

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)

(於中華人民共和國註冊成立的股份有限公司)

STOCK CODE 股份代號：6680



2022
INTERIM REPORT
中期報告

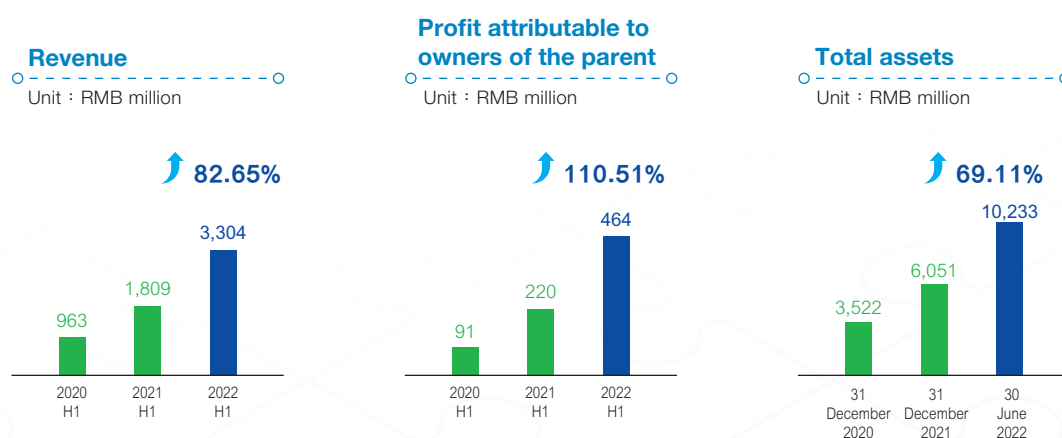
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HIGHLIGHT

SIGNIFICANT GROWTH IN THE COMPANY'S PERFORMANCE AND SCALE



THE COMPANY CURRENTLY HAS A PRODUCTION CAPACITY OF 23,000 TONNES/ YEAR OF MAGNETS

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

(1) Base project for high-performance REPMs

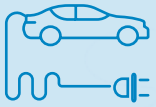


(2) Project with an annual output of 3,000 tonnes of high-end magnets and 100 million sets of components

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

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

HIGHLIGHT (CONTINUED)

LEADING INDUSTRY POSITION IN THE SECTORS OF NEW ENERGY AND ENERGY CONSERVATION AND ENVIRONMENTAL PROTECTION

		
<p>The Company's products are used for the production of drive motors by eight of the world's top ten NEV manufacturers</p>	<p>Seven of the world's top ten VFAC compressor manufacturers are the customers of the Company</p>	<p>Four of the top five wind turbine generators are the customers of the Company</p>
<p>In the first half of 2022, the sales volume of the Company's magnetic steel products for NEV drive motors can assemble approximately</p>	<p>In the first half of 2022, the sales volume of the Company's magnetic steel products for energy-saving VFACs can assemble approximately</p>	<p>In the first half of 2022, 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</p>
<p>0.992 million passenger NEVs</p>	<p>26.77 million VFAC compressors</p>	<p>5.08 GW</p>



The picture shows the scene where SGS awarded JL MAG SGS PAS 2060 Carbon Neutral Certification

DEFINITIONS

“2021H1”	the six months ended 30 June 2021
“2022 First Extraordinary General Meeting”	the 2022 First Extraordinary General Meeting held by the Company at 2:30 p.m. on Wednesday, 24 August 2022, in the conference room of Pullman Hotel, Block C, No.2 Jianhua South Road, Jiuyuan District, Baotou City, Inner Mongolia Autonomous Region, China
“2022H1”	the six months ended 30 June 2022
“A Share(s)”	domestic shares of the Company with a par value of RMB1.00 each, the shares of which are listed on the ChiNext of the Shenzhen Stock Exchange and traded in RMB
“Articles of Association”	the articles of association of the Company, as amended, modified or otherwise supplemented from time to time
“Baotou Production Base Project (Phase II)”	“High-performance REPM Base Project (Phase II)” constructed with the investment from JL Baotou
“Board”	the board of Directors of the Company
“CAGR”	compound annual growth rate
“Chairman”	the chairman of the Board
“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(有限合伙)) and Ganzhou Xinsheng Investment Management Center (limited partnership) (贛州欣盛投資管理中心(有限合伙))
“Corporate Governance Code”	Corporate Governance Code as set out in Appendix 14 to the Listing Rules
“CSRC”	China Securities Regulatory Commission (中國證券監督管理委員會)
“Director(s)”	the director(s) of the Company or any one of them
“Draft Incentive Plan”	the Company’s Restricted Share Incentive Plan 2020 (Draft)

DEFINITIONS (CONTINUED)

“Easy Victory”	EASY VICTORY GLOBAL LIMITED, a company established on 16 April 2019 with its registered address at 1st Floor, NPF Building, Beach Road, APIA, Samoa
“GBD”	gain boundary diffusion
“H Share Registrar”	Computershare Hong Kong Investor Services Limited, the Company’s H Share registrar
“H Shareholder(s)”	holder(s) of H Shares
“H Shares”	overseas listed foreign shares of the Company, with a nominal value of RMB1.00 each, which are traded in HK dollars and listed on the Stock Exchange
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong Listing Rules” or “Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time
“Innovative Frontier”	INNOVATIVE FRONTIER LIMITED, a company established on 3 July 2019 with its registered address at 1st Floor, NPF Building, Beach Road, APIA, Samoa
“JL Baotou”	Jinli Permanent Magnet (Baotou) Technology Co., Ltd.
“JL MAG”, “the Company”, “Our Company”	JL MAG RARE-EARTH CO., LTD. (江西金力永磁科技股份有限公司)
“JL Tech (Hong Kong)”	JL MAG Green Tech (Hong Kong) Company Limited, a wholly-owned subsidiary of the Company
“Listing Date”	Friday, 14 January 2022, being the date on which the H Shares were listed on the Stock Exchange and permitted to commence trading on the Stock Exchange
“Main Board”	the stock market (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with GEM of the Stock Exchange
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers under Appendix 10 to the Listing Rules

DEFINITIONS (CONTINUED)

“Northern Rare Earth Group”	China Northern Rare Earth Group High-Tech Co., Ltd.
“PRC Company Law”	The Company Law of the People’s Republic of China, as may be amended, supplemented or otherwise modified from time to time
“PRC” or “China”	the People’s Republic of China, which, for the purpose of this interim report, shall exclude the Hong Kong Special Administrative Region, the Macao Special Administrative Region and Taiwan
“Reporting Period”	From 1 January 2022 to 30 June 2022
“Restricted Share Incentive Plan”	a restricted share incentive plan adopted by our Company on 26 August 2020 and amended on 8 September 2020, for the purpose of incentivizing eligible management and employees of our Group
“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
“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
“SGS”	Societe Generale de Surveillance S.A., founded in 1878, is a well-known international institution engaged in inspection, testing, quality assurance and certification
“Share(s)”	Share(s) in the share capital of the Company with a nominal value of RMB1.00 each, including A Shares and H Shares
“Southern Rare Earth Group”	China Southern Rare Earth Group Co., Ltd.
“Stock Exchange” or “Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supervisor(s)”	the supervisor (s) of the Company
“Supervisory Committee”	the supervisory committee of the Company
“Suzhou Yuange”	Suzhou Yuange Electronics Co., Ltd., a limited liability company established in China on 27 April 2002

DEFINITIONS (CONTINUED)

“Suzhou Yuange Equity Transfer”	a transaction contemplated under the Suzhou Yuange Equity Transfer Agreement
“Suzhou Yuange Equity Transfer Agreement”	the agreement for transfer of the equity interest dated 21 July 2022, by and between the Company on the one hand, and Easy Victory, Ms. Huang Ziyang and Suzhou Yuange on the other, in relation to the acquisition by the Company of 51% equity interests in Suzhou Yuange from Easy Victory
“the Group”	JL MAG and its subsidiaries
“this interim report”, “interim report”	the Company’s interim report published on 24 August 2022
“USD”	United States dollar, the lawful currency of the United States
“Xinyang Yen”	Xinyang Yen Sonic Technology Co., Ltd., a limited liability company established in China on 31 March 2011
“Xinyang Yen Equity Transfer”	a transaction contemplated under the Xinyang Yen Equity Transfer Agreement
“Xinyang Yen Equity Transfer Agreement”	the agreement for transfer of the equity interest dated 21 July 2022, by and between the Company on the one hand, and Innovative Frontier, Mr. Dai Chunhua and Xinyang Yen on the other, in relation to the acquisition by the Company of 46% equity interests in Xinyang Yen from Innovative Frontier
“Yinhai New Materials”	Bayannur Yinhai New Materials Co., Ltd., a limited liability company established in China
“Yinhai New Materials Equity Transfer”	a transaction contemplated under the Yinhai New Materials Equity Transfer Agreement
“Yinhai New Materials Equity Transfer Agreement”	the agreement for transfer of the equity interest dated 21 July 2022, by and between the Company, Mr. Ren Hailiang, Mr. Ren Haihu, Mr. Wu Jun and Yinhai New Materials in relation to the acquisition by the Company of 51% equity interests in Yinhai New Materials from them
“%”	percentage

CORPORATE INFORMATION

Legal Name

江西金力永磁科技股份有限公司

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

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 Sub-branch
China Merchants Bank Ganzhou Branch

Share Registrar

A Share:

China Securities Depository and
Clearing Co., Ltd., Shenzhen Branch
Shenzhen Stock Exchange Plaza
No. 2012 Shennan Avenue
Futian CBD, Futian District, Shenzhen
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.jlimg.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
Hong Kong

SUMMARY OF FINANCIAL INFORMATION

	For the six months ended 30 June		
	2022 RMB'000	2021 RMB'000	Change %
Revenue	3,303,797	1,808,835	82.65%
Gross profit	678,198	444,977	52.41%
Profit attributable to owners of the parent	463,833	220,342	110.51%
Net cash flows used in operating activities	(573,889)	(76,659)	N/A
Basic and diluted earnings per share (RMB)	0.55	0.32	71.88%

During the Reporting Period, the Company achieved a revenue of RMB3,303.8 million, representing an increase of RMB1,495.0 million or 82.65% as compared with that of RMB1,808.8 million for the six months ended 30 June 2021.

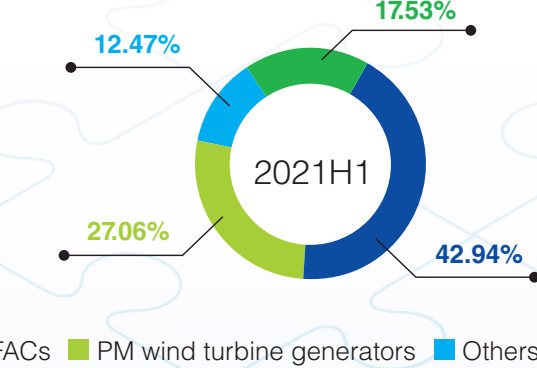
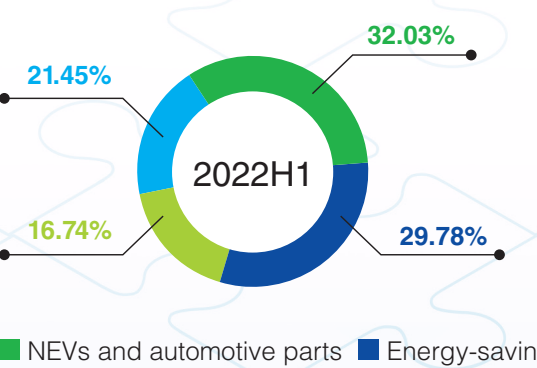
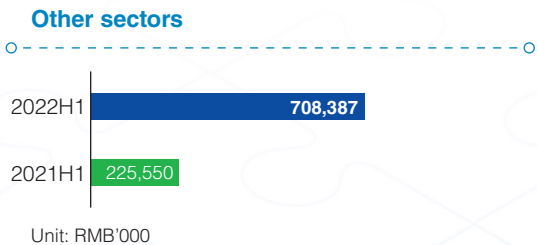
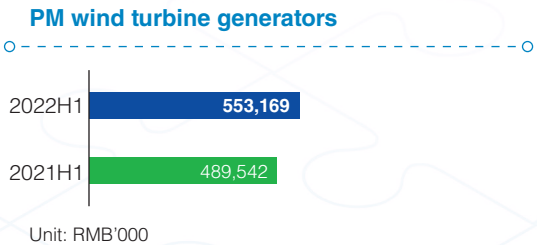
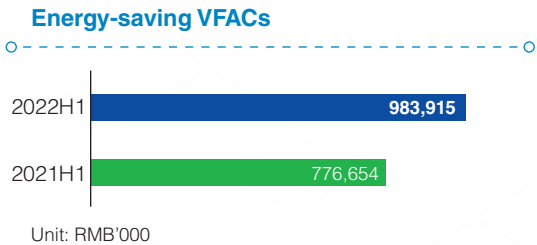
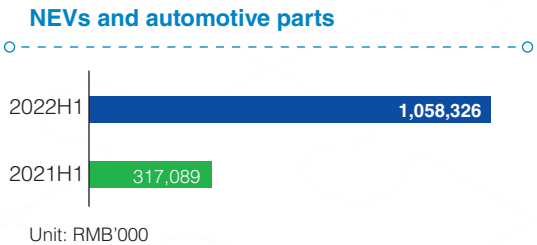
During the Reporting Period, profit attributable to owners of the parent amounted to RMB463.8 million, representing an increase of approximately 110.51% as compared with the six months ended 30 June 2021.

For the six months ended 30 June 2022 and 2021, net cash flows used in operating activities were RMB573.9 million and RMB76.7 million, respectively.

The Company did not declare any interim dividend for the six months ended 30 June 2022.

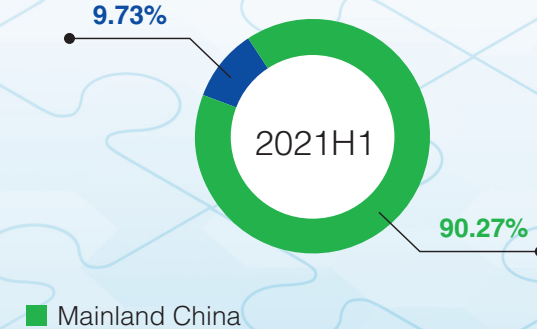
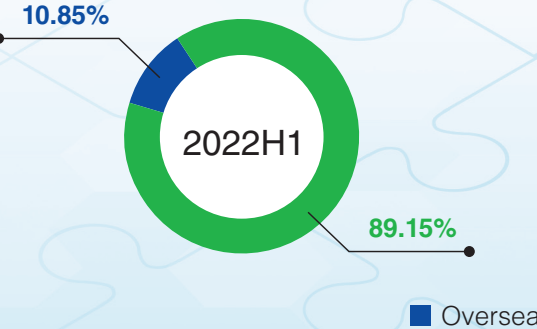
SUMMARY OF FINANCIAL INFORMATION (CONTINUED)

REVENUE BY PRODUCT CATEGORY AND DOWNSTREAM APPLICATION



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

REVENUE BY SALES REGION



■ Overseas ■ Mainland China

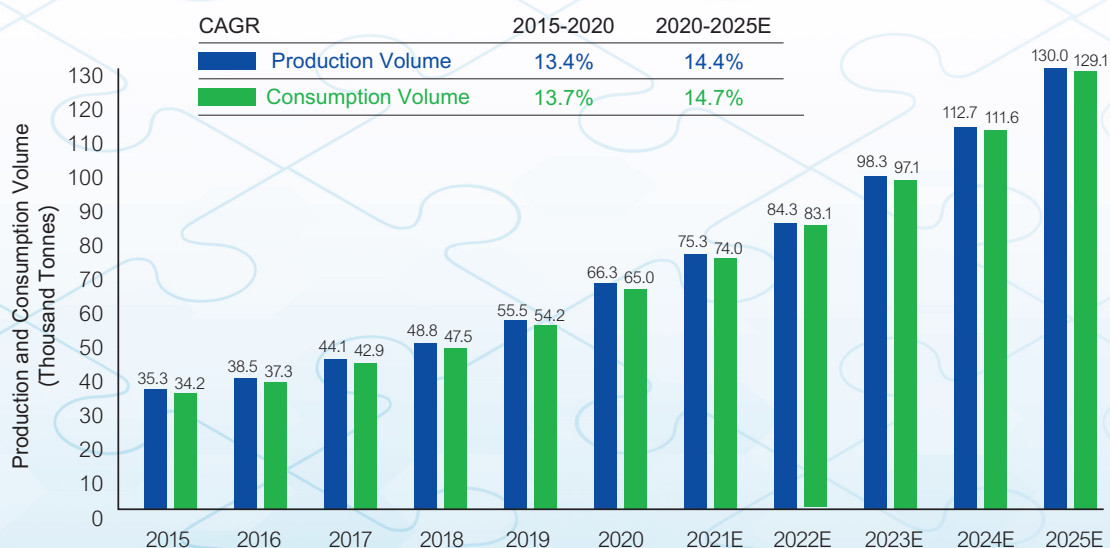
MANAGEMENT DISCUSSION AND ANALYSIS

1 INDUSTRY DEVELOPMENT TREND

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

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

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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 the latest data of China Passenger Car Association, the global sales of new energy passenger vehicles reached 4.21 million units from January to June 2022, representing a year-on-year increase of 71%. China’s new energy passenger vehicles accounted for 59% of the global new energy passenger vehicle market, and 26% of the European market, the second largest market. The global penetration rate of new energy vehicles increased rapidly to 10% in 2022. Specifically, the new energy penetration rate of China reached 22%. As the penetration of new energy vehicles increased in countries, the global new energy vehicles were in a stage of strong development.

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%. According to the data of the National Bureau of Statistics, in the first half of 2022, China’s total air-conditioner production reached approximately 122.5 million units, up 1.1% year on year. With the official implementation of “Minimum Allowable Values of the Energy Efficiency and Energy Efficiency Grades for Room Air Conditioners” on 1 July 2020, fixed-frequency air-conditioning products were completely phased out and high-efficiency VFACs have become the mainstream of the market, and the demand for high-performance NdFeB magnetic steel, which are used as core materials for VFAC compressors, will increase significantly in the future.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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, vigorously increase the scale of wind power generation, develop offshore wind power in an orderly manner, 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.

The Global Wind Report 2022 published by the Global Wind Energy Council (GWEC) shows that in 2021, the global installed capacity for wind power increased by 93.6GW, and the total installed capacity for wind power reached 837GW, representing a year-on-year increase of 12%, which is the second-best achievement in the history. According to the data of the National Energy Administration, in the first half of 2022, the national on-grid installed capacity for wind power increased by 12.94GW or 19.4% year on year. Specifically, there was an increase of 12.06GW in the installed capacity for onshore wind power and an increase of 2.7GW in the installed capacity for offshore wind power.

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%.

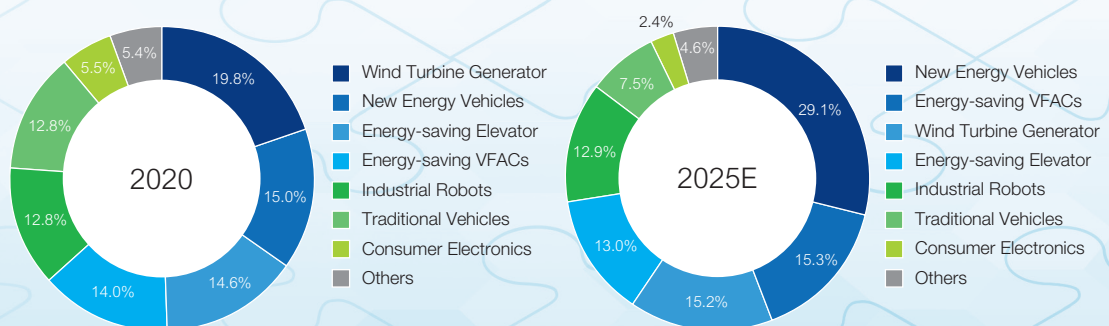
MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

4. Robotics and Industrial Servo Motors Sector

According to the research report of relevant organizations, under the development trend of digital control, stepper motors or servo motors are mostly used as force motors in the motion control system. Due to the excellent performance of servo motors in terms of control accuracy, overload capacity, velocity response and otherwise, servo motors are widely used in industrial automation, robotics and other fields. From the perspective of the industrial chain, Tesla will launch Tesla Bot on September 30, which is expected to open an era of humanoid robots. Rare earth magnetic materials are important raw materials necessary in manufacturing servo motors, as core components of the robot industry chain. The demand for REPMs is expected to grow rapidly under the background of the arrival of the humanoid robot era.

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)”, proposing to 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. In June 2022, six ministries including the Ministry of Industry and Information Technology issued a notice on the publication of the Action Plan for Industrial Energy Efficiency Enhancement. The action plan proposes that by 2025, the energy efficiency of key industries will be improved in an all-round way, and the energy consumption per unit of added value of industrial enterprises above designated size will decrease by 13.5% as compared with 2020. It also proposes to implement actions to improve the energy efficiency of electric motors, accelerate the innovation and upgrading of key materials such as REPMs, and specifies that the percentage of new high-efficiency and energy-saving electric motors will exceed 70% in 2025. In the future, the penetration rate of REPM motors will further increase, thus increasing the demand for REPMs.

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



Source: Frost & Sullivan Report

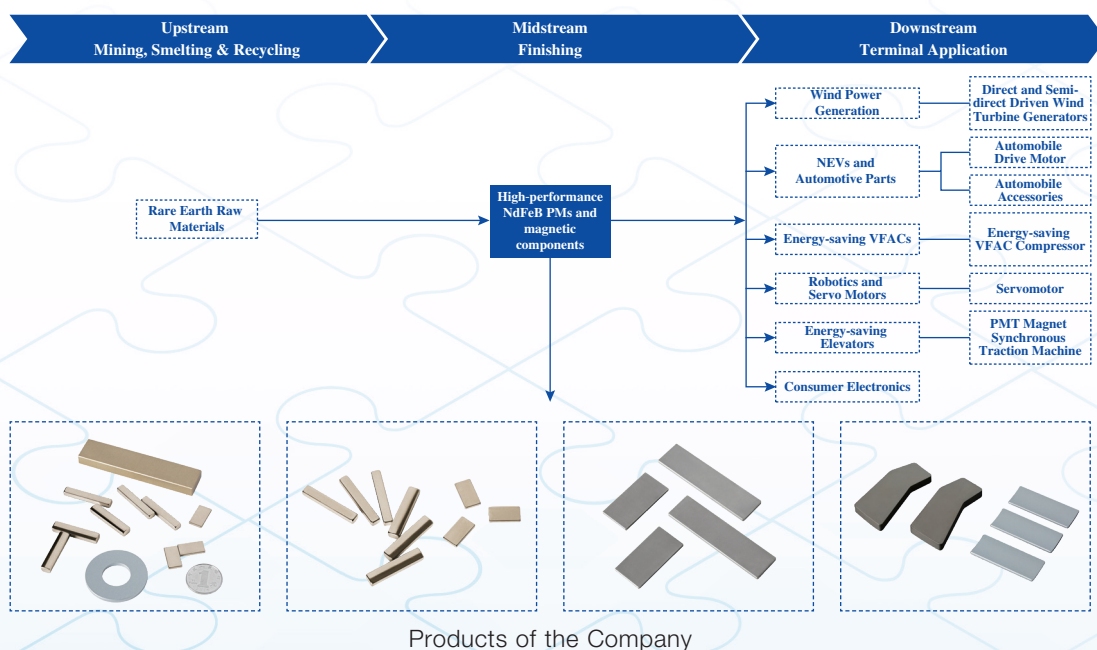
MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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

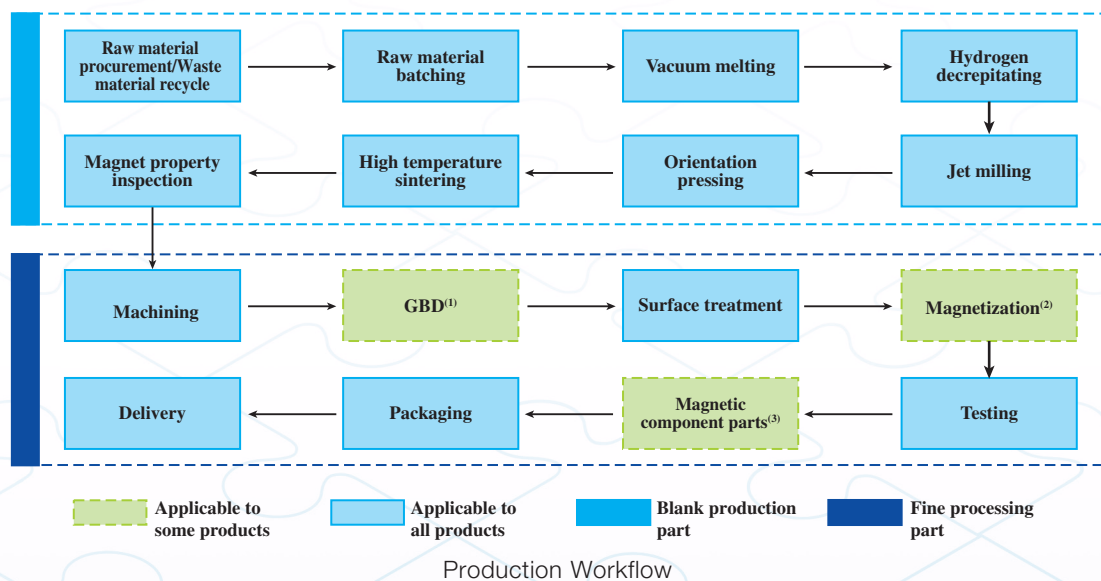
The Company is a high-tech enterprise engaging in the R&D, production and sales of high-performance NdFeB PMs, magnetic components and the recycling and comprehensive utilization of REPMs, and a leading supplier of high-performance REPMs in the fields of new energy and energy conservation and environmental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



MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

(2) The business model of the Company

The Company 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, production of magnetic component parts, the recycling and comprehensive utilization of rare earth and other processes, and comprehensively control and fine manage each process flow.



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 PM 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.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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 ANALYSIS OF CORE COMPETITIVENESS

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

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

The Company is the world's leading manufacturer of high-performance REPM. In the first half of 2022, the Company had an output of high-performance REPM of 6,232 tonnes, including 4,160 tonnes produced using GBD technology and 2,493 tonnes of ultra-high-grade materials. With its huge production capacity, excellent R&D capability, proprietary technology and strong product delivery capability, the Company established global market leadership in the following key downstream fields. In the field of NEVs, 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 VFACs, seven of the world's top ten VFAC compressor manufacturers are the customers of the Company. In the field of wind power, four of the world's top five wind power generator manufacturers are the customers of the Company. The Company has actively expanded its business in the fields such as 3C, robotics and industrial servo motors, energy-saving elevators and rail transit, and Mitsubishi Elevator with a leading position in the market.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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. As of June 2022, the "High-Performance REPM Base Project" of the Company's Phase I Baotou Production Base has reached the production output, making the Company's annual production capacity of high-performance NdFeB PM blanks increase to 23,000 tonnes. 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.

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-performance REPM base (Phase II) project with an annual capacity of 12,000 tonnes in Baotou and a High-Efficiency and energy-saving motors Magnets Base Project with an annual capacity of 2,000 tonnes in Ganzhou. The Company plans to build a production capacity of 40,000 tonnes/year of high-performance NdFeB PM blanks 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 earth. 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, is expected to obtain benefits and faster development. Additionally, the Company has established a stable strategic 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 on hand, established a price adjustment mechanism with customers, optimized formulas, improved the process, and taken other measures to reduce the effect of rare earth raw material price fluctuations on the Company's operating results.

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

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

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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

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

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

There are also high entry barriers for customer certification in the high-performance REPMs industry. High-performance NdFeB PMs are considered as important functional materials in related industries, and their quality is vital to the performance and quality of customers' final products. Once a partnership is established, customers will not easily shift to other suppliers. Therefore, in the high-performance REPMs 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 REPM industry.

(5) Take the lead in building a complete REPM green industry chain

The Company has planned and gradually realized vertical integration of the industrial chain, and built a complete green industrial chain for the recycling and comprehensive utilization of REPMs, high-performance REPM production, and magnetic component manufacturing, which can provide leading customers at home and abroad with superior products and services.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

The Company takes the lead in building a fully recycled green and traceable industry chain in the REPM industry. In 2018, the Company signed the “cooperation agreement on 100% rare earth RE utilization (recycling) products” with China Southern Rare Earth Group Co., Ltd. (中國南方稀土集團有限公司), which uses the medium and heavy rare earth metals from rare earth waste recovery supplied by China Southern Rare Earth Group Co., Ltd. to mass produce and supply high-performance REPM for global customers. The Company’s fully recycled green and traceable REPMs have been reviewed and certified by the global authoritative American SCS recycling system certification agency on the industrial chain, and the certification of fully recycled green and traceable REPMs has been issued.

In July 2022, the Company signed the equity transfer agreement with relevant parties of Yinhai New Materials to acquire of 51% equity interests of Yinhai New Materials, further improving the Company’s strategic layout of recycling and comprehensive utilization of REPMs. Yinhai New Materials is a production and processing enterprise specializing in the comprehensive recovery and utilization of waste materials such as rare earth polishing powder and magnetic materials. According to the reply of the competent department, Yinhai New Materials has built a production capacity of 5,000 tonnes of rare earth compound products per year for the comprehensive utilization of rare earth product wastes. Through this merger and acquisition, the Company has completed the vertical integration of the industrial chain, which helps the Company to extract and recycle the rare earth elements from the magnetic mud waste generated in the production of NdFeB PMs and the waste NdFeB REPMs collected from customers, thus saving rare earth resources and meeting the needs of customers for using recycled rare earth materials. Through the acquisition of Yinhai New Materials, the Company will provide global customers with sustainable, green and recycled high-performance REPM products.

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

The Company boasts a young and energetic management team with senior industry background and rich experience in management and operation. Members of the team can timely and accurately understand the development trends of the industry, keenly seize market opportunities and formulate sustainable development strategies to lead the Company to become a leader of high-performance REPMs in the world step by step. The Company has continued to improve the quality and technical level of its existing products to further increase the competitiveness of the products. The Company has launched a multi-dimensional incentive system including the share incentive plan, which has effectively stimulated the enthusiasm and creativity of employees and maintained the stability of its team. Focusing on long-term business development, the Company has actively deployed overseas markets. It has set up subsidiaries in Hong Kong, Europe, Japan, and the United States, with local talent teams engaged, as the Company’s platforms for overseas technological exchanges, logistics service and sales. The Company has seen an increasing degree of internationalization.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

4 REVIEW OF OPERATIONS DURING THE REPORTING PERIOD

(1) Continuously growing results

During the Reporting Period, the Company continued to focus on the sectors of new energy and energy conservation and environmental protection, as well as core applications, including new energy vehicles and automotive parts, energy-saving VFACs, wind turbine generators, 3C, robotics and industrial servo motors, energy-saving elevators and rail transit, maintaining a significant growth in its revenue and profit. During the Reporting Period, the Company recorded a revenue of RMB3,303.8 million, representing a year-on-year increase of 82.65%; the sales revenue of RMB2,945.4 million in China, representing a year-on-year increase of 80.38%; the sales revenue of RMB358.4 million overseas, representing a year-on-year increase of 103.66%, of which sales revenue from exports to the United States amounted to RMB87.9 million, representing a year-on-year increase of 303.83%; profit attributable to owners of the parent of RMB463.8 million, representing a year-on-year increase of 110.51%; profit attributable to owners of the parent after deducting non-recurring gain or loss of RMB461.4 million, representing a year-on-year increase of 125.05%.

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

In the first half of 2022, the Company's revenue from the sectors of new energy vehicles and automotive parts reached RMB1,058 million, representing an increase of 233.8% as compared with the same period of last year. In the first half of 2022, the Company's sales volume of magnetic steel products for drive motors of NEVs can assemble approximately 0.992 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 by eight of the world's top ten new energy vehicle manufacturers. The Company is the magnetic steel supplier of Tesla, BYD and other NEV drive motors. In the first half of 2022, the Company was awarded the 2021 "Excellent Supplier" by BYD-Fudi Power Co., Ltd.

In the first half of 2022, the revenue of the Company generated from the energy-saving VFACs sector reached RMB984 million, representing a year-on-year increase of 26.69%. In the first half of 2022, the Company's sales volume of magnetic steel products for energy-saving VFACs can assemble approximately 26.77 million units of VFAC compressors. The Company has maintained its leading position in the global energy-saving VFACs sector and the top five manufacturers of VFAC compressors in the world have maintained close cooperation with the Company for many years. The Company is the major magnetic steel supplier of well-known brands such as Midea and Gree, etc.

The Company has continuously consolidated its global leading position in the wind power sector. In the first half of 2022, the revenue of the Company generated from the wind power sector reached RMB553 million, representing an increase of 13.00% as compared with the same period of last year, and the sales volume of the Company's products in this sector can assemble wind turbine generators with an approximate aggregate installed capacity of 5.08GW. Four of the world's top five wind turbine generator manufacturers are the Company's customers.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

The Company has started large-scale mass production of the products in the 3C sector, which has become a new performance growth point for the Company. In the first half of 2022, the revenue of the Company generated from the 3C sector reached RMB99 million, representing a year-on-year increase of 88.66%. The Company continued to deepen its strategic layout in the 3C sector. In July 2022, the Company reached an agreement with relevant parties to acquire 46% equity interests in Xinyang Yen and 51% equity interests in Suzhou Yuange. Such acquisitions will help improve the Company's R&D and production capacity of 3C magnetic materials and magnetic components, and extend its business layout in the 3C sector.

In addition, in the first half of 2022, the revenue of the Company generated from the robotics and industrial servo motors sector reached RMB98 million, representing a year-on-year increase of 67.85%. The main customers include top customers in the industry such as Bosch Rexroth. The Company has also actively deployed the new energy, energy-saving and environment-friendly fields, such as energy-saving elevators and rail transit, and has become one of the major suppliers of high-performance magnetic steel in these fields. In August 2022, the world's first permanent magnet maglev rail transit system engineering test line, "Red Rail (紅軌)" was successfully completed in Xingguo County, Ganzhou City. The magnetic steel used for the maglev air rail train "Xingguo" of the test line was supplied by the Company.

(3) The core technology of the Company keeps leading in the industry

The Company has the industry-leading GBD 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 earth in the production of high-performance NdFeB PMs. On the other hand, in the field of NEVs and energy-saving VFACs, etc., the Company constantly develops high-grade products and realizes large-scale production and delivery according to customer needs adopting GBD 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 earth. According to Frost & Sullivan, GBD technology can reduce the consumption of medium and heavy rare earth by 50% to 70% in general cases. In the first half of 2022, the Company used this technology to produce 4,160 tonnes of high-performance REPM, representing a year-on-year growth of 49.8%, and accounting for 66.74% of the Company's total product output in the same period, an increase of 15.85 percentage points compared to the same period in the previous year. Among these products, the output of ultra-high grade products amounted to 2,493 tonnes (the sum of intrinsic coercivity (H_{cj}, kOe) and maximum energy product ((BH) max, MGOe) higher than 75). In June 2022, the Company led the "Development of Key Technology for High Performance and Low Heavy Rare Earth Magnets and Industrial Application of REPM Motors" project in cooperation with Nanchang University of Aeronautics (南昌航空大學) and Central Iron & Steel Research Institute (鋼鐵研究總院), and won the first prize of the 2021 Jiangxi Province Science and Technology Progress Award.

In the first half of 2022, the Company's research and development expenses was RMB140.7 million, representing a year-on-year increase of 80.1% and 4.26% of the revenue. As of 30 June 2022, we held 58 authorized patents, including 26 authorized invention patents and 32 authorized utility model patents. During the Reporting Period, 2 new invention patents were authorized, and 3 new invention patents were accepted. At present, 18 patent applications are subject to scrutiny.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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

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

NO.	Production capacity (tonnes/year)	Factory	Main project name	Status	Schedule for production output
1	15,000	Ganzhou	-	Production output reached	2021
2	8,000	Baotou	Base project for high-performance REPMs	Production output reached	June 2022
3	3,000	Ningbo	Project with an annual output of 3,000 tonnes of high-end magnets and 100 million sets of components	Under construction	2023-2024
4	12,000	Baotou	Base project for high-performance REPMs (Phase II)	Under construction	2023-2024
5	2,000	Ganzhou	Base project for magnets used in high-efficiency and energy-saving motors	Under planning and construction	2024-2025
Total	40,000	-			

(5) Building a complete green industrial chain

In July 2022, the Company successively signed equity transfer agreements with relevant parties of Yin Hai New Materials, Xinyang Yen and Suzhou Yuange to acquire 51% equity interests in Yin Hai New Materials, 46% equity interests in Xinyang Yen and 51% equity interests in Suzhou Yuange respectively. Upon completion of the above acquisitions, the Company can realize vertical integration of the industrial chain to build a complete green industrial chain covering the recycling and comprehensive utilization of REPMs, high-performance REPMs and magnetic components manufacturing, and provide superior products and services for international and domestic leading customers.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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

In June 2022, the Company was awarded the Certificate of PAS 2060 Declaration of Achievement of Carbon Neutrality (“Certificate”) by SGS, an internationally recognized testing, inspection and certification institution. The Certificate is the world’s first certificate of achievement of carbon neutralization in the REPM industry issued by SGS. PAS 2060 is an internationally recognized carbon neutrality standard, which requires enterprises to make efforts to reduce emissions and achieve low-carbon production model on the basis of quantifying greenhouse gas emissions. Obtaining the Certificate of PAS 2060 Declaration of Achievement of Carbon Neutrality indicates that the efforts of the Company in carbon neutrality have been highly recognized by international authoritative organizations. The Company also announced the signing of the Strategic Cooperation Framework Agreement with the northern branch of China Resources Power Investment Co., Ltd., the management company of China Resources Power Holdings Company Limited (836. HK) in the northern region. Based on the development and construction of new energy projects, the Company has carried out cooperation in a number of projects, including guaranteed grid connected centralized new energy projects, renewable energy substitution projects in industrial parks, new energy projects supporting thermal power flexible transformation, distributed wind power projects and permanent magnet motor transformation projects, and continued to promote the Company’s low-carbon production with green power. In the Second Sina Finance China Carbon Company Awards in July 2022, the Company was awarded as the “Industry Pacesetter of China Carbon Companies”.

The Company attaches great importance to social responsibility and is extensively engaged in charitable activities. In the first half of 2022, the Company invested a total of RMB350,000 in public welfare undertakings, of which RMB300,000 was donated to the Red Cross Society of Xingguo County and RMB50,000 was used to set up scholarships in colleges and universities. In the first half of 2022, the Company continued to increase its investment in production safety and environmental protection, with the total expenditure on environmental protection and occupational safety during the Reporting Period approximate to RMB9.56 million, representing a year-on-year increase of 16.75%. The Company pays taxes in accordance with the law. During the Reporting Period, the parent company paid various taxes of RMB62.32 million.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

(7) Continuous improvement and optimization of corporate governance

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

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

5 FINANCIAL REVIEW

The contents of this section should be read in conjunction with the financial statements, including the relevant notes, set out in this report.

(1) Overview

During the Reporting Period, the Company continued to focus on the sectors of new energy and energy conservation and environmental protection, as well as core applications, including NEVs and automotive parts, energy-saving VFACs, wind turbine generators, 3C, robotics and industrial servo motors, energy-saving elevators and rail transit, maintaining a significant growth in its revenue and profit.

During the Reporting Period, the Company’s revenue amounted to RMB3,303.8 million, representing an increase of RMB1,495.0 million from RMB1,808.8 million for the six months ended 30 June 2021. The gross profit of the Company was RMB678.2 million, representing an increase of RMB233.2 million from RMB445.0 million for the six months ended 30 June 2021. The basic earnings per share of the Company was RMB0.55.

During the Reporting Period, the profit attributable to owners of the parent amounted to RMB463.8 million, representing an increase of RMB243.5 million from RMB220.3 million for the six months ended 30 June 2021, the increase was 110.51%, which was mainly due to the fast and steady growth of the Company’s business.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

(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 RMB1,495.0 million from RMB1,808.8 million for the six months ended 30 June 2021 to RMB3,303.8 million for the six months ended 30 June 2022. The increase in revenue was mainly due to the increase in the price of rare earth raw materials and the adjustment of product structure, which led to the increase in the average selling price of NdFeB magnetic steel products during the Reporting Period as compared with the same period of the previous year, and 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 486 tonnes from 5,447 tonnes for the six months ended 30 June 2021 to 5,933 tonnes for the six months ended 30 June 2022.

1. Analysis of main business by products and regions

By product:

	For the six months ended 30 June			
	2022		2021	
	RMB'000	%	RMB'000	%
– NEVs and automotive parts	1,058,326	32.03%	317,089	17.53%
– Energy-saving VFACs	983,915	29.78%	776,654	42.94%
– PM wind turbine generators	553,169	16.74%	489,542	27.06%
– Other sectors	708,387	21.45%	225,550	12.47%
Total	3,303,797	100.00%	1,808,835	100.00%

By sales regions:

	For the six months ended 30 June			
	2022		2021	
	RMB'000	%	RMB'000	%
Mainland China	2,945,360	89.15%	1,632,836	90.27%
Overseas	358,437	10.85%	175,999	9.73%
Total	3,303,797	100.00%	1,808,835	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 RMB1,261.7 million from RMB1,363.9 million for the six months ended 30 June 2021 to RMB2,625.6 million for the six months ended 30 June 2022. The increase in cost of sales was mainly due to the significant increase of rare earth raw materials price as well as the continuous increase in both production and sales volume of NdFeB magnetic steel during the Reporting Period.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

(3) Gross Profit and Gross Profit Margin

During the Reporting Period, the Company's gross profit was approximately RMB678.2 million (RMB445.0 million for the six months ended 30 June 2021), with a gross profit margin of 20.5% (the six months ended 30 June 2021: 24.6%). The slight decrease in gross profit margin was mainly due to the significant increase in the price of rare earth raw materials in the first half of 2022.

(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 80.4% from RMB25.0 million for the six months ended 30 June 2021 to RMB45.1 million for the six months ended 30 June 2022, which was mainly due to (i) an increase in bank interest income of RMB11.6 million; and (ii) an increase in government grants of RMB9.7 million.

(5) Selling and Distribution Expenses

The Company's selling and distribution expenses, which mainly consist of employee benefit expenses, exhibition promotion expenses, entertainment expenses, traveling expenses and other marketing expenses, increased by 63.9% from RMB12.6 million for the six months ended 30 June 2021 to RMB20.6 million for the six months ended 30 June 2022, which was mainly due to (i) an increase of RMB5.2 million in exhibition promotion expenses in the first half of 2022; and (ii) an increase in salary and benefits for sales employees of RMB3.6 million.

(6) Administrative Expenses

The Company's administrative expenses, which mainly consist of employee benefit expenses, share incentive plan expenses, professional service expenses and depreciation and amortization, increased by 9.3% from RMB88.2 million for the six months ended 30 June 2021 to RMB96.4 million for the six months ended 30 June 2022, primarily due to (i) an increase of RMB9.6 million in professional service expenses due to equity financing; (ii) new recruits to support business growth of the Company, as well as an increase in average compensation, resulting in an increase of RMB7.2 million in compensation; (iii) a decrease in share incentive plan expenses of RMB18.7 million; and (iv) an increase in other expenses such as depreciation and amortization due to business growth.

(7) Research and Development Expenses

The Company's research and development expenses, which mainly consist of employee benefit expenses, consumables and testing materials costs, increased by 80.1% from RMB78.1 million for the six months ended 30 June 2021 to RMB140.7 million for the six months ended 30 June 2022, primarily due to (i) an increase of RMB78.1 million in materials costs for product research and development as customer orders increased and the price of rare earth raw materials significantly increased; and (ii) a decrease of approximately RMB7.8 million in share incentive plan expenses.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

(8) Impairment Losses on Inventories

The Company's impairment losses on inventories represent the amount by which the carrying amount of inventories exceeds their recoverable amount, which increased by 30.5% from RMB3.2 million for the six months ended 30 June 2021 to RMB4.2 million for the six months ended 30 June 2022, mainly due to fluctuations in the net realizable value of inventories based on the estimated selling price of finished products.

(9) Impairment Losses on Financial Assets, Net

The net impairment losses on financial assets of the Company mainly represent impairment provisions for trade receivables and notes receivable, which increased from RMB0.3 million for the six months ended 30 June 2021 to RMB10.8 million for the six months ended 30 June 2022, mainly due to the significant increase in the balance of trade receivable within one year due to the increase in sales volume in the first half of 2022 and the corresponding provision for bad debts of trade receivable of RMB7.9 million.

(10) Other Expenses

The Company's other expenses mainly include fair value changes on forward foreign exchange agreements, donation and loss on disposal of non-current assets, representing an increase of 2,974.9% from RMB0.8 million for the six months ended 30 June 2021 to RMB23.3 million for the six months ended 30 June 2022, mainly due to fair value changes on forward foreign exchange agreements of RMB22.8 million.

(11) Finance Costs

The Company's finance costs mainly include interest expenses on interest-bearing bank and other finance costs in relation to the Company's lease liabilities. The finance costs for the six months ended 30 June 2022 were RMB34.7 million (RMB35.0 million for the six months ended 30 June 2021), basically unchanged.

(12) Foreign Exchange Differences, Net

The Company's net foreign exchange differences represent the net losses or gains resulting from translation of currencies at different exchange rates, which was recorded a loss of RMB2.5 million for the six months ended 30 June 2021, as compared to a gain of RMB130.1 million for the six months ended 30 June 2022, mainly due to the impact of exchange rate fluctuation on the monetary items of foreign currencies.

(13) Share of Losses of Associates

The Company's share of losses of associates primarily represent losses from our investments in Ganzhou Poly-Max Magnetics Co., Ltd., which decreased from RMB2.3 million for the six months ended 30 June 2021 to RMB0.1 million for the six months ended 30 June 2022.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

(14) Income Tax Expenses

The Company's income tax expenses, including current income tax and deferred income tax, increased by 121.3% from RMB26.5 million for the six months ended 30 June 2021 to RMB58.7 million for the six months ended 30 June 2022, primarily due to the increase in the Company's profit before tax.

(15) Profit for the Period

The Company's profit for the period increased by 110.3% from RMB220.6 million for the six months ended 30 June 2021 to RMB463.9 million for the six months ended 30 June 2022. The Company's profit margin for the period (i.e. profit for the period as a percentage of revenue) increased from 12.2% for the six months ended 30 June 2021 to 14.0% for the six months ended 30 June 2022.

(16) Cash Flow

	For the six months ended 30 June	
	2022 RMB'000	2021 RMB'000
Net cash flows used in operating activities	(573,889)	(76,659)
Net cash flows used in investing activities	(449,058)	(295,781)
Net cash flows from financing activities	2,954,276	836,196
Net increase in cash and cash equivalents	1,931,329	463,756

1. Net cash flows used in operating activities

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

The Company's net cash flows used in operating activities for the six months ended 30 June 2022 were RMB573.9 million, mainly due to the Company's profit before tax of RMB522.7 million, and adjusted for non-cash and non-operating items. The Company's net cash flows used in operating activities for the six months ended 30 June 2021 were RMB76.7 million, mainly due to the Company's profit before tax of RMB247.1 million, adjusted for non-cash and non-operating items.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

2. *Net cash flows used in investing activities*

The Company's net cash flows 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 flows used in investing activities for the six months ended 30 June 2022 were RMB449.1 million, mainly due to the purchase of property, plant and equipment of RMB301.2 million. The Company's net cash flows used in investing activities for the six months ended 30 June 2021 were RMB295.8 million, mainly due to the purchase of property, plant and equipment of RMB204.7 million and the leasehold land of RMB91.3 million.

3. *Net cash flows from financing activities*

Net cash flows 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 flows from financing activities for the six months ended 30 June 2022 were RMB2,954.3 million. Cash inflows mainly consisted of RMB985.1 million of increase in bank loans and RMB3,430.4 million of proceeds from issuance of H Shares. Such cash inflows were offset by repayments of bank borrowings of RMB1,147.9 million, dividends paid of RMB180.6 million, and interest paid outflows of RMB30.4 million.

The Company's net cash flows from financing activities for the six months ended 30 June 2021 were RMB836.2 million. Cash outflows mainly consisted of repayment of bank borrowings of RMB8.8 million, settlement of letter of credit of RMB18.0 million, and interest paid of RMB16.3 million. Such cash outflows were offset by inflows of new bank borrowings of RMB418.9 million and proceeds from issuance of shares of RMB521.0 million.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

(17) Financial Position

Total non-current assets increased by RMB300.6 million from RMB1,485.8 million as of 31 December 2021 to RMB1,786.4 million as of 30 June 2022, primarily due to the increase in the balance of property, plant and equipment during the Reporting Period. Total current assets increased by RMB3,881.3 million from RMB4,565.0 million as of 31 December 2021 to RMB8,446.2 million as of 30 June 2022, primarily due to the increase in the balance of trade and notes receivable, the increase in the balance of inventories and the increase in the balance of cash and cash equivalents during the Reporting Period.

Total current liabilities increased by RMB644.4 million from RMB2,568.0 million as of 31 December 2021 to RMB3,212.4 million as of 30 June 2022, 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.

Total non-current liabilities decreased by RMB8.7 million from RMB516.4 million as of 31 December 2021 to RMB507.7 million as of 30 June 2022, mainly due to the decrease in the balance of interest-bearing bank and other borrowings during the Reporting Period.

As at 30 June 2022 and 31 December 2021, the Company had net current assets of RMB5,233.8 million and RMB1,996.9 million, respectively, and total equity of RMB6,512.5 million and RMB2,966.4 million, respectively.

As at 30 June 2022 and 31 December 2021, the Company's cash and cash equivalents amounted to RMB3,309.4 million and RMB1,255.5 million, respectively.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

(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 of the end of the Reporting Period:

	30 June 2022 RMB'000	31 December 2021 RMB'000
Raw materials	244,631	456,678
Work in progress	453,841	339,675
Finished goods	1,056,946	532,272
Subtotal	1,755,418	1,328,625
Less: Impairment provision		
Work in progress	(1,906)	(3,469)
Finished goods	(2,153)	(956)
Subtotal	(4,059)	(4,425)
Total	1,751,359	1,324,200

The Company's inventories increased from RMB1,324.2 million as of 31 December 2021 to RMB1,751.4 million as of 30 June 2022, mainly due to the substantial increase in the inventories of the Company's work in progress and finished goods for subsequent sales, along with the increase in orders.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

(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 at 30 June 2022 and 31 December 2021, the net book value of the Company's property, plant and equipment amounted to RMB1,277.4 million and RMB1,038.1 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 the purchase of equipment in relation to additional production lines and automation of production facilities.

(20) Indebtedness and Gearing Ratio

As at 30 June 2022, the Company's interest-bearing bank and other borrowings amounted to RMB1,819.5 million. Among the total borrowings, RMB1,419.5 million of the borrowings would be due within one year while RMB400.0 million would be due over one year.

As at 30 June 2022, the gearing ratio, calculated by dividing total liabilities by total assets, was 36.4%, compared to 51.0% as at 31 December 2021.

(21) Pledge of Assets

As at 30 June 2022, the net carrying amount of the property, plant and equipment pledged by the Company was approximately RMB133.7 million (as at 31 December 2021: RMB136.5 million); the net carrying amount of the pledged right-of-use assets was approximately RMB27.8 million (as at 31 December 2021: RMB77.3 million).

(22) Contingent Liabilities

As at 30 June 2022 and 31 December 2021, the Company did not have any material contingent liabilities.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

6 FUTURE DEVELOPMENT STRATEGY OF THE COMPANY

(1) Development strategy of the Company

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

1. Further scale up production capacity

In order to respond to the increasing demand from downstream industries, the Company plans to expand its existing production capacity of high-performance NdFeB PMs and deepen the penetration of our products in the downstream industries through R&D and upgrading production lines. At present, Phase I of Baotou Production Base has reached the production output. The Company's gross production capacity of high-performance NdFeB PMs blank has amounted to 23,000 tonnes per annum and the production base has moved from a single factory to a group of factories in multiple locations. 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

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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 technology 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 technology;
- 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.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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, are expected to achieve robust development in the following years domestically and abroad. The Company plans to expand its global footprint and grasp the strategic opportunity period of upward development of the industry to proactively lay out its business in overseas markets. The Company will focus on building overseas technology exchange platform, sales platform and logistics services.

At present, the Company has established subsidiaries in Hong Kong, Europe, Japan and the United States, and planned to further develop its existing overseas subsidiaries, expand its global presence to more regions and countries, thus increasing its global market share.

4. *Implementing the philosophy of low-carbon development and building a complete green REPMs industry chain*

In order to better manage environmental, social and climate-related risks, the Company aims to reduce greenhouse gas emissions in the foreseeable future and resource consumption. The Company announced that it signed the Strategic Cooperation Framework Agreement with China Resources Power Holdings Company Limited, so as to cooperate in various projects based on the development and construction of new energy projects, including guaranteed grid-connection and centralized new energy projects, renewable energy substitution projects for industrial parks, new energy projects supporting flexible thermal power transformation, distributed wind power projects and permanent magnet motor transformation projects, and continued to promote the Company's low-carbon production with green power. 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.

The Company has planned and gradually achieved the vertical integration of the industrial chains, and constructed a complete green industrial chain for the recycling and comprehensive utilization of REPMs, the production of high-performance REPMs and the manufacturing of magnetic component parts, so as to provide better quality products and services for leading international and domestic customers.

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.

CORPORATE GOVERNANCE AND OTHER INFORMATION

1. INTERIM DIVIDEND

The Company did not declare any interim dividend for the six months ended 30 June 2022.

2. CORPORATE GOVERNANCE PRACTICES

The Company has been committed to maintaining and ensuring high-standard corporate governance practices. In strict accordance with the provisions of the Articles of Association and related laws and regulations, the Company has continued to improve the corporate governance structure, further regulated corporate operations, improved corporate governance, established and improved its internal management and control system.

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

Pursuant to code provision C.2.1 of the Corporate Governance Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Cai Baogui is our cofounder, 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 the Group and is essential to the Group's growth and business expansion. Since Mr. Cai is the key reason for the Group's development and he will not undermine our Group's interests in any way under any circumstances, the 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 the Group and it is, on the contrary, beneficial to the management of the Group. In addition, the operation of the senior management and the 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 the Group. The Board currently comprises two executive directors (including Mr. Cai), three non-executive directors and three independent non-executive directors and therefore has a fairly strong independence element in its composition.

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.

3. MODEL CODE FOR THE SECURITIES TRANSACTIONS BY THE DIRECTORS

The Company has adopted a standard of conduct no less than required under the Model Code for the securities transactions of the Directors and Supervisors. The Company has strictly complied with other relevant laws and regulations of Hong Kong and PRC regulatory authorities and adhered to the strictest implementation of the terms of the two places. Based on specific enquiry of the directors and supervisors, all directors and supervisors have confirmed that they have complied with the standard as set out in the Model Code during the Reporting Period.

CORPORATE GOVERNANCE AND OTHER INFORMATION (CONTINUED)

4. EMPLOYEE REMUNERATION AND RELATIONS

The Company had a total of 4,474 employees as of 30 June 2022.

The employment contracts signed by the Company with its employees cover matters such as position, term of employment, wage, employee benefits, liabilities for breach and grounds for termination. Remuneration of the Company's employees, including executive directors, includes basic salaries, allowances, bonuses and other employee benefits, and is determined based on their experience, qualifications and general market conditions. The Company also provided its employees with regular training to enhance their skills and knowledge. The training courses included further education, skills training and professional development courses for management personnel.

5. PURCHASE, SALES OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the Reporting Period, considering that 6 participants receiving the initial grant under the Company's Share Incentive Plan resigned before the expiry of the lock-up period, according to the Proposal on the Repurchase and Cancellation of the Restricted Stocks Granted, but not yet Released, to Certain Participants under the 2020 Restricted Share Incentive Plan, which was considered and approved by the Company at the sixth meeting of the third session of the Board and the fifth meeting of the third session of the Supervisory Committee on 22 September 2021, the Company repurchased and cancelled a total of 8,960 Class I restricted A Shares granted to 6 participants but subject to lock up restrictions (the repurchase price per share was RMB13.3875 and the total repurchase fund was RMB119,952). The above repurchase and cancellation were completed on 6 April 2022. For details, please see the announcement of the Company dated 6 April 2022.

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

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

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

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

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

CORPORATE GOVERNANCE AND OTHER INFORMATION (CONTINUED)

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

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

On 30 March 2022 and 20 May 2022, the Company respectively held the eleventh meeting of the third session of the Board and the 2021 annual general meeting, which approved the resolution on Adjustment to Allowances of Non-executive Directors of the third Session of the Board and the resolution on Adjustment to Allowances of Independent Non-executive Directors of the third Session of the Board, pursuant to which, the annual allowances of Mr. Hu Zhibin, Mr. Li Xinnong and Mr. Li Fei as non-executive Directors and Mr. You Jianxin, Mr. Xu Feng and Mr. Yuan Taifang as independent non-executive Directors, were increased from RMB100,000 per annum (before tax) to RMB150,000 per annum (before tax) with effect from 20 May 2022. For further details, please refer to the announcement of the Company dated 30 March 2022 and the circular dated 12 April 2022.

Save as disclosed above, no change in the information on Directors, Supervisors and the chief executive during the Reporting Period was required to be disclosed in the report pursuant to Rules 13.51B(1) to 13.51B(2) of the Listing Rules.

9. NUMBER OF SHAREHOLDERS

As at 30 June 2022, we had a total of 50,953 shareholders, including 50,547 of A shareholders and 406 of H shareholders.

CORPORATE GOVERNANCE AND OTHER INFORMATION (CONTINUED)

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

As of 30 June 2022, so far as is known to the Directors, the following person (other than the directors, supervisors and the chief executive of the Company) who have or are deemed as having 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%
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%

CORPORATE GOVERNANCE AND OTHER INFORMATION (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⁾
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%
China Resources (Holdings) Company Limited ⁽⁹⁾	H Shares	Interests of controlled corporation	11,423,600(L)	9.10%	1.37%
China Resources Company Limited ⁽⁹⁾	H Shares	Interests of controlled corporation	11,423,600(L)	9.10%	1.37%
China Resources Inc. ⁽⁹⁾	H Shares	Interests of controlled corporation	11,423,600(L)	9.10%	1.37%
CR & CNIC Investment Limited ⁽⁹⁾	H Shares	Interests of controlled corporation	11,423,600(L)	9.10%	1.37%
CR Alpha Fund Management Limited ⁽⁹⁾	H Shares	Interests of controlled corporation	11,423,600(L)	9.10%	1.37%
CR Alpha Fund, L.P. ⁽⁹⁾	H Shares	Interests of controlled corporation	11,423,600(L)	9.10%	1.37%
CR Alpha Investment II Limited	H Shares	Beneficial owner	11,423,600(L)	9.10%	1.37%
CRC Bluesky Limited ⁽⁹⁾	H Shares	Interests of controlled corporation	11,423,600(L)	9.10%	1.37%
Rosefinch Fund Management Co., Ltd.	H Shares	Investment manager	9,300,000(L)	7.41%	1.11%
CCB Financial Holdings Limited ⁽¹⁰⁾	H Shares	Interests of controlled corporation	6,923,400(L)	5.52%	0.83%
CCB International (Holdings) Limited ⁽¹⁰⁾	H Shares	Interests of controlled corporation	6,923,400(L)	5.52%	0.83%
CCB International Group Holdings Limited ⁽¹⁰⁾	H Shares	Interests of controlled corporation	6,923,400(L)	5.52%	0.83%
CCB International Overseas Limited	H Shares	Beneficial owner	6,923,400(L)	5.52%	0.83%
CITIC Corporation Limited ⁽¹¹⁾	H Shares	Interests of controlled corporation	6,923,400(L)	5.52%	0.83%
CITIC Glory Limited ⁽¹¹⁾	H Shares	Interests of controlled corporation	6,923,400(L)	5.52%	0.83%

CORPORATE GOVERNANCE AND OTHER INFORMATION (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 Group Corporation ⁽¹¹⁾	H Shares	Interests of controlled corporation	6,923,400(L)	5.52%	0.83%
CITIC Limited ⁽¹¹⁾	H Shares	Interests of controlled corporation	6,923,400(L)	5.52%	0.83%
CITIC Polaris Limited ⁽¹¹⁾	H Shares	Interests of controlled corporation	6,923,400(L)	5.52%	0.83%
Prudential PLC ⁽¹²⁾	H Shares	Interests of controlled corporation	6,923,400(L)	5.52%	0.83%
CITIC-Prudential Life Insurance Company Limited	H Shares	Beneficial owner	6,923,400(L)	5.52%	0.83%

Notes:

- (1) (L) stands for long position; (S) stands for short position; (P) stands for shares available for lending.
- (2) Represents the percentage of the number of Shares in the relevant class as at 30 June 2022 divided by the number of Shares in the relevant class of the Company in issue.
- (3) Represents the percentage of the number of Shares in the relevant class as at 30 June 2022 divided by the number of all Shares of the Company in issue (totalling 836,430,630 Shares, including 125,466,000 H Shares and 710,964,630 domestic Shares).
- (4) Mr. Cai Baogui, Mr. Hu Zhibin and Mr. Li Xinnong, the ultimate controlling shareholders of the Company, have entered into an acting in concert agreement. 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.

CORPORATE GOVERNANCE AND OTHER INFORMATION (CONTINUED)

- (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 interests 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) CR Alpha Investment II Limited directly held 11,423,600 H Shares of the Company and is a wholly-owned subsidiary of CR Alpha Fund, L.P., which is a wholly-owned subsidiary of CR Alpha Fund Management Limited. CR Alpha Fund Management Limited is a wholly-owned subsidiary of CR & CNIC Investment Limited. China Resources (Holdings) Company Limited holds 60% equity interests in CR & CNIC Investment Limited and is a wholly-owned subsidiary of CRC Bluesky Limited, which is a wholly-owned subsidiary of China Resources Inc. China Resources Inc. is a wholly-owned subsidiary of China Resources Company Limited. In accordance with the SFO, China Resources (Holdings) Company Limited, China Resources Company Limited, China Resources Inc., CR & CNIC Investment Limited, CR Alpha Fund Management Limited, CR Alpha Fund, L.P., and CRC Bluesky Limited are deemed to be interested in 11,423,600 H Shares held by CR Alpha Investment II Limited.
- (10) CCB International Overseas Limited directly holds 6,923,400 H Shares of the Company. CCB International Overseas Limited is a wholly-owned subsidiary of CCB International (Holdings) Limited, CCB International (Holdings) Limited is a wholly-owned subsidiary of CCB Financial Holdings Limited, CCB Financial Holdings Limited is a wholly-owned subsidiary of CCB International Group Holdings Limited. Under the SFO, CCB International (Holdings) Limited, CCB Financial Holdings Limited, CCB International Group Holdings Limited are deemed to be interested in the 6,923,400 H Shares held by CCB International Overseas Limited.
- (11) CITIC-Prudential Life Insurance Company Limited directly holds 6,923,400 H Shares of the Company. CITIC Corporation Limited holds 50% equity interests in CITIC-Prudential Life Insurance Company Limited. CITIC Corporation Limited is wholly owned by CITIC Limited. CITIC Glory Limited holds approximately 25.60% equity interests in CITIC Limited. CITIC Polaris Limited holds approximately 32.53% equity interests 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 Group Corporation are deemed to be interested in the 6,923,400 H Shares held by CITIC-Prudential Life Insurance Company Limited.
- (12) CITIC-Prudential Life Insurance Company Limited directly holds 6,923,400 H Shares of the Company. Prudential Corporation Holdings Limited holds 50% equity interests in CITIC-Prudential Life Insurance Company Limited. Prudential Corporation Holdings Limited is wholly owned by Prudential Holding Limited, Prudential Holding Limited is wholly owned by Prudential Corporation Asia Limited, and Prudential Corporation Asia Limited is wholly owned by Prudential PLC. Under the SFO, Prudential PLC is deemed to be interested in the 6,923,400 H Shares held by CITIC-Prudential Life Insurance Company Limited.

Save as disclosed above, as of 30 June 2022, no other person had interests or short positions in the shares and underlying shares of the Company which was required to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO, or which was recorded in the register kept by the Company pursuant to Section 336 of the SFO.

CORPORATE GOVERNANCE AND OTHER INFORMATION (CONTINUED)

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

As of 30 June 2022, the interests and short positions of the Directors, the Supervisors and the chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) as notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she is taken or deemed to have under such provisions of the SFO), or as recorded in the register maintained by the Company under section 352 of the SFO, or as notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

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

Name of the Directors/ Supervisors/chief executives	Class of Shares	Capacity/Nature of interest	Number of Shares held	Approximate percentage shareholding in the relevant class of Shares of the Company	Approximate percentage of total shareholdings in the Company
Cai Baogui ⁽¹⁾	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 ⁽¹⁾	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 ⁽¹⁾	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%

CORPORATE GOVERNANCE AND OTHER INFORMATION (CONTINUED)

Name of the Directors/ Supervisors/Chief executives	Class of Shares	Capacity/Nature of interest	Number of Shares held	Approximate percentage shareholding in the relevant class of Shares of the Company	Approximate percentage of total shareholdings in the Company
Lyu Feng ⁽²⁾	A Shares	Interests of controlled corporation	2,787,264(L)		
	A Shares	Beneficial owner	1,290,880(L)		
			4,078,144(L)	0.57%	0.49%

Notes :

- (1) Mr. Cai Baogui, Mr. Hu Zhibin and Mr. Li Xinnong, the ultimate controlling shareholders of the Company, have entered into an acting in concert agreement. Mr. Cai Baogui, Mr. Hu Zhibin and Mr. Li Xinnong are parties acting in concert. For further details, please refer to “History, Development and Corporate Structure – Our Ultimate Controlling Shareholders and Parties Acting in Concert – Parties Acting in Concert” of the Prospectus of the Company. Under the SFO, each Controlling Shareholder will be deemed to be interested in the Shares beneficially owned by other Controlling Shareholders.
- (2) Ganzhou Huirui Investment Management Center (Limited Partnership), with 50.0% of the partnership interests held by Mr. Lyu Feng as a general partner, directly holds 2,787,264 A Shares of the Company, and in accordance with the SFO, Mr. Lyu Feng is deemed to be interested in 2,787,264 A Shares held by Ganzhou Huirui Investment Management Center (Limited Partnership).

Save as disclosed above, as of 30 June 2022, to the knowledge of the Board, none of the Directors, the Supervisors or chief executives of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors, the Supervisors and chief executives of the Company were taken or deemed to have under such provisions of the SFO); (ii) recorded in the register kept by the Company pursuant to Section 352 of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code.

CORPORATE GOVERNANCE AND OTHER INFORMATION (CONTINUED)

12. REVIEW OF INTERIM RESULTS AND REPORT

The audit committee of the Company (the “**Audit Committee**”) comprised three Directors, namely Mr. Yuan Taifang, Mr. You Jianxin and Mr. Hu Zhibin. Mr. Yuan Taifang was the Chairman of the Audit Committee and had the appropriate qualifications as required by Rules 3.10(2) and 3.21 of the Listing Rules.

The Audit Committee and the management of the Company and Ernst & Young, the international auditor of the Company, reviewed the Group’s interim report and the unaudited condensed consolidated financial information for the six months ended 30 June 2022. In the opinion of the Audit Committee, the interim results complied with applicable accounting standards, laws and regulations and the Company made appropriate disclosures in accordance with relevant accounting standards, laws and regulations. The Audit Committee also discussed with the senior management of the Company on matters in relation to the accounting policies and regulations adopted by the Company and internal control.

13. SHARE INCENTIVE PLAN

The Company operates a 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 26 August 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 the 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 17 to the Interim Condensed Consolidated Financial Statements.

CORPORATE GOVERNANCE AND OTHER INFORMATION (CONTINUED)

14. USE OF PROCEEDS FROM THE GLOBAL OFFERING

The H Shares of the Company were listed on the Stock Exchange on 14 January 2022. The Company's net proceeds from the global offering amounted to approximately HK\$4,032.1 million (adjusted for the actual issue expenses). The ordinary resolution regarding the change in the use of proceeds from the global offering has been considered and approved by the Company's shareholders at the 2022 First Extraordinary General Meeting (for details, see the section headed "15. Significant Events after the Reporting Period").

The Company intends to use the net proceeds in the same manner and proportions and expected timeline as described in the Prospectus and the circular of the Company dated 9 August 2022. The use of net proceeds, the use of unutilized net proceeds and the expected timeline for the use of the remaining unutilized net proceeds as of the latest practicable date are as follows:

No.	Use of proceeds	Allocation of net proceeds (HK\$ million)	Percentage of net proceeds (%)	Amount utilized as of the latest practicable date (HK\$ million)	Unutilized net proceeds as of the latest practicable date (HK\$ million)	Expected timeline for the use of the unutilized net proceeds
1	Construction of Ningbo production base	806.4	20.0%	453.5	353.0	By the end of 2023
2	Potential acquisitions	1,008.0	25.0%	52.8	955.2	By the end of 2023
3	Research and development	403.2	10.0%	94.4	308.8	By the end of 2024
4	Repayment of loans for the construction of Baotou Production Base project	403.2	10.0%	403.2	0.0	N/A
5	Baotou Production Base Project (Phase II) and JL Baotou's daily operation capital	604.8	15.0%	0.0	604.8	By the end of 2023
6	Working capital and general corporate purposes	806.4	20.0%	274.7	531.7	By the end of 2022
	Subtotal	4,032.1	100.0%	1,278.5	2,753.5	

Notes :

- (1) The difference between the net proceeds in the table and the data disclosed in the Prospectus and the 2021 Annual Report of the Company was due to the adjustments for the actual issue expenses;
- (2) The amounts utilized from the Listing Date to the latest practicable date and those unutilized as at the latest practicable date were translated using the exchange rate published on the latest practicable date;
- (3) The latest practicable date is 4 August 2022, being the latest practicable date prior to the issuance of the circular dated 9 August 2022 of the Company for ascertaining certain information contained therein.

15. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

1) Change in the Use of Proceeds from the Global Offering

The eleventh meeting of the third session of the Board was held on 30 March 2022 to consider and approve the solution on the construction of Baotou Production Base Project (Phase II) with the investment from JL Baotou, a subsidiary of the Company, and the total planned investment was RMB700 million. The Company fully assessed and analyzed the current progress in the construction of the production bases in Ningbo and Baotou. As the progress in the construction of the Baotou Production Base Project (Phase II) of the Company was better than expectation, and in order to improve the efficiency in the use of funds, the Company intended to use part of the proceeds originally allocated for the “construction of the production base in Ningbo” for “Baotou Production Base Project (Phase II) and the daily working capital of JL Baotou”, and use part of the proceeds originally allocated for “research and development” for “working capital and general corporate purposes.” In accordance with the Articles of Association, relevant laws and regulations, the proposed change in the use of the net proceeds from the global offering has been considered and approved by the Shareholders of the Company by way of an ordinary resolution at the 2022 First Extraordinary General Meeting. For further details, please refer to the announcement of the Company dated 11 July 2022, the circular dated 9 August 2022 and the announcement of the Company dated 24 August 2022.

2) Yinhai New Materials Equity Transfer

On 21 July 2022, the Company entered into the Yinhai New Materials Equity Transfer Agreement with Mr. Ren Hailiang, Mr. Ren Haihu, Mr. Wu Jun and Yinhai New Materials, pursuant to which the Company will acquire 51% equity interests in Yinhai New Materials, including 20.4% equity interests held by Mr. Ren Hailiang, 20.4% equity interests held by Mr. Ren Haihu and 10.2% equity interests held by Mr. Wu Jun in Yinhai New Materials. Pursuant to Chapter 14 of the Listing Rules, Yinhai New Materials Equity Transfer constitutes a notifiable transaction of the Company. On 9 August 2022, Yinhai New Materials completed the industrial and commercial change registration procedures, but the equity transfer has not been completed as of the date of this interim report.

For further details, please refer to the announcement of the Company dated 21 July 2022.

CORPORATE GOVERNANCE AND OTHER INFORMATION (CONTINUED)

3) Xinyang Yen Equity Transfer and Suzhou Yuange Equity Transfer

On 21 July 2022, (i) the Company, Innovative Frontier, Mr. Dai Chunhua and Xinyang Yen entered into the Xinyang Yen Equity Transfer Agreement, and (ii) the Company, Easy Victory, Ms. Huang Ziyang and Suzhou Yuange entered into the Suzhou Yuange Equity Transfer Agreement, pursuant to which the Company will acquire 46% equity interests held by Innovative Frontier in Xinyang Yen and 51% equity interests held by Easy Victory in Suzhou Yuange. Pursuant to Chapter 14 of the Listing Rules, the Xinyang Yen Equity Transfer and Suzhou Yuange Equity Transfer constitute notifiable transactions of the Company. As of the date of this report, the Xinyang Yen Equity Transfer and Suzhou Yuange Equity Transfer were not completed.

For further details, please refer to the announcement of the Company dated 22 July 2022.

4) New wholly-owned subsidiary

On 23 June 2022, the shareholder's meeting of Jinli Permanent Magnet (Ningbo) Technology Co., Ltd. ("**JL Ningbo Technology**") approved to establish a new wholly-owned subsidiary, JL Tech (Hong Kong) in Hong Kong, China. On 19 July 2022, JL Tech (Hong Kong) completed the company registration in Hong Kong, and the registered capital was HKD50,000. JL Ningbo Technology has not completed the capital injection as of the date of this interim report.

Save as disclosed above, as of the date of this report, there are no significant events after the Reporting Period need to be disclosed by the Company.

INDEPENDENT REVIEW REPORT



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Independent review report

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

(Established in the People's Republic of China with Limited Liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 52 to 88, which comprises the condensed consolidated statement of financial position of JL MAG Rare-Earth Co., Ltd. (the “Company”) and its subsidiaries (“the Group”) as at 30 June 2022 and the condensed consolidated statements of profit or loss, other comprehensive income, changes in equity and cash flows for the six-month period then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 “Interim Financial Reporting” (“IAS 34”) issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

CONCLUSION

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

Certified Public Accountants
Hong Kong
24 August 2022

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the Six Months ended 30 June 2022

	Notes	For the six months ended 30 June	
		2022 RMB'000 (unaudited)	2021 RMB'000 (audited)
Revenue	4	3,303,797	1,808,835
Cost of sales		(2,625,599)	(1,363,858)
Gross profit		678,198	444,977
Other income and gains	5	45,059	24,983
Selling and distribution expenses		(20,581)	(12,558)
Administrative expenses		(96,425)	(88,214)
Research and development expenses		(140,658)	(78,099)
Impairment losses on inventories		(4,153)	(3,183)
Impairment losses on financial assets, net		(10,798)	(322)
Other expenses	6	(23,277)	(757)
Finance costs	7	(34,707)	(34,991)
Foreign exchange differences, net		130,086	(2,451)
Share of losses of associates		(90)	(2,271)
PROFIT BEFORE TAX	8	522,654	247,114
Income tax expenses	9	(58,713)	(26,531)
PROFIT FOR THE PERIOD		463,941	220,583
Attributable to:			
Owners of the parent		463,833	220,342
Non-controlling interests		108	241
		463,941	220,583
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	10		
Basic			
– For profit for the period (RMB)		0.55	0.32
Diluted			
– For profit for the period (RMB)		0.55	0.32

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the Six Months ended 30 June 2022

	For the six months ended 30 June	
	2022 RMB'000 (unaudited)	2021 RMB'000 (audited)
PROFIT FOR THE PERIOD	463,941	220,583
Other comprehensive income that may be reclassified to profit or loss in subsequent periods, net of tax:		
Exchange differences on translation of foreign operations	617	1,683
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	617	1,683
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	464,558	222,266
Attributable to:		
Owners of the parent	464,465	221,993
Non-controlling interests	93	273
	464,558	222,266

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2022

	Notes	30 June 2022 RMB'000 (unaudited)	31 December 2021 RMB'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment	12	1,277,402	1,038,124
Right-of-use assets		201,320	199,333
Other intangible assets		4,550	4,654
Investments in associates		3,170	3,499
Deferred tax assets		1,650	5,002
Equity investments designated at fair value through other comprehensive income ("FVOCI")		965	–
Other non-current assets		297,376	235,212
TOTAL NON-CURRENT ASSETS		1,786,433	1,485,824
CURRENT ASSETS			
Inventories		1,751,359	1,324,200
Trade receivables	13	1,987,761	1,231,485
Notes receivable at amortised cost		454,996	383,411
Notes receivable at fair value through other comprehensive income		73,081	15,750
Prepayments, other receivables and other assets		100,199	37,833
Financial assets at fair value through profit or loss		138,255	7,226
Other current assets		14,103	65,548
Restricted cash		617,056	244,040
Cash and cash equivalents	14	3,309,438	1,255,467
TOTAL CURRENT ASSETS		8,446,248	4,564,960
TOTAL ASSETS		10,232,681	6,050,784
CURRENT LIABILITIES			
Financial liabilities at fair value through profit or loss		15,608	–
Trade and notes payables	15	1,481,057	1,017,661
Contract liabilities		37,213	29,594
Other payables and accruals		202,795	162,558
Interest-bearing bank and other borrowings		1,419,540	1,350,883
Lease liabilities		2,906	2,222
Tax payables		53,330	5,106
TOTAL CURRENT LIABILITIES		3,212,449	2,568,024
NET CURRENT ASSETS		5,233,799	1,996,936
TOTAL ASSETS LESS CURRENT LIABILITIES		7,020,232	3,482,760

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

30 June 2022

	Notes	30 June 2022 RMB'000 (unaudited)	31 December 2021 RMB'000 (audited)
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		400,000	411,810
Lease liabilities		7,777	4,628
Deferred income		91,422	92,293
Deferred tax liabilities		8,498	7,678
TOTAL NON-CURRENT LIABILITIES		507,697	516,409
NET ASSETS		6,512,535	2,966,351
EQUITY			
Equity attributable to owners of the parent			
Share capital	16	836,431	710,974
Reserves		5,675,060	2,254,426
		6,511,491	2,965,400
Non-controlling interests		1,044	951
TOTAL EQUITY		6,512,535	2,966,351

Executive Director: Cai Baogui

Chief Financial Officer: Xie Hui

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Six Months ended 30 June 2022

	Attributable to owners of the parent							Non-controlling interests	Total equity
	Share capital (note 16)	Treasury shares*	Share premium*	Share incentive reserve*	Reserve fund*	Exchange fluctuation reserve*	Retained profits*		
At 1 January 2022 (audited)	710,974	(33,018)	1,174,139	117,816	138,185	5,619	851,685	951	2,966,351
Profit for the period	-	-	-	-	-	-	463,833	108	463,941
Other comprehensive income for the period:									
Exchange differences on translation of foreign operations	-	-	-	-	-	632	-	(15)	617
Total comprehensive income for the period	-	-	-	-	-	632	463,833	93	464,558
Dividends declared	-	815	-	-	-	-	(209,108)	-	(208,293)
Issue of shares	125,466	-	3,145,295	-	-	-	-	-	3,270,761
Share incentive plan expense	-	-	-	18,995	-	-	-	-	18,995
Tax implications related to a share incentive plan	-	-	-	162	-	-	-	-	162
Repurchase obligation for shares issued under an incentive plan	(9)	121	-	(111)	-	-	-	-	1
At 30 June 2022 (unaudited)	836,431	(32,082)	4,319,434	136,862	138,185	6,251	1,106,410	1,044	6,512,535

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the Six Months ended 30 June 2022

	Attributable to owners of the parent							Non-controlling interests	Total equity		
	Share capital (note 16)	Treasury shares*	Share premium*	Share incentive reserve*	Share component of convertible bonds	Reserve fund*	Exchange fluctuation reserve*			Retained profits*	Total
At 1 January 2021 (audited)	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 period	-	-	-	-	-	-	-	220,342	220,342	241	220,583
Other comprehensive income for the period:											
Exchange differences on translation of foreign operations	-	-	-	-	-	-	1,651	-	1,651	32	1,683
Total comprehensive income for the period	-	-	-	-	-	-	1,651	220,342	221,993	273	222,266
Dividends declared	-	-	-	-	-	-	-	(86,341)	(86,341)	-	(86,341)
Issue of shares for an incentive plan	15,726	-	495,911	-	-	-	-	-	511,637	-	511,637
Share incentive plan expense	-	-	-	45,452	-	-	-	-	45,452	-	45,452
Conversion of convertible bonds	7	-	206	-	(57)	-	-	-	156	-	156
Transfer from share premium	259,023	-	(259,023)	-	-	-	-	-	-	-	-
At 30 June 2021 (audited)	690,733	(54,949)	669,954	85,041	107,286	88,478	5,145	668,510	2,260,198	448	2,260,646

* These reserve accounts comprise the consolidated reserves of RMB5,675,060,000 and RMB1,569,465,000 in the consolidated statements of financial position as at 30 June 2022 and 2021, respectively.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the Six Months ended 30 June 2022

	Notes	For the six months ended 30 June	
		2022 RMB'000 (unaudited)	2021 RMB'000 (audited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax:		522,654	247,114
Adjustments for:			
Finance costs	7	34,707	34,991
Loss on disposal of non-current assets	6	70	206
Share of losses of associates		90	2,271
Gain on disposal of items of property, plant and equipment	5	(416)	(519)
Fair value changes of forward exchange agreements	5, 6	22,834	(4,170)
Realised gains of disposal of financial assets or liabilities	5	(8,904)	(4,606)
Depreciation of property, plant and equipment		37,562	29,033
Depreciation of right-of-use assets		3,786	3,116
Amortisation of other intangible assets		341	291
Amortisation of non-current assets		8,023	5,196
Impairment of inventories		4,153	3,183
Impairment losses of financial assets		10,798	322
		635,698	316,428
Increase in inventories		(426,792)	(182,096)
Increase in trade receivables		(764,198)	(422,010)
(Increase)/decrease in notes receivable		(129,639)	62,687
(Increase)/decrease in prepayments, other receivables and other assets		(64,518)	55,150
Decrease in deferred tax assets		3,352	–
Decrease in other current assets		51,445	5,294
Increase/(decrease) in trade and notes payables		463,396	(39,877)
Increase in other payables and accruals		31,379	106,077
Increase in contract liabilities		7,619	1,742
Increase/(decrease) in deferred tax liabilities		820	(3,323)
(Decrease)/increase in deferred income		(871)	93
(Increase)/decrease in restricted cash		(373,016)	52,586
Cash used in operations		(565,325)	(47,249)
Income tax paid		(8,564)	(29,410)
Net cash flows used in operating activities		(573,889)	(76,659)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the Six Months ended 30 June 2022

	Notes	For the six months ended 30 June	
		2022 RMB'000 (unaudited)	2021 RMB'000 (audited)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for leasehold land		–	(91,321)
Purchases of items of property, plant and equipment		(301,193)	(204,722)
Purchases of items of other long-term assets		(26,253)	(5,083)
Proceeds from disposal of items of property, plant and equipment		103	1,011
Additions to other intangible assets		(275)	(272)
Investment in associate		(727)	–
Purchases of wealth management products		(208,210)	(313,000)
Proceeds from sale of wealth management products		87,497	317,606
Net cash flows used in investing activities		(449,058)	(295,781)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		3,430,376	521,000
Share issue expenses		(142,131)	(9,363)
New bank loans		985,084	418,925
Repayment of bank loans		(1,147,864)	(8,784)
Settlement of letters of credit		(16,160)	(17,995)
Increase in discounted commercial acceptance notes		58,395	36,152
Principal portion of lease payments		(2,454)	(1,120)
Dividends paid		(180,588)	(86,341)
Interest paid		(30,382)	(16,278)
Net cash flows from financing activities		2,954,276	836,196
NET INCREASE IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at beginning of period		1,255,467	593,012
Effect of foreign exchange rate changes, net		122,642	(1,555)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	14	3,309,438	1,055,213

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2022

1. CORPORATE INFORMATION

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

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

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

Information about subsidiaries

Particulars of the Company's subsidiaries are as follows:

Name*	Place and date registration and place of operations	Nominal value of issued ordinary/registered share capital	Percentage of equity attributable to the Company		Principal activities
			%	%	
			Direct	Indirect	
Ganzhou Jinli Magnets Processing Co., Ltd. ("JL Processing") *	PRC/Mainland China 29 February 2012	RMB35,000,000	100	–	Production
Jiangxi Jinli Bonded Magnetic Co., Ltd. ("JL Bonded") *	PRC/Mainland China 12 January 2017	RMB20,000,000	80	–	Production
Jinli Permanent Magnet (Ningbo) Investment Co., Ltd. ("JL Ningbo Investment") *	PRC/Mainland China 21 December 2018	RMB50,000,000	100	–	Investment
Jinli Permanent Magnet (Ningbo) Technology Co., Ltd. ("JL Ningbo Technology") *	PRC/Mainland China 15 January 2020	RMB620,000,000	100	–	Production
Jinli Permanent Magnet (Baotou) Technology Co., Ltd. ("JL Baotou") *	PRC/Mainland China 18 August 2020	RMB690,000,000	100	–	Production
Jiangxi Jincheng Permanent Magnet New Materials Co., Ltd.	PRC/Mainland China 19 August 2022	RMB300,000,000	100	–	Production
JL Mag Rare-Earth (Hong Kong) Co., Limited ("JL HK")	Hong Kong 5 September 2014	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.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 June 2022

2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2021, except for the adoption of the following revised International Financial Reporting Standards ("IFRSs") for the first time for the current period's financial information.

Amendments to IFRS 3	<i>Reference to the Conceptual Framework</i>
Amendments to IAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use</i>
Amendment to IAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract</i>
<i>Annual Improvements to IFRSs 2018-2020</i>	Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41

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

- (a) The amendments replace a reference to a previous version of the IASB's Conceptual Framework with a reference to the current version issued in March 2018 without significantly changing its requirements. The amendments add an exception to the recognition principle of IFRS 3 *Business Combinations* to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* or IFRIC 21 *Levies*, if incurred separately. The exception requires entities to apply the criteria in IAS 37 or IFRIC 21, respectively, instead of the Conceptual Framework, to determine whether a present obligation exists at the acquisition date. The amendments also add a new paragraph to IFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date. These amendments had no impact on the interim condensed consolidated financial statements of the Group as there were no contingent assets, liabilities and contingent liabilities within the scope of these amendments arisen during the period.
- (b) Amendments to IAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. These amendments had no impact on the interim condensed consolidated financial statements of the Group as there were no sales of such items produced by property, plant and equipment made available for use on or after the beginning of the earliest period presented.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 June 2022

2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

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

- (c) Amendments to IAS 37 clarify that for the purpose of assessing whether a contract is onerous under IAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 January 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.
- (d) *Annual Improvements to IFRSs 2018-2020* sets out amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41. Details of the amendments that are applicable to the Group are as follows:
- IFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The Group has applied the amendment prospectively to financial liabilities that are modified or exchanged on or after 1 January 2022. As there was no modification of the Group's financial liabilities during the period, the amendment did not have any impact on the financial position or performance of the Group.
 - IFRS 16 *Leases*: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying IFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying IFRS 16.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 June 2022

3. OPERATING SEGMENT INFORMATION

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

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

Geographical information

- (a) Revenue from external customers

	For the six months ended 30 June	
	2022 RMB'000 (unaudited)	2021 RMB'000 (audited)
Mainland China	2,945,360	1,632,836
Other countries/regions	358,437	175,999
	3,303,797	1,808,835

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

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

Information about major customers

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

	For the six months ended 30 June	
	2022 RMB'000 (unaudited)	2021 RMB'000 (audited)
Customer A	470,417	446,694
Customer B	442,622	389,915

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 June 2022

4. REVENUE

An analysis of revenue is as follows:

	For the six months ended 30 June	
	2022 RMB'000 (unaudited)	2021 RMB'000 (audited)
Revenue from contracts with customers		
– Sale of NdFeB magnet materials	2,878,157	1,766,459
Revenue from other sources		
– Sale of rare-earth materials	425,211	41,890
– Rental income	429	486
	3,303,797	1,808,835

Disaggregated revenue information for revenue from contracts with customers:

	For the six months ended 30 June	
	2022 RMB'000 (unaudited)	2021 RMB'000 (audited)
Type of goods		
Sale of NdFeB magnet materials	2,878,157	1,766,459
Geographical markets		
– Mainland China	2,519,722	1,590,460
– Other countries/regions	358,435	175,999
	2,878,157	1,766,459
Timing of revenue recognition		
– Goods transferred at a point in time	2,878,157	1,766,459

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 June 2022

4. REVENUE (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:

	For the six months ended 30 June	
	2022 RMB'000 (unaudited)	2021 RMB'000 (audited)
Revenue recognised that was included in contract liabilities at the beginning of the Reporting Period:		
Sale of NdFeB magnet materials	26,838	4,184

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

5. OTHER INCOME AND GAINS

	For the six months ended 30 June	
	2022 RMB'000 (unaudited)	2021 RMB'000 (audited)
Other income		
Government grants	17,982	8,278
Bank interest income	17,407	5,810
Others	346	140
	35,735	14,228
Other gains		
Gains on disposal of items of property, plant and equipment	416	519
Fair value changes of forward exchange agreements	–	4,170
Gains on disposal of financial assets or liabilities	8,904	4,606
Others	4	1,460
	9,324	10,755
	45,059	24,983

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 June 2022

6. OTHER EXPENSES

	For the six months ended 30 June	
	2022 RMB'000 (unaudited)	2021 RMB'000 (audited)
Fair value changes of forward exchange agreements	22,834	–
Donations	359	550
Loss on disposal of non-current assets	70	206
Others	14	1
	23,277	757

7. FINANCE COSTS

	For the six months ended 30 June	
	2022 RMB'000 (unaudited)	2021 RMB'000 (audited)
Interest expense	32,555	34,692
Other finance costs	2,152	299
	34,707	34,991

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 June 2022

8. PROFIT BEFORE TAX

	For the six months ended 30 June	
	2022 RMB'000 (unaudited)	2021 RMB'000 (audited)
Cost of raw materials and consumables	2,036,526	1,114,238
Depreciation of property, plant and equipment*	37,562	29,033
Depreciation of right-of-use assets*	3,786	3,116
Amortisation of other intangible assets*	341	291
Amortisation of other non-current assets	8,023	5,196
Research and development costs	140,658	78,099
Lease payments not included in the measurement of lease liabilities	435	209
Auditor's remuneration	3,980	1,565
Wages, salaries and welfare	216,793	176,833
Expenses for a share incentive plan	18,995	45,452
Pension and other social insurances	24,444	16,653
Exchange (gains)/losses, net	(130,086)	2,451
Impairment losses on inventories	4,153	3,183
Impairment losses on financial assets, net	10,798	322
Gains on disposal of property, plant and equipment, net	(346)	(313)
Government grants	17,982	8,278

* The depreciation of property, plant and equipment during the six months ended 30 June 2022 and 2021 was included in "Cost of sales", "Administrative expenses" and "Research and development expenses" in the consolidated statements of profit or loss. The depreciation of right-of-use assets and amortisation of other intangible assets during the six months ended 30 June 2022 and 2021 were included in "Cost of sales" and "Administrative expenses" in the consolidated statements of profit or loss.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 June 2022

9. 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 six months ended 30 June 2022 and 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 Dutch profit tax, the United States corporate income tax, the Japan corporate tax, or the Hong Kong profit tax has been made during the six months ended 30 June 2022 and 2021, as there was no tax assessable income subject to the Dutch profit tax, the United States corporate income tax, the Japan corporate tax, or the Hong Kong profit tax during the corresponding periods.

	For the six months ended 30 June	
	2022 RMB'000 (unaudited)	2021 RMB'000 (audited)
Current – Mainland China		
Charge for the periods	53,227	30,079
Underprovision/(overprovision) in prior years	1,477	(225)
Deferred	4,009	(3,323)
Total tax charge	58,713	26,531

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

The calculation of the basic earnings per share amount is based on the profit for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 835,213,350 (six months ended 30 June 2021: 686,661,659) in issue during the period.

The calculation of the diluted earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent, adjusted to reflect the dilutive effect of the share incentive plan (note 17) 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 period, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 June 2022

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

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

	For the six months ended 30 June	
	2022 RMB'000 (unaudited)	2021 RMB'000 (audited)
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation:		
From continuing operations	463,833	220,342
Less: dividends attributable to owners of the restricted shares	(543)	(474)
	463,290	219,868
Effect of dilution – dividends attributable to owners of the restricted shares	543	474
	463,833	220,342

	Number of shares For the six months ended 30 June	
	2022 (unaudited)	2021 (audited)
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	835,213,350	686,661,659
Effect of dilution weighted average number of ordinary shares:		
Share incentive plan (note 17)	4,447,176	2,069,654
	839,660,526	688,731,313

The diluted earnings per share amounts were based on the profit attributable to owners of the parent for the six months ended 30 June 2022 and 2021 of RMB463,833,000 and RMB220,342,000, respectively, and the weighted average numbers of ordinary shares of 839,660,526 and 688,731,313 in issue during the six months ended 30 June 2022 and 2021, considering the adjustment in respect of the share incentive plan.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 June 2022

11. DIVIDENDS

	For the six months ended	
	30 June	
	2022	2021
	RMB'000	RMB'000
	(unaudited)	(audited)
Final declared and paid – RMB25 cents (2020: RMB20 cents) per ordinary share	209,108	86,341

The recorded distribution is in the form of cash dividends on the basis of 836,430,630 shares and RMB2.5 (tax inclusive) for every 10 shares to all shareholders, amounting to RMB209,108,000 (tax inclusive) in aggregate.

12. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2022, the Group acquired assets at a cost of RMB277,092,000 (for the six months ended 30 June 2021: RMB205,447,000), excluding property, plant and equipment acquired through properties under construction.

Assets with a net book value of RMB216,000 were disposed of by the Group during the six months ended 30 June 2022 (for the six months ended 30 June 2021: RMB1,294,000), resulting in a net gain on disposal of RMB346,000 (net loss for the six months ended 30 June 2021: RMB313,000).

13. TRADE RECEIVABLES

	30 June	31 December
	2022	2021
	RMB'000	RMB'000
	(unaudited)	(audited)
Trade receivables	2,012,186	1,247,988
Impairment	(24,425)	(16,503)
	1,987,761	1,231,485

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

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 June 2022

13. TRADE RECEIVABLES (CONTINUED)

An ageing analysis of the trade receivables as at the end of the Reporting Periods, based on the invoice date, is as follows:

	30 June 2022 RMB'000 (unaudited)	31 December 2021 RMB'000 (audited)
Less than 1 year	2,008,167	1,243,841
1 to 2 years	–	91
2 to 3 years	–	–
Over 3 years	4,019	4,056
Less: impairment	(24,425)	(16,503)
	1,987,761	1,231,485

14. CASH AND CASH EQUIVALENTS, AND RESTRICTED CASH

	30 June 2022 RMB'000 (unaudited)	31 December 2021 RMB'000 (audited)
Cash and bank balances	3,926,494	1,499,507
Less: restricted cash	(617,056)	(244,040)
Cash and cash equivalents	3,309,438	1,255,467
Denominated in:		
RMB	2,391,589	1,407,862
EUR	83,832	53,740
USD	22,537	35,789
JPY	1,073	2,060
HKD	1,427,463	56
Total	3,926,494	1,499,507

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 June 2022

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

As at 30 June 2022, the Group's bank balances of approximately RMB617,056,000 (31 December 2021: RMB244,040,000) were deposited as below as guarantees for bank acceptance notes, performance bonds, foreign exchange contracts and letters of credit, respectively:

	30 June 2022 RMB'000 (unaudited)	31 December 2021 RMB'000 (audited)
Guarantee deposits for bank acceptance notes	557,366	222,977
Guarantee deposits for performance bonds	12,696	12,696
Guarantee deposits for forward foreign exchange contracts	44,676	7,250
Guarantee deposits for letters of credit	2,318	1,117
	617,056	244,040

RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through authorised banks 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.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 June 2022

15. TRADE AND NOTES PAYABLES

	30 June 2022 RMB'000 (unaudited)	31 December 2021 RMB'000 (audited)
Trade payables	703,444	626,116
Notes payable	777,613	391,545
	1,481,057	1,017,661

An ageing analysis of the trade and notes payables as at the end of the Reporting Periods is as follows:

	30 June 2022 RMB'000 (unaudited)	31 December 2021 RMB'000 (audited)
Less than 1 year	1,480,298	1,017,366
1 to 2 years	619	124
2 to 3 years	122	47
Over 3 years	18	124
	1,481,057	1,017,661

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 June 2022

16. SHARE CAPITAL

	30 June 2022	31 December 2021
	RMB'000	RMB'000
	(unaudited)	(audited)
Issued and fully paid:	836,431	710,974

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

	Number of shares in issue	Share capital
		RMB'000
At 31 December 2021 and 1 January 2022 (audited)	710,974	710,974
Issue of shares	125,466	125,466
Repurchase obligation for shares issued under a share incentive plan	(9)	(9)
At 30 June 2022 (unaudited)	836,431	836,431

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.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 June 2022

17. SHARE INCENTIVE PLAN

The Company operates a share incentive plan (the “SIP”) for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group’s operations. Eligible participants of the SIP include the Company’s directors and other employees of the Group. The 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 recognise their contribution and offer share incentive. Among them, 218 participants were granted 2,541,600 Type I Restricted Shares (representing 4,066,560 A shares after the increase of share capital in May 2021), 219 participants were granted 5,292,400 Type II Restricted shares (representing 8,467,840 A Shares after the increase of share capital in May 2021), and 418,000 Type II Restricted Shares (representing 666,800 A Shares after the increase of share capital in May 2021) were reserved. On 29 October 2020, the board of directors further approved the grant of 200,000 Type II Restricted Shares (representing 320,000 A shares after the increase of share capital in May 2021) out of the 418,000 reserved Type II Restricted Shares to five participants. On 26 August 2021, the board of directors further approved the grant of 218,000 Type II Restricted Shares (representing 348,800 A shares after the increase of share capital in May 2021) out of the 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. On 6 April 2022, due to the resignation of six employees, 5,600 (representing 8,960 A shares after the increase of share capital in May 2021) of Type I Restricted Shares were repurchased at a consideration of RMB120,000.

* 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 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.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 June 2022

17. SHARE INCENTIVE PLAN (CONTINUED)

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

	Six months ended 30 June 2022 (unaudited)		Year ended 31 December 2021 (audited)	
	Exercise price RMB per share	Subscribed and registered '000	Exercise price RMB per share	Subscribed and registered '000
At 1 January	13.3875	2,444	21.62 (representing 13.3875 after the increase of share capital in May 2021)	2,542 (representing 4,067 after the increase of share capital in May 2021)
Granted during the period/year	-	-	-	-
Forfeited during the period/year***	13.3875	9	-	-
Exercised during the period/year	-	-	13.3875	1,623
Expired during the period/year	-	-	-	-
At the end of the period/year	13.3875	2,435	13.3875	2,444

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 June 2022

17. SHARE INCENTIVE PLAN (CONTINUED)

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

	Six months ended 30 June 2022 (unaudited)		Year ended 31 December 2021 (audited)	
	Exercise price RMB per share	Number of shares '000	Exercise price RMB per share	Number of shares '000
At 1 January	13.3875	5,728	21.62 (representing 13.3875 after the increase of share capital in May 2021)	5,492 (representing 8,788 after the increase of share capital in May 2021)
Granted during the period/year	-	-	13.3875	349
Forfeited during the period/year***	-	-	13.3875	36
Exercised during the period/year	-	-	13.3875	3,373
Expired during the period/year	-	-	-	-
At the end of the period/year	13.3875	5,728	13.3875	5,728

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 June 2022

17. 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**	RMB13.3875
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 were not be unlocked. The Type I Restricted Shares of the resigned participants, i.e., 5,600 shares amounting to RMB121,000 (representing 8,960 A shares after the increase of share capital in May 2021), which were recorded in the treasury shares, were repurchased by the Company according to the SIP on 6 April 2022. The Type II Restricted Shares of the resigned participants, i.e., 22,400 shares (representing 35,840 A shares after the increase of share capital in May 2021) were forfeited on the vesting date of 26 November 2021.

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 six months ended 30 June 2022 and 30 June 2021, the Group recognised amounts of RMB18,995,000 and RMB45,452,000, respectively, as share incentive plan expenses.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 June 2022

18. COMMITMENTS

The Group had the following capital commitments at the end of the Reporting Periods:

	30 June 2022 RMB'000 (unaudited)	31 December 2021 RMB'000 (audited)
Contracted, but not provided for:		
Property, plant and equipment	841,733	648,793
Investment commitment	56,000	56,000
	897,733	704,793

19. RELATED PARTY TRANSACTIONS

(a) The Group had the following related parties during the six months ended 30 June 2022:

Name of Company	Relationship
Goldwind Investment Holdings Limited	Major shareholder, 7.02% of the Company as at both of 30 June 2022 and 31 December 2021
Ganzhou Rare Earth Group Co., Ltd.	Major shareholder, 5.16% of the Company as at both of 30 June 2022 and 31 December 2021
Ganzhou Poly-Max Magnetics Co., Ltd.	Associate
Xinjiang Goldwind Technology Co., Ltd.	The controlling shareholder of Goldwind Investment Holdings Limited (the major shareholder of the Company)
Ganzhou Rare Earth Youli Technology Development Co., Ltd.	Subsidiary of Ganzhou Rare Earth Group Co., Ltd. (the major shareholder of the Company)
Longnan Youli Rare Earth Science and Technology Development Co., Ltd.	Subsidiary of Ganzhou Rare Earth Group Co., Ltd. (the major shareholder of the Company)
Goldwind Technology Hebei Co., Ltd.	Subsidiary of Xinjiang Goldwind Technology Co., Ltd.
CRRC Corporation Limited and its subsidiaries	Other related party*
Nanjing Turbine Motor Changfeng New Energy Co., Ltd.	Other related party*

* The Group signed a framework contract with its related party Xinjiang Goldwind Technology Co., Ltd. The selling prices are adjusted on a quarterly basis according to the average price of major rare earth raw materials in the previous quarter. Under the framework contract, the purchase quantities are subject to the purchase contracts entered into by the Group and Xinjiang Goldwind Technology Co., Ltd., CRRC Corporation Limited and its subsidiaries and Nanjing Turbine Motor Changfeng New Energy Co., Ltd. and other wind turbine manufacturers.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 June 2022

19. RELATED PARTY TRANSACTIONS (CONTINUED)

- (b) In addition to the transactions detailed elsewhere in the interim condensed consolidated financial information, the Group had the following transactions with related parties during the six months ended 30 June 2022 and 2021:

	For the six months ended 30 June	
	2022 RMB'000 (unaudited)	2021 RMB'000 (audited)
Purchases of products from companies controlled by a major shareholder:		
Longnan Youli Rare Earth Science and Technology Development Co., Ltd.	–	743
Ganzhou Rare Earth Youli Technology Development Co., Ltd.	–	1,796
Southern Rare Earth International Trading Co., Ltd.*	425,929	234,143
	425,929	236,682
Purchases of products from an associate:		
Ganzhou Poly-Max Magnetics Co., Ltd.	1,934	1,344
Rental income from an associate:		
Ganzhou Poly-Max Magnetics Co., Ltd.	40	40
Sales of goods to an associate:		
Ganzhou Poly-Max Magnetics Co., Ltd.	1,245	822
Sales of goods to companies controlled by a major shareholder:		
Goldwind Technology Hebei Co., Ltd.	–	10,260
Xinjiang Goldwind Technology Co., Ltd.	8,745	–
Ganzhou Rare Earth Youli Technology Development Co., Ltd.	30,696	–
	39,441	10,260
Sales of goods to other related parties:		
CRRC Corporation Limited and its subsidiaries:		
Xi'an CRRC Yongdian Jieli Wind Power Co., Ltd.	122,007	159,643
Jiangsu CRRC Electric Co., Ltd.	107,161	164,179
Shandong CRRC Electric Co., Ltd.	82,438	82,243
Baotou CRRC Motor Co., Ltd.	156,035	25,379
Hami CRRC New Energy Motor Co., Ltd.	1,862	15,163
Hunan CRRC Shangqu Electric Co., Ltd.	914	18
Nanjing Turbine Motor Changfeng New Energy Co., Ltd.	61,783	–
	532,200	446,625

- * On 2 June 2022, Ganzhou Rare Earth Group Co., Ltd. transferred all the interests it held in China Southern Rare Earth Group Co., Ltd. to China Rare Earth Group Co., Ltd. China Southern Rare Earth Group Co., Ltd. and its subsidiaries were no longer related parties of the Group. The transaction amounts disclosed above between Southern Rare Earth International Trading Co., Ltd. and the Group only covered the period from 1 January 2022 to 1 June 2022.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 June 2022

19. RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Outstanding balances with related parties:

	30 June 2022 RMB'000 (unaudited)	31 December 2021 RMB'000 (audited)
Trade receivables due from an associate: Ganzhou Poly-Max Magnetics Co., Ltd.	1,393	981
Trade receivables due from companies controlled by a major shareholder: Xinjiang Goldwind Technology Co., Ltd. Goldwind Technology Hebei Co., Ltd.	9,783 7,096	– 11,808
	16,879	11,808
Other receivables due from an associate: Ganzhou Poly-Max Magnetics Co., Ltd.	647	70
Trade payables due to an associate: Ganzhou Poly-Max Magnetics Co., Ltd.	1,116	1,529
Trade payables due to a company controlled by a shareholder: Southern Rare Earth International Trading Co., Ltd.*	–	133,729
Notes payable due to a company controlled by a shareholder: Southern Rare Earth International Trading Co., Ltd.*	–	27,597

The amounts due from or due to related parties are all trade in nature, relating to sales of NdFeB materials, purchases of rare earths, other income and gains, respectively.

* On 2 June 2022, Ganzhou Rare Earth Group Co., Ltd. transferred all the interests it held in China Southern Rare Earth Group Co., Ltd. to China Rare Earth Group Co., Ltd. China Southern Rare Earth Group Co., Ltd. and its subsidiaries were no longer listed as related parties of the Group. The balances of trade payables and notes payable due to Southern Rare Earth International Trading Co., Ltd. as of 30 June 2022 was no longer listed as balances with related parties.

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

	For the six months ended 30 June	
	2022 RMB'000 (unaudited)	2021 RMB'000 (audited)
Salaries, allowances and benefits in kind	3,763	4,033
Share incentive plan expense	9,097	20,604
Social insurance and housing fund	353	247
	13,213	24,884

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 June 2022

20. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the Reporting Period are as follows:

30 June 2022 (unaudited)

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	1,987,761	-	-	1,987,761
Notes receivable	454,996	-	73,081	528,077
Financial assets included in prepayments, other receivables and other assets	6,074	-	-	6,074
Financial assets at fair value through profit or loss	-	138,255	-	138,255
Restricted cash	617,056	-	-	617,056
Cash and cash equivalents	3,309,438	-	-	3,309,438
Equity investments designated at FVOCI	-	-	965	965
	6,375,325	138,255	74,046	6,587,626

Financial liabilities	Financial liabilities at amortised cost RMB'000	Financial liabilities at fair value through profit or loss RMB'000	Total RMB'000
Financial liabilities at fair value through profit or loss	-	15,608	15,608
Trade and notes payables	1,481,057	-	1,481,057
Financial liabilities included in other payables and accruals	104,015	-	104,015
Interest-bearing bank borrowings	1,819,540	-	1,819,540
	3,404,612	15,608	3,420,220

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 June 2022

20. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

The carrying amounts of each of the categories of financial instruments as at the end of the Reporting Period are as follows: (continued)

31 December 2021 (audited)

Financial assets	Financial assets at amortised cost RMB'000	Financial assets at fair value 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 receivable	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

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 June 2022

21. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and cash equivalents, the current portion of pledged deposits, trade receivables, trade and notes payables, and financial assets included in prepayments, other receivables and other assets approximate to their carrying amounts largely due to the short-term maturities of these instruments.

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance manager reports directly to the chief financial officer and the audit committee. At the end of the Reporting Period, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer. The valuation process and results are discussed with the audit committee twice a year for interim and annual financial reporting.

Fair value hierarchy

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

Assets measured at fair value:

As at 30 June 2022 (unaudited)

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Financial assets at fair value through profit or loss	-	138,255	-	138,255
Notes receivable at FVOCI	-	-	73,081	73,081
Equity investments designated at FVOCI	-	-	965	965
	-	138,255	74,046	212,301

As at 31 December 2021 (audited)

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Financial assets at fair value through profit or loss	-	7,226	-	7,226
Notes receivable at FVOCI	-	-	15,750	15,750
	-	7,226	15,750	22,976

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 June 2022

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

Fair value hierarchy (continued)

Liabilities measured at fair value:

As at 30 June 2022 (unaudited)	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Financial liabilities at fair value through profit or loss	-	15,608	-	15,608

As at 31 December 2021 (audited)	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Financial liabilities at fair value through profit or loss	-	-	-	-

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 June 2022

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

Fair value hierarchy (continued)

Below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at the end of the Reporting Period:

As at 30 June 2022

	Valuation technique	Significant unobservable input	Range	Sensitivity of fair value to the input
Notes receivable at FVOCI	Income approach	Discount rate	3.70%	5% increase/decrease would result in increase/decrease in fair value by 0.06%
Equity investments designated at FVOCI	Net assets method	Net assets	RMB965,000	N/A

As at 31 December 2021

	Valuation technique	Significant unobservable input	Range	Sensitivity of fair value to the input
Notes receivable at FVOCI	Income approach	Discount rate	3.85%	5% increase/decrease would result in increase/decrease in fair value by 0.03%

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 June 2022

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

During the six months ended 30 June 2022 and the year ended 31 December 2021, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 for both financial assets and financial liabilities. The Group's policy is to recognise transfers between levels of the fair value hierarchy as at the end of the reporting period in which they occur.

Set out below is a comparison of the carrying amounts and fair values of financial assets and financial liabilities as at 30 June 2022 and 31 December 2021:

	Carrying amounts		Fair value	
	30 June 2022 RMB'000 (unaudited)	31 December 2021 RMB'000 (audited)	30 June 2022 RMB'000 (unaudited)	31 December 2021 RMB'000 (audited)
Financial assets				
Financial assets at fair value through profit or loss	138,255	7,226	138,255	7,226
Notes receivable at FVOCI	73,081	15,750	73,081	15,750
Equity investments designated at FVOCI	965	-	965	-
	212,301	22,976	212,301	22,976
Financial liabilities				
Interest-bearing bank borrowings	1,819,540	1,762,693	1,814,669	1,726,431
Financial liabilities at fair value through profit or loss	15,608	-	15,608	-
	1,835,148	1,762,693	1,830,277	1,726,431

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 June 2022

22. EVENTS AFTER THE REPORTING PERIOD

The eleventh meeting of the third session of the Board was held on 30 March 2022 to consider and approve the solution on the construction of Baotou Production Base Project (Phase II) with the investment from JL Baotou, a subsidiary of the Company, and the total planned investment was RMB700 million. The Company fully assessed and analyzed the current progress in the construction of the production bases in Ningbo and Baotou. As the progress in the construction of the Baotou Production Base Project (Phase II) of the Company was better than expectation, and in order to improve the efficiency in the use of funds, the Company intended to use part of the proceeds originally allocated for the “construction of the production base in Ningbo” for “Baotou Production Base Project (Phase II) and the daily working capital of JL Baotou”, and use part of the proceeds originally allocated for “research and development” for “working capital and general corporate purposes.” The resolution was approved by the thirteenth meeting of the third session of the Board held on 11 July 2022.

On 21 July 2022, the Company entered into the Equity Transfer Agreement with Mr. Ren Hailiang, Mr. Ren Haihu, Mr. Wu Jun and Bayannur Yin Hai New Materials Co., Ltd. (“Yin Hai New Materials”), pursuant to which the Company will acquire 51% equity interests in Yin Hai New Materials, consisting of 20.4% equity interests in Yin Hai New Materials held by Mr. Ren Hailiang, 20.4% equity interests in Yin Hai New Materials held by Mr. Ren Haihu and 10.2% equity interests in Yin Hai New Materials held by Mr. Wu Jun, at a consideration of RMB154,150,000 in aggregate. The Equity Transfer has not been completed by the reporting date.

On 21 July 2022, (i) the Company entered into Xinyang Yen Sonic Technology Co., Ltd. (“Xinyang Yen”) Equity Transfer Agreement with INNOVATIVE FRONTIER LIMITED (“Innovative Frontier”), Mr. Chun-Hua Tai and Xinyang Yen, and (ii) the Company entered into the Suzhou Yuange Electronics Co., Ltd. (“Suzhou Yuange”) Equity Transfer Agreement with EASY VICTORY GLOBAL LIMITED (“Easy Victory”), Ms. Tzu-Yen Huang and Suzhou Yuange, pursuant to which, the Company will acquire 46% equity interests in Xinyang Yen and 51% equity interests in Suzhou Yuange, at considerations of RMB189,705,600 and RMB90,371,700, respectively. Mr. Chun-Hua Tai and Ms. Tzu-Yen Huang are in a spousal relationship. The Equity Transfers have not been completed by the reporting date.

On 23 June 2022, the shareholder’s meeting of JL Ningbo Technology approved to establish a new wholly-owned subsidiary, JL Tech (Hong Kong) in Hong Kong, China. On 19 July 2022, JL Tech (Hong Kong) completed the company registration in Hong Kong, and the registered capital was HKD50,000. JL Ningbo Technology has not completed the capital injection by the reporting date.

23. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified to conform with the current period’s presentation.

24. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

The interim condensed consolidated financial information was approved and authorised for issue by the board of directors of the Company on 24 August 2022.

