3,500,000	**2**	3
	2	3

During the reporting period, restricted shares were granted to the non-director and non-chief executive highest paid employees in respect of their services to the Group, further details of which are included in the disclosures in Note 35 to the Consolidated Financial Statements. The fair value of such restricted shares, which has been recognised in the consolidated statement of profit or loss over the vesting period, was determined as at the date of grant and the amount included in the consolidated financial statements for the years are included in the above non-director and non-chief executive highest paid employees' remuneration disclosures.

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

8 OTHER INCOME AND GAINS

	Year ended 31 December 2021 RMB'000	Year ended 31 December 2020 RMB'000
Other income		
Government grants	**13,915**	17,069
Bank interest income	**12,717**	6,991
Others	**71**	122
	26,703	24,182
Other gains		
Fair value changes of forward exchange agreements	**4,572**	722
Gains on wealth management products	**13,430**	5,702
Gain on disposal of an associate	**4,292**	–
Others	**2,311**	1,000
	24,605	7,424
	51,308	31,606

9 OTHER EXPENSES

	Year ended 31 December 2021 RMB'000	Year ended 31 December 2020 RMB'000
Donations	**2,159**	1,632
Loss on disposal of non-current assets	**1,365**	1,377
Others	**3**	1,314
	3,527	4,323

10 FINANCE COSTS

	Year ended 31 December 2021 RMB'000	Year ended 31 December 2020 RMB'000
Interest expense	**75,492**	72,454
Other finance costs	**2,232**	1,405
	77,724	73,859

11 PROFIT BEFORE TAX

	Notes	**Year ended 31 December 2021 RMB'000**	Year ended 31 December 2020 RMB'000
Cost of raw materials and consumables		**2,473,473**	1,413,872
Depreciation of property, plant and equipment*	15	**60,829**	46,202
Depreciation of right-of-use assets*	16	**5,713**	3,026
Amortisation of other intangible assets*	17	**599**	588
Amortisation of other non-current assets		**11,451**	8,514
Research and development costs		**160,159**	103,175
Lease payments not included in the measurement of lease liabilities		**393**	401
Auditor's remuneration***		**3,323**	1,634
Expenses related to the initial public offering on the Hong Kong stock exchange		**10,367**	–
Employee benefit expense (including directors' remuneration):			
Wages, salaries and welfare		**343,928**	254,412
Expenses for the share incentive plan	35	**69,084**	37,522
Pension and other social insurances		**35,291**	22,316
Exchange losses, net		**16,453**	10,564
Impairment losses on inventories		**7,303**	5,444
Impairment losses on financial assets, net		**876**	6,953
Gains on disposal of property, plant and equipment	8/9	**(1,365)**	(1,377)
Government grants	8	**13,915**	17,069

* The depreciation of property, plant and equipment during the year ended 31 December 2021 are included in "Cost of sales", "Administrative expenses" and "Research and development expenses" in the consolidated statements of profit or loss. The depreciation of right-of-use assets and amortisation of other intangible assets during the year ended 31 December 2021 are included in "Cost of sales" and "Administrative expenses" in the consolidated statements of profit or loss.

** There are no forfeited contributions that may be used by the Group as the employer to reduce the existing level of contributions.

*** During the year ended 31 December 2021, auditors' remuneration included fees for audit service provided by Ernst & Young and Ernst & Young Hua Ming LLP, amounting to RMB3.2 million (2020: Nil), and remuneration for services provided by other auditors.

12 INCOME TAX

In general, the Group's entities in the mainland China are subject to PRC corporate income tax at the standard rate of 25% on their respective estimated taxable profits during the year ended 31 December 2021. The Company is entitled to tax concessions including a preferential tax rate of 15%, as it is established in Ganzhou, Jiangxi. JL Baotou, which is established in Inner Mongolia, is entitled to a preferential tax rate of 15%. No provision for the United States corporate income tax, the Japan corporate tax, or the Hong Kong profit tax has been made during the year ended 31 December 2021, as there was no tax assessable income subject to the United States corporate income tax, the Japan corporate tax, or the Hong Kong profit tax during the year.

	Year ended 31 December 2021 RMB'000	Year ended 31 December 2020 RMB'000
Current – Mainland China		
Charge for the years	**64,484**	31,000
Over provision in prior years	**(225)**	(505)
Deferred (note 19)	**(6,014)**	3,522
Total tax charge	**58,445**	34,017

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

	Year ended 31 December 2021 RMB'000	Year ended 31 December 2020 RMB'000
Profit before tax	**512,419**	278,717
Tax expense calculated at the statutory tax rate of 25%	**128,105**	69,679
Effect of different tax rates of subsidiaries operating in other jurisdictions and tax concession	**250**	763
Tax effect of preferential income tax rates applicable to the Company	**(51,203)**	(29,641)
Adjustments in respect of current tax of previous periods	**(225)**	(505)
Profits and losses attributable to associates	**(1,784)**	233
Non-taxable income	**(686)**	(108)
Non-deductible expenses	**998**	323
Tax losses utilised from previous periods	**(1,752)**	(1,098)
Tax losses not recognised	**8,196**	4,741
Deductible temporary differences not recognised	**84**	72
Additional deduction of research and development expenses	**(23,538)**	(10,442)
Tax charge at the effective rate	**58,445**	34,017

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

The calculation of the basic earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent. On 13 May 2021, the Company transferred share premium into share capital with six new shares issued for every ten existing shares. After the conversion, the number of shares as at 31 May 2021 was increased by 259,022,953, among which 1,524,960 shares are attributable to restricted share owners. The calculation of basic and diluted earnings per share is adjusted for the proportionate change as if the conversion had occurred at the beginning of the year, therefore the weighted average numbers of outstanding ordinary shares were 694,962,775 and 671,816,276 during the years ended 31 December 2021 and 2020, respectively.

The calculation of the diluted earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent, adjusted to reflect the dilutive effect of the share incentive plan (note 35) operated by the Company. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

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

	Year ended 31 December 2021 RMB'000	Year ended 31 December 2020 RMB'000
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation:	**453,224**	244,502
Less: Dividends attributable to owners of the restricted shares	**(272)**	–
	452,952	244,502
Effect of dilution-dividends attributable to owners of the restricted shares	**272**	–
	453,224	244,502

13 EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT (CONTINUED)

	Number of shares	
	Year ended 31 December 2021	Year ended 31 December 2020
Shares		
Weighted average number of ordinary shares in issue used in the basic earnings per share calculation	**694,962,775**	671,816,276
Effect of dilution weighted average number of ordinary shares:		
Share incentive plan (note 35)	**4,361,859**	1,062,991
	699,324,634	672,879,267

Because the diluted earnings per share amount would increase when taking convertible bonds into account, the convertible bonds had an anti-dilutive effect on the basic earnings per share amounts for the years ended 31 December 2021 and 2020, and were ignored in the calculation of diluted earnings per share amounts. Therefore, the diluted earnings per share amounts were based on the profit for the years ended 31 December 2021 and 2020 of RMB453,224,000 and RMB244,502,000,respectively, and the weighted average numbers of ordinary shares of 699,324,634 and 672,879,267 in issue during the year ended 31 December 2021 and 2020, considering the adjustment in respect of the share incentive plan granted in 2020.

14 DIVIDENDS

	Year ended 31 December 2021 RMB'000	Year ended 31 December 2020 RMB'000
Proposed final dividend – RMB25 cent (2020: RMB20 cent) per ordinary share	**209,108**	86,341
	209,108	86,341

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

15 PROPERTY, PLANT AND EQUIPMENT

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

At 31 December 2021, the Group's buildings with a net carrying amount of RMB136,467,000 were pledged to secure general bank loans, details of which are included in note 31.

15 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Buildings RMB'000	Machinery and equipment RMB'000	Furniture and fixtures RMB'000	Motor vehicles RMB'000	Office and other equipment RMB'000	Construction in progress RMB'000	Total RMB'000
Year ended 31 December 2020							
At 31 December 2019 and 1 January 2020:							
Cost	167,530	354,975	29,791	5,108	4,332	37,112	598,848
Accumulated depreciation	(27,595)	(130,460)	(13,040)	(2,212)	(2,500)	–	(175,807)
Net carrying amount	139,935	224,515	16,751	2,896	1,832	37,112	423,041
At 1 January 2020, net of accumulated depreciation	139,935	224,515	16,751	2,896	1,832	37,112	423,041
Additions	–	2,409	507	728	399	200,566	204,609
Disposals	–	(6,760)	(1,242)	(121)	(11)	(10,740)	(18,874)
Depreciation provided during the year	(6,156)	(33,012)	(5,195)	(1,093)	(746)	–	(46,202)
Transfers	32,896	130,409	13,983	1,512	1,148	(179,948)	–
At 31 December 2020, net of accumulated depreciation	166,675	317,561	24,804	3,922	2,622	46,990	562,574
At 31 December 2020							
Cost	200,426	472,923	42,275	5,854	5,660	46,990	774,128
Accumulated depreciation	(33,751)	(155,362)	(17,471)	(1,932)	(3,038)	–	(211,554)
Net carrying amount	166,675	317,561	24,804	3,922	2,622	46,990	562,574

16 LEASES

The Group as a lessee

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

(a) Right-of-use assets

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

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

16 LEASES (CONTINUED)

The Group as a lessee (continued)

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

	Leasehold land RMB'000	Buildings RMB'000	Motor vehicles RMB'000	Office and other equipment RMB'000	Total RMB'000
Year ended 31 December 2020					
Cost at 1 January 2020, net of accumulated depreciation	29,690	2,627	730	202	33,249
Additions	50,366	234	–	–	50,600
Depreciation provided during the year	(996)	(1,687)	(264)	(79)	(3,026)
Exchange realignment	–	(11)	8	(2)	(5)
At 31 December 2020	79,060	1,163	474	121	80,818
At 31 December 2020					
Cost	87,555	5,435	1,077	314	94,381
Accumulated depreciation	(8,495)	(4,337)	(611)	(214)	(13,657)
Exchange realignment	–	65	8	21	94
Net carrying amount	79,060	1,163	474	121	80,818

Note: The Group has prepaid RMB35,680,000 as a deposit for a land-use right in the year of 2020, and the land was recognised as a right-of-use asset in the year of 2021.

At 31 December 2021, the Group's land-use right with a net carrying amount of RMB77,310,000 was pledged to secure general bank loans, details of which are included in note 31.

16 LEASES (CONTINUED)

The Group as a lessee (continued)

(b) Lease liabilities

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

	Year ended 31 December 2021 RMB'000	Year ended 31 December 2020 RMB'000
Carrying amount at 1 January	**1,870**	3,701
New leases	**7,381**	234
Accretion of interest recognised during the year	**216**	102
Payments	**(2,630)**	(2,166)
Exchange realignment	**13**	(1)
Carrying amount at end of the year	**6,850**	1,870
Analysed into:		
Current portion	**2,222**	1,132
Non-current portion	**4,628**	738

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

	Year ended 31 December 2021 RMB'000	Year ended 31 December 2020 RMB'000
Interest on lease liabilities	**216**	102
Depreciation charge of right-of-use assets	**5,713**	3,026
Expense relating to short-term leases and other leases with remaining lease (included in expenses)	**393**	401
Total amount recognised in profit or loss	**6,322**	3,529

The maturity analysis of lease liabilities is disclosed in Note 43 to the Consolidated Financial Statements.

17 OTHER INTANGIBLE ASSETS

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

	Software RMB'000	Non-patented technology RMB'000	Total RMB'000
Year ended 31 December 2020			
Cost at 1 January 2020, net of accumulated amortisation	1,056	3,967	5,023
Additions	5	–	5
Amortisation provided during the year	(188)	(400)	(588)
At 31 December 2020	873	3,567	4,440
At 31 December 2020:			
Cost	3,097	4,000	7,097
Accumulated amortisation	(2,224)	(433)	(2,657)
Net carrying amount	873	3,567	4,440

18 INVESTMENTS IN ASSOCIATES

	31 December 2021 RMB'000	31 December 2020 RMB'000
Share of net assets	**3,499**	10,772
	3,499	10,772

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

Name	Particulars of issued shares held	Place of registration and business	Percentage of ownership interest attributable to the Group	Principal activities
Ganzhou Poly-Max Magnetics Co., Ltd. (Note 1)	Ordinary shares	PRC/Mainland China	15%	Research and development of new materials
Ningbo Jinci Lvneng equity Investment Partnership (LLP) (Note 2)	Ordinary shares	PRC/Mainland China	19%	Business services
Sichuan Jiangtong Rare Earth Magnetic Material Co., Ltd (Note 3)	Ordinary shares	PRC/Mainland China	40%	Manufacture

Note 1: The percentage of ownership interest in Ganzhou Poly-Max Magnetics Co., Ltd. ("Poly-Max") attributable to the Group is 15%. The Group considers that it has significant influence over Poly-Max even though it owns less than 20% of the voting rights, on the grounds that pursuant to the articles of association of Poly-Max, the Group is entitled to delegate a director in the board of directors. Accordingly, the Group account for the investment in Poly-Max as an investment in an associate using equity method of accounting.

Note 2: On July 29, 2021, the board of directors of the Company resolved to make a RMB57.0 million equity investment into JL Ningbo Investment, a wholly-owned subsidiary of our Company. JL MAG Ningbo Investment will in turn use such capital to invest in a fund named as Ningbo Jinci Lvneng equity Investment Partnership (LLP)* ("Ningbo Jinci", 寧波金磁綠能股權投資合夥企業(有限合夥)). The Group considers that it has significant influence over Ningbo Jinci even though it owns less than 20% of the voting rights, on the grounds that according to the partnership agreement, the Group is entitled to delegate a member in the Investment Decision Committee of Ningbo Jinci. Accordingly, the Group account for the investment in Ningbo Jinci as an investment in an associate using equity method of accounting.

Note 3: In November 2021, the Company transferred its 40% equity interest in Sichuan Jiangtong Rare Earth Magnetic Material Co., Ltd. ("Sichuan Jiangtong") to Sichuan JCC Rare Earth Metals Co., Ltd. A gain of RMB4,291,000 from the disposal of the investment in the associate was recorded by the Group in the current year.

18 INVESTMENTS IN ASSOCIATES (CONTINUED)

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

	Year ended 31 December 2021 RMB'000	Year ended 31 December 2020 RMB'000
Share of the associates' profit for the year	**(3,195)**	(1,739)
Share of the associates' total comprehensive income	**(3,195)**	(1,739)
Aggregate carrying amount of the Group's investment in associates	**3,499**	10,772

19 DEFERRED TAX

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

Deferred tax liabilities	**Depreciation allowance in excess of related depreciation** RMB'000	**Right-of-use assets** RMB'000	**Deferred tax liabilities** RMB'000
At 1 January 2020	17,076	112	17,188
Deferred tax charged/(credited) to profit or loss during the year	13,621	(15)	13,606
At 31 December 2020	30,697	97	30,794
Deferred tax charged/(credited) to profit or loss during the year	10,327	(40)	10,287
At 31 December 2021	**41,024**	**57**	**41,081**

19 DEFERRED TAX (CONTINUED)

Deferred tax assets	Deferred income RMB'000	Impairment of financial assets RMB'000	Impairment of inventories RMB'000	Prepaid interest RMB'000	Lease liabilities RMB'000	Share Incentive Plan RMB'000	Deferred tax assets RMB'000
At 1 January 2020	5,336	2,004	451	44	85	–	7,920
Deferred tax credited/(charged) to profit or loss during the year	3,369	1,052	–	65	(30)	5,628	10,084
At 31 December 2020	8,705	3,056	451	109	55	5,628	18,004
Deferred tax credited/(charged) to profit or loss during the year	5,139	1,013	(83)	(109)	(21)	10,362	16,301
Deferred tax credited to equity during the year	–	–	–	–	–	27,737	27,737
Reversal of DTA	–	–	–	–	–	(23,638)	(23,638)
At 31 December 2021	**13,844**	**4,069**	**368**	**-**	**34**	**20,089**	**38,404**

* Pursuant to the tax regulation of Mainland China, the Company receives the tax deduction upon the vesting of the restricted shares (Note 35), which differed from the related share incentive plan expenses recorded in the profit or loss during the year. According to IAS12.68C, where the amount of any tax deduction (or estimated future tax deduction) exceeds the amount of the related cumulative remuneration expense, the current or deferred tax associated with the excess should be recognised directly in equity.

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

	31 December 2021 RMB'000	31 December 2020 RMB'000
Net deferred tax assets	**5,002**	–
Net deferred tax liabilities	**7,678**	12,790

19 DEFERRED TAX (CONTINUED)

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

	Year ended 31 December 2021 RMB'000	Year ended 31 December 2020 RMB'000
Tax losses	**117,309**	75,447
Deductible temporary differences	**560**	482
	117,869	75,929

The above tax losses are available for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of the above items as it is not considered probable that taxable profits will be available against which the above items can be utilised.

20 OTHER NON-CURRENT ASSETS

	31 December 2021 RMB'000	31 December 2020 RMB'000
Advance payment for engineering equipment	**200,956**	87,043
Long-term prepaid expenses	**25,742**	16,698
Deposit	**300**	–
Performance bond	**8,214**	–
	235,212	103,741

21 INVENTORIES

	31 December 2021 RMB'000	31 December 2020 RMB'000
Raw materials	**456,678**	313,961
Work in progress	**339,675**	112,919
Finished goods	**532,272**	501,119
	1,328,625	927,999
Less: Impairment provision		
Work in progress	**(3,469)**	(945)
Finished goods	**(956)**	(2,067)
	(4,425)	(3,012)
	1,324,200	924,987

22 TRADE RECEIVABLES

	31 December 2021 RMB'000	31 December 2020 RMB'000
Trade receivables	1,247,988	762,221
Impairment	(16,503)	(19,154)
	1,231,485	743,067

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally two months, extending up to three months for major customers. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

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

	31 December 2021 RMB'000	31 December 2020 RMB'000
Less than 1 year	1,231,404	742,130
1 to 2 years	81	388
2 to 3 years	–	549
	1,231,485	743,067

The movements in the loss allowance for impairment of trade receivables are as follows:

	Year ended 31 December 2021 RMB'000	Year ended 31 December 2020 RMB'000
At beginning of the year	19,154	13,014
Impairment (reversed)/provided	(2,651)	6,140
At end of the year	16,503	19,154

22 TRADE RECEIVABLES (CONTINUED)

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

As at 31 December 2021

	Less than 1 year	**1 to 2 years**	**2 to 3 years**	**Over 3 years**	**Total**
Expected credit loss rate	**1.00%**	**10.00%**	**50.00%**	**100.00%**	**1.32%**
Gross carrying amount	**1,243,842**	**90**	**–**	**4,056**	**1,247,988**
Expected credit losses	**12,438**	**9**	**–**	**4,056**	**16,503**

As at 31 December 2020

	Less than 1 year	1 to 2 years	2 to 3 years	Over 3 years	Total
Expected credit loss rate	1.00%	10.00%	50.00%	100.00%	2.51%
Gross carrying amount	749,627	431	1,098	11,065	762,221
Expected credit losses	7,497	43	549	11,065	19,154

An impairment analysis was performed at the end of each reporting period, using a provision matrix to measure expected credit losses. The provision rates were initially based on the Group's historical observed default rates for groupings of various customer segments with similar loss patterns (i.e., by customer type and rating). The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. The calculation reflects the probability-weighted outcome, reasonable and supportable information that is available at the end of each reporting period about past events, current conditions and forecasts of future economic conditions.

As at the end of each reporting period, the Group assessed the historical observed default rates and the forward-looking estimates, respectively. Based on the ageing analysis and the turnover rates analysis, the historical observed default rates were not materially changed during the each reporting period. Based on the current economic conditions as well as reasonable and supportable forecasts of future economic conditions, including the industry and the credit rating of the customers, the forward-looking estimates were consistent during the each reporting period. According to the above assessment, the expected credit loss rates were the same during the each reporting period.

23 NOTES RECEIVABLES

	31 December 2021 RMB'000	31 December 2020 RMB'000
Notes receivables at amortised cost		
Commercial acceptance notes	**387,284**	119,769
Less: Impairment	**(3,873)**	(1,198)
	383,411	118,571
Notes receivables at fair value through OCI		
Bank acceptance notes	**15,750**	127,167

Notes receivables of the Group are bank acceptance notes and commercial acceptance notes. Notes receivables of the Group are usually settled within six months from their respective dates of issuance. Impairment was recognised on commercial acceptance notes as at 31 December 2021 and 2020, respectively. The Group's bank acceptance notes are classified as financial assets measured at fair value through other comprehensive income.

Transferred financial assets that are not derecognised in their entirety:

The Group discounted certain commercial acceptance notes with aggregate amounts of RMB258,911,000 and RMB60,970,000 as at 31 December 2021 and 2020, respectively. The Group has retained the substantial risks and rewards, which include default risks relating to such discounted notes, and accordingly the full carrying amounts of the discounted notes and the associated interest-bearing bank borrowings are continued to be recognised. None of the discounted notes settled during the years have been recourse as at the end of the years.

Transferred financial assets that are derecognised in their entirety:

The Group endorsed certain notes receivables accepted by banks in Mainland China to certain of its suppliers in order to settle the trade payables due to such suppliers with aggregate carrying amounts of RMB294,050,000 and RMB208,655,000 as at 31 December 2021 and 2020, respectively, and discounted certain bank acceptance notes to banks with aggregate amounts of RMB687,650,000 and RMB209,909,000 as at 31 December 2021 and 2020, respectively. The derecognised notes have a maturity from one to six months at the end of years. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the derecognised notes have a right of recourse against the Group if the PRC banks default (the "Continuing Involvement"). In the opinion of the Directors, the Group has transferred substantially all risks and rewards relating to the derecognised notes. Accordingly, it has derecognised the full carrying amounts of the derecognised notes and the associated trade payables. The maximum exposure to loss from the Group's Continuing Involvement in the derecognised notes and the undiscounted cash flows to repurchase these derecognised notes is equal to their carrying amounts. In the opinion of the directors, the fair values of the Group's Continuing Involvement in the derecognised notes are not significant.

23 NOTES RECEIVABLES (CONTINUED)

For the years ended 31 December 2021 and 2020, the Group has not recognised any gain or loss on the dates of transfer of the derecognised notes. No gains or losses were recognised from the Continuing Involvement during the years, or cumulatively.

24 PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	Notes	**31 December 2021 RMB'000**	31 December 2020 RMB'000
Prepayments	(a)	**34,995**	56,706
Deposits and other receivables	(b)	**2,982**	15,223
Interest receivables		**291**	311
Less: Impairment of other receivables	(c)	**(435)**	(500)
		37,833	71,740

(a) An ageing analysis of the prepayments as at the end of each reporting period is as follows:

	31 December 2021 RMB'000	31 December 2020 RMB'000
Less than 1 year	**34,956**	56,575
1 to 2 years	**39**	104
2 to 3 years	**–**	24
Over 3 years	**–**	3
	34,995	56,706

(b) Deposits and other receivables

An ageing analysis of the deposits and other receivables as at the end of year is as follows:

	31 December 2021 RMB'000	31 December 2020 RMB'000
Less than 1 year	**1,338**	14,337
1 to 2 years	**1,290**	568
2 to 3 years	**121**	37
Over 3 years	**233**	281
	2,982	15,223

24 PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS (CONTINUED)

(c) The movements in the loss allowance for impairment of other receivables are as follows:

	31 December 2021 RMB'000	31 December 2020 RMB'000
At beginning of the year	**500**	689
Impairment reversed	**(65)**	(189)
At end of the years	**435**	500

25 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 December 2021 RMB'000	31 December 2020 RMB'000
Derivative financial instruments*	**7,226**	2,654
	7,226	2,654

* The Group has entered into forward foreign exchange contracts to manage its exposure to foreign currency risk, without any speculation purpose, and hedge accounting was not adopted for this kind of transactions.

26 CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

	31 December 2021 RMB'000	31 December 2020 RMB'000
Cash and bank balances	**1,499,507**	756,435
Less: Restricted cash	**(244,040)**	(163,423)
Cash and cash equivalents	**1,255,467**	593,012
Denominated in:		
RMB	**1,407,862**	680,807
EUR	**53,740**	27,186
USD	**35,789**	46,281
JPY	**2,060**	2,059
HKD	**56**	102
Total	**1,499,507**	756,435

26 CASH AND CASH EQUIVALENTS AND RESTRICTED CASH (CONTINUED)

As at 31 December 2021 and 2020, the Group's bank balances of approximately RMB244,040,000 and RMB163,423,000 were deposited, respectively as guarantees for the following bank acceptance notes, performance bonds, forward foreign exchange contracts and letters of credit:

	31 December 2021 RMB'000	31 December 2020 RMB'000
Guarantee deposits for bank acceptance notes	**222,977**	121,390
Guarantee deposits for performance bonds	**12,696**	7,864
Guarantee deposits for forward foreign exchange contracts	**7,250**	14,169
Guarantee deposits for letters of credit	**1,117**	–
Frozen deposits (Note)	**–**	20,000
	244,040	163,423

Note: On 20 August 2018, a third-party customer filed a litigation preservation application with People's Court of Haicheng District, Beihai City, Guangxi Zhuang Autonomous Region (the "Court") on the dispute over the sale and purchase agreement entered into with the Company. On 11 September 2018, the Court resolved to freeze the Company's bank deposits of RMB20,000,000. On 5 January 2021, the Company paid RMB22,054,000 according to the settlement agreement entered into with the third party customer; and the frozen deposit was released accordingly.

RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group and earn interest at the respective short-term time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

27 OTHER CURRENT ASSETS

	31 December 2021 RMB'000	31 December 2020 RMB'000
Deductible input value added tax recoverable	**40,932**	14,310
Prepaid listing expenses related to the initial public offering on the Hong Kong stock exchange	**23,918**	–
Others	**698**	852
Total	**65,548**	15,162

28 TRADE AND NOTES PAYABLES

	31 December 2021 RMB'000	31 December 2020 RMB'000
Trade payables	**626,116**	363,573
Notes payables	**391,545**	257,753
	1,017,661	621,326

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

	31 December 2021 RMB'000	31 December 2020 RMB'000
Less than 1 year	**1,017,366**	620,984
1 to 2 years	**124**	133
2 to 3 years	**47**	113
Over 3 years	**124**	96
	1,017,661	621,326

29 CONTRACT LIABILITIES

	31 December 2021 RMB'000	31 December 2020 RMB'000
Short-term advances received from customers		
Sale of goods	**29,594**	18,045
	29,594	18,045

Contract liabilities include short-term advances received to deliver NdFeB magnet materials. The increase in contract liabilities in the year ended 31 December 2021 was mainly due to the increase in short-term advances received from customers in relation to the delivery of NdFeB magnet materials at the end of the year. The decrease in contract liabilities in the year ended 31 December 2021 was mainly due to the revenue recognised when the control of NdFeB magnet materials was transferred to the customers.

30 OTHER PAYABLES AND ACCRUALS

		31 December 2021 RMB'000	31 December 2020 RMB'000
Dividend payables		**6**	6
Other payables	(a)	**99,257**	102,079
Salaries, wages and benefits payables		**50,221**	39,300
Taxes other than income tax payables		**13,074**	5,137
		162,558	146,522

(a) Other payables

	31 December 2021 RMB'000	31 December 2020 RMB'000
Payables to equipment vendors	**22,015**	10,233
Security deposits	**2,183**	10,180
Reimbursement payables due to employees	**667**	591
Audit fees	**3,975**	1,615
Obligation for share repurchase	**33,018**	54,949
Others	**37,399**	24,511
	99,257	102,079

An ageing analysis of other payables as at the end of each reporting period is as follows:

	31 December 2021 RMB'000	31 December 2020 RMB'000
Less than 1 year	**95,473**	76,956
1 to 2 years	**3,207**	1,380
2 to 3 years	**384**	855
Over 3 years	**193**	22,888
	99,257	102,079

31 INTEREST-BEARING BANK AND OTHER BORROWINGS

		31 December 2021			31 December 2020		
		Effective interest rate (%)	**Maturity**	**RMB'000**	Effective interest rate (%)	Maturity	RMB'000
Current							
Bank loans – credit		**3.35-3.90**	**2022**	**671,098**	3.35-4.35	2021	178,049
Current portion of long-term bank loans – credit		**2.92-3.85**	**2022**	**123,126**	4.75	2021	200,000
Current portion of long-term bank loans – secured		**2.70**	**2022**	**100,000**	–	–	–
Letters of credit		**–**	**2022**	**197,748**	–	2021	27,614
Commercial acceptance notes	(e)	**1.75-3.30**	**2022**	**258,911**	2.90-3.45	2021	60,970
				1,350,883			466,633
Non–current							
Bank loans – credit		**4.35**	**2023**	**200,000**	2.92-4.35	2022	167,208
Bank loans – secured	(b)	**–**	**–**	**–**	2.70	2022	100,000
Bank loans – mortgaged	(a)	**3.85**	**2023**	**100,000**	–	–	–
Bank loans – secured and mortgaged	(c)	**3.85-3.90**	**2026**	**111,810**	–	–	–
Convertible bonds	Note.32.	**–**	**–**	**–**	–	2021.8.31	343,572
				411,810			610,780

(a) The mortgage loans due to The Export-Import Bank of China Jiangxi Branch are secured by factory buildings. The amounts of mortgages over the Group's factory buildings and leasehold land (note 16), which had a net carrying value at 31 December 2021 were of approximately RMB136,467,000 and RMB28,203,000.

(b) The secured loans due to The Export-Import Bank of China Jiangxi Branch are guaranteed by Ganzhou Jinshengyuan Financial Guarantee Group Co., Ltd.

(c) The secured and mortgaged loans due to Bank of China Co., Ltd. Baotou Kundulun Sub-branch and Industrial and Commercial Bank of China Co., Ltd. Baotou Binhe Sub-branch are guaranteed by JL MAG Rare-Earth Co., Ltd. and are secured by leasehold land (note 16). The amount of mortgages over the Group's leasehold land (note 16), which had a net carrying value at 31 December 2021 was of approximately RMB49,107,000.

(d) All the interest-bearing bank borrowings are denominated in RMB.

31 INTEREST-BEARING BANK AND OTHER BORROWINGS (CONTINUED)

(e) As disclosed in note 23, the Group discounted certain commercial acceptance notes with aggregate amounts of RMB258,911,000 and RMB60,970,000 as at 31 December 2021 and 31 December 2020, respectively. The Group has retained the substantial risks and rewards, which include default risks relating to such discounted notes, and accordingly, the full carrying amounts of the discounted notes and the associated interest-bearing bank borrowings to be recognised. None of the discounted notes settled during the year have been recourse as at the end of the financial year.

Details of the Group's assets pledged for the Group's bank loans and overdrafts, and for a bank loan granted to a major supplier are included in Notes 15, 16 and 26, respectively, to the Consolidated Financial Statements.

	31 December 2021 RMB'000	31 December 2020 RMB'000
Analysed into:		
Bank loans:		
Within one year or on demand	**1,091,972**	405,663
In the second year	**300,000**	267,208
Over three years	**111,810**	–
Total	**1,503,782**	672,871

	31 December 2021 RMB'000	31 December 2020 RMB'000
Analysed into:		
Convertible bonds:		
In the fourth to fifth years, inclusive	**–**	343,572
Over five years	**–**	–
Total	**–**	343,572

32 CONVERTIBLE BONDS

On 1 November 2019, the Company issued 4,350,000 convertible bonds with a nominal value of RMB435,000,000 and a maturity of six years. The convertible bond conversion period starts from the first trading day of the sixth month after the issuance of the convertible bonds. The initial conversion price of the convertible bonds is RMB41.20 per share. The conversion price will be adjusted accordingly upon issuance of bonus shares and new shares (excluding the increase in share capital due to the conversion of convertible bonds), conversion of share capital, distribution of allotment and cash dividends, respectively. The interest of the issued convertible bonds will be calculated according to coupon rate of 0.4% in the first year, 1.0% in the second year, 1.5% in the third year, 2.0% in the fourth year, 3.0% in the fifth year and 4.0% in the sixth year, and the principal will be returned at maturity and the interest for the last year will be paid.

In May 2020, the convertible bonds were converted to shares for the first time. A total of 4,518 bonds were converted in 2020, and a total of 4,270,116 bonds were converted from January 2021 to August 2021.

On 30 August 2021, the remaining 75,366 convertible bonds were redeemed.

The fair value of the liability component was estimated at the issuance date using an equivalent market interest rate for a similar bond without a conversion option. The residual amount is assigned as the equity component and is included in shareholders' equity.

The convertible bonds issued during the years have been split into the liability and equity components as follows:

	31 December 2021 RMB'000	31 December 2020 RMB'000
Nominal value of convertible bonds	**343,572**	429,370
Equity component*	**–**	(107,343)
Direct transaction costs attributable to the liability component	**–**	–
Liability component at 1 January	**343,572**	322,027
Interest expense	**16,747**	24,051
Interest payable	**–**	(435)
Interest paid	**(35)**	(1,740)
Transfer from convertible bonds to ordinary shares	**(360,284)**	(331)
Liability component at 31 December	**–**	343,572

* The redemption of the convertible bond payment is RMB7,599,000, of which the carrying amount of the liability component is RMB6,254,000 and the fair value of the liability component is RMB7,056,000. The difference between the fair value and the carrying amount of the liability component is RMB865,000 which is recognised the finance costs, and the remaining RMB481,000 is recognised the capital reserve.

33 DEFERRED INCOME

	31 December 2021 RMB'000	31 December 2020 RMB'000
Deferred government grants	**92,293**	58,029

34 SHARE CAPITAL

	31 December 2021 RMB'000	31 December 2020 RMB'000
Issued and fully paid	**710,974**	415,977
	710,974	415,977

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

	Number of shares in issue	Share capital RMB'000
At 31 December 2019 and 1 January 2020	**413,424,188**	413,424
Issue of shares	**2,541,600**	2,542
Transfer from convertible bonds	**10,961**	11
At 31 December 2020 and 1 January 2021	**415,976,749**	415,977
Issue of shares	**15,725,922**	15,726
Vesting of Type II Restricted Shares	**3,372,800**	3,373
Transfer from convertible bonds	**16,875,166**	16,875
Transfer from share premium	**259,022,953**	259,023
At 31 December 2021	**710,973,590**	710,974

On 14 January 2022, 125,466,000 overseas listed foreign shares (H shares) issued by the Company were listed and traded on the main board of the Hong Kong Stock Exchange at an issue price of HK$33.80.

35 SHARE INCENTIVE PLAN

The Company operates a share incentive plan (the "SIP") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the SIP include the Company's directors and other employees of the Group. The SIP became effective on 26 August 2020 and, unless otherwise cancelled or amended, will remain in force for three years from that date.

On 26 August 2020 and 8 September 2020, the board of directors approved a total of 8,252,000 restricted shares (including Type I Restricted Shares* and Type II Restricted shares*) to 221 participants to recognize their contribution and offer share incentive. Among them, 218 participants were granted 2,541,600 Type I Restricted Shares (representing 4,066,560 A shares after the increase of share capital in May 2021), 219 participants were granted 5,292,400 Type II Restricted shares (representing 8,467,840 A Shares after the increase of share capital in May 2021), and 418,000 Type II Restricted Shares (representing 666,800 A Shares after the increase of share capital in May 2021) were reserved. On 29 October 2020, the Board further approved the grant of 200,000 (representing 320,000 A shares after the increase of share capital in May 2021) out of 418,000 reserved Type II Restricted Shares to five participants. On 26 August 2021, the Board further approved the grant of 218,000 (representing 348,800 A shares after the increase of share capital in May 2021) out of 418,000 reserved Type II Restricted Shares to seven participants. On 22 September 2021, 1,014,400 (representing 1,623,040 A shares after the increase of share capital in May 2021) of Type I Restricted Shares were unlocked. On 26 November 2021, 2,108,000 (representing 3,372,800 A shares after the increase of share capital in May 2021) of Type II Restricted Shares were vested.

* The price of restricted shares (including Type I Restricted Shares and Type II Restricted Shares) is RMB21.62. Type I Restricted Shares refers to A shares issued to the participants with certain restrictions stipulated under the SIP. On the grant date of Type I Restricted Shares, the participants of Type I Restricted Shares were entitled to received newly issued A shares of the Company, with certain restrictions stipulated under the SIP. Type II Restricted Shares refers to A shares granted to the participants pursuant to which A shares could be newly issued and subscribed for upon the satisfaction of certain vesting conditions under the SIP. The Participants of Type II Restricted Shares have the right to subscribe new A shares in the future upon the satisfaction of certain vesting conditions under the SIP. These granted restricted shares have a contractual term of no more than four years and will be unlocked (in terms of Type I Restricted Shares) or vested (in terms of Type II Restricted Shares) over a three-year period. In the year, Type I Restricted Shares were issued and subscribed by the participants; Type II Restricted Shares were not issued to the participant upon granted, and are not recorded in the share capital.

35 SHARE INCENTIVE PLAN (CONTINUED)

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

	Year ended 31 December 2021		Year ended 31 December 2020	
	Exercise price RMB per share	**Subscribed and registered '000**	Exercise price RMB per share	Subscribed and registered '000
At 1 January	**21.62 (representing 13.3875 after the increase of share capital in May 2021)**	**2,542 (representing 4,067 after the increase of share capital in May 2021)**	–	–
Granted during the year	**–**	**–**	21.62	2,542
Forfeited during the year***	**–**	**–**	–	–
Exercised during the year	**13.3875**	**1,623**	–	–
Expired during the year	**–**	**–**	–	–
At the end of the year	**13.3875**	**2,444**	21.62	2,542

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

	Year ended 31 December 2021		Year ended 31 December 2020	
	Exercise price RMB per share	**Subscribed and registered '000**	Exercise price RMB per share	Number of shares '000
At 1 January	**21.62 (representing 13.3875 after the increase of share capital in May 2021)**	**5,492 (representing 8,788 after the increase of share capital in May 2021)**	–	–
Granted during the year	**13.3875**	**349**	21.62	5,492
Forfeited during the year***	**13.3875**	**36**	–	–
Exercised during the year	**13.3875**	**3,373**	–	–
Expired during the year	**–**	**–**	–	–
At the end of the year	**13.3875**	**5,728**	21.62	5,492

35 SHARE INCENTIVE PLAN (CONTINUED)

Fair values of the Type I Restricted Shares are based on the share price as at the granting date. Fair Value of the Type II Restricted Shares are calculated under the Black-Scholes pricing model using the following assumptions:

Type II Restricted Shares granted in 2020	SIP
Share price at the granting date	RMB40.00
Exercise price	RMB21.62
Expected life	3
Expected volatility	67.43%
Annual rate of dividends	0.54%
Risk-free rate	2.60%

Type II Restricted Shares granted in 2021	**SIP**
Share price at the granting date	**RMB36.13**
Exercise price**	**RMB13.39**
Expected life	**2**
Expected volatility	**59.18%**
Annual rate of dividends	**0.54%**
Risk-free rate	**2.42%**

** According to the SIP, the grant price was RMB21.62 per share, and would be adjusted if the Company declared cash or share dividends. Since the Company declared cash dividends of RMB0.2 per share and transferred share premium into share capital with six new shares issued for every ten existing shares in May 2021, the grant price was then adjusted to RMB13.3875 per share.

*** Before the unlock day, six participants had resigned and therefore their shares would not be unlocked. The Type I Restricted Shares of the resigned participants, i.e. 5,600 shares amounting to RMB120,000 (representing 8,960 A shares after the increase of share capital in May 2021), which are recorded in the treasury shares, will be repurchased by the Company according to the SIP. The Type II Restricted Shares of the resigned participants, i.e. 22,400 shares (representing 35,840 A shares after the increase of share capital in May 2021) were forfeited on the vesting date of 26 November 2021.

As at 31 December 2020, the Company received a cash consideration of a total of RMB54,949,000 by the issuance of Type I Restricted Shares, of which RMB2,542,000 and RMB52,407,000 were recorded in share capital and share premium, respectively. The Company has credited an amount of RMB54,949,000 to other payables and accruals and debited the same amount to treasury shares accordingly. As at 31 December 2021, the Company received a cash consideration of a total of RMB45,154,000 by the issuance of Type II Restricted Shares, of which RMB3,373,000 and RMB41,781,000 were recorded in share capital and share premium, respectively.

For the years ended 31 December 2020 and 31 December 2021, the Group has recognised amount of RMB37,522,000 and RMB69,084,000 respectively, as share incentive plan expenses.

36 RESERVES

The amounts of the Group's reserves and the movements therein for the years are presented in the consolidated statement of changes in equity of the consolidated financial statements.

Pursuant to the relevant laws and regulations and the articles of association of the Company, the Company is required to transfer 10% of its profit after income tax, as determined under the PRC GAAP, to the reserve fund until the reserve balance reaches 50% of its registered capital. The transfer to this reserve must be made before the distribution of dividends to equity owners. The statutory reserve can be used to make good previous years' losses, if any, and may be converted into paid-in capital/issued share capital in proportion to the existing interests of equity owners, provided that the balance after such conversion is not less than 25% of its registered capital. This reserve is non-distributable other than in liquidation.

37 NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Major non-cash transactions

(1) The Group had non-cash additions to right-of-use assets and lease liabilities of RMB7,333,000 and RMB234,000,000 for the years ended 31 December 2021 and 2020, respectively, in respect of lease arrangements;

(2) The Group had non-cash additions to the interest-bearing bank borrowings of RMB204,674,000 and RMB28,183,000 for the years ended 31 December 2021 and 2020, respectively, in respect of financing through letters of credit and reverse factoring arrangements.

(3) The Group had non-cash reductions to transfer of convertible bonds of RMB354,030,000 and RMB331,000 for the years ended 31 December 2021 and 2020, respective.

37 NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

(b) Changes in liabilities arising from financing activities

	Interest-bearing bank borrowings RMB'000	Lease liabilities RMB'000	Convertible bonds RMB'000	Other payables and accruals RMB'000	Total RMB'000
As at 1 January 2021	733,841	1,870	343,572	146,522	1,225,805
Proceeds from loans and borrowings	1,046,707	–	–	–	1,046,707
Repayment of loans and borrowings	(445,256)	–	–	–	(445,256)
Settlement of letters of credit	(27,614)	–	–	–	(27,614)
Increase in discounted commercial acceptance notes	250,341	–	–	–	250,341
Redemption of convertible bonds	–	–	(7,599)	–	(7,599)
Dividends paid	–	–	–	(86,341)	(86,341)
Principal portion of lease payments	–	(2,414)	–	–	(2,414)
Interest paid	–	(216)	(35)	(42,708)	(42,959)
Changes from financing cash flows	824,178	(2,630)	(7,634)	(129,049)	684,865
Exchange realignment	–	61	–	–	61
New leases	–	7,333	–	–	7,333
Transfer of convertible bonds	–	–	(354,030)	–	(354,030)
Insurance expenses	–	–	865	–	865
Interest expenses	–	–	17,227	39,506	56,733
Finance charges on lease liabilities	–	216	–	–	216
Financing through letters of credit and reverse factoring arrangements	204,674	–	–	–	204,674
Changes from operating activities	–	–	–	179,626	179,626
Changes from investing activities	–	–	–	(74,047)	(74,047)
As at 31 December 2021	1,762,693	6,850	–	162,558	1,932,101

37 NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

(b) Changes in liabilities arising from financing activities (continued)

	Interest-bearing bank borrowings RMB'000	Lease liabilities RMB'000	Convertible bonds RMB'000	Other payables and accruals RMB'000	Total RMB'000
As at 1 January 2020	667,789	3,701	322,027	65,010	1,058,527
Proceeds from loans and borrowings	455,256	–	–	–	455,256
Repayment of loans and borrowings	(378,477)	–	–	–	(378,477)
Settlement of letters of credit	(61,085)	–	–	–	(61,085)
Increase in discounted commercial acceptance notes	22,175	–	–	–	22,175
Dividends paid	–	–	–	(45,477)	(45,477)
Principal portion of lease payments	–	(2,064)	–	–	(2,064)
Interest paid	–	(102)	(1,740)	(43,638)	(45,480)
Changes from financing cash flows	37,869	(2,166)	(1,740)	(89,115)	(55,152)
Exchange realignment	–	(1)	–	–	(1)
New leases	–	234	–	–	234
Transfer of convertible bonds	–	–	(331)	–	(331)
Interest expenses	–	–	23,616	44,159	67,775
Finance charges on lease liabilities	–	102	–	–	102
Changes from operating activities	–	–	–	34,266	34,266
Changes from investing activities	–	–	–	(8,224)	(8,224)
Dividends declared	–	–	–	45,477	45,477
Financing through letters of credit and reverse factoring arrangements	28,183	–	–	–	28,183
Obligation for share repurchase	–	–	–	54,949	54,949
As at 31 December 2020	733,841	1,870	343,572	146,522	1,225,805

37 NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

(c) Total cash outflow for leases

The total cash outflow for leases included in the consolidated statements of cash flows is as follows:

	Year ended 31 December 2021 RMB'000	Year ended 31 December 2020 RMB'000
Within operating activities	**393**	401
Within financing activities (Note)	**2,414**	2,064
	2,807	2,465

Note: Cash outflow for leases in financing activities includes the principal portion of lease payments and their interests.

38 PLEDGE OF ASSETS

Details of the Group's assets pledged for the Group's bank loans and overdrafts are included in Notes 15, 16 and 26, respectively, to the Consolidated Financial Statements.

39 COMMITMENTS

(a) The Group had the following capital commitments at the end of each reporting period:

	31 December 2021 RMB'000	31 December 2020 RMB'000
Contracted, but not provided for:		
Property, plant and equipment	**648,793**	126,387
Investment commitment	**56,000**	–
	704,793	126,387

40 RELATED PARTY TRANSACTIONS

(a) The Group had the following related parties during the reporting period:

Name of Company	Relationship
Goldwind Investment Holdings Limited	Major shareholder, holding 11.38% and 7.02% of the Company as at 31 December 2020 and 31 December 2021, respectively.
Ganzhou Rare Earth Group Co., Ltd.	Major shareholder, holding 6.53% and 5.16% of the Company as at 31 December 2020 and 31 December 2021, respectively.
Ganzhou Poly-Max Magnetics Co., Ltd.	Associate
Sichuan Jiangtong Rare Earth Magnetic Material Co., Ltd.	Associate
Ningbo Jinci Lvneng equity Investment Partnership (LLP)	Associate
Xinjiang Goldwind Technology Co., Ltd.	The controlling shareholder of Goldwind Investment Holdings Limited, major shareholder of the Company
Beijing Goldwind Kechuang Wind Power Equipment Co., Ltd.	Subsidiary of Xinjiang Goldwind Technology Co., Ltd.
Goldwind Technology Hebei Co., Ltd.	Subsidiary of Xinjiang Goldwind Technology Co., Ltd.
Southern Rare Earth International Trading Co., Ltd.	Subsidiary of Ganzhou Rare Earth Group Co., Ltd., a major shareholder of the company
Ganzhou Rare Earth Mining Co., Ltd.	Subsidiary of Ganzhou Rare Earth Group Co., Ltd., a major shareholder of the company
Ganzhou Rare Earth Youli Technology Development Co., Ltd.	Subsidiary of Ganzhou Rare Earth Group Co., Ltd., a major shareholder of the company
Longnan Youli Rare Earth Science and Technology Development Co., Ltd.	Subsidiary of Ganzhou Rare Earth Group Co., Ltd., a major shareholder of the company
Jiangxi Ionic Rare Earth Engineering Technology Research Co., Ltd.	Subsidiary of Ganzhou Rare Earth Group Co., Ltd., a major shareholder of the company
CRRC Corporation Limited and its subsidiaries	Other related party**
Nanjing Turbine Motor Changfeng New Energy Co., Ltd.	Other related party**

** During the reporting period, CRRC Corporation Limited and its subsidiaries and Nanjing Turbine Motor Changfeng New Energy Co., Ltd., suppliers of Xinjiang Goldwind Technology Co., Ltd., purchased NdFeB magnet materials from the Group under the direction of Xinjiang Goldwind Technology Co., Ltd., in order to meet the specific parameters of the production process. Accordingly, management of the Company disclosed these transactions as related party transactions.

40 RELATED PARTY TRANSACTIONS (CONTINUED)

(b) In addition to the transactions detailed elsewhere in the consolidated financial statements, the Group had the following transactions with related parties during the reporting period:

	Year ended 31 December 2021 RMB'000	Year ended 31 December 2020 RMB'000
Service rendering from an associate:		
Sichuan Jiangtong Rare Earth Magnetic Material Co., Ltd.	**–**	474
Service rendering from subsidiaries of the Company's shareholder:		
Ganzhou Rare Earth Youli Technology Development Co., Ltd.	**–**	224
Jiangxi Ionic Rare Earth Engineering Technology Research Co., Ltd.	**–**	93
	–	317
Purchases of products from companies controlled by the Company's shareholder:		
Longnan Youli Rare Earth Science and Technology Development Co., Ltd.	**1,301**	–
Ganzhou Rare Earth Mining Co., Ltd.	**1,000**	–
Ganzhou Rare Earth Youli Technology Development Co., Ltd.	**3,429**	3,852
Jiangxi Ionic Rare Earth Engineering Technology Research Co., Ltd.	**518**	375
Southern Rare Earth International Trading Co., Ltd.	**563,963**	154,155
	570,211	158,382
Purchases of products from associates:		
Ganzhou Poly-Max Magnetics Co., Ltd.	**4,783**	–
	4,783	–

40 RELATED PARTY TRANSACTIONS (CONTINUED)

(b) In addition to the transactions detailed elsewhere in the consolidated financial statements, the Group had the following transactions with related parties during the reporting period: (continued)

	Year ended 31 December 2021 RMB'000	Year ended 31 December 2020 RMB'000
Rental income from an associate:		
Ganzhou Poly-Max Magnetics Co., Ltd.	**81**	66
Sales of goods to an associate:		
Ganzhou Poly-Max Magnetics Co., Ltd.	**3,030**	363
Sales of goods to companies controlled by a shareholder:		
Goldwind Technology Hebei Co., Ltd.	**15,020**	69,414
Ganzhou Rare Earth Youli Technology Development Co., Ltd.	**29,796**	–
	44,816	69,414
Sales of service to company controlled by a shareholder:		
Xinjiang Goldwind Technology Co., Ltd.	**–**	93
Sales of goods to other related parties:		
CRRC Corporation Limited and its subsidiaries:		
Xi'an CRRC Yongdian Jieli Wind Power Co., Ltd.	**288,082**	202,836
Jiangsu CRRC Electric Co., Ltd.	**266,951**	192,772
Baotou CRRC Motor Co., Ltd.	**63,400**	74,607
Hami CRRC New Energy Motor Co., Ltd.	**26,350**	46,309
Hunan CRRC Shangqu Electric Co., Ltd.	**80**	–
Shandong CRRC Electric Co., Ltd.	**127,620**	82,916
Nanjing Turbine Motor Changfeng New Energy Co., Ltd.	**51,475**	43,426
	823,958	642,866

40 RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Outstanding balances with related parties:

	31 December 2021 RMB'000	31 December 2020 RMB'000
Trade receivables due from an associate:		
Ganzhou Poly-Max Magnetics Co., Ltd.	**981**	291
Trade receivables due from companies controlled by a shareholder:		
Goldwind Technology Hebei Co., Ltd.	**11,808**	27,867
	11,808	27,867
Trade payables due to an associate:		
Ganzhou Poly-Max Magnetics Co., Ltd.	**1,529**	201
	1,529	201
Trade payables due to a company controlled by a shareholder:		
Southern Rare Earth International Trading Co., Ltd.	**133,729**	36,003
Other receivables due from an associate:		
Ganzhou Poly-Max Magnetics Co., Ltd.	**70**	–
Notes payables due to a company controlled by a shareholder:		
Southern Rare Earth International Trading Co., Ltd.	**27,597**	39,791

The amounts due from or due to related parties are all trade in nature, relating to sales of NdFeB materials, purchases of rare earths, and other income and gains, respectively. All transactions with related parties were conducted at prices and on terms mutually agreed by the parties involved.

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

	Year ended 31 December 2021 RMB'000	Year ended 31 December 2020 RMB'000
Salaries, allowances and benefits in kind	**15,709**	7,975
Performance related bonuses	**4,776**	6,632
Share incentive expense	**31,619**	17,170
Social insurance and housing fund	**530**	465
	52,634	32,242

Further details of directors' and the chief executive's emoluments are included in Note 6 to the Consolidated Financial Statements.

41 FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of each reporting period are as follows:

31 December 2021

Financial assets	Financial assets at amortised cost RMB'000	Financial assets at fair value through profit or loss RMB'000	Financial assets at fair value through other comprehensive income RMB'000	Total RMB'000
Trade receivables	1,231,485	–	–	1,231,485
Notes receivables	383,411	–	15,750	399,161
Financial assets included in prepayments, other receivables and other assets	2,838	–	–	2,838
Financial assets at fair value through profit or loss	–	7,226	–	7,226
Restricted cash	244,040	–	–	244,040
Cash and cash equivalents	1,255,467	–	–	1,255,467
	3,117,241	7,226	15,750	3,140,217

Financial liabilities	Financial liabilities at amortised cost RMB'000	Total RMB'000
Trade and notes payables	1,017,661	1,017,661
Financial liabilities included in other payables and accruals	99,257	99,257
Interest-bearing bank borrowings	1,762,693	1,762,693
	2,879,611	2,879,611

41 FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

The carrying amounts of each of the categories of financial instruments as at the end of each reporting period are as follows: (continued)

31 December 2020

Financial assets	Financial assets at amortised cost RMB'000	Financial assets at fair value through profit or loss RMB'000	Financial assets at fair value through other comprehensive income RMB'000	Total RMB'000
Trade receivables	743,067	–	–	743,067
Notes receivables	118,571	–	127,167	245,738
Financial assets included in prepayments, other receivables and other assets	15,534	–	–	15,534
Financial assets at fair value through profit or loss	–	2,654	–	2,654
Restricted cash	163,423	–	–	163,423
Cash and cash equivalents	593,012	–	–	593,012
	1,633,607	2,654	127,167	1,763,428

Financial liabilities	Financial liabilities at amortised cost RMB'000	Total RMB'000
Trade and notes payables	621,326	621,326
Financial liabilities included in other payables and accruals	102,079	102,079
Convertible bonds	343,572	343,572
Interest-bearing bank borrowings	733,841	733,841
	1,800,818	1,800,818

42 FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and cash equivalents, the current portion of pledged deposits, trade receivables, trade and notes payables, and financial assets included in prepayments, other receivables and other assets approximate to their carrying amounts largely due to the short-term maturities of these instruments.

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance manager reports directly to the chief financial officer and the audit committee. At the end of each reporting period, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer. The valuation process and results are discussed with the audit committee twice a year for interim and annual financial reporting.

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

Assets measured at fair value:

As at 31 December 2021	**Fair value measurement using**			
	Quoted prices in active markets (Level 1) RMB'000	**Significant observable inputs (Level 2) RMB'000**	**Significant unobservable inputs (Level 3) RMB'000**	**Total RMB'000**
Financial assets at fair value through profit or loss	**–**	**7,226**	**–**	**7,226**
Notes receivables	**–**	**–**	**15,750**	**15,750**
	–	**7,226**	**15,750**	**22,976**

As at 31 December 2020	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Financial assets at fair value through profit or loss	–	2,654	–	2,654
Notes receivables	–	–	127,167	127,167
	–	2,654	127,167	129,821

42 FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

Below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at the end of each reporting period:

As at 31 December 2021

	Valuation technique	**Significant unobservable input**	**Range**	**Sensitivity of fair value to the input**
Notes receivables	**Income approach**	**Discount rate**	**3.85%**	**5% increase/decrease would result in increase/ decrease in fair value by 0.03%**

As at 31 December 2020

	Valuation technique	Significant unobservable input	Range	Sensitivity of fair value to the input
Notes receivables	Income approach	Discount rate	3.91%	5% increase/decrease would result in increase/decrease in fair value by 0.06%

The Group did not have any financial liabilities measured at fair value at the end of each reporting period.

During the years ended 31 December 2021 and 2020, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 for both financial assets and financial liabilities. The Group's policy is to recognise transfers between levels of the fair value hierarchy as at the end of each reporting period in which they occur.

43 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments, other than derivatives, comprise bank loans, convertible bonds, other interest-bearing loans, and cash and short-term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The Group also enters into derivative transactions, mainly forward currency contracts. The purpose is to manage the currency risks arising from the Group's operations and its sources of finance.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below. The Group's accounting policies in relation to derivatives are set out in Note 2.4 to the Consolidated Financial Statements.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with a floating interest rate.

The following table demonstrates the sensitivity to a reasonably possible change in RMB interest rate with all other variables held constant, of the Group's profit after tax (through the impact on floating rate borrowings).

	Increase/(decrease) in basis points RMB'000	**Increase/(decrease) in profit after tax RMB'000**
2021		
RMB	**5%**	**215**
RMB	**(5%)**	**(215)**
2020		
RMB	5%	34
RMB	(5%)	(34)

Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other than the units' functional currencies.

It is the Group's policy to negotiate the terms of the hedge derivatives to match the terms of the hedged item to maximise hedge effectiveness.

The following table demonstrates the sensitivity at the end of each reporting period to a reasonably possible change in the EUR and RMB exchange rates, with all other variables held constant, of the Group's profit before tax (due to changes in the fair values of monetary assets and liabilities) and the Group's equity (due to changes in the fair value of forward currency contracts).

43 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Foreign currency risk (continued)

	Increase/(decrease) in EUR/USD rate RMB'000	Increase/(decrease) in profit before tax RMB'000	Increase/(decrease) in equity RMB'000
2021			
If the RMB weakens against the EUR	**5%**	**6,833**	**594**
If the RMB strengthens against the EUR	**(5%)**	**(6,833)**	**(594)**
If the RMB weakens against the USD	**5%**	**5,553**	**(42)**
If the RMB strengthens against the USD	**(5%)**	**(5,553)**	**42**
2020			
If the RMB weakens against the EUR	5%	3,526	339
If the RMB strengthens against the EUR	(5%)	(3,526)	(339)
If the RMB weakens against the USD	5%	3,111	(68)
If the RMB strengthens against the USD	(5%)	(3,111)	68

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant. For transactions that are not denominated in the functional currency of the relevant operating unit, the Group does not offer credit terms without the specific approval of the management.

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at the end of each reporting period. The amounts presented are gross carrying amounts for financial assets.

43 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk (continued)

As at 31 December 2021

	12-month ECLs	Lifetime ECLs			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	Total RMB'000
Trade receivables*	–	–	–	1,247,988	1,247,988
Notes receivables					
– Normal**	387,284	–	–	–	387,284
Financial assets included in prepayments, other receivables and other assets					
– Normal**	2,920	353	–	–	3,273
Restricted cash					
– Not yet past due	244,040	353	–	–	244,040
Cash and cash equivalents					
– Not yet past due	1,255,467	–	–	–	1,255,467
	1,889,711	353	–	1,247,988	3,138,052

As at 31 December 2020

	12-month ECLs	Lifetime ECLs			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	Total RMB'000
Trade receivables*	–	–	–	762,221	762,221
Notes receivables					
– Normal**	119,769	–	–	–	119,769
Financial assets included in prepayments, other receivables and other assets					
– Normal**	15,534	–	–	–	15,534
Restricted cash					
– Not yet past due	163,423	–	–	–	163,423
Cash and cash equivalents					
– Not yet past due	593,012	–	–	–	593,012
	891,738	–	–	762,221	1,653,959

* For trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in Note 22 to the Consolidated Financial Statements.

** The credit quality of notes receivables and financial assets included in prepayments, other receivables and other assets is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

43 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers both the maturity of its financial instruments and financial assets (e.g., trade receivables) and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of loans and bank borrowings.

The maturity profile of the Group's financial liabilities as at the end of each reporting period, based on the contractual undiscounted payments, is as follows:

	As at 31 December 2021				
	On demand RMB'000	**Within 1 year RMB'000**	**1 to 5 years RMB'000**	**Over 5 years RMB'000**	**Total RMB'000**
Convertible bonds	**–**	**–**	**–**	**–**	**–**
Lease liabilities	**–**	**2,392**	**4,663**	**–**	**7,055**
Interest-bearing bank borrowings	**–**	**1,370,358**	**434,085**	**–**	**1,804,443**
Trade and notes payables	**–**	**1,017,661**	**–**	**–**	**1,017,661**
Financial liabilities included in other payables and accruals	**–**	**99,257**	**–**	**–**	**99,257**
	–	**2,489,668**	**438,748**	**–**	**2,928,416**

	As at 31 December 2020				
	On demand RMB'000	Within 1 year RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Convertible bonds	–	24,341	458,289	–	482,630
Lease liabilities	–	1,346	793	–	2,139
Interest-bearing bank borrowings	–	481,079	269,586	–	750,665
Trade and notes payables	–	621,326	–	–	621,326
Financial liabilities included in other payables and accruals	–	102,079	–	–	102,079
	–	1,230,171	728,668	–	1,958,839

43 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Capital management

The primary objective of the Group's capital management is to ensure that it maintains strong credit rating and healthy capital ratios in order to support its business and maximise shareholders' value.

The Group regards total equity as its capital and manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies and processes during the years.

During the reporting period, the Group's strategy was to maintain the gearing ratio at a healthy level in order to monitor capital. The principal strategies adopted by the Group include, but are not limited to, reviewing future cash flow requirements and the ability to meet debt repayment schedules when they fall due, maintaining a reasonable level of available banking facilities and adjusting investment plans and financing plans, if necessary, to ensure that the Group has a reasonable level of capital to support its business. Gearing ratio is net debt divided by total equity plus net debt. Net debt includes trade and notes payables, other payables and accruals, interest-bearing bank borrowings, convertible bonds and lease liabilities, less cash and cash equivalents and restricted cash.

The gearing ratio at the end of each reporting period were as follows:

	Notes	**31 December 2021 RMB'000**	31 December 2020 RMB'000
Trade and notes payables	28	**1,017,661**	621,326
Other payables and accruals	30	**162,558**	146,522
Interest-bearing bank borrowings	31	**1,762,693**	733,841
Convertible bonds, the liability component	32	**–**	343,572
Lease liabilities	16	**6,850**	1,870
Less: Cash and cash equivalents	26	**(1,255,467)**	(593,012)
Less: Restricted cash	26	**(244,040)**	(163,423)
Net debt		**1,450,255**	1,090,696
Equity attributable to owners of the parent		**2,965,400**	1,567,301
Equity attributable to owners of the parent and net debt		**4,415,655**	2,657,997
Gearing ratio		**33%**	41%

44 NOTES TO THE STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	Notes	**31 December 2021 RMB'000**	31 December 2020 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**699,654**	520,651
Right-of-use assets		**28,584**	29,592
Other intangible assets		**1,465**	860
Investments in subsidiaries		**419,785**	179,394
Investments in associates		**–**	8,107
Other non-current assets		**103,775**	60,116
TOTAL NON-CURRENT ASSETS		**1,253,263**	798,720
CURRENT ASSETS			
Inventories		**1,282,994**	914,827
Trade receivables		**1,321,739**	764,775
Notes receivables at amortised cost		**383,411**	118,571
Notes receivables at fair value through other comprehensive income ("FVOCI")		**15,750**	127,167
Prepayments, other receivables and other assets		**298,708**	75,402
Financial assets at fair value through profit or loss		**7,226**	2,654
Other current assets		**31,186**	12,726
Restricted cash		**139,278**	148,069
Cash and cash equivalents		**1,115,817**	562,985
TOTAL CURRENT ASSETS		**4,596,109**	2,727,176
TOTAL ASSETS		**5,849,372**	3,525,896
CURRENT LIABILITIES			
Trade and notes payables		**922,915**	607,389
Contract liabilities		**13,763**	2,314
Other payables and accruals		**146,751**	139,881
Interest-bearing bank borrowings		**1,350,883**	466,633
Lease liabilities		**217**	262
Tax payables		**–**	18,657
TOTAL CURRENT LIABILITIES		**2,434,529**	1,235,136
NET CURRENT ASSETS		**2,161,580**	1,492,040
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,414,843**	2,290,760

44 NOTES TO THE STATEMENTS OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

	Notes	31 December 2021 RMB'000	31 December 2020 RMB'000
NON-CURRENT LIABILITIES			
Convertible bonds		–	343,572
Interest-bearing bank and other borrowings		300,000	267,208
Lease liabilities		11	104
Deferred income		58,950	58,029
Deferred tax liabilities		4,534	10,084
TOTAL NON-CURRENT LIABILITIES		363,495	678,997
NET ASSETS		3,051,348	1,611,763
EQUITY			
Share capital		710,974	415,977
Equity component of convertible bonds		–	107,343
Reserves (Note)		2,340,374	1,088,443
TOTAL EQUITY		3,051,348	1,611,763

Note: A summary of the Company's reserves is as follows:

	Treasury shares RMB'000	Share premium RMB'000	Share incentive reserve RMB'000	Reserve fund RMB'000	Retained profits RMB'000	Total RMB'000
At 31 December 2020 and 1 January 2021	(54,949)	432,860	39,589	88,478	582,465	1,088,443
Total comprehensive income for the year	–	–	–	–	496,835	496,835
Recognition of share-based payment expense	–	–	69,084	–	–	69,084
Tax implications related to a share incentive plan	–	–	27,737	–	–	27,737
Dividends declared	–	–	–	–	(86,341)	(86,341)
Issue of shares	–	495,911	–	–	–	495,911
Redemption of convertible bonds	–	1,381	–	–	–	1,381
Vesting of Type I Restricted Shares	21,931	18,594	(18,594)	–	–	21,931
Exercise of Type II Restricted Shares	–	41,780	–	–	–	41,780
Conversion of convertible bonds	–	442,636	–	–	–	442,636
Transfer from share premium (note 34)	–	(259,023)	–	–	–	(259,023)
Transfer from retained profits	–	–	–	49,707	(49,707)	–
At 31 December 2021	(33,018)	1,174,139	117,816	138,185	943,252	2,340,374

44 NOTES TO THE STATEMENTS OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

Note: (CONTINUED)

	Treasury shares RMB'000	Share premium RMB'000	Share incentive reserve RMB'000	Reserve fund RMB'000	Retained profits RMB'000	Total RMB'000
At 31 December 2019 and 1 January 2020	–	380,012	2,067	62,368	392,864	837,311
Total comprehensive income for the year	–	–	–	–	261,188	261,188
Share incentive plan expense	–	–	37,522	–	–	37,522
Dividends declared	–	–	–	–	(45,477)	(45,477)
Issue of shares according to an incentive plan	–	52,407	–	–	–	52,407
Conversion of convertible bonds	–	441	–	–	–	441
Repurchase obligation for shares issued under an incentive plan	(54,949)	–	–	–	–	(54,949)
Transfer from retained profits	–	–	–	26,110	(26,110)	–
At 31 December 2020 and 1 January 2021	(54,949)	432,860	39,589	88,478	582,465	1,088,443

45 EVENT AFTER THE REPORTING PERIOD

On 14 January 2022, 125,466,000 overseas listed foreign shares (H shares) issued by the Company were listed and traded on the main board of the Hong Kong Stock Exchange.

46 COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified to conform with the current year's presentation.

47 APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 30 March 2022.

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