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JL MAG RARE-EARTH CO., LTD.

江西金力永磁股份有限公司

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

(Stock Code: 06680)

ANNOUNCEMENT

DISCLOSEABLE TRANSACTION

YINHAI NEW MATERIALS EQUITY TRANSFER

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On 21 July 2022 (after trading hours), the Company entered into the Equity Transfer Agreement with Mr. Ren Hailiang, Mr. Ren Haihu, Mr. Wu Jun and Yinhai New Materials, pursuant to which, the Company will acquire 51% equity interest in Yinhai New Materials, consisting of 20.4% equity interest in Yinhai New Materials held by Mr. Ren Hailiang, 20.4% equity interest in Yinhai New Materials held by Mr. Ren Haihu and 10.2% equity interest in Yinhai New Materials held by Mr. Wu Jun. After the completion of Yinhai New Materials Equity Transfer, the financial statements of Yinhai New Materials will be incorporated into the consolidated financial statements of the Company.

HONG KONG LISTING RULES IMPLICATIONS

As one or more applicable percentage ratios in respect of the Yinhai New Materials Equity Transfer are more than 5% but all of them are less than 25%, the Yinhai New Materials Equity Transfer constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting and announcement requirements, but not subject to the circular and shareholder approval requirements.

The Board is pleased to announce that on 21 July 2022 (after trading hours), the Company entered into the Equity Transfer Agreement with Mr. Ren Hailiang, Mr. Ren Haihu, Mr. Wu Jun and Yinhai New Materials, pursuant to which, the Company will acquire 51% equity interest in Yinhai New Materials, consisting of 20.4% equity interest in Yinhai New Materials held by Mr. Ren Hailiang, 20.4% equity interest in Yinhai New Materials held by Mr. Ren Haihu and 10.2% equity interest in Yinhai New Materials held by Mr. Wu Jun. After the completion of Yinhai New Materials Equity Transfer, the financial statements of Yinhai New Materials will be incorporated into the consolidated financial statements of the Company.

I. EQUITY TRANSFER AGREEMENT

The principal terms of the Equity Transfer Agreement are summarized as below:

Date	21 July 2022 (after trading hours)
Parties	(1) The Company (as the transferee); (2) Mr. Ren Hailiang, Mr. Ren Haihu and Mr. Wu Jun (as the transferrers); and (3) Yinhai New Materials (as the target company)
Target	51% equity interest in Yinhai New Materials, consisting of 20.4% equity interest in Yinhai New Materials held by Mr. Ren Hailiang, 20.4% equity interest in Yinhai New Materials held by Mr. Ren Haihu and 10.2% equity interest in Yinhai New Materials held by Mr. Wu Jun.
Consideration	<p>The consideration for the 51% equity interest in Yinhai New Materials is RMB154,150,000, which was determined with reference to the appraised value of RMB302,242,600 for 100% equity interest in Yinhai New Materials. The valuation report was prepared by the Independent Valuer on the basis of the asset-based approach. The total consideration consists of RMB61,660,000 for the 20.4% equity interest in Yinhai New Materials held by Mr. Ren Hailiang, RMB61,660,000 for the 20.4% equity interest in Yinhai New Materials held by Mr. Ren Haihu and RMB30,830,000 for the 10.2% equity interests in Yinhai New Materials held by Mr. Wu Jun.</p> <p>As at the Reference Date, the book value of 100% equity interest in Yinhai New Materials is RMB200,500,500 with an appraisal appreciation of RMB101,742,100 compared with the appraised value in the valuation report.</p> <p>The terms of the Equity Transfer Agreement have been determined after arm's length negotiations among the parties.</p>
Payment Arrangement	<p>(1) The Company shall pay the transferrers 30% of the corresponding equity transfer consideration (equivalent to RMB46,245,000) within 10 Working Days upon the date of execution of the Equity Transfer Agreement; and (2) the Company shall pay the transferrers 70% of the corresponding equity transfer consideration (equivalent to RMB107,905,000) within 10 working days upon the completion of the industrial and commercial change registration procedure for the Yinhai New Materials Equity Transfer.</p> <p>The Company will use proceeds from the Global Offering to pay the consideration.</p>

Closing Date

The date of completion of the industrial and commercial change registration procedure of Yinhai New Materials Equity Transfer.

**Corporate
Governance of
Yinhai New
Materials**

Yinhai New Materials shall amend the articles of association and improve relevant systems according to the requirements of the Company Law of the PRC and relevant laws and regulations and regulatory documents in relation to subsidiaries of listed companies.

The parties agree that the shareholders’ meeting of Yinhai New Materials has made a resolution that the following matters shall be approved by no less than two-thirds of all shareholders with voting rights:

- (1) any modification of the articles of association;
- (2) any increase or decrease of the registered capital of Yinhai New Materials, or any issuance or redemption of any shares or other securities or bonds convertible into shares or with options;
- (3) any termination or dissolution of Yinhai New Materials;
- (4) any merger or separation of Yinhai New Materials, or establishment of any joint venture with others, or any introduction of strategic investors or establishment of any subsidiaries or branches;
- (5) any change the nature of Yinhai New Materials or major changes of principal business, or any engagement in new business areas;
- (6) any decision to distribute or pay any dividends (whether final or interim) or any other distributions to shareholders of Yinhai New Materials;
- (7) any approval of any changes to statutory accounts and/or major accounting policies of Yinhai New Materials;
- (8) any approval and/or modification of annual budget/business plan;

- (9) any appointment, removal or replacement of auditors of Yin Hai New Materials;
- (10) any related parties transaction with any shareholders or other related parties that is beyond the annual budget and exceeds, individually or aggregately, RMB5,000,000 (except for ordinary business transactions with the Company);
- (11) any external guarantees, investments or loans provided by Yin Hai New Materials that exceeds, individually or aggregately, RMB10,000,000 or 30% of the audited net assets of the previous year;
- (12) Yin Hai New Materials sets any mortgage, pledge, liabilities or any other guarantee on or assigns all or any part of the following assets, share capital, property, movables or intellectual property rights:
 - (a) any sale, lease, purchase or disposal of major assets which are beyond the annual budget and exceed individually 30% of the audited net assets of the previous year;
 - (b) any loans or other debts which are beyond the annual budget and exceed 30% of the audited net assets of the previous year;
- (13) Yin Hai New Materials enters into any major cooperation agreement (except for sales and purchases agreements for ordinary business), exclusive licensing agreement, strategic cooperation agreement or any other major agreements or other legal documents or makes any major commitment which is beyond the annual budget and exceeds RMB10,000,000;
- (14) any capital expenditure, representing investments in fixed assets and external equity investments which is beyond the annual budget and exceeds, individually or aggregately, RMB10,000,000;
- (15) any appointment or dismissal, any remuneration budget/adjustment (including award scheme), and/or reassignment of the general manager of Yin Hai New Materials;
- (16) equity incentives;
- (17) any payment of Yin Hai New Materials exceeds RMB30,000,000 (it is not allowed to divide into parts) except for the monthly refund of sales and marketing amount received on behalf of customers in the ordinary course of business;
- (18) any decisions on all loans and external financial assistance of Yin Hai New Materials exceeds RMB200,000; and
- (19) any other major investment, merger and acquisition, asset disposal, capital expenditure, loans or other debts that may affect the future operation of Yin Hai New Materials.

The parties agree that the board of directors of Yin Hai New Materials consists of 3 directors, of which the Company nominates 2 directors. Any resolution made by the board of directors shall be approved by all directors. The following matters of Yin Hai New Materials shall be considered and approved by the board of directors save as any matters that shall be considered by the board of directors or the shareholders' meeting according to laws and regulations and that shall be considered by the shareholders' meeting:

- (1) any related parties transaction with any shareholders or other related parties that is beyond the annual budget and exceeds, individually or aggregately, RMB500,000 (except for ordinary business transactions with the Company);
- (2) any external guarantees, investments or loans provided by Yin Hai New Materials that exceeds, individually or aggregately, RMB1,000,000 or 10% of the audited net assets of the previous year;
- (3) Yin Hai New Materials sets any mortgage, pledge, liabilities or any other guarantee on or assigns all or any part of the following assets, share capital, property, movables or intellectual property rights:
 - (a) any sale, lease, purchase or disposal of major assets which are beyond the annual budget and exceed individually 10% of the audited net assets of the previous year;
 - (b) any loans or other debts which are beyond the annual budget and exceed 10% of the audited net assets of the previous year;
 - (c) Yin Hai New Materials enters into any major cooperation agreement (except for sales and purchases agreements for ordinary business), exclusive licensing agreement, strategic cooperation agreement or any other major agreements or other legal documents or makes any major commitment which is beyond the annual budget and exceeds RMB1,000,000;
 - (d) any capital expenditure, representing investments in fixed assets and external equity investments, which is beyond the annual budget and exceeds, individually or aggregately, RMB1,000,000 but no more than RMB10,000,000;
- (4) any appointment or dismissal, any remuneration budget/adjustment (including award scheme), and/or reassignment of the deputy general manager, financial director and other senior management and core technical personnel;
- (5) any payment of Yin Hai New Materials exceeding RMB10,000,000 but no more than RMB30,000,000 (it is not allowed to divide into parts) except for the monthly refund of sales and marketing amount received on behalf of customers in the ordinary course of business.

The parties agree that Mr. Ren Hailiang shall serve as the general manager of Yinhai New Materials and the Company is entitled to appoint the financial director. The core management of Yinhai New Materials shall remain stable without major adjustment. Other non-significant business matters of Yinhai New Materials shall be determined by the general manager except for matters that shall be considered by the board of directors or the shareholders' meeting according to laws and regulations.

The parties agree that within 6 months after the completion of the Yinhai New Materials Equity Transfer, the Board shall consider, approve and then implement the remuneration assessment policy of the core management of Yinhai New Materials with reference to the relevant policies of the Company.

Transitional Period During the period from the Reference Date to the closing date (“**Transitional Period**”), that the gains generated by Yinhai New Materials shall be shared by the transferrers and the Company in proportion to their shareholding; and that the losses incurred by Yinhai New Materials during the Transitional Period shall be compensated by the transferrers to Yinhai New Materials by way of cash compensation (except for the impact of technical transformation and suspension of production for inspection and maintenance agreed by the transferrers and the Company).

Taxes and Fees Save as otherwise agreed in the Equity Transfer Agreement, taxes and fees payable due to the performance of the Equity Transfer Agreement shall be borne and paid by obligors determined according to relevant tax laws and regulations. The expenses incurred due to information disclosure in connection with the performance of the Equity Transfer Agreement shall be borne by obligors of such information disclosure.

Conditions Precedent of the Yinhai New Materials Equity Transfer The parties agree that the Equity Transfer Agreement shall come into effect and be implemented upon the date when all of the following conditions precedent are satisfied:

- (1) The Equity Transfer Agreement has been executed and sealed by each of their legal or authorized representatives;
- (2) The Yinhai New Materials Equity Transfer has been considered and approved by the board of directors, shareholders' meeting, general meeting of shareholders or other organ of authority of each party in accordance with the Company Law of the PRC and other relevant laws, and articles of association and internal management systems of each party, and has obtained written consent from shareholders with pre-emption to waive such pre-emptive rights.
- (3) The entities that are directly or indirectly controlled by the transferrers or its affiliates or through other third parties who hold shares on its behalf and that are engaged in the same or similar businesses as Yinhai New Materials have made a commitment that such entities cease to engage in the same or similar businesses as Yinhai New Materials and the Group;

- (4) The transferrers and its close relatives or other related parties (including but not limited to its nominee or entity actually controlled by it) have given a non-compete commitment; and
- (5) The transferrers have executed a non-compete agreement with Yin Hai New Materials.

II. GENERAL INFORMATION

The Company

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

The Transferrers

1. Ren Hailiang, Chinese, male, ID No.: 1502021965*****35, domicile: Kundulun District, Baotou City, Inner Mongolia Autonomous Region;
2. Ren Haihu, Chinese, male, ID No.: 1502031961*****10, domicile: Kundulun District, Baotou City, Inner Mongolia Autonomous Region;
3. Wu Jun, Chinese, male, ID No.: 1502021973*****74, domicile: Kundulun District, Baotou City, Inner Mongolia Autonomous Region.

To the best knowledge, information and belief of the Directors and having made all reasonable enquiries, Mr. Ren Hailiang, Mr. Ren Haihu, Mr. Wu Jun and Yin Hai New Materials are all third parties independent of the Company and its connected persons.

Yin Hai New Materials

Yin Hai New Materials is a limited liability company incorporated in Bayannaer City, Inner Mongolia Autonomous Region on 9 July 2013. Yin Hai New Materials is a company specializing in the comprehensive recycling, production and processing of waste materials including rare earth polishing powder and magnetic materials.

As at the date of this announcement, Mr. Ren Hailiang holds 40% equity interest of Yin Hai New Materials, Mr. Ren Haihu holds 40% equity interest of Yin Hai New Materials and Mr. Wu Jun holds 20% equity interest of Yin Hai New Materials. After the completion of the Yin Hai New Materials Equity Transfer, the Company, Mr. Ren Hailiang, Mr. Ren Haihu and Mr. Wu Jun will hold 51%, 19.6%, 19.6% and 9.8% equity interest of Yin Hai New Materials respectively and the financial statements of Yin Hai New Materials will be incorporated into the consolidated financial statements of the Company.

The table set out below is the summary of the consolidated financial information of Yin Hai New Materials for the two years ended 31 December 2021 and the three months ended 31 March 2022. The financial information for the year ended 31 December 2021 and the three months ended 31 March 2022 was audited by SHU LUN PAN CPAs in accordance with PRC Accounting Standards for Business Enterprises.

	For the three months ended 31 March 2022 (RMB) (audited)	For the year ended 31 December 2021 (RMB) (audited)	For the year ended 31 December 2020 (RMB) (unaudited)
Net profit before taxation	53,440,090.16	100,872,040.70	19,382,490.62
Net profit after taxation	48,385,179.43	97,283,665.01	18,596,129.42

Chungrui Worldunion Assets Appraisal, an independent valuer, performed independent valuation in respect of 100% equity interest in Yin Hai New Materials. The valuation report was prepared by the Independent Valuer on the basis of the asset-based approach. The appraised value for 100% equity interest in Yin Hai New Material as at 31 March 2022 was RMB302,242,600.

III. INFORMATION ON THE EXPERT

The following are the qualifications of the relevant experts who have given their opinions and advices included in this announcement:

Name	Qualification
Chungrui Worldunion Assets Appraisal SHU LUN PAN CPAs	Qualified Valuer in the PRC Certified Public Accountants of the PRC

To the best knowledge, information and belief of the Directors and having made all reasonable enquiries, as at the date of this announcement, Chungrui Worldunion Assets Appraisal and SHU LUN PAN CPAs do not have any shareholding, directly or indirectly, in the Company and its subsidiaries or any right (whether legally enforceable or not) to subscribe for or to nominate person to subscribe for securities in the Company and its subsidiaries.

Each of Chungrui Worldunion Assets Appraisal and SHU LUN PAN CPAs has given and has not withdrawn its consent to the publication of this announcement with inclusion of its report and/or all reference to its name in the form and context in which it appears.

IV. PURPOSE OF YINHAI NEW MATERIALS EQUITY TRANSFER AND ITS IMPACT ON THE COMPANY

Yin Hai New Materials is a company specializing in the comprehensive recycling, production and processing of waste materials including rare earth polishing powder and magnetic materials. It mainly uses waste materials including rare earth polishing powder and magnetic materials as raw materials for production and extract rare earth elements from the materials. The main products of the Yin Hai New Materials include rare earth oxides such as praseodymium neodymium oxide, dysprosium oxide, terbium oxide and gadolinium oxide. According to the approval documents from relevant departments of Inner Mongolia Autonomous Region, Yin Hai New Materials has built a production capacity of 5,000 tons of various single rare earth compound products per year for comprehensive utilization of rare earth product wastes.

The Company is a high-tech enterprise integrating research and development, production and sales of high-performance NdFeB permanent magnet materials, as well as a leading supplier of high-performance rare earth permanent magnet materials in the fields of new energy, energy conservation and environmental protection. The Yinhai New Materials Equity Transfer supports the Company in extracting and recycling rare earth elements from the magnetic mud waste generated in the production of magnetic steel and the waste NdFeB rare earth permanent magnet materials collected from customers, thus saving rare earth resources and meeting the customers' demand for using recycled rare earth raw materials.

V. HONG KONG LISTING RULES IMPLICATIONS IN RELATION TO THE YINHAI NEW MATERIAL EQUITY TRANSFER

As one or more applicable percentage ratios in respect of the Yinhai New Materials Equity Transfer are more than 5% but all of them are less than 25%, the Yinhai New Materials Equity Transfer constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and are subject to the reporting and announcement requirements, but not subject to the circular and shareholder approval requirements.

The Board is of the view that the terms of the Equity Transfer Agreement are arrived at after arm's length negotiations among the parties, though not in the ordinary and usual course of business of the Group, and is of the view that the Equity Transfer Agreement and the transaction contemplated thereunder are entered into on normal commercial terms and fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

As at the date of this announcement, none of the Directors has any material interest in the Equity Transfer Agreement and the transaction contemplated thereunder who is required to abstain from voting at the Board meeting.

VI. DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions have the following meanings set forth below:

“Board”	the board of Directors
“Chungrui Worldunion Assets Appraisal” or “Independent Valuer”	Chungrui Worldunion Assets Appraisal Group Co., Ltd. (中瑞世聯資產評集團有限公司), an independent valuer
“Company”	JL MAG RARE-EARTH CO., LTD. (江西金力永磁科技股份有限公司), a joint stock company incorporated in the PRC with limited liability on 19 August 2008
“Director(s)”	the director(s) of the Company
“Equity Transfer Agreement”	the equity transfer agreement dated 21 July 2022 entered into among the Company, the transferrers and Yinhai New Materials, pursuant to which the Company will acquire 51% equity interests in Yinhai New Material from the transferrers

“Group”	the Company together with its branches and subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“PRC”	the People’s Republic of China, and for the purpose of this announcement, excluding the Hong Kong, the Macau Special Administrative Region and Taiwan province
“SHU LUN PAN CPAs”	SHU LUN PAN Certified Public Accountants LLP Guangdong Branch, an independent Certified Public Accountant of the PRC
“Reference Date”	31 March 2022
“RMB”	Renminbi, the lawful currency of PRC
“Shareholder(s)”	the shareholder(s) of the Company
“Yinhai New Materials”	Bayannur Yinhai New Materials Co., Ltd. (巴彥淖爾市銀海新材料有限責任公司), a limited liability company incorporated in the PRC
“Yinhai New Material Equity Transfer”	the transaction contemplated under the Equity Transfer Agreement
“Working Days”	working days in the PRC
“%”	percent

* The Chinese name(s) of the PRC entities have been translated into English in this announcement for reference only. In the event of any discrepancies between the Chinese names of the PRC entities and their respective English translations, the Chinese version shall prevail.

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

Jiangxi, the PRC, 21 July 2022

As of the date of this announcement, the Board comprises Mr. Cai Baogui and Mr. Lyu Feng as executive Directors; Mr. Hu Zhibin, Mr. Li Xinnong and Mr. Li Fei as non-executive Directors; and Mr. You Jianxin, Mr. Xu Feng and Mr. Yuan Taifang as independent non-executive Directors.