金力永磁
JLMAG

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

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

STOCK CODE : 6680

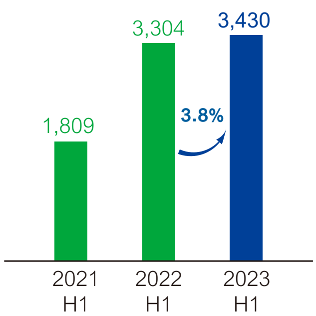
2023
INTERIM REPORT

CONTENTS

HIGHLIGHT

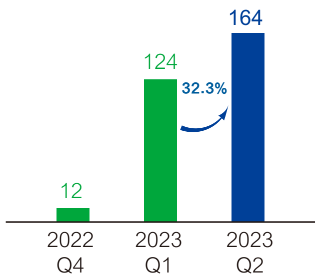
Revenue

Unit: RMB million



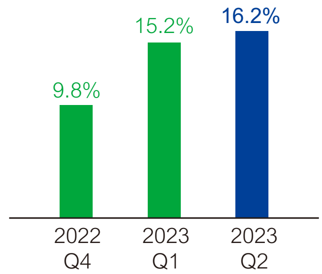
Profit attributable to owners of the parent after deducting non-recurring gain or loss

Unit: RMB million



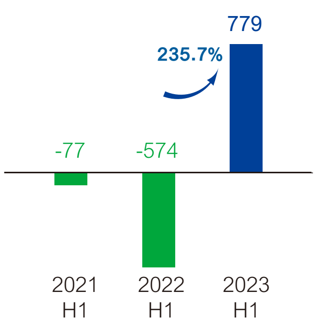
Gross profit margin

Unit: %



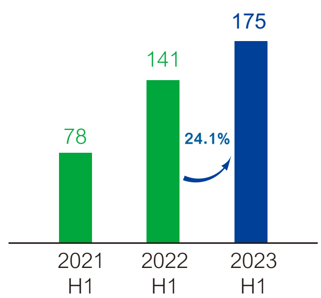
Net cash flows (used in)/ from operating activities

Unit: RMB million

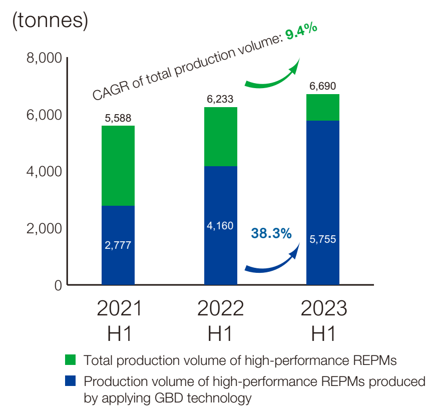


Research and development expenses

Unit: RMB million

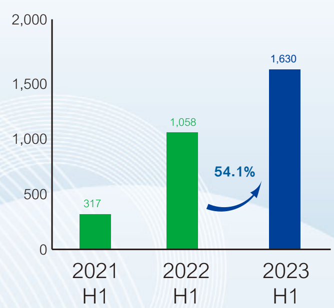


Production volume of high-performance REPM finished products



Sales of NEVs and automotive parts sector

Unit: RMB million



The Company's products have been adopted by the world's top ten NEV manufacturers including BYD (比亞迪) and Tesla

In the first half of 2023, the sales volume of the Company's magnetic steel products for NEV drive motors can be assembled with about **2.031** million of passenger NEVs, an increase of 104.7% over the same period of the previous year

DEFINITIONS

"2021H1"	the six months ended 30 June 2021
"2022H1"	the six months ended 30 June 2022
"2022Q4"	the three months from 1 October 2022 to 31 December 2022
"2023H1"	the six months ended 30 June 2023
"2023Q1"	the three months from 1 January 2023 to 31 March 2023
"2023Q2"	the three months from 1 April 2023 to 30 June 2023
"A Share(s)"	domestic shares of the Company with a par value of RMB1.00 each, the shares of which are listed on the ChiNext of the Shenzhen Stock Exchange and traded in RMB
"Articles of Association"	the articles of association of JL MAG RARE-EARTH CO., LTD.
"Board"	the Board of Directors
"Baotou Company"	JL MAG (Baotou) Technology CO., Ltd. (金力永磁（包頭）科技有限公司), a limited liability company incorporated in the PRC on 18 August 2020 which is wholly-owned by our Company
"CAGR"	compound annual growth rate
"Chairman"	the chairman of the Board
"Corporate Governance Code"	Corporate Governance Code as set out in Appendix 14 to the Listing Rules
"CPCA"	China Passenger Car Association
"Director(s)"	the director(s) of the Company or any one of them
"energy-saving VFACs"	energy-saving variable-frequency air-conditioners

"Global Offering"	the Hong Kong Public Offering and the International Offering
"grain boundary diffusion (GBD) technology"	technology that allows the Dysprosium or Terbium to penetrate into the magnet through its grain boundary when the heat treatment temperature is higher than the melting point of Nd-rich phase
"Group"	JL MAG and its subsidiaries
"GW"	a unit of power, 1 GW equals 1,000 MW
"H Shares"	overseas listed foreign shares of the Company, with a nominal value of RMB1.00 each, which are listed on the Stock Exchange and traded in HK dollars
"high-performance REPMs"/ "high-performance NdFeB PMs"	according to industry practice, sintered NdFeB PMs with the sum of intrinsic coercivity (Hcj, kOe) and maximum energy product ((BH)max, MGOe) higher than 60 are high performance NdFeB PMs
"Hong Kong"	Hong Kong Special Administrative Region of the People's Republic of China
"Hong Kong dollar"	Hong Kong dollars and cents, the lawful currency of Hong Kong
"Hong Kong Listing Rules" or "Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
"IFRSs"	the International Financial Reporting Standards
"this interim report" or "interim report"	the Company's interim report published on 24 August 2023
"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)
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers under Appendix 10 to the Listing Rules
"NdFeB PMs"	permanent magnets made from an alloy of neodymium, iron, and boron that are divided into two subcategories, namely sintered NdFeB magnets and bonded NdFeB magnets because of different manufacturing processes
"NEVs"	new energy vehicles
"Northern Rare Earth"	China Northern Rare Earth Group High-Tech Co., Ltd. (中國北方稀土(集團)高科技股份有限公司), a state-owned limited liability company incorporated in the PRC on 12 September 1997
"Prospectus"	the prospectus of the Company dated 31 December 2021

"rare earth"	rare earth elements are a set of 17 elements of lanthanides, including lanthanum (La), cerium (Ce), praseodymium (Pr), neodymium (Nd), promethium (Pm), samarium (Sm), europium (Eu), gadolinium (Gd), terbium (Tb), dysprosium (Dy), holmium (Ho), erbium (Er), thulium (Tm), ytterbium (Yb) and lutetium (Lu), and its congeners elements scandium (Sc) and yttrium (Y). According to the atomic weight and physical and chemical properties of the elements, they are divided into light, medium and heavy rare earth elements. The first five elements are light rare earth and the rest are medium and heavy rare earth. Due to their unique physical and chemical properties, rare earth are widely used in new energy, new materials, energy conservation and environmental protection, aerospace, electronic information and other fields, and are indispensable and important element in modern industry
"REPMs"	rare earth permanent magnets are permanent magnetic magnets based on intermetallic compounds formed by rare earth metal elements ("RE", including Sm, Nd and Pr) and transition metal elements ("TM", including Fe and Co), commonly referred to as rare earth intermetallic compound permanent magnets, or REPMs for short. Since the 1960s, with three major breakthroughs in the magnetic energy product, three generations of rare earth permanent magnets with practical application value have been successfully developed. The first generation is represented by $SmCo_5$ alloy, the second generation is represented by Sm_2Co_{17} alloy, third generation is represented by Nd-Fe-B series alloy. Among them, NdFeB magnets have been industrialized and are with the best comprehensive performance in current industrial production
"Reporting Period"	from 1 January 2023 to 30 June 2023
"RMB"	Renminbi, the lawful currency of the PRC
"Ruide Venture"	Jiangxi Ruide Venture Investment Co., Ltd. (江西瑞德創業投資有限公司), one of our controlling shareholders
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Law of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Restricted Share Incentive Plan"	a restricted share incentive plan adopted by our Company on 26 August 2020 and amended on 8 September 2020, for the purpose of incentivize eligible management and employees of our Group
"Shares"	domestic Shares and H Shares
"Shenzhen Stock Exchange"	Shenzhen Stock Exchange (深圳證券交易所)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Supervisor(s)"	the supervisor(s) of the Company or any one of them

DEFINITIONS (CONTINUED)

"Type I Restricted Share(s)"	A Share(s) issued to the grantees with certain restrictions stipulated under the Restricted Share Incentive Plan
"Type II Restricted Share(s)"	restricted share(s) granted to the grantees pursuant to which A Shares could be newly issued and subscribed for upon the satisfaction of certain vesting conditions under the Restrict Share Incentive Plan
"Xiexin Chaoneng"	Ganzhou Poly-Max Magnetics Co., Ltd. (贛州協鑫超能磁業有限公司)
"%"	percentage
"3C"	an abbreviation for three types of electronic products: Computer, Communication and Consumer Electronics

CORPORATE INFORMATION

Legal Name

JL MAG RARE-EARTH CO., LTD.

English Name

JL MAG RARE-EARTH CO., LTD.

Chinese Short Name

金力永磁

English Short Name

JLMAG

Legal Representative

Mr. Cai Baogui

Executive Directors

Mr. Cai Baogui
Mr. Lyu Feng

Non-executive Directors

Mr. Hu Zhibin
Mr. Li Xinnong
Mr. Li Fei *(resigned on 17 March 2023)*
Mr. Liang Minhui *(appointed on 21 June 2023)*
Mr. Li Xiaoguang *(appointed on 21 June 2023)*

Independent non-executive Directors

Mr. You Jianxin *(ceased on 21 June 2023)*
Mr. Xu Feng
Mr. Yuan Taifang *(ceased on 21 June 2023)*
Mr. Zhu Yuhua *(appointed on 21 June 2023)*
Ms. Cao Ying *(appointed on 21 June 2023)*

Supervisors

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

Audit Committee

Ms. Cao Ying *(chairman, appointed on 5 July 2023)*
Mr. Hu Zhibin
Mr. Zhu Yuhua *(appointed on 5 July 2023)*
Mr. Yuan Taifang *(ceased on 21 June 2023)*
Mr. You Jianxin *(ceased on 21 June 2023)*

Nomination Committee

Mr. Xu Feng *(chairman)*
Mr. Cai Baogui
Ms. Cao Ying *(appointed on 5 July 2023)*
Mr. Yuan Taifang *(ceased on 21 June 2023)*

Remuneration and Appraisal Committee

Mr. Zhu Yuhua *(chairman, appointed on 5 July 2023)*
Mr. Xu Feng
Mr. Lyu Feng
Mr. You Jianxin *(ceased on 21 June 2023)*

Strategy Committee

Mr. Cai Baogui *(chairman)*
Mr. Xu Feng
Mr. Zhu Yuhua *(appointed on 5 July 2023)*
Mr. You Jianxin *(ceased on 21 June 2023)*

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 City
Guangdong Province

H Share:
Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor, Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

Listing Venue

A Share:
Shenzhen Stock Exchange
Stock Short Name: 金力永磁
Stock Code: 300748

H Share:
The Stock Exchange of Hong Kong Limited
Stock Code: 06680

Auditors

International Auditor
Ernst & Young

PRC Auditor
Ernst & Young Hua Ming LLP

Registered Office and Principal Place Of Business

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

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

Company's Website

www.jlmag.com.cn

Legal Advisers

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

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

Compliance Advisor

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

SUMMARY OF FINANCIAL INFORMATION

	For the six months ended 30 June		
	2023	2022	Change
	RMB'000	RMB'000	%
Revenue	**3,430,030**	3,303,797	3.82%
Gross profit	**539,211**	678,198	–20.49%
Profit attributable to owners of the parent	**332,603**	463,833	–28.29%
Net cash flows from/(used in) operating activities	**779,160**	–573,889	235.77%
Basic and diluted earnings per share (RMB)	**0.40**	0.55	–27.27%

During the Reporting Period, the Company achieved revenue of RMB3,430.0 million, representing an increase of RMB126.2 million or 3.82% as compared with that of RMB3,303.8 million for the six months ended 30 June 2022.

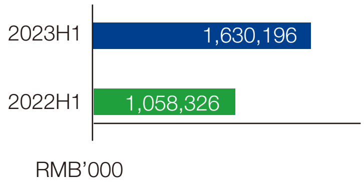
During the Reporting Period, profit attributable to owners of the parent amounted to RMB332.6 million, representing a decrease of approximately 28.29% as compared with the six months ended 30 June 2022.

The Company did not declare any interim dividend for the six months ended 30 June 2023.

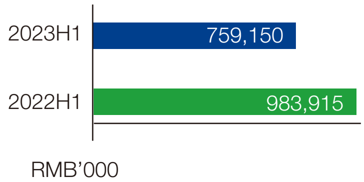
SUMMARY OF FINANCIAL INFORMATION (CONTINUED)

REVENUE BY PRODUCT CATEGORY AND DOWNSTREAM APPLICATION

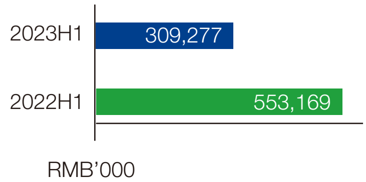
NEVs and automotive parts

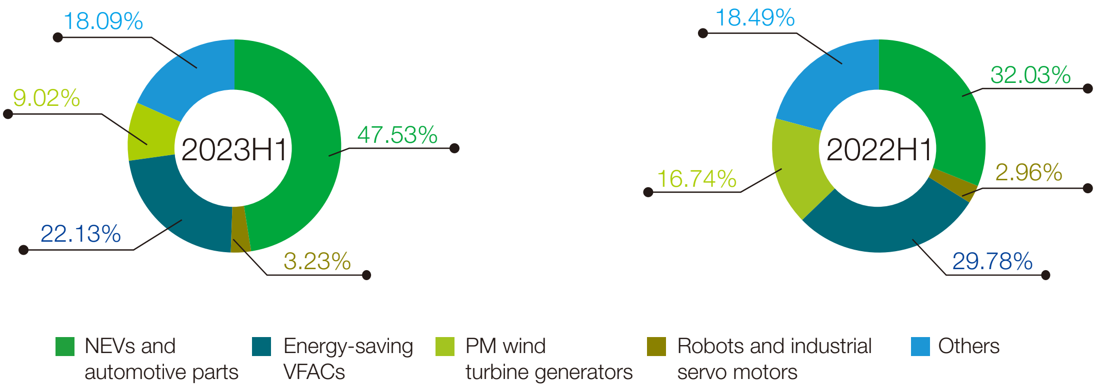


Energy-saving VFACs



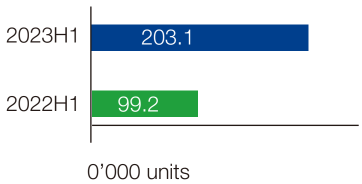
PM wind turbine generators



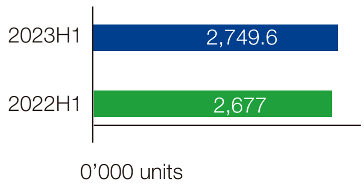


Installed Capacity of the sales volume of the products in various sectors

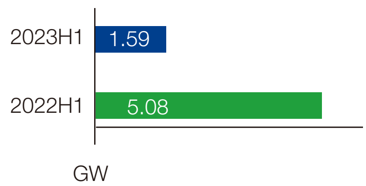
NEVs



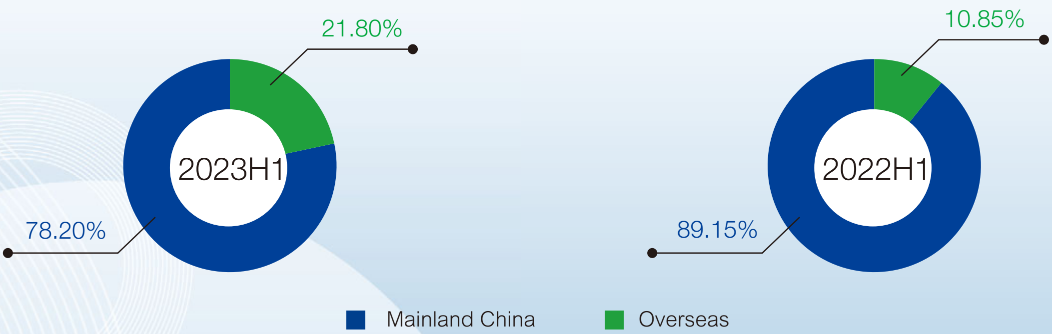
Energy-saving VFACs



PM wind turbine generators



REVENUE BY SALES REGION



MANAGEMENT DISCUSSION AND ANALYSIS

1. Industry Development Trend

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

High-performance NdFeB PMs are national key new materials and high-tech products, which have always been strongly supported by relevant national industrial policies. Since the implementation of the "Fourteenth Five-Year Plan for National Economic and Social Development and the Outline of Long-Term Goals for 2035 of the People's Republic of China", all localities, all departments have formulated a series of detailed policies around the "Fourteenth Five-Year Plan". Following the implementation of various policies, especially the promotion of intelligent manufacturing and green manufacturing, REPMs have made contribution by its indispensable core position, and this industry has also made fast development.

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

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

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

1) NEVs Sector

NEVs are one of the main applications of high-performance NdFeB PMs. Governments all over the world have implemented policies to facilitate the development of NEV market. The "New Energy Automobile Industry Development Plan (2021-2035)" issued by the Chinese government in 2020 mentioned that the sales volume of NEVs will account for around 20% of the total sales volume of new automobiles by 2025. According to the sales volume of passenger vehicles published by the CPCA, the sales volume of NEVs in the PRC in the first half of 2023 was 3.747 million units, representing a year-on-year increase of 44.1%. In terms of market share, the sales volume of NEVs accounted for 28.3% of the total sales volume of vehicles, representing an increase of 2.7 percentage points as compared to 2022. With the gradual release of the production capacity of automobile enterprises and the steady growth in the sales of new models, the domestic consumption demand for NEVs continued to grow in a rational manner when driven by policies. On this basis, the CPCA predicts that the sales volume of passenger NEVs in China will reach 8.5 million units in 2023, with narrowly defined sales of passenger vehicles amounting to 23.5 million units. The annual penetration rate of passenger NEVs is expected to reach 36%. In addition, the global NEV market maintains high-speed growth. According to the global sales of passenger NEVs published by CleanTechnica, the global cumulative sales of NEVs from January to June in 2023 reached 5.8319 million units, representing a growth of 40.15% as compared to the same period of last year. As the situation of tense supply chain relieved, it is expected that the production capacity of NEVs enterprises will further improve. Since the high-performance NdFeB PMs are the core part of the electric motors of NEVs and its future demand will continue to maintain a high-speed growth.

2) Energy-saving VFACs Sector

In 2019, seven departments including the National Development and Reform Commission and the Ministry of Industry and Information Technology jointly issued the "Notice on the Issuance of the Green and Efficient Refrigeration Action Plan" F.G.H.Z. [2019] No. 1054), which specified that by 2022, the energy efficiency access level of household air conditioners will increase by 30%. By 2030, the energy efficiency access level for major refrigeration products will further increase by more than 15%. With the official implementation of "Minimum Allowable Values of the Energy Efficiency and Energy Efficiency Grades for Room Air Conditioners" on 1 July 2020, fixed-frequency air-conditioning products were completely phased out and high-efficiency VFACs have become the mainstream of the market, and the demand for high-performance NdFeB magnetic steel, which are used as core materials for VFAC compressors, will increase significantly in the future. According to statistics of China IOL, the total sales volume of household air conditioners in China amounted to 150,037,400 units in 2022, including 84,290,000 units for domestic sales and 65,747,400 units for export.

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 expects to reach approximately 19,700 tonnes, with a CAGR of approximately 16.6% from 2020 to 2025.

3) Wind Power Generation Sector

According to the "14th Five-Year Plan" for Renewable Energy Development jointly issued by nine departments including the National Development and Reform Commission and the National Energy Administration on 1 June 2022, the annual power generation capacity of renewable energy will reach about 3.30 trillion KWHs in 2025. During the "14th Five-Year Plan" period, the increase in renewable energy power generation capacity will account for more than 50% of the increase in overall electricity consumption across the whole society, and the wind power generation capacity and solar power generation capacity will double. In 2022, a total of 23 provinces announced their own "14th Five-Year Plan" energy-related special project plans. The data released by Bloomberg New Energy Finance ("BNEF"), the global newly-added installed capacity of wind power was 85.7GW in 2022, among which, the installed capacity of onshore wind power was 76.6GW, the installed capacity of offshore wind power was 9.1GW. In 2022, China continued to take lead globally, with the newly-added installed capacity amounting to 48.8GW, which accounted for more than half of the installed capacity globally, surpassing the second largest market, the United States, by nearly 40GW. On 27 March 2023, the Global Wind Energy Council (GWEC) released its 2023 Global Wind Energy Report, which predicts that a rapidly adapting policy environment worldwide has set the stage for accelerated growth in the coming years. By 2024, the newly-added installed capacity for global onshore wind turbine generators will exceed 100GW for the first time. The newly-added installed capacity for global offshore wind power generators will also reach a new high of 25GW by 2025.

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

4) Industrial Energy-Saving Motors Sector

In October 2021, the Ministry of Industry and Information Technology and the State Administration for Market Regulation jointly issued the "Electrical Motor Efficiency Improvement Plan (2021-2023)", which proposed to guide enterprises to implement the renewal and upgrade of key energy-consuming equipment such as motors, give priority to high-efficiency and energy-saving motors, accelerate the elimination of obsolete and low-efficiency motors that do not meet the requirements of the current national energy efficiency standards, and increase the application of high-efficiency and energy-saving motors. In particular, it is proposed to promote variable-frequency speed-regulating permanent magnet motors with level 2 energy efficiency and above for variable load operating conditions. For transmission systems using gearboxes and couplers, low-speed direct-drive and high-speed direct-drive permanent magnet motors are encouraged. On 29 June 2022, other 6 departments including the Ministry of Industry and Information Technology jointly issued the "Action Plan for Industrial Energy Efficiency Improvement", which mentions and implements the improvement action for motor energy efficiency. It is planned that the key materials such as high-performance electromagnetic wire, REPMs, high-inductance and low-loss cold rolled steel sheet are to be innovated and upgraded. The energy-saving certification of electrical machinery, and the efficient remanufacturing of electrical machinery will be pushed forward. Enterprises are motivated to carry out the assessment of energy efficiency and operation and maintenance of equipment, the scientific subdivision of load characteristics and different working conditions aims to accelerate the upgrading of electrical machinery. By 2025, the proportion of new energy-efficient motors will reach more than 70%. The above policies implemented will improve the penetration rate of REPM industrial energy-saving motors in the future, further increasing the demand for REPM materials.

2. Principal Business of the Company During the Reporting Period

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

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

The Company is a high-tech enterprise engaging in the R&D, production and sales of high-performance NdFeB PMs, magnetic components and the recycling and comprehensive utilization of REPMs, and a leading supplier of high-performance REPMs in the fields of new energy, energy conservation and environmental protection. The Company's products are widely used in the sectors such as NEVs and automotive parts, energy-saving VFACs, wind power generation, 3C, robots 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.

(2) The business model of the Company

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

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.

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 relatively strong customer base and accumulated rich experience in the industry, which helps build a good brand image in the industry and enables it to have relatively prominent competitive advantages, specifically:

(1) The world's leading manufacturer of high-performance REPMs

The Company is the world's leading manufacturer of high-performance REPMs. With its huge production capacity, excellent R&D capability, proprietary technology and strong product delivery capability, the Company established market segment leadership in the following key downstream sectors. In the sector of NEVs, the Company's products were used for the production of drive motors by the world's top ten NEV manufacturers. In the sector of energy-saving VFACs, eight of the world's top ten VFAC compressor manufacturers are the customers of the Company. In the sector of wind power, 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, robots and industrial servo motors, energy-saving elevators and rail transit, with a leading position in the market.

(2) The Company adheres to long-term principle, and the strategic planning is clear and gradually implemented, with strong delivery capability.

Based on the future market demand, in March 2021, the Company has formulated the development plan from 2021 to 2025: the Company plans to have 23,000 tonnes of production capacity of high-performance REPMs in 2022, and gradually allocates resources and capacity to Ganzhou, Baotou and Ningbo production bases. It is expected to achieve 40,000 tonnes of production capacity of high-performance REPMs in 2025.

The Company's annual production capacity of high-performance NdFeB PM blanks reached 23,000 tonnes. Baotou Phase II project with annual production capacity of 12,000 tonnes, Ningbo project with annual production capacity of 3,000 tonnes for high-end magnetic materials and 100 million sets of components are under construction as schedule. In June 2023, the project of the magnetic materials for energy-efficient motor base of the Company acquired the Construction Permit from relevant department of Ganzhou Economic and Technological Development Zone, and the construction of the project has been initiated.

The Company planned to invest in the construction of the "Project for Comprehensive Utilization of Waste NdFeB Magnet" in Mexico. After completion of the Project, 5,000 tonnes of waste NdFeB magnet per year will be comprehensively utilized, and the capacity of producing 3,000 tonnes of high-end magnetic material products per year will be developed. With the growing global demand for REPMs and the increasing number of waste NdFeB magnet reaching their life cycle overseas, the recycling of waste NdFeB magnet is conducive to the green and sustainable development of rare earth resources, thereby further enhancing the Company's global competitiveness.

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

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

Rare earths are China's strategic resources. The Company 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 earth, the Company has built a high-performance REPM production base. The Company has established stable strategic cooperation relationship with important rare earth raw material suppliers including China Northern Rare Earth Group Co., Ltd. and China Rare Earth Group Co., Ltd. and has been awarded "Quality Customer (優質客戶)" by China Northen Rare Earth Group for two consecutive years. Meanwhile, according to the fluctuation trend of rare earth prices and the status of orders in hand, the Company timely adjusted a more prudent procurement and inventory strategy for rare earth raw materials, established a price adjustment mechanism with customers, optimized formulas and processing technology and other measures, in order to reduce the effect of rare earth raw material price fluctuations on the Company's operating results.

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

High-performance NdFeB PMs feature high barriers for production technology. The High-performance NdFeB PMs used in energy-saving VFAC compressors and NEV drive motors require the use of GBD technology. By adopting this technology, the Company can reduce the consumption of medium and heavy rare earth while maintaining the high performance of NdFeB PMs, and develop high-grade products. The Company continued to maintain investment in research and development. In the first half of 2023, the Company invested RMB174.7 million in research and development, with a year-on-year increase of 24.1%, accounting for 5.09% of the revenue during the same period. The Company has established a self-developed core technology and patent system with GBD technology as its core, which includes GBD technology, formula system, grain refinement technology, one-time molding technology, production process automation technology and new coating technology against high temperature and high corrosion.

The Company has established a self-developed core technology and patent system with GBD technology as its core, applied for and obtained a number of domestic and foreign invention patents 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 overseas sales revenue has continued to grow steadily.

(5) Industry-leading ESG practice, supporting the carbon neutrality strategy with practical actions

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

The company is the first in the rare earth permanent magnet (REPM) industry to build a fully recycled, green and traceable REPM industry chain. In 2018, the Company signed the "Cooperation Agreement on 100% Rare Earth Reuse (Recycling) Products" with China Southern Rare Earth Group to produce and supply high-performance REPM products in bulk to global customers using medium and heavy rare earth metals from rare earth waste recovery supplied by Southern Rare Earth Group. Meanwhile, the Company obtained the first PAS 2060 carbon neutral certification in the global NdFeB industry from SGS in 2022.

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

The high-performance REPM industry features high customer stickiness and entry barriers. Manufacturers of the high-performance REPMs need to meet the specific requirements of downstream customers 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 REPM 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 REPM industry, it is difficult and even impossible for new entrants to become qualified suppliers of leading enterprises in downstream industries within a short period of time. In view of high barriers for customer certification, the Company's capacity as a main certified supplier for many leading customers proves the Company's consistent high quality and leading position in the REPM industry.

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

The Company has 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 multidimensional incentive system including the equity 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, China, Europe, Japan, the United States and Mexico, with indigenized talent teams engaged, as the Company's platforms for overseas technological exchanges in respect of the downstream of NdFeB applications, logistics service and sales. The Company has seen an increasing degree of internationalization.

4. Review of Operations during the Reporting Period

(1) Stable operation and sound development of the Company

During the Reporting Period, the Company recorded revenue of RMB3,430.0 million, representing a year-on-year increase of 3.82%; domestic sales revenue of RMB2,682.4 million, representing a year-on-year decrease of 8.93%; overseas sales revenue of RMB747.6 million, representing a year-on-year increase of 108.58%; profit attributable to owners of the parent of RMB332.6 million, representing a year-on-year decrease of 28.29%; profit attributable to owners of the parent after deducting non-recurring profit or loss of RMB287.7 million, representing a year-on-year decrease of 37.65%. In view of the exchange gains of RMB130.1 million arising from the successive remittance of the proceeds from the issuance of H Shares in the first half of 2022, the profit for the Reporting Period presented a stable development as compared with the same period of last year after excluding the impact of the above exchange gains. The Company's net cash flow from operating activities was RMB779.2 million, compared with RMB-573.9 million for the same period of last year.

In the first half of 2023, the REPM industry was still affected by external unfavourable factors such as fluctuations in the price of rare earth raw materials and intensified industry competition. Taking metal neodymium (tax inclusive) as an example, according to the data published by the Asianmetal.cn, the average price in the first half of 2023 was RMB 0.7 million/tonne, representing a decrease of approximately 40% as compared to the average price of RMB 1.17 million/tonne in the first half of 2022. In addition, the average price in January 2023 was RMB 0.9 million/tonne, and the average price in June 2023 was RMB0.6 million/tonne, which caused a relatively large fluctuation in the price of rare earth raw materials in the short term. The management of the Company adopted timely response strategies and timely adjusted to a more prudent procurement and inventory strategy for rare earth raw materials. At the same time, the Company continued to increase investment in research and development and optimise the formula to achieve cost-saving and profit-increasing. The Company adheres to the essence of creating value for customers, insists on building the Company's core competitiveness, does not engross the market and does not pursue raw material inventory returns, and adjusts product prices in a timely manner. Under the leadership of the Board of Directors, the management team worked diligently and smoothly through the cycle of sharp rise and fall in rare earth prices in the three years since 2020.

In the second quarter of 2023, the Company achieved revenue of RMB1,779.4 million (in which the revenue from the sales of NdFeB magnet materials amounted to RMB1,532.9 million), representing a quarter-on-quarter increase of 7.81% (in which the quarter-on-quarter growth of the revenue from the principal business was 7.48%), and sales volume of high-performance REPM products was 3,893 tonnes, representing a quarter-on-quarter increase of 25.99%. Profit attributable to owners of the parent after deducting non-recurring profit or loss for the second quarter amounted to RMB164.2 million, representing a quarter-on-quarter increase of 32.94%.

(2) Market leader in new energy, energy conservation and environmental protection

In the first half of 2023, the Company produced 5,755 tonnes of high-performance REPM products using GBD technology, representing a year-on-year increase of 38.36% and accounting for 86.03% of the Company's total product output for the same period, an increase of 19.28 percentage points compared with the same period of last year, of which the production volume of ultra-high brand products was 3,170 tonnes.

The Company's revenue from the NEVs and automotive parts reached RMB1.63 billion, representing a year-on-year increase of 54.04%. The Company's products have been adopted by the world's top ten NEV manufacturers including BYD and Tesla. During the Reporting Period, the sales volume of electric motor magnetic steel products driven by NEVs of the Company was approximately 2.031 million units of passenger NEVs, representing a year-on-year increase of 104.74%. The Company's revenue from the sector of energy-saving VFACs was RMB759 million. During the Reporting Period, the sales volume of the Company's magnetic steel products for energy-saving VFACs can be assembled with approximately 27.496 million units of VFAC compressors. Revenue from wind power generation sector amounted to RMB309 million. During the Reporting Period, the sales volume of the Company's magnetic steel products for wind power generation can be assembled with approximately 1.59GW of wind turbine generators. In addition, the Company's revenue from the robots and industrial servo motors sector was RMB111 million, representing an increase of 13.26% over the same period of last year.

According to the sales volume of passenger vehicles published by the CPCA, the sales volume of NEVs in China in the first half of 2023 was 3.747 million units, representing a year-on-year increase of 44.1%. In terms of market share, the sales volume of NEVs accounted for 28.3% of the total sales volume of vehicles, representing an increase of 2.7 percentage points as compared to 2022. With the gradual release of the production capacity of automobile enterprises and the steady growth in the sales of new models, the domestic consumption demand for NEVs continued to grow rationally driven by policies. On this basis, the CPCA predicts that the sales volume of passenger NEVs in China will reach 8.5 million units in 2023 with narrowly defined sales of passenger vehicles amounting to 23.5 million units. The annual penetration rate of passenger NEVs is expected to reach 36%. In addition, the global NEV market also maintained rapid growth. According to the sales volume of global passenger NEVs announced by CleanTechnica, the accumulated sales volume of global NEVs from January to June 2023 was 5.8319 million units, representing an increase of 40.15% as compared with the same period of last year.

(3) Steady increase in production capacity of the Company

In the first half of 2023, the Company effectively mitigated the adverse effects of the price fluctuations of rare earth raw materials and the ramp-up of new production capacity. With the stabilisation of the price fluctuations of rare earth raw materials and the more orderly and healthy development of the downstream market, a number of REPM application fields represented by NEVs, robots and industrial servo motors will continue to grow. In order to further enhance the scaling effect of the Company and meet the demand of the future market, the Company will continue to invest in production capacity as scheduled. Among them, the Baotou Phase II Project with a production capacity of 12,000 tonnes/year, the Ningbo 3,000 tonnes/year high-end magnetic materials project and the 100 million sets of module production capacity project are being constructed as planned. In addition, in January 2023, the Company completed the registration procedures and obtained the registration certificate of JLMAG MEXICO, S.A. DE C.V., the implementation entity of the Mexico "Comprehensive Utilisation of Waste Magnetic Steel Project". In June 2023, the project of the magnetic materials for energy-efficient motor base of the Company acquired the Construction Permit from relevant department of Ganzhou Economic and Technological Development Zone, and the construction of the project has been initiated.

(4) Continuous improvement and optimisation of corporate governance

In terms of corporate governance, the Company continued to improve and implement the relevant internal control system, strictly complied with relevant rules of A-share and H-share listed companies, carried out the policy of diversity of board members, and completed the by-election of non-executive directors and independent directors, and at the same time, the Company completed the replenishment of management members according to business needs, which further improved the strength of the Company's management team. In May 2023, the Company won the "Outstanding IR Company", "Outstanding IR Team" and "Best Institutional Communication Award" in the 2022 national selection of "Panorama Investor Relations Gold Award" hosted by Panorama.com (全景網) and launched by the China Corporate Governance Research Institute of Nankai University. In June 2023, in the 18th "Golden Round Table Award" of the Board of Directors of Chinese Listed Companies, Golden Power Permanent Magnet won the Special Contribution Award for Corporate Governance.

5. Financial Review

(1) Overview

During the Reporting Period, the Company's revenue amounted to RMB3,430.0 million, representing an increase of RMB126.2 million from RMB3,303.8 million for the six months ended 30 June 2022. The gross profit of the Company was RMB539.2 million, representing a decrease of RMB139.0 million from RMB678.2 million for the six months ended 30 June 2022. The basic earnings per share of the Company was RMB0.40.

During the Reporting Period, the profit attributable to owners of the parent amounted to RMB332.6 million, representing a decrease of RMB131.2 million as compared to RMB463.8 million for the six months ended 30 June 2022, with the decrease degree of 28.29%. This was mainly due to the net exchange difference of RMB130.1 million arising from the successive remittance of the proceeds of HK$4,032 million from the H-share issuance for the six months ended 30 June 2022. Excluding the effect of changes in the net exchange difference, profit during the Reporting Period showed a stable development.

(2) Revenue and Cost of Sales Analysis

During the Reporting Period, the Company achieved revenue from sales of NdFeB magnetic steel and other products. Revenue increased by RMB126.2 million from RMB3,303.8 million for the six months ended 30 June 2022 to RMB3,430.0 million for the six months ended 30 June 2023. The increase in revenue was mainly due to continuous increase in the sales volume of NdFeB magnetic steel products during the Reporting Period, and the decline in the price of rare earth raw materials which led to a decrease in the average selling price of NdFeB magnetic steel products during the Reporting Period compared with the same period of the last year. The above reasons jointly led to a slight increase in revenue during the Reporting Period compared with the same period of the last year. Among them, the sales volume of NdFeB magnetic steel products increased by 1,051 tonnes from 5,933 tonnes for the six months ended 30 June 2022 to 6,984 tonnes for the six months ended 30 June 2023.

1. By product:

	For the six months ended 30 June			
	2023		2022	
	RMB'000	**%**	RMB'000	%
– NEVs and automotive parts	**1,630,196**	**47.53%**	1,058,326	32.03%
– Energy-saving VFACs	**759,150**	**22.13%**	983,915	29.78%
– PM wind turbine generators	**309,277**	**9.02%**	553,169	16.74%
– Robots and industrial servo motors	**110,745**	**3.23%**	97,781	2.96%
– Others	**620,662**	**18.09%**	610,606	18.49%
Total	**3,430,030**	**100.00%**	3,303,797	100.00%

2. By sales regions:

	For the six months ended 30 June			
	2023		2022	
	RMB'000	**%**	RMB'000	%
Mainland China	**2,682,410**	**78.20%**	2,945,360	89.15%
Overseas	**747,620**	**21.80%**	358,437	10.85%
Total	**3,430,030**	**100.00%**	3,303,797	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 RMB265.2 million or 10.10% from RMB2,625.6 million for the six months ended 30 June 2022 to RMB2,890.8 million for the six months ended 30 June 2023. The increase in cost of sales was mainly due to continuous increase in production and sales volume of NdFeB magnetic steel products during the Reporting Period.

(3) Gross Profit and Gross Profit Margin

During the Reporting Period, the Company's gross profit was approximately RMB539.2 million (RMB678.2 million for the six months ended 30 June 2022).

The lower gross profit margin during the Reporting Period as compared to the same period of last year was mainly due to the fact that, on one hand, the products with higher unit cost produced in the fourth quarter of 2022 still maintained a lower gross profit margin as a result of the recognition of revenue in 2023; on the other hand, the price of rare earth raw materials continued to fluctuate downward in 2023. As the short-term transmission difference between cost and selling price would have a certain impact on the gross profit margin, the Company had prudently responded and gradually reduced the impact of such difference, resulting in a gradual improvement in the gross profit margin during the Reporting Period.

During the Reporting Period, the gross profit margin of the Company was 15.72%, of which the gross profit margin was 15.24% in the first quarter of 2023 and 16.17% in the second quarter, representing a continuous improvement compared with the gross profit margin of 9.76% in the fourth quarter of 2022.

During the Reporting Period, the price of major rare earth raw materials continued to decline. The management of the Company adopted timely response strategies and timely adjusted to a more prudent strategy for the procurement and inventory of rare earth raw materials. At the same time, the Company continued to increase investment in research and development and optimized the formula to achieve cost-saving and profit-increasing. The Company adheres to the essence of creating value for customers, insists on building the Company's core competitiveness, does not engross the market and does not pursue raw material inventory returns, and adjusts product prices in a timely manner. Under the leadership of the Board of Directors, the management team worked diligently and smoothly through the cycle of sharp rise and fall in rare earth prices in the three years since 2020. As at the end of the Reporting Period, the Company's inventory balance decreased by 14.40% as compared with the end of 2022, of which the balance of raw materials decreased by 31.30%, which not only reduced the weighted average inventory unit price of raw materials, but also effectively avoided the risk of significant inventory impairment, and at the same time fully fulfilled contracts to ensure the safety of the supply chain for customers.

(4) Other income and gains

The Company's other income and gains, mainly included government grants, bank interest income, changes in fair value of forward exchange agreements and others, increased by RMB53.4 million from RMB45.1 million for the six months ended 30 June 2022 to RMB98.5 million for the six months ended 30 June 2023, which was mainly due to (i) an increase in government grants of RMB37.8 million; and (ii) an increase in bank interest income of RMB21.0 million.

(5) Sales and Distribution Expenses

The Company's sales and distribution expenses, which mainly consisted of employee benefit expenses, exhibition promotion expenses, entertainment expenses, traveling expenses and other marketing expenses, decreased by RMB10.1 million from RMB20.6 million for the six months ended 30 June 2022 to RMB10.5 million for the six months ended 30 June 2023, which was mainly due to (i) a decrease of bonus for sales employees of RMB8.3 million in the first half of 2023; and (ii) a decrease of RMB5.1 million in exhibition promotion expenses in the first half of 2023.

(6) Administrative Expenses

The Company's administrative expenses, which mainly consisted of employee benefit expenses, taxes other than income tax expenses, professional service expenses and depreciation and amortization, decreased by RMB24.7 million from RMB96.4 million for the six months ended 30 June 2022 to RMB71.7 million for the six months ended 30 June 2023, primarily due to (i) a decrease of RMB15.9 million in bonuses for management personnels in the first half of 2023; and (ii) a decrease of RMB10.1 million in share incentive plan expenses due to the decrease in the number of vesting equity instruments.

(7) Research and Development Expenses

The Company's research and development expenses, which mainly consisted of employee benefit expenses and testing materials costs, increased by RMB34.0 million from RMB140.7 million for the six months ended 30 June 2022 to RMB174.7 million for the six months ended 30 June 2023, primarily due to an increase of RMB39.1 million in material costs for product research and development testing with the increase in customer orders.

(8) Impairment Losses on Inventories

The Company's impairment losses on inventories represented the amount by which the carrying amount of inventories exceeded their recoverable amount, which increased by RMB10.6 million from RMB4.2 million for the six months ended 30 June 2022 to RMB14.8 million for the six months ended 30 June 2023, mainly due to fluctuations in the net realizable value of inventories based on the estimated selling price of finished products.

(9) Impairment Losses Reversed/(Recognised) on Financial Assets, Net

The Company's impairment losses reversed/(recognised) on financial assets, net, mainly refers to the impairment provision of the company's trade receivables and notes receivable, and the impairment reversal of financial assets for the six months ended 30 June 2023 amounted to RMB2.4 million. For the six months ended 30 June 2022, impairment losses on financial assets were RMB10.8 million. This change was mainly due to the reversal of impairment losses on notes receivable of RMB4.4 million in the first half of 2023 and recognition of impairment losses on trade receivables and other receivables of RMB2.0 million.

(10) Other Expenses

The Company's other expenses mainly included losses on forward foreign exchange, donation and loss on disposal of non-current assets, representing a decrease of RMB16.2 million from RMB23.3 million for the six months ended 30 June 2022 to RMB7.1 million for the six months ended 30 June 2023, mainly due to that during this Reporting Period, there was no floating loss on forward foreign exchange settlement (the floating loss on forward foreign exchange settlement for the six months ended 30 June 2022 was RMB22.8 million).

(11) Finance Costs

For the six months ended 30 June 2023, the Company's finance costs, which mainly included interest expense on interest-bearing bank and other finance costs in relation to the Company's lease liabilities, was RMB27.9 million (RMB34.7 million for the six months ended 30 June 2022), mainly due to a decrease in interest expenses of RMB6.1 million.

(12) Foreign Exchange Differences, Net

The Company's net foreign exchange differences, which represented the net losses or gains resulting from translation of currencies at different exchange rates, recorded a gain of RMB130.1 million for the six months ended 30 June 2022, as compared to a gain of RMB28.2 million for the six months ended 30 June 2023, mainly due to the impact of exchange rate fluctuations on the monetary items denominated in foreign currencies. The proceeds of HK$4,032 million from the issuance of H shares had been settled progressively, which resulted in the net foreign exchange differences for the six months ended 30 June 2022.

(13) Share of Profits or Losses of Associates

The Company's share of profits or losses of associates primarily represented profits or losses from the investments in Xiexin Chaoneng. A loss of RMB0.1 million was recorded for the six months ended 30 June 2022, while a gain of RMB0.2 million was recorded for the six months ended 30 June 2023.

(14) Income Tax Expenses

The Company's income tax expenses, which included current income tax and deferred income tax, decreased from RMB58.7 million for the six months ended 30 June 2022 to RMB27.6 million for the six months ended 30 June 2023, representing a decrease of RMB31.1 million, primarily due to the decrease in the Company's profit before tax.

(15) Profit for the Period

The Company's profit for the period decreased from RMB463.9 million for the six months ended 30 June 2022 to RMB334.0 million for the six months ended 30 June 2023, representing a decrease of RMB129.9 million. This was mainly due to the net exchange difference of RMB130.1 million arising from the successive remittance of the proceeds of HK$4,032 million from the H-share issuance for the six months ended 30 June 2022. Excluding the effect of changes in the net exchange difference, the profit for the Reporting Period showed a stable improvement.

The Company's profit margin for the period (i.e. profit for the period as a percentage of total revenue) decreased from 14.04% for the six months ended 30 June 2022 to 9.74% for the six months ended 30 June 2023.

The Company's profit for the period attributable to owners of the parent after deducting non-recurring gain or loss increased by RMB40.7 million from RMB123.5 million for the first quarter of 2023 to RMB164.2 million for the second quarter of 2023.

(16) Cash Flow

	For the six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
Net cash flows from/(used in) operating activities	**779,160**	–573,889
Net cash flows used in investing activities	**–225,580**	–449,058
Net cash flows (used in)/from financing activities	**–411,144**	2,954,276
Net increase in cash and cash equivalents	**142,436**	1,931,329

1) Net cash flows from/(used in) operating activities

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

The Company's net cash flow generated from operating activities for the six months ended 30 June 2023 was RMB779.2 million, mainly due to the Company's profit before tax of RMB361.6 million and the adjustment for non-cash and non-operating items.

2) Net cash flows used in investing activities

The Company's net cash flow used in investing activities mainly included payment for leasehold land, purchase of property, plant and equipment and purchase of other long-term assets projects.

The Company's net cash flow used in investing activities for the six months ended 30 June 2023 was RMB225.6 million, mainly due to the purchase of property, plant and equipment of RMB200.5 million.

3) Net cash flows (used in)/from financing activities

Net cash flow from financing activities of the Company mainly included new bank borrowings and proceeds from issuance of shares and discounted commercial acceptance notes that were not derecognised.

The Company's net cash flow from financing activities for the six months ended 30 June 2023 was RMB411.1 million. Cash outflows mainly consisted of repayment of bank loans of RMB604.2 million, settlement of letter of credit of RMB314.5 million. Such cash outflows were partly offset by cash inflows of new bank borrowings of RMB521.5 million.

(17) Financial Position

Non-current assets increased by RMB212.8 million from RMB2,093.5 million as of 31 December 2022 to RMB2,306.3 million as of 30 June 2023, primarily due to the increase in the balance of property, plant and equipment and the balance of right-of-use assets during the Reporting Period. Current assets decreased by RMB369.1 million from RMB9,127.0 million as of 31 December 2022 to RMB8,757.9 million as of 30 June 2023, primarily due to the decrease in the balance of inventories and the balance of notes receivable during the Reporting Period.

Current liabilities decreased by RMB625.9 million from RMB4,111.3 million as of 31 December 2022 to RMB3,485.4 million as of 30 June 2023, primarily due to the decrease in the balance of interest bearing bank and other borrowings, and the balance of trade and notes payables during the Reporting Period.

Non-current liabilities increased by RMB329.2 million from RMB321.4 million as of 31 December 2022 to RMB650.6 million as of 30 June 2023, mainly due to the increase in the balance of interest bearing bank and other borrowings.

As of 30 June 2023 and 31 December 2022, the Company had net current assets of RMB5,272.6 million and RMB5,015.7 million, respectively, and total equity of RMB6,928.3 million and RMB6,787.8 million, respectively.

As of 30 June 2023 and 31 December 2022, the Company's cash and cash equivalents amounted to RMB3,548.3 million and RMB3,400.4 million, respectively.

(18) Inventories

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

	30 June 2023	31 December 2022
	RMB'000	RMB'000
Raw materials	**373,662**	543,899
Work in progress	**346,056**	342,093
Finished goods	**940,954**	1,050,935
Subtotal	**1,660,672**	1,936,927
Less: Impairment provision		
Work in progress	**(207)**	(1,739)
Finished goods	**(7,406)**	(4,047)
Subtotal	**(7,613)**	(5,786)
Total	**1,653,059**	1,931,141

The Company's inventories decreased from RMB1,931.1 million as of 31 December 2022 to RMB1,653.1 million as of 30 June 2023. The decrease was mainly because the book value of the raw materials among the inventories as of June 2023 amounted to RMB373.7 million, down by 31.30% as compared to that of as of 31 December 2022, and down by 21.87% as compared to the book value of RMB478.3 million as of 31 March 2023.

(19) Property, Plant and Equipment

Property, plant and equipment mainly consisted of buildings, machinery and equipment, furniture and fixtures, motor vehicles, office and other equipment and construction in progress. As of 30 June 2023 and 31 December 2022, the net book value of the Company's property, plant and equipment amounted to RMB1,902.6 million and RMB1,706.6 million, respectively. The increase in the Company's plant, property and equipment during the Reporting Period was primarily due to the increase in investment in equipment in relation to additional production lines and automatic of production facilities.

(20) Borrowings and Gearing Ratio

As of 30 June 2023, the Company's interest-bearing bank and other borrowings amounted to RMB1,167.9 million. Among the total borrowings, borrowings amounted to RMB667.9 million would be due within one year while RMB500.0 million would be repayable over one year.

As of 30 June 2023, our gearing ratio, calculated by dividing total liabilities by total assets, was 37.38%, compared to 39.50% as of 31 December 2022.

(21) Pledge of Assets

As at 30 June 2023, the Company had not pledged any property, plant and equipment (as at 31 December 2022: RMB138.7 million);

As at 30 June 2023, the Company has not pledged any right-of-use assets (as at 31 December 2022: RMB27.4 million).

(22) Contingent Liabilities

As at 30 June 2023 and 31 December 2022, the Company did not have any material contingent liabilities.

6. Future Development Strategy of the Company

Development Strategy of the Company

The situation at home and abroad in 2022 was more complex and volatile, with multiple adverse factors overlapped. Each country took energy safety as the priority, resulting in the rebound of fossil energy consumption in most regions. But in the long run, the direction of global green low carbon transformation will not change. At the current stage, the world's major economies are actively carrying out "Carbon Reduction (減碳)" campaigns, and our country has made the important strategic decision of "achieve carbon peak before 2030 and achieve carbon neutrality before 2060 (2030年實現碳達峰、2060年實現碳中和)", "decarbonization of energy production and electrification of production and life (能源生產去碳化，生產生活電氣化)" will become the trend of the times. High-performance REPMs have the advantages over traditional magnets such as good energy conservation, small size, light weight and ease to precisely control, and can significantly improve the power density of motors, resulting in higher operating efficiency. Compared to traditional motors, REPM motors can save energy up to 15% to 20% and are widely used in the fields such as NEVs and automotive parts, energy-saving VFACs, wind power generation, robots and industrial servo motors and energy-saving elevators.

As a core components supplier in the field of new energy, energy conservation and environmental protection, the Company will take practical actions to promote the realization of global carbon neutrality and goals of "Fourteenth Five-Year Plan". The Company adheres to the R&D, production and sales of high-performance NdFeB PMs as its main business, by means of the high-speed growth of downstream market and the promotion of industry policies, maintains its leading edges in NEVs and automotive parts, energy-saving VFACs, wind power generation, robots and industrial servo motors, energy-saving elevators, and actively explores markets of 3C and rail transit, optimizes its product structure and customer structure, and lowers operation risks. Meanwhile, the Company will continue to increase its investments in technological R&D, further implement lean management, wholly elevate the Company's profitability and industry position. The Company's strategic goal is to become a global leader in the REPM industry, which will be achieved 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. Currently, the Company's total annual production capacity of high-performance NdFeB PMs blanks amounts to 23,000 tonnes. Baotou Phase II project with annual production capacity of 12,000 tonnes, Ningbo project with annual production capacity of 3,000 tonnes for high-end magnetic materials and 100 million sets of components are under construction as schedule. In June 2023, the project of the magnetic materials for energy-efficient motor base of the Company acquired the Construction Permit from relevant department of Ganzhou Economic and Technological Development Zone, and the construction of the project has been initiated. The Company plans to build a production capacity of 40,000 tonnes/year of high-performance NdFeB PMs blanks by 2025.

The Company plans to invest in and construct a "Project for Comprehensive Utilization of Waste NdFeB Magnet" in Mexico, after it put into operation, we will have a production capacity of 5,000 tonnes waste NdFeB magnet comprehensive utilization and a supporting production capacity of 3,000 tonnes of high-end magnet products per year. For details of the "Project for Comprehensive Utilization of Waste NdFeB Magnet", please refer to the announcement of the Company dated 13 September 2022. With the growing global demand for REPMs and the increasing number of waste NdFeB magnet reaching their life cycle overseas, the recycling of waste NdFeB magnet is conducive to the green and sustainable development of rare earth resources, thereby further enhancing the Company's global competitiveness.

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

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

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

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

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

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

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

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

(3) Expand the Company's global business footprint

As many countries gradually roll out the goals of carbon neutrality, relevant supportive policies have been promulgated to reduce carbon emission. REPMs, by virtue of its inherent energy-saving advantages and wide applications in energy-saving industries, are expected to achieve robust development in the following years at home 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-China, Europe, Japan, United States and Mexico. The Company intends to further develop its existing overseas subsidiaries and extend its global business footprint to more regions and countries to seize more global market shares.

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

On 26 July 2022, the Company's Ganzhou Photovoltaic Power Station Project has entered into the list of three-year actions of the Jiangxi Province Development Zone and the selected projects for the development competition of the whole county, and completed the project filing on 10 August 2022. As of 30 January 2023, the Ganzhou Photovoltaic Power Station Project has been completed and grid-connected, with an aggregate installed capacity of approximately 2.6MW. So far, the Baotou Photovoltaic Power Station Project (包頭光伏電站項目) has published the information about the 2022 competitive configuration optimization results of distributed wind power, distributed photovoltaic power station project of Baotou, and the project will enter the stage of project filling and construction. The Company will continue to adhere to the concept of green development in our business operations in the future. In addition to contributing REPMs to assist China in achieving its goal of carbon peak and carbon neutrality, the Company has also actively cooperated with leading new energy companies in a green power initiative based on its business needs.

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

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

CORPORATE GOVERNANCE AND OTHER INFORMATION

1. INTERIM DIVIDEND

The Company did not declare any interim dividend for the six months ended 30 June 2023.

2. CORPORATE GOVERNANCE PRACTICE

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

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

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

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

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

3. MODEL CODE FOR THE SECURITIES TRANSACTIONS BY THE DIRECTORS

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

4. EMPLOYEE REMUNERATION AND RELATIONS

The Company had a total of 5,142 employees as of 30 June 2023.

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

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

During the Reporting Period, considering that 4 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 seventeenth meeting of the third session of the Board and the fifteenth meeting of the third session of the Supervisory Committee on 25 October 2022, the Company repurchased and cancelled a total of 14,016 Type I Restricted Shares granted to 4 participants but subject to lock up restrictions (the repurchase price per share was RMB13.1375 and the total repurchase fund was RMB184,135.20). The above repurchase and cancellation were completed on 21 June 2023. For details, please see the announcement of the Company dated 22 June 2023.

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

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

The changes in information of directors and supervisors during the Reporting Period are set out below:

(1) Mr. Li Fei resigned as a non-executive director of the Company, with effect from 17 March 2023.

(2) Mr. Su Quan resigned as a supervisor and the chairman of the Supervisory Committee of the Company, with effect from 24 March 2023.

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

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

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

(6) Mr. Zhu Yuhua and Ms. Cao Ying were appointed as the independent non-executive directors of the Company, with effect from 21 June 2023.

(7) Mr. You Jianxin ceased to serve as an independent non-executive directors due to expiration of term of office, with effect from 21 June 2023.

(8) Mr. Yuan Taifang ceased to serve as an independent non-executive director, the chairman of the Audit Committee, and a member of the Nomination Committee due to expiration of term of office, with effect from 21 June 2023.

Save as disclosed above, no change in the information on Directors, Supervisors and the chief executive during the Reporting Period was required to be disclosed in the report pursuant to Rules 13.51B(1) to 13.51B(2) of the Listing Rules. For further details of the changes in Directors and Supervisors and the biographical details of the newly appointed Directors and Supervisors, please refer to the Company's relevant announcements on 17 March 2023, 24 March 2023, 30 March 2023, 22 June 2023 and 5 July 2023.

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

As of 30 June 2023, to the knowledge of the Directors, the following person (other than the directors, supervisors and the chief executive of the Company) who have or are deemed as having interests and short positions in the shares or underlying shares of the Company, which would be required to be disclosed to the Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept under section 336 of the SFO are as follows:

Name	Class of Shares	Nature of Interest	Number of Shares held[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	6,336,984(L)		
			263,624,856(L)	36.94%	31.42%
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	20,727,256(L)		
			263,624,856(L)	36.94%	31.42%
Li Xinnong[4][6]	A Shares	Interests of controlled corporation	241,937,600(L)		
	A Shares	Interests of controlled corporation	5,376,984(L)		
	A Shares	Interests of parties acting in concert	16,310,272(L)		
			263,624,856(L)	36.94%	31.42%
Jiangxi Ruide Venture Investment Co., Ltd.[4]	A Shares	Beneficial owner	241,937,600(L)	33.90%	28.83%
Ganzhou Rare Earth Group Co.,Ltd.	A Shares	Beneficial owner	43,200,000(L)	6.05%	5.15%
Xinjiang Goldwind Technology Co., Ltd.[7]	A Shares	Interests of controlled corporation	41,897,720(L)	5.87%	4.99%
Goldwind Investment Holdings Limited[7]	A Shares	Beneficial owner	41,897,720(L)	5.87%	4.99%

Name	Class of Shares	Nature of Interest	Number of Shares held[1]	Approximate percentage shareholding in the relevant class of Shares of the Company[2]	Approximate percentage of total shareholdings in the Company[3]
China State-owned Enterprise Mixed Ownership Reform Fund Co., Ltd.[8]	H Shares	Beneficial owner	34,270,800(L)	27.31%	4.08%
China Chengtong Holdings Group Ltd.[8]	H Shares	Interests of controlled corporation	34,270,800(L)	27.31%	4.08%
Rosefinch Fund Management Co., Ltd.	H Shares	Investment Manager	33,347,600(L)	26.58%	3.97%
China Resources (Holdings) Company Limited[9]	H Shares	Interests of controlled corporation	11,423,600(L)	9.10%	1.36%
China Resources Company Limited[9]	H Shares	Interests of controlled corporation	11,423,600(L)	9.10%	1.36%
China Resources Inc.[9]	H Shares	Interests of controlled corporation	11,423,600(L)	9.10%	1.36%
CR & CNIC Investment Limited[9]	H Shares	Interests of controlled corporation	11,423,600(L)	9.10%	1.36%
CR Alpha Fund Management Limited[9]	H Shares	Interests of controlled corporation	11,423,600(L)	9.10%	1.36%
CR Alpha Fund, L.P.[9]	H Shares	Interests of controlled corporation	11,423,600(L)	9.10%	1.36%
CR Alpha Investment II Limited[9]	H Shares	Beneficial owner	11,423,600(L)	9.10%	1.36%
CRC Bluesky Limited[9]	H Shares	Interests of controlled corporation	11,423,600(L)	9.10%	1.36%
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%

Name	Class of Shares	Nature of Interest	Number of Shares held[1]	Approximate percentage shareholding in the relevant class of Shares of the Company[2]	Approximate percentage of total shareholdings in the Company[3]
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 2023 divided by the number of shares in the relevant class of the Company in issue.

(3) Represents the percentage of the number of shares in the relevant class as at 30 June 2023 divided by the number of all shares of the Company in issue (totaling 839,087,782 shares, including 125,466,000 H Shares and 713,621,782 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, pursuant to which Mr. Cai Baogui, Mr. Hu Zhibin and Mr. Li Xinnong are parties acting in concert. For further details, please refer to "History, Development and Corporate Structure – Our Ultimate Controlling Shareholders and Parties Acting in Concert – Parties Acting in Concert" of the Prospectus of the Company. Under the SFO, each controlling shareholder will be deemed to be interested in the shares beneficially owned by other controlling shareholders.

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

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

(6) Mr. Li is the general partner of Ganzhou Geshuo Investment Management Center (Limited Partnership) and directly holds 5,376,984 A Shares of the Company.

(7) Goldwind Investment Holding Limited directly holds 41,897,720 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 41,897,720 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 holds 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 at 30 June 2023, there was no other person who had an interest or short position in the shares and underlying shares of the Company which was required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which was recorded in the register kept by the Company under section 336 of the SFO.

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

As of 30 June 2023, the interests and short positions of the Directors, the Supervisors and the chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) as notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she is taken or deemed to have under such provisions of the SFO), or as recorded in the registered maintained by the Company under section 352 of the SFO, or as notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

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

Name of the Directors/ Supervisors/chief executives	Class of shares	Nature of interest	Number of Shares held	Approximate percentage shareholding in the relevant class of Shares of the Company	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	6,336,984 (L)		
			263,624,856 (L)	36.94%	31.42%
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	20,727,256 (L)		
			263,624,856 (L)	36.94%	31.42%
Li Xinnong[1]	A Shares	Interests of controlled corporation	241,937,600 (L)		
	A Shares	Interests of controlled corporation	5,376,984 (L)		
	A Shares	Interests of parties acting in concert	16,310,272 (L)		
			263,624,856 (L)	36.94%	31.42%
Lyu Feng[2]	A Shares	Interests of controlled corporation	2,466,264 (L)		
	A Shares	Beneficial owner	1,322,280 (L)		
			3,788,544 (L)	0.53%	0.45%

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 2,466,264 A Shares of the Company, and in accordance with the SFO, Mr. Lyu Feng is deemed to be interested in 2,466,264 A Shares held by Ganzhou Huirui Investment Management Center (Limited Partnership).

Save as disclosed above, as of 30 June 2023, to the knowledge of the Board, none of the Directors, the Supervisors or chief executives of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors, the Supervisors and chief executives of the Company were taken or deemed to have under such provisions of the SFO); (ii) recorded in the register kept by the Company pursuant to Section 352 of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code.

11. REVIEW OF INTERIM RESULTS AND REPORT

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

The Audit Committee and the management of the Company and Ernst & Young, the international auditor of the Company, reviewed the Group's interim report and the unaudited condensed consolidated financial information for the six months ended 30 June 2023. In the opinion of the Audit Committee, the interim results complied with applicable accounting standards, laws and regulations and the Company made appropriate disclosures in accordance with relevant accounting standards, laws and regulations. The Audit Committee also discussed with the senior management of the Company on matters in relation to the accounting policies and regulations adopted by the Company and internal control.

12. SHARE INCENTIVE PLAN

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

(1) Purpose

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

(2) Incentive participants

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

(3) The maximum entitlement for each incentive participants under the Restricted Share Incentive Plan

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

The total number of shares available for grant under the Restricted Share Incentive Plan is 13,203,200, approximately 1.57% of the total share capital of the Company as at the end of the Reporting Period and approximately 1.85% of the total issued A Shares of the Company as at the end of the Reporting Period.

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

1) Grant price

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

2) Basis of determination

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

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

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

3) Adjustment of grant price

The repurchase rice of the restricted shares (including Type I Restricted Shares and Type II Restricted Shares) shall be the granting price, subject to the adjustment as follows upon the occurrence of the relevant circumstances below:

(a) conversion of capital reserves into share capital, dividends distribution or share splits: $P = P_0 \div (1 + n)$

(b) share allotment: $P = P_0 \times (P_1 + P_2 \times n) \div [P_1 \times (1 + n)]$

(c) reduction in share capital: $P = P_0 \div n$

(d) dividends distribution: $P = P_0 - V$

P_0 is the granting price of the restricted shares; P is the repurchase price after adjustment; n is the number of the newly issued shares after the relevant conversion of shares, dividends distribution, share splits, share allotment or reduction in share capital; P_1 is the closing price of our shares on the Registration Date; P_2 is the share allotment price; V is the amount of distributed dividends per share.

Since the Company declared cash dividends of RMB0.2 per share and transferred share premium into share capital with six new shares issued for every ten existing shares in May 2021, the grant price in 2021 was then adjusted to RMB13.3875 per share. In June 2022, the Company declared cash dividends of RMB0.25 per share, the grant price in 2022 was then adjusted to RMB13.1375 per share. In June 2023, the Company declared a cash dividend of RMB0.26 per share, and the Company issued Capitalization Shares on the basis of 6 Capitalization Shares for every 10 Shares out of share premium based on the Company's total share capital as at 3 July 2023, the grant price in 2023 was then adjusted to RMB8.0484 per share.

Fair value of restricted shares

See Note 18 to the Consolidated Financial Statements for the fair value of restricted shares under the Restricted Share Incentive Plan and its determination basis.

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

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

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

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

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

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

(6) Vesting period and arrangement (Type II Restricted Shares)

1) Initially granted Type II Restricted Shares

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

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

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

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

2) Reserved Type II Restricted Shares

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

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

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

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

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

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

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

(7) Terms

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

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

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

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

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

Unit: Shares

Name of the grantees	Position	Number of restricted shares: Held and locked at the beginning of the Reporting Period	Unlocked during the Reporting Period	Granted during the Reporting Period	Cancelled during the Reporting Period	Held and locked at the end of the Reporting Period	Unlocking period (Note 2)	Grant date	Grant price of the restricted shares (RMB/ share)
Directors									
Cai Baogui	Chairman and General Manager	192,000	–	–	–	192,000	Four years	26 August 2020	Note 1
Hui Zhibin	Director	288,000	–	–	–	288,000	Four years	26 August 2020	Note 1
Lyu Feng	Vice Chairman and Vice General Manager	38,400	–	–	–	38,400	Four years	26 August 2020	Note 1
Subtotal		518,400	–	–	–	518,400			
Senior management									
Huang Changyuan	Vice General Manager	38,400	–	–	–	38,400	Four years	26 August 2020	Note 1
Mao Huayun	Vice General Manager	38,400	–	–	–	38,400	Four years	26 August 2020	Note 1
Xie Hui	Financial Controller	19,200	–	–	–	19,200	Four years	26 August 2020	Note 1
Yu Han	Vice General Manager	86,400	–	–	–	86,400	Four years	26 August 2020	Note 1
Subtotal		182,400	–	–	–	182,400			
Other employees									
Other 211 grantees (Note 4)	Core employees	523,488	–	–	14,016 (Note 3)	509,472	Four years	26 August 2020	Note 1
Total	–	1,224,288	–	–	14,016	1,210,272	–	–	–

Notes:

(1) According to the Restricted Share Incentive Plan, the grant price of the Type I Restricted Shares was RMB21.62 per share, and would be adjusted if the Company declared cash or share dividends. Since the Company declared cash dividends of RMB0.2 per share and transferred share premium into share capital with six new shares issued for every ten existing shares in May 2021, the grant price of the Type I Restricted Shares in 2021 was then adjusted to RMB13.3875 per share. In June 2022, the Company declared cash dividends of RMB0.25 per share, the grant price of the Type I Restricted Shares in 2022 was then adjusted to RMB13.1375 per share. In June 2023, the Company declared a cash dividend of RMB0.26 per share, and the Company issued Capitalization Shares on the basis of 6 Capitalization Shares for every 10 Shares out of share premium based on the Company's total share capital as at 3 July 2023, the grant price in 2023 was then adjusted to RMB8.0484 per share.

(2) For details of the unlocking period, please refer to "(4) Lock-up period and unlocking arrangement (Type I Restricted Shares)" in this section.

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

(4) As at the end of the Reporting Period, out of 211 grantees, 14 are former employees.

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

Unit: Shares

Name of the grantees	Position	Number of restricted shares: Not yet vested at the end of the Reporting Period	Granted during the Reporting Period	Can be vested during the Reporting Period	Vested during the Reporting Period	Lapsed during the Reporting Period	Unvested during the end of the Reporting Period	Exercise price
Director								
Lyu Feng	Vice Chairman and Vice General Manager	528,000	–	286,080	264,000	22,080	241,920	Note 1
Subtotal		528,000	–	286,080	264,000	22,080	241,920	
Senior management								
Huang Changyuan	Vice General Manager	307,200	–	153,600	–	153,600	153,600	Note 1
Mao Huayun	Vice General Manager	307,200	–	153,600	153,600	–	153,600	Note 1
Xie Hui	Financial Controller	230,400	–	115,200	115,200	–	115,200	Note 1
Yu Han	Vice General Manager	307,200	–	153,600	153,600	–	153,600	Note 1
Lu Ming	Secretary of the Board, Vice General Manager	307,200	–	153,600	153,600	–	153,600	Note 1
Yi Pengpeng	Vice General Manager	307,200	–	153,600	80,000	73,600	153,600	Note 1
Subtotal		1,766,400	–	883,200	656,000	227,200	883,200	
Other employees								
Other 223 grantees (Note 3)	Core employees	1,871,168	–	240,000	225,600	14,400	1,631,168	Note 1
Total	–	4,165,568	–	1,409,280	1,145,600	263,680	2,756,288	–

Notes:

(1) According to the Restricted Share Incentive Plan, the grant price of the Type II Restricted Shares was RMB21.62 per share, and would be adjusted if the Company declared cash or share dividends. Since the Company declared cash dividends of RMB0.2 per share and transferred share premium into share capital with six new shares issued for every ten existing shares in May 2021, the grant price of the Type II Restricted Shares in 2021 was then adjusted to RMB13.3875 per share. In June 2022, the Company declared cash dividends of RMB0.25 per share, the grant price of the Type II Restricted Shares in 2022 was then adjusted to RMB13.1375 per share. In June 2023, the Company declared a cash dividend of RMB0.26 per share, and the Company issued Capitalization Shares on the basis of 6 Capitalization Shares for every 10 Shares out of share premium based on the Company's total share capital as at 3 July 2023, the grant price in 2023 was then adjusted to RMB8.0484 per share.

(2) For details of the corresponding vesting period for Type II Restricted Shares, see "(5) Vesting period and arrangement (Type II Restricted Shares)" in this section.

(3) As at the end of the Reporting Period, out of 223 grantees, 10 are former employees.

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

(9) Accounting policies, accounting treatments and financial impacts

The specific accounting policies for the Restricted Share Incentive Plan are set forth in Note 18 to the Consolidated Financial Statements.

13. USE OF PROCEEDS FROM THE GLOBAL OFFERING

The H Shares of the Company were listed on the Stock Exchange on 14 January 2022. The Company's net proceeds from the Global Offering amounted to approximately HK$4,032.1 million (adjusted for the actual issue expenses). The change in the use of proceeds from the Global Offering was considered and approved by way of ordinary resolution at the first extraordinary general meeting of the Company of 2022.

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 at 30 June 2023 are as follows:

No.	Use of proceeds	Net proceeds (HK$ million)	Percentage of net proceeds (%)	Amount utilized as at 30 June 2023 (HK$ million)	Unutilized net proceeds as at 30 June 2023 (HK$ million)	Expected timeline for the use of the unutilized net proceeds
1	Construction of Ningbo production base	806.4	20.0%	806.4	0.0	N/A
2	Potential acquisitions	1,008.0	25.0%	113.7	894.4	By the end of 2023
3	Research and development	403.2	10.0%	129.4	273.8	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 Baotou Company's daily operation capital	604.8	15.0%	604.8	0.0	N/A
6	Working capital and general corporate purposes	806.4	20.0%	644.9	161.5	By the end of 2023
Subtotal		4,032.1	100.0%	2,702.4	1,329.7	

Notes:

(1) The difference between the net proceeds in the table and the data disclosed in the 2022 Annual Report of the Company was due to the adjustments for the actual issue expenses;

(2) The amount used as of 30 June 2023 and the unutilised amount as of 30 June 2023 have been translated using the exchange rate as at 30 June 2023.

14. RISK FACTORS

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

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

Countermeasures: The Company is headquartered in Ganzhou of Jiangxi Province, the main source of heavy rare earths. In Baotou, Inner Mongolia, the main source of light rare earths, the Company has invested in the construction of a high-performance rare earth permanent magnet production base. The Company has established stable cooperation relationships with important rare earth raw material suppliers, including China Northern Rare Earth Group High-Tech Co., Ltd. and China Rare Earth Group Co., Ltd.. Meanwhile, the Company adjusts its more prudent rare earth raw material procurement and inventory strategy in a timely manner according to the rare earth price fluctuation trend and orders on hand, established a price adjustment mechanism with customers, optimized formulas, improved production process, and taken other measures to reduce the adverse impact of rare earth raw material price fluctuations on the Company's operating results.

(2) Policy risks

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

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

(3) Risks relating to exchange rate fluctuations

The Company has steadily developed overseas markets and its overseas business gradually increased. The Company settles its sales revenue with overseas customers mainly in foreign currencies. In recent years, as affected by the global economic situation, the exchange rate between RMB an USD, RMB and EUR is more volatile. During the Reporting Period, the Company avoided the impacts of exchange rate fluctuation mainly through methods such as foreign exchange forward exchange settlement (外匯遠期結匯). However, significant fluctuations in foreign exchange rates not only affect the Company's revenue of sales denominated in foreign currencies, but also affect the Company's exchange gains and losses. Therefore, exchange rate risk may generate adverse impacts on the Company's performance.

Countermeasures: The Company will pay close attention to the global financial market and relevant national policies on exchange rates for analysis and judgment, and select appropriate exchange rate management tools for active management of exchange rate risks. When the spot rate is higher than forward rate, the Company avoids foreign exchange rate risk mainly though timely settlement of foreign exchange. When the fluctuation of foreign exchange rates becomes more significant and the spot rate is lower than forward rate, the Company prudently adopts methods such as hedging to reduce the foreign exchange risk.

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

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

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

15. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

(1) Change in the Use of Proceeds from the fund raising

In the light of (1) the Company's termination of the Xinyang Yen Equity Transfer Agreement and Suzhou Yuange Equity Transfer Agreement, (2) after research, for the purpose of potential acquisitions, the Company has not identified any specific acquisition target at this stage, and (3) upon the completion of the Project for Comprehensive Utilization of Waste NdFeB Magnet in Mexico, the Company will further expand its global industrial chain layout. In particular, it will further expand the upstream business (such as the rare earth processing and the recycling of rare-earth permanent magnets), which is in line with the objective for the purpose of the "Potential Acquisitions". In view of this, in order to enhance the fund utilization efficiency, after a dynamic assessment on the actual progress of the construction or fund plan on the relevant projects, the Company intends to change the use of net proceeds from the Global Offering. Part of the proceeds originally intended for "potential acquisition" purpose would be changed to the purpose of the "Project for Comprehensive Utilization of Waste NdFeB Magnet in Mexico". Pursuant to the provisions of the Articles of Association of the Company and relevant laws and regulations, the change in the use of the proceeds from the Global Offering is subject to shareholders' approval and a circular containing, among other things, the proposed change in the use of the proceeds from the Global Offering and the notice of the general meeting will be despatched to the shareholders of the Company as soon as practicable. More information please refer to the announcement made by the Company on 24 August 2023.

(2) 2022 Equity Distribution

According to the resolution of the 2022 annual general meeting of shareholders, based on the total share capital of A Shares and H Shares on the equity registration date determined in this equity distribution implementation announcement, a cash dividend of RMB2.60 (tax included) per 10 shares would be distributed to all shareholders, the share premium would be transferred into share capital with six new shares issued for every ten existing shares. On 12 July 2023, the Company completed the A Share equity distribution, and share capital of A Share increased by 428,173,069 shares; on 21 August 2023, the Company completed the H Share equity distribution and the share capital of H Share increased by 75,279,600 shares accordingly. The Company's total share capital increased by 504,584,253 shares from 837,956,000 shares to 1,342,540,000 shares.

(3) Adjust the Grant Price and Number of the 2020 Restricted Share Incentive Plan

On 12 July 2023, the Company completed the equity and cash distribution of A Shares. On 24 August 2023, the 21st meeting of the 3rd board of directors approved to adjust the grant/repurchase price of 2020 Restricted Share Incentive Plan to RMB8.0484 per share. Upon adjustment, there were 1,936,435 and 4,410,060 shares of Type I and Type II Restricted Shares, respectively, that have not yet been vested/exercised.

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

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 51 to 84, 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 2023 and the related condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the six-month period then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 *Interim Financial Reporting* ("IAS 34") issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

CONCLUSION

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

Ernst & Young
Certified Public Accountants
Hong Kong
24 August 2023

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2023

		For the six months ended 30 June	
	Notes	**2023** **RMB'000** **(unaudited)**	2022 RMB'000 (unaudited)
Revenue	4	**3,430,030**	3,303,797
Cost of sales		**(2,890,819)**	(2,625,599)
Gross profit		**539,211**	678,198
Other income and gains	5	**98,493**	45,059
Selling and distribution expenses		**(10,544)**	(20,581)
Administrative expenses		**(71,666)**	(96,425)
Research and development expenses		**(174,749)**	(140,658)
Impairment losses on inventories		**(14,817)**	(4,153)
Impairment losses reversed/(recognised) on financial assets, net		**2,364**	(10,798)
Other expenses	6	**(7,131)**	(23,277)
Finance costs	7	**(27,918)**	(34,707)
Foreign exchange differences, net		**28,211**	130,086
Share of profits/(losses) of associates		**177**	(90)
PROFIT BEFORE TAX	8	**361,631**	522,654
Income tax expenses	9	**(27,636)**	(58,713)
PROFIT FOR THE PERIOD		**333,995**	463,941
Attributable to:			
Owners of the parent		**332,603**	463,833
Non-controlling interests		**1,392**	108
		333,995	463,941
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	10		
Basic			
– For profit for the period (RMB)		**0.40**	0.55
Diluted			
– For profit for the period (RMB)		**0.40**	0.55

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2023

	For the six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(unaudited)	(unaudited)
PROFIT FOR THE PERIOD	**333,995**	463,941
Other comprehensive income that may be reclassified to profit or loss in subsequent periods, net of tax:		
Exchange differences on translation of foreign operations	**3,341**	617
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	**3,341**	617
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**337,336**	464,558
Attributable to:		
Owners of the parent	**335,829**	464,465
Non-controlling interests	**1,507**	93
	337,336	464,558

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2023

	Notes	30 June 2023 RMB'000 (unaudited)	31 December 2022 RMB'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment	12	1,902,613	1,706,646
Right-of-use assets		220,261	223,193
Other intangible assets		8,329	4,734
Investments in associates		6,292	5,136
Deferred tax assets	13	5,173	1,738
Equity investments designated at fair value through other comprehensive income		13,306	13,306
Other non-current assets		150,295	138,739
TOTAL NON-CURRENT ASSETS		2,306,269	2,093,492
CURRENT ASSETS			
Inventories		1,653,059	1,931,141
Trade receivables	14	2,390,648	2,192,191
Notes receivable at amortised cost		117,306	548,736
Notes receivable at fair value through other comprehensive income ("FVOCI")		96,127	97,088
Prepayments, other receivables and other assets		229,084	46,903
Financial assets at fair value through profit or loss		148,851	143,471
Other current assets		5,447	37,185
Restricted cash		569,130	729,863
Cash and cash equivalents	15	3,548,290	3,400,384
TOTAL CURRENT ASSETS		8,757,942	9,126,962
TOTAL ASSETS		11,064,211	11,220,454
CURRENT LIABILITIES			
Financial liabilities at fair value through profit or loss		3,028	3,219
Trade and notes payables	16	2,294,415	2,603,486
Contract liabilities		34,418	23,895
Other payables and accruals		460,512	227,261
Interest-bearing bank and other borrowings		667,851	1,246,027
Lease liabilities		3,497	4,143
Tax payables		21,651	3,264
TOTAL CURRENT LIABILITIES		3,485,372	4,111,295
NET CURRENT ASSETS		5,272,570	5,015,667
TOTAL ASSETS LESS CURRENT LIABILITIES		7,578,839	7,109,159

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

30 June 2023

	Notes	**30 June 2023 RMB'000 (unaudited)**	31 December 2022 RMB'000 (audited)
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		**500,000**	200,000
Lease liabilities		**5,483**	7,069
Deferred income		**109,297**	82,700
Deferred tax liabilities	13	**35,803**	31,616
TOTAL NON-CURRENT LIABILITIES		**650,583**	321,385
NET ASSETS		**6,928,256**	6,787,774
EQUITY			
Equity attributable to owners of the parent			
Share capital	17	**839,088**	837,956
Reserves		**6,085,354**	5,946,894
		6,924,442	6,784,850
Non-controlling interests		**3,814**	2,924
TOTAL EQUITY		**6,928,256**	6,787,774

Executive Director: Cai Baogui

Chief Financial Officer: Xie Hui

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2023

	Attributable to owners of the parent									
	Share capital (note 17)	Treasury shares*	Share premium*	Share incentive reserve*	Reserve fund*	Exchange fluctuation reserve*	Retained profits*	Total	Non-controlling interests	Total equity
At 1 January 2023	837,956	(16,543)	4,415,183	59,530	201,853	5,275	1,281,596	6,784,850	2,924	6,787,774
Profit for the period	–	–	–	–	–	–	332,603	332,603	1,392	333,995
Other comprehensive income for the period:										
Exchange differences on translation of foreign operations	–	–	–	–	–	3,226	–	3,226	115	3,341
Total comprehensive income for the period	–	–	–	–	–	3,226	332,603	335,829	1,507	337,336
Dividends declared	–	–	–	–	–	–	(218,163)	(218,163)	(617)	(218,780)
Issue of shares	1,146	–	13,928	–	–	–	–	15,074	–	15,074
Share incentive plan expense	–	–	–	6,059	–	–	–	6,059	–	6,059
Tax implications related to a share incentive plan	–	–	–	789	–	–	–	789	–	789
Repurchase obligation for shares issued under a share incentive plan	(14)	188	–	(170)	–	–	–	4	–	4
At 30 June 2023 (unaudited)	839,088	(16,355)	4,429,111	66,208	201,853	8,501	1,396,036	6,924,442	3,814	6,928,256

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the six months ended 30 June 2023

	Attributable to owners of the parent									
	Share capital	Treasury shares*	Share premium*	Share incentive reserve*	Reserve fund*	Exchange fluctuation reserve*	Retained profits*	Total	Non-controlling interests	Total equity
At 1 January 2022	710,974	(33,018)	1,174,139	117,816	138,185	5,619	851,685	2,965,400	951	2,966,351
Profit for the period	–	–	–	–	–	–	463,833	463,833	108	463,941
Other comprehensive income for the period:										
Exchange differences on translation of foreign operations	–	–	–	–	–	632	–	632	(15)	617
Total comprehensive income for the period	–	–	–	–	–	632	463,833	464,465	93	464,558
Dividends declared	–	815	–	–	–	–	(209,108)	(208,293)	–	(208,293)
Issue of shares	125,466	–	3,145,295	–	–	–	–	3,270,761	–	3,270,761
Share incentive plan expense	–	–	–	18,995	–	–	–	18,995	–	18,995
Tax implications related to a share incentive plan	–	–	–	162	–	–	–	162	–	162
Repurchase obligation for shares issued under an incentive plan	(9)	121	–	(111)	–	–	–	1	–	1
At 30 June 2022 (unaudited)	836,431	(32,082)	4,319,434	136,862	138,185	6,251	1,106,410	6,511,491	1,044	6,512,535

* These reserve accounts comprise the consolidated reserves of RMB6,085,354,000 and RMB5,675,060,000 in the consolidated statements of financial position as at 30 June 2023 and 2022, respectively.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2023

	Notes	For the six months ended 30 June 2023 RMB'000 (unaudited)	 2022 RMB'000 (unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax:		**361,631**	522,654
Adjustments for:			
Finance costs	7	**27,918**	34,707
Loss on disposal of non-current assets	6	**1,184**	70
Share of (profits)/losses of associates		**(177)**	90
Gain on disposal of items of property, plant and equipment	5	**(24)**	(416)
Fair value changes of forward exchange agreements	5, 6	**(192)**	22,834
Realised losses/(gains) on disposal of financial assets or liabilities	5	**2,930**	(8,904)
Depreciation of property, plant and equipment		**63,403**	37,562
Depreciation of right-of-use assets		**3,949**	3,786
Amortisation of a share incentive plan		**6,059**	18,995
Amortisation of other intangible assets		**313**	341
Amortisation of non-current assets		**1,779**	8,023
Impairment of inventories		**14,817**	4,153
Impairment losses (reversed)/recognised on financial assets		**(2,364)**	10,798
		481,226	654,693
Decrease/(increase) in inventories		**263,264**	(426,792)
Increase in trade receivables		**(200,345)**	(764,198)
Decrease/(increase) in notes receivable		**436,749**	(129,639)
Increase in prepayments, other receivables and other assets		**(181,863)**	(64,518)
(Increase)/decrease in deferred tax assets		**(2,646)**	3,352
Decrease in other current assets		**31,738**	51,445
(Decrease)/increase in trade and notes payables		**(309,071)**	463,396
Increase in other payables and accruals		**64,069**	12,384
Increase in contract liabilities		**10,523**	7,619
Increase in deferred tax liabilities		**4,187**	820
Increase/(decrease) in deferred income		**26,597**	(871)
Decrease/(increase) in restricted cash		**160,733**	(373,016)
Cash from/(used in) operations		**785,161**	(565,325)
Income tax paid		**(6,001)**	(8,564)
Net cash flows from/(used in) operating activities		**779,160**	(573,889)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the six months ended 30 June 2023

	Notes	For the six months ended 30 June 2023 RMB'000 (unaudited)	2022 RMB'000 (unaudited)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for leasehold land		(893)	–
Purchases of items of property, plant and equipment		(200,502)	(301,193)
Purchases of items of other long-term assets		(18,498)	(26,253)
Proceeds from disposal of items of property, plant and equipment		563	103
Additions to other intangible assets		–	(275)
Investment in an associate		(490)	(727)
Purchases of wealth management products		–	(208,210)
(Losses)/proceeds from sales of financial instruments		(5,760)	87,497
Net cash flows used in investing activities		(225,580)	(449,058)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		14,890	3,430,376
Share issue expenses		–	(142,131)
New bank loans		521,463	985,084
Repayment of bank loans		(604,243)	(1,147,864)
Settlement of letters of credit		(314,473)	(16,160)
Increase in discounted commercial acceptance notes		–	58,395
Principal portion of lease payments		(1,993)	(2,454)
Dividends paid		(617)	(180,588)
Interest paid		(26,171)	(30,382)
Net cash flows (used in)/from financing activities		(411,144)	2,954,276
NET INCREASE IN CASH AND CASH EQUIVALENTS		142,436	1,931,329
Cash and cash equivalents at beginning of period		3,400,384	1,255,467
Effect of foreign exchange rate changes, net		5,470	122,642
CASH AND CASH EQUIVALENTS AT END OF PERIOD	15	3,548,290	3,309,438

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2023

1. CORPORATE INFORMATION

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

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

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

Information about subsidiaries

Particulars of the Company's subsidiaries are as follows:

Name*	Place and date 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
JL MAG RARE-EARTH (NINGBO) CO., LTD. ("JL Ningbo Technology")	PRC/Mainland China 15 January 2020	RMB1,000,000,000	100	–	Production
Jinli Permanent Magnet (Baotou) Technology Co., Ltd. ("JL Baotou") *	PRC/Mainland China 18 August 2020	RMB1,210,000,000	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	HKD38,821,580	100	–	Trading and investment
JL Mag Rare-Earth (Europe) B.V. ("JL Europe")	The Netherlands 8 October 2012	EUR100	–	85	Trading
JL Mag Rare-Earth (U.S.A.) Inc. ("JL USA")	The United States of America ("USA") 29 November 2018	USD600,000	–	100	Trading
JL Mag Rare-Earth Japan ("JL Japan")	Japan 6 September 2016	JPY30,000,000	–	100	Trading
JL Mag GREEN TECH (Hong Kong) Co., Ltd. ("JL Tech (Hong Kong)")	Hong Kong 19 July 2022	HKD50,000	–	100	Investment
JL MAG MEXICO, S.A. DE C.V. ("JL MAG MEXICO")	Mexico 29 January 2023	MXN200,000	–	100	Production

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

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 2022, except for the adoption of the following new and revised International Financial Reporting Standards ("IFRSs") for the first time for the current period's financial information.

IFRS 17	*Insurance Contracts*
Amendments to IFRS 17	*Insurance Contracts*
Amendment to IFRS 17	*Initial Application of IFRS 17 and IFRS 9 – Comparative Information*
Amendments to IAS 1 and IFRS Practice Statement 2	*Disclosure of Accounting Policies*
Amendments to IAS 8	*Definition of Accounting Estimates*
Amendments to IAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
Amendments to IAS 12	*International Tax Reform – Pillar Two Model Rules*

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

(a) Amendments to IAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to IFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has applied the amendments since 1 January 2023. The amendments did not have any impact on the Group's interim condensed consolidated financial information but are expected to affect the accounting policy disclosures in the Group's annual consolidated financial statements.

(b) Amendments to IAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The Group has applied the amendments to changes in accounting policies and changes in accounting estimates that occur on or after 1 January 2023. Since the Group's policy of determining accounting estimates aligns with the amendments, the amendments did not have any impact on the financial position or performance of the Group.

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

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

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

(c) (continued)

Impact on the interim condensed consolidated statement of financial position:

	Increase/(decrease)					
	Before offsetting			**After offsetting** (note)		
	As at 30 June 2023 RMB'000	As at 31 December 2022 RMB'000	As at 1 January 2022 RMB'000	**As at 30 June 2023 RMB'000**	As at 31 December 2022 RMB'000	As at 1 January 2022 RMB'000
Deferred tax assets – Lease	**1,008**	1,185	–	**–**	–	–
Deferred tax liabilities – Lease	**1,008**	1,185	–	**–**	–	–

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

The adoption of amendments to IAS 12 did not have any impact on the interim condensed consolidated statement of profit or loss, the basic and diluted earnings per share attributable to ordinary equity holders of the parent, other comprehensive income and the interim condensed consolidated statements of cash flows for the six months ended 30 June 2023 and 2022.

(d) Amendments to IAS 12 *International Tax Reform – Pillar Two Model Rules* introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. Entities are required to disclose the information relating to their exposure to Pillar Two income taxes in annual periods beginning on or after 1 January 2023, but are not required to disclose such information for any interim periods ending on or before 31 December 2023. The Group has applied the amendments retrospectively. Since the Group did not fall within the scope of the Pillar Two model rules, the amendments did not have any impact to the Group.

3. OPERATING SEGMENT INFORMATION

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

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

Geographical information

(a) Revenue from external customers

	For the six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Mainland China	**2,682,410**	2,945,360
Other countries/regions	**747,620**	358,437
	3,430,030	3,303,797

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	
	2023	2022
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Customer A	**N/A***	470,417
Customer B	**374,318**	442,622
Customer C	**494,383**	N/A*

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

4. REVENUE

An analysis of revenue is as follows:

	For the six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Revenue from contracts with customers		
– Sale of NdFeB magnet materials	**2,959,219**	2,878,157
Revenue from other sources		
– Sale of materials and others	**470,544**	425,211
– Rental income	**267**	429
	3,430,030	3,303,797

Revenue from contracts with customers

Disaggregated revenue information:

	For the six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Type of goods		
Sale of NdFeB magnet materials	**2,959,219**	2,878,157
Geographical markets		
Mainland China	**2,211,599**	2,519,722
Other countries/regions	**747,620**	358,435
	2,959,219	2,878,157
Timing of revenue recognition		
Goods transferred at a point in time	**2,959,219**	2,878,157

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	
	2023	2022
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sale of NdFeB magnet materials	**18,780**	26,838

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

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 June 2023

5. OTHER INCOME AND GAINS

	For the six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Other income		
Government grants	**55,737**	17,982
Bank interest income	**38,388**	17,407
Others	**1,271**	346
	95,396	35,735
Other gains		
Gains on disposal of items of property, plant and equipment	**24**	416
Gains on wealth management products	**2,830**	–
Fair value changes of forward exchange agreements	**192**	–
Gains on disposal of financial assets or liabilities	**–**	8,904
Others	**51**	4
	3,097	9,324
	98,493	45,059

6. OTHER EXPENSES

	For the six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Losses on disposal of financial assets or liabilities	**5,760**	–
Fair value changes of forward exchange agreements	**–**	22,834
Donations	**150**	359
Loss on disposal of non-current assets	**1,184**	70
Others	**37**	14
	7,131	23,277

7. FINANCE COSTS

	For the six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Interest expense	**26,420**	32,555
Other finance costs	**1,498**	2,152
	27,918	34,707

8. PROFIT BEFORE TAX

	For the six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Cost of raw materials and consumables	**2,533,020**	2,036,526
Depreciation of property, plant and equipment*	**63,403**	37,562
Depreciation of right-of-use assets*	**3,949**	3,786
Amortisation of other intangible assets*	**313**	341
Amortisation of other non-current assets	**1,779**	8,023
Research and development costs	**174,749**	140,658
Lease payments not included in the measurement of lease liabilities	**1,291**	435
Wages, salaries and welfare	**216,254**	216,793
Expenses for the share incentive plan	**6,059**	18,995
Pension and other social insurances	**36,400**	24,444
Exchange gains, net	**(28,211)**	(130,086)
Impairment losses on inventories	**14,817**	4,153
Impairment losses (reversed)/recognised on financial assets	**(2,364)**	10,798
Losses/(gains) on disposal of property, plant and equipment	**1,160**	(346)
Government grants	**55,737**	17,982

* The depreciation of property, plant and equipment during the six months ended 30 June 2023 and 2022 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 2023 and 2022 was included in "Cost of sales" and "Administrative expenses" in the consolidated statements of profit or loss.

9. INCOME TAX EXPENSES

In general, the Group's entities in 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 2023 and 2022. 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%.

	For the six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Current – Mainland China		
Charge for the period	**29,050**	53,227
(Overprovision)/underprovision in prior years	**(2,955)**	1,477
Deferred	**1,541**	4,009
Total tax charge	**27,636**	58,713

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 838,373,329 (six months ended 30 June 2022: 835,213,350) in issue during the period.

The calculation of the diluted earnings per share amount is based on the profit for the periods attributable to ordinary equity holders of the parent, adjusted to reflect the dilutive effect of the share incentive plan (note 18) 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.

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	
	2023 RMB'000 (unaudited)	2022 RMB'000 (unaudited)
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation:		
From continuing operations	**332,603**	463,833
Less: Dividends attributable to owners of the restricted shares	**(315)**	(543)
	332,288	463,290
Effect of dilution – dividends attributable to owners of the restricted shares	**315**	543
	332,603	463,833

	Number of shares For the six months ended 30 June	
	2023 (unaudited)	2022 (unaudited)
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	**838,373,329**	835,213,350
Effect of dilution weighted average number of ordinary shares:		
Share incentive plan (note 18)	**2,003,020**	4,447,176
	840,376,349	839,660,526

The diluted earnings per share amounts were based on the profit attributable to ordinary equity holders of the parent for the six months ended 30 June 2023 and 2022 of RMB332,603,000 and RMB463,833,000, respectively, and the weighted average number of ordinary shares of 840,376,349 and 839,660,526 in issue during the six months ended 30 June 2023 and 2022, respectively, considering the adjustment in respect of the share incentive plan.

11. DIVIDENDS

	For the six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Final declared and paid – RMB26 cents (2022: RMB25 cents) per ordinary share	**218,163**	209,108

The recorded distribution is in the form of cash dividends on the basis of 839,087,782 shares and RMB2.6 (tax inclusive) for every 10 shares to all shareholders, amounting to RMB218,163,000 (tax inclusive) in aggregate.

12. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2023, the Group acquired assets at a cost of RMB264,322,000 (for the six months ended 30 June 2022: RMB277,092,000), excluding property, plant and equipment acquired through properties under construction.

Assets with a net book value of RMB5,028,000 were disposed of by the Group during the six months ended 30 June 2023 (for the six months ended 30 June 2022: RMB216,000), resulting in a net loss on disposal of RMB1,160,000 (net gain for the six months ended 30 June 2022: RMB346,000).

13. DEFERRED TAX

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

Deferred tax liabilities	**Depreciation allowance in excess of related depreciation**	**Right-of-use assets (restated)**	**Deferred tax liabilities**
	RMB'000	RMB'000	RMB'000
At 1 January 2022	41,024	57	41,081
Deferred tax charged to profit or loss during the year	14,773	1,140	15,913
At 31 December 2022 (audited)	55,797	1,197	56,994
Deferred tax charged/(credited) to profit or loss during the period	3,335	(138)	3,197
At 30 June 2023 (unaudited)	**59,132**	**1,059**	**60,191**

13. DEFERRED TAX (CONTINUED)

Deferred tax assets	Deferred income	Impairment of financial assets	Impairment of inventories	Lease liabilities (restated)	Share Incentive Plan	Loss from changes in fair value	Deferred tax assets
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2022	13,844	4,069	368	34	20,089	–	38,404
Deferred tax (charged)/credited to profit or loss during the year	(4,495)	679	500	1,193	(3,225)	483	(4,865)
Deferred tax charged to equity during the year	–	–	–	–	(6,423)	–	(6,423)
At 31 December 2022 (audited)	9,349	4,748	868	1,227	10,441	483	27,116
Deferred tax credited/(charged) to profit or loss during the period	3,171	(93)	274	(133)	(1,534)	(29)	1,656
Deferred tax credited to equity during the period*	–	–	–	–	789	–	789
At 30 June 2023 (unaudited)	**12,520**	**4,655**	**1,142**	**1,094**	**9,696**	**454**	**29,561**

* Pursuant to the tax regulation of Mainland China, the Company receives the tax deduction upon the vesting of the restricted shares (Note 18), which differed from the related share incentive plan expenses recorded in the profit or loss during the period. According to IAS 12.68C, where the amount of any tax deduction (or estimated future tax deduction) exceeds the amount of the related cumulative remuneration expense, the current or deferred tax associated with the excess should be recognised directly in equity.

13. DEFERRED TAX (CONTINUED)

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

	30 June 2023 RMB'000 (unaudited)	31 December 2022 RMB'000 (audited)
Net deferred tax assets	**5,173**	1,738
Net deferred tax liabilities	**35,803**	31,616

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

	30 June 2023 RMB'000 (unaudited)	31 December 2022 RMB'000 (audited)
Tax losses	**118,334**	104,320
Deductible temporary differences	**1,851**	1,128
	120,185	105,448

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

14. TRADE RECEIVABLES

	30 June 2023 RMB'000 (unaudited)	31 December 2022 RMB'000 (audited)
Trade receivables	**2,419,025**	2,218,681
Impairment	**(28,377)**	(26,490)
	2,390,648	2,192,191

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

14. TRADE RECEIVABLES (CONTINUED)

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

	30 June 2023 RMB'000 (unaudited)	31 December 2022 RMB'000 (audited)
Less than 1 year	**2,390,412**	2,192,191
1 to 2 years	**236**	–
	2,390,648	2,192,191

15. CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

	30 June 2023 RMB'000 (unaudited)	31 December 2022 RMB'000 (audited)
Cash and bank balances	**4,117,420**	4,130,247
Less: restricted cash	**(569,130)**	(729,863)
Cash and cash equivalents	**3,548,290**	3,400,384
Denominated in:		
RMB	**3,822,255**	3,406,732
EUR	**23,242**	38,546
USD	**230,887**	178,711
JPY	**2,841**	2,321
HKD	**38,195**	503,937
Total	**4,117,420**	4,130,247

As at 30 June 2023, the Group's bank balances of approximately RMB569,130,000 (31 December 2022: RMB729,863,000) were deposited, respectively as guarantees for the following bank acceptance notes, performance bonds, forward foreign exchange contracts and letters of credit:

	30 June 2023 RMB'000 (unaudited)	31 December 2022 RMB'000 (audited)
Guarantee deposits for bank acceptance notes	**462,208**	692,265
Guarantee deposits for performance bonds	**23,199**	10,534
Guarantee deposits for forward foreign exchange contracts	**–**	7,415
Guarantee deposits for letters of credit	**83,723**	19,649
	569,130	729,863

15. CASH AND CASH EQUIVALENTS AND RESTRICTED CASH (CONTINUED)

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

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group and earn interest at the respective short-term time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

16. TRADE AND NOTES PAYABLES

	30 June 2023 RMB'000 (unaudited)	31 December 2022 RMB'000 (audited)
Trade payables	**559,441**	429,422
Notes payable	**1,734,974**	2,174,064
	2,294,415	2,603,486

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

	30 June 2023 RMB'000 (unaudited)	31 December 2022 RMB'000 (audited)
Less than 1 year	**2,293,361**	2,603,061
1 to 2 years	**753**	243
2 to 3 years	**125**	108
Over 3 years	**176**	74
	2,294,415	2,603,486

17. SHARE CAPITAL

	30 June 2023 RMB'000 (unaudited)	31 December 2022 RMB'000 (audited)
Issued and fully paid:	**839,088**	837,956

17. SHARE CAPITAL (CONTINUED)

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

	Number of shares in issue	Share capital RMB'000
At 1 January 2023	837,956,198	837,956
Issue of shares	1,145,600	1,146
Repurchase obligation for shares issued under incentive plan	(14,016)	(14)
At 30 June 2023 (unaudited)	**839,087,782**	**839,088**

18. SHARE INCENTIVE PLAN

The Company operates a share incentive plan (the "SIP") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the SIP include the Company's directors and other employees of the Group. The Type I Restricted Shares under the SIP are valid for a maximum of 48 months from the date of completion of registration of the grant of restricted shares to the date of release of all restricted shares or cancellation of repurchase; the Type II Restricted Shares under the SIP are valid for a maximum of 48 months from the date of grant of restricted shares to the date of full vesting or lapsing.

On 26 August 2020 and 8 September 2020, the board of directors approved a total of 8,252,000 restricted shares (including Type I Restricted Shares and Type 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 further approved the grant of 200,000 (representing 320,000 A shares after the increase of share capital in May 2021) out of 418,000 reserved Type II Restricted Shares to five participants. On 26 August 2021, the Board further approved the grant of 218,000 (representing 348,800 A shares after the increase of share capital in May 2021) out of 418,000 reserved Type II Restricted Shares to seven participants.

The price of restricted shares (including Type I Restricted Shares and Type II Restricted Shares) is RMB21.62. Type I Restricted Shares refers to A shares issued to the participants with certain restrictions stipulated under the SIP. On the grant date of Type I Restricted Shares, the participants of Type I Restricted Shares were entitled to receive newly issued A shares of the Company, with certain restrictions stipulated under the SIP. Type II Restricted Shares refer to A shares granted to the participants pursuant to which A shares could be newly issued and subscribed for upon the satisfaction of certain vesting conditions under the SIP. The participants of Type II Restricted Shares have the right to subscribe new A shares in the future upon the satisfaction of certain vesting conditions under the SIP. These granted restricted shares have a contractual term of no more than four years and will be unlocked (in terms of Type I Restricted Shares) or vested (in terms of Type II Restricted Shares) over a three-year period.

18. SHARE INCENTIVE PLAN (CONTINUED)

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

	Six months ended 30 June 2023 (unaudited)		Year ended 31 December 2022 (audited)	
	Exercise price* RMB per share	Subscribed and registered '000	Exercise price* RMB per share	Subscribed and registered '000
At 1 January	13.1375	1,225	13.3875 (representing 13.1375 after distribution of cash dividends in June 2022)	2,444
Forfeited during the period/year**	13.1375	14	13.1375	9
Exercised during the period/year	13.1375	–	13.1375	1,210
At the end of the period/year	13.1375	1,211	13.1375	1,225

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

	Six months ended 30 June 2023 (unaudited)		Year ended 31 December 2022 (audited)	
	Exercise price RMB per share	Number of shares '000	Exercise price RMB per share	Number of shares '000
At 1 January	13.1375	4,166	13.3875 (representing 13.1375 after distribution of cash dividends in June 2022)	5,728
Forfeited during the period/year***	13.1375	264	13.1375	37
Exercised during the period/year****	13.1375	1,146	13.1375	1,525
At the end of the period/year	13.1375	2,756	13.1375	4,166

18. SHARE INCENTIVE PLAN (CONTINUED)

Fair values of the Type I Restricted Shares are based on the share price as at the grant date. Fair values of the Type II Restricted Shares are calculated under the Black-Scholes pricing model using the following assumptions:

Type II Restricted Shares granted in August 2020	SIP
Share price at the grant date	RMB40.00
Exercise price	RMB21.62
Expected life	3
Expected volatility	73.63%
Annual rate of dividends	0.54%
Risk-free rate	2.43%

Type II Restricted Shares granted in October 2020	SIP
Share price at the grant date	RMB40.00
Exercise price	RMB21.62
Expected life	3
Expected volatility	69.64%
Annual rate of dividends	0.54%
Risk-free rate	2.87%

Type II Restricted Shares granted in 2021	SIP
Share price at the grant date	RMB36.13
Exercise price	RMB13.39
Expected life	2
Expected volatility	59.29%
Annual rate of dividends	0.54%
Risk-free rate	2.33%

* According to the SIP, the grant price was RMB21.62 per share, and would be adjusted if the Company declared cash or share dividends. Since the Company declared cash dividends of RMB0.2 per share and transferred share premium into share capital with six new shares issued for every ten existing shares in May 2021, the grant price in 2021 was then adjusted to RMB13.3875 per share. In June 2022, the Company declared cash dividends of RMB0.25 per share, and the grant price in 2022 was then adjusted to RMB13.1375 per share.

** Before the unlock day in 2022, four participants had resigned and therefore their shares were not unlocked. The Type I Restricted Shares of the resigned participants, i.e., 8,760 shares (representing 14,016 A shares after the increase of share capital in May 2021) were repurchased by the Company, the repurchase was completed on 21 June 2023.

*** Four participants abandoned the subscription of the Type II Restricted Shares due to personal reasons, 164,800 shares (representing 263,680 A shares after the increase of share capital in May 2021) granted to the participants that had not been vested were forfeited by the Company.

**** On 10 April 2023, 141,000 (representing 225,600 A shares after the increase of share capital in May 2021) of Type II Restricted Shares were vested. On 12 May 2023, 575,000 (representing 920,000 A shares after the increase of share capital in May 2021) of Type II Restricted Shares were vested.

18. SHARE INCENTIVE PLAN (CONTINUED)

As at 30 June 2023, the Company received a cash consideration of a total of RMB15,074,000 by the issuance of Type II Restricted Shares, of which RMB1,146,000 and RMB13,928,000 were recorded in share capital and share premium, respectively. As at 31 December 2022, the Company received a cash consideration of a total of RMB20,063,000 by the issuance of Type II Restricted Shares, of which RMB1,526,000 and RMB18,537,000 were recorded in share capital and share premium, respectively.

For the six months ended 30 June 2023 and 2022, the Group has recognised amounts of RMB6,059,000 and RMB18,995,000 respectively, as share incentive plan expenses.

19. COMMITMENTS

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

	30 June 2023 RMB'000 (unaudited)	31 December 2022 RMB'000 (audited)
Contracted, but not provided for:		
Property, plant and equipment	**1,056,421**	920,494
Investment commitment	**133,101**	151,599
	1,189,522	1,072,093

20. RELATED PARTY TRANSACTIONS

(a) The Group had the following related parties during the six months ended 30 June 2023:

Name of company	**Relationship**
Ganzhou Industrial Investment Holding Group Co., Ltd.*	Major shareholder, 5.15% of the Company as at 30 June 2023
Ganzhou Poly-Max Magnetics Co., Ltd.	Associate
Xinjiang Goldwind Technology Co., Ltd.	The Company's director Li Fei who has left within 12 months is its vice president

* On 10 October 2022, Ganzhou Rare Earth Group Co., Ltd. was renamed as Ganzhou Industrial Investment Holding Group Co., Ltd., and the balances of the related party transactions were disclosed under the name of Ganzhou Industrial Investment Holding Group Co., Ltd.

20. 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 2023 and 2022:

	For the six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Purchases of products from companies controlled by a major shareholder:		
Southern Rare Earth International Trading Co., Ltd.*	**–**	425,929
Purchases of products from the associate:		
Ganzhou Poly-Max Magnetics Co., Ltd.	**17,059**	1,934
Rental income from the associate:		
Ganzhou Poly-Max Magnetics Co., Ltd.	**40**	40
Sales of goods to the associate:		
Ganzhou Poly-Max Magnetics Co., Ltd.	**16,388**	1,245
Sales of goods to companies controlled by a major shareholder:		
Xinjiang Goldwind Technology Co., Ltd.	**–**	8,745
Ganzhou Rare Earth Youli Technology Development Co., Ltd.*	**–**	30,696
	–	39,441
Sales of goods to other related parties:		
CRRC Corporation Limited and its subsidiaries:		
Xi'an CRRC Yongdian Jieli Wind Power Co., Ltd.**	**–**	122,007
Jiangsu CRRC Electric Co., Ltd.**	**–**	107,161
Shandong CRRC Electric Co., Ltd.**	**–**	82,438
Baotou CRRC Motor Co., Ltd.**	**–**	156,035
Hami CRRC New Energy Motor Co., Ltd.**	**–**	1,862
Hunan CRRC Shangqu Electric Co., Ltd.**	**–**	914
Nanjing Turbine Motor Changfeng New Energy Co., Ltd.**	**–**	61,783
	–	532,200

* 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.

** In 2022, 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. From 1 January 2023, this framework contract had expired and had not been renewed by 30 June 2023, and CRRC Corporation Limited and its subsidiaries and Nanjing Turbine Motor Changfeng New Energy Co., Ltd. were no longer listed as related parties.

20. RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Outstanding balances with related parties:

	30 June 2023 RMB'000 (unaudited)	31 December 2022 RMB'000 (audited)
Trade receivables due from the associate:		
Ganzhou Poly-Max Magnetics Co., Ltd.	25,260	9,140
Trade receivables due from companies controlled by a major shareholder:		
Xinjiang Goldwind Technology Co., Ltd.	489	489
Goldwind Technology Hebei Co., Ltd.	–	6,830
	489	7,319
Notes receivable due from a company controlled by a shareholder:		
Xinjiang Goldwind Technology Co., Ltd.	67,050	274,798
Other receivables due from the associate:		
Ganzhou Poly-Max Magnetics Co., Ltd.	938	801
Trade payables due to the associate:		
Ganzhou Poly-Max Magnetics Co., Ltd.	13,317	6,821

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

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

	For the six months ended 30 June	
	2023 RMB'000 (unaudited)	2022 RMB'000 (unaudited)
Salaries, allowances and benefits in kind	4,182	3,763
Share incentive expense	2,860	9,097
Social insurance and housing fund	223	353
	7,265	13,213

21. 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 2023 (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	2,390,648	–	–	2,390,648
Notes receivable	117,306	–	96,127	213,433
Financial assets included in prepayments, other receivables and other assets	60,657	–	–	60,657
Financial assets at fair value through profit or loss	–	148,851	–	148,851
Restricted cash	569,130	–	–	569,130
Cash and cash equivalents	3,548,290	–	–	3,548,290
Equity investments designated at FVOCI	–	–	13,306	13,306
	6,686,031	148,851	109,433	6,944,315

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	–	3,028	3,028
Trade and notes payables	2,294,415	–	2,294,415
Financial liabilities included in other payables and accruals	388,993	–	388,993
Interest-bearing bank borrowings	1,167,851	–	1,167,851
	3,851,259	3,028	3,854,287

21. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

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

31 December 2022 (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
Equity investments designated at FVOCI	–	–	13,306	13,306
Trade receivables	2,192,191	–	–	2,192,191
Notes receivable	548,736	–	97,088	645,824
Financial assets included in prepayments, other receivables and other assets	10,021	–	–	10,021
Financial assets at fair value through profit or loss	–	143,471	–	143,471
Restricted cash	729,863	–	–	729,863
Cash and cash equivalents	3,400,384	–	–	3,400,384
	6,881,195	143,471	110,394	7,135,060

Financial liabilities	Financial liabilities at amortised cost RMB'000	Financial liabilities at fair value through profit or loss RMB'000	Total RMB'000
Trade and notes payables	2,603,486	–	2,603,486
Financial liabilities included in other payables and accruals	148,012	–	148,012
Financial liabilities at fair value through profit or loss	–	3,219	3,219
Interest-bearing bank borrowings	1,446,027	–	1,446,027
	4,197,525	3,219	4,200,744

22. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

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

Fair value hierarchy

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

Assets measured at fair value:

As at 30 June 2023 (unaudited)	**Fair value measurement using**			
	Quoted prices in active markets (Level 1) RMB'000	**Significant observable inputs (Level 2) RMB'000**	**Significant unobservable inputs (Level 3) RMB'000**	**Total RMB'000**
Financial assets at fair value through profit or loss	**–**	**148,851**	**–**	**148,851**
Notes receivable	**–**	**–**	**96,127**	**96,127**
Equity investments designated at FVOCI	**–**	**–**	**13,306**	**13,306**
	–	**148,851**	**109,433**	**258,284**

As at 31 December 2022 (audited)	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Financial assets at fair value through profit or loss	–	143,471	–	143,471
Notes receivable	–	–	97,088	97,088
Equity investments designated at FVOCI	–	–	13,306	13,306
	–	143,471	110,394	253,865

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

Fair value hierarchy (continued)

Liabilities measured at fair value:

As at 30 June 2023 (unaudited)	**Fair value measurement using**			
	Quoted prices in active markets (Level 1) RMB'000	**Significant observable inputs (Level 2) RMB'000**	**Significant unobservable inputs (Level 3) RMB'000**	**Total RMB'000**
Financial liabilities at fair value through profit or loss	**–**	**3,028**	**–**	**3,028**

As at 31 December 2022 (audited)	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Financial liabilities at fair value through profit or loss	–	3,219	–	3,219

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

As at 30 June 2023 (unaudited)

	Valuation technique	**Significant unobservable input**	**Range**	**Sensitivity of fair value to the input**
Notes receivable	**Income approach**	**Discount rate**	**3.63%**	**5% increase/decrease would result in decrease/increase in fair value by 0.14%**
Equity investments designated at FVOCI	**Net assets method**	**Net assets**	**RMB13,306**	**N/A**

As at 31 December 2022 (audited)

	Valuation technique	Significant unobservable input	Range	Sensitivity of fair value to the input
Notes receivable	Income approach	Discount rate	3.68%	5% increase/decrease would result in decrease/increase in fair value by 0.08%
Equity investments designated at FVOCI	Net assets method	Net assets	RMB13,306	N/A

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

Fair value hierarchy (continued)

During the six months ended 30 June 2023 and the year ended 31 December 2022, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 for both financial assets and financial liabilities. The Group's policy is to recognise transfers between levels of the fair value hierarchy as at the end of the reporting period in which they occur.

Set out below is a comparison of the carrying amounts and fair values of financial assets and financial liabilities as at 30 June 2023 and 31 December 2022:

	Carrying amounts		Fair value	
	30 June 2023 RMB'000 (unaudited)	31 December 2022 RMB'000 (audited)	**30 June 2023 RMB'000 (unaudited)**	31 December 2022 RMB'000 (audited)
Financial assets				
Financial assets at fair value through profit or loss	**148,851**	143,471	**148,851**	143,471
Notes receivable at FVOCI	**96,127**	97,088	**96,127**	97,088
Equity investments designated at FVOCI	**13,306**	13,306	**13,306**	13,306
	258,284	253,865	**258,284**	253,865
Financial liabilities				
Interest-bearing bank borrowings	**1,167,851**	1,446,027	**1,114,866**	1,419,881
Financial liabilities at fair value through profit or loss	**3,028**	3,219	**3,028**	3,219
	1,170,879	1,449,246	**1,117,894**	1,423,100

23. EVENTS AFTER THE REPORTING PERIOD

According to the resolution of the 2022 annual general meeting of shareholders, based on the total share capital of A shares and H shares on the equity registration date determined in this equity distribution implementation announcement, a cash dividend of RMB2.60 (tax included) per 10 shares would be distributed to all shareholders, the share premium would be transferred into share capital with six new shares issued for every ten existing shares. On 12 July 2023, the Company completed the A share equity distribution, and share capital of A share increased by 428,173,069 shares; on 21 August 2023, the Company completed the H share equity distribution and the share capital of H share increased by 75,279,600 shares accordingly. The Company's total share capital increased by 504,584,253 shares from 837,956,000 shares to 1,342,540,000 shares.

On 12 July 2023, the Company completed the equity and cash distribution of A shares. On 24 August 2023, the 21st meeting of the 3rd board of directors approved to adjust the grant/repurchase price of 2020 Restricted Share Incentive Plan to RMB8.0484 per share. Upon adjustment, there were 1,936,435 and 4,410,060 shares of Type I and Type II Restricted Shares, respectively, that have not yet been vested/exercised.

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 2023.

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