

Stock Code: SZ 300748



JL MAG Rare-Earth Co., Ltd.

(Industrial Park of Economic and Technological Development Zone, Ganzhou City, Jiangxi Province, P.R. China)

Annual Report 2020 (Summary)

This Summary has been prepared in both Chinese and English. Should there be any discrepancies or misunderstandings between the two versions, the Chinese version shall prevail.

Part I Important Notes

This Summary is based on the full text of the Annual Report of JL MAG Rare-Earth Co., Ltd. (hereinafter referred to as the “Company”). In order for a full understanding of the Company’s operating results, financial condition and future development plans, investors should carefully read through the aforesaid full text, which has been disclosed together with this Summary on the media designated by the China Securities Regulatory Commission (the “CSRC”).

All the directors of the Company attended in person the board meeting for the approval of this Report except for the following:

Name	Office title	Reason for not attending the meeting in person	Proxy entrusted to attend the meeting
Xie Zhihong	Director	For reason of other work	Cai Baogui

BDO China Shu Lun Pan Certified Public Accountants LLP issued an unmodified unqualified opinion on the Company’s financial statements for the year under review.

Change of the independent auditor for the Reporting Period: BDO China Shu Lun Pan Certified Public Accountants LLP is the independent auditor for the audit of the Company for the year under review.

Independent auditor’s modified opinion:

Applicable Not applicable

Board-approved final cash and/or stock dividend plan for ordinary shareholders:

Applicable Not applicable

The Board has approved a final dividend plan for ordinary shareholders as follows: based on the total share capital at the date of record, a cash dividend of RMB2 (tax inclusive) per 10 shares is planned to be distributed to all the shareholders, with no bonus issue from profit and a bonus issue of 6 additional shares for every 10 existing shares from capital reserves.

Board-approved final cash and/or stock dividend plan for preference shareholders:

Applicable Not applicable

Part II Key Corporate Information

1. Stock Profile

Stock name	JL MAG	Stock code	300748
Stock exchange	Shenzhen Stock Exchange		
Contact information	Board Secretary	Securities Representative	
Name	Lu Ming	Lai Xunlong	
Office address	81 West Jinling Road, Economic and Technological Development Zone, Ganzhou City, Jiangxi Province, P.R. China	81 West Jinling Road, Economic and Technological Development Zone, Ganzhou City, Jiangxi Province, P.R. China	
Fax	+86 797 8068 000	+86 797 8068 000	
Tel.	+86 797 8068 059	+86 797 8068 059	
E-mail address	jlomag_info@jlomag.com.cn	jlomag_info@jlomag.com.cn	

2. Principal Activities or Products in the Reporting Period

No significant changes occurred to the Company's principal activities, the markets for its products, its business model or primary revenue drivers during the Reporting Period, with details as follows:

(I) Principal activities and markets for products

The Company is a high-tech enterprise engaged in research and development, production and sales of high performance NdFeB permanent magnetic materials. It is a leading supplier of core materials used in new energy and energy conservation and environmental protection sectors in the world. The products are widely used in Electric Vehicles and auto parts, Energy-saving variable frequency air conditioner, Wind Power, 3C, Energy saving elevator, Robotics and intelligent manufacturing, as well as Rail transit. The Company has established long-term stable partnerships with top-tier Chinese and foreign enterprises in various industries.

(II) Business model

The Company mainly adopts a Producing according to Sales model. It purchases rare earth and auxiliary metal materials in advance based on orders, and designs and produces NdFeB magnetic steel. Currently, the Company has the capability of manufacturing a whole series of products, covering product research and development, mold development and manufacturing, billet production, finished product processing and surface treatment, while exercising overall control and management of each process.

During its close cooperation with top-tier enterprises in various industries, the Company has developed a mature business model. These large well-known enterprises have very strict product quality requirements and a long product assessment and verification cycle. In order to satisfy their quality, technology and management system requirements, the Company has been optimizing its research and development, manufacturing, supply chain management, customer service and corporate culture, forming a well-developed business model that meets the needs of customers.

Always being customer-oriented, the Company never stops its efforts in technological upgrade and differentiated product design. The Company has moved technological services forward to the customer end. It leverages its own professional technological advantages in NdFeB permanent magnetic materials to participate in the design of customers' new products, assist customers in optimizing product performance and reducing product costs, and provide comprehensive technological solutions. The Company implements a strict quality management system and has industry-leading lean production capabilities. The Company's product delivery capabilities and production efficiency are at the leading level in the industry.

(III) Revenue drivers and position in the industry

During the Reporting Period, the Company continuously concentrated its efforts on new energy and energy conservation and environmental protection sectors, with special attention paid to such core applications as Electric Vehicles and auto parts, Energy-saving variable frequency air conditioner, Wind Power, 3C, Energy saving elevator, Robotics and intelligent manufacturing, as well as Rail transit. The Company's operating revenue and net profit kept growing. For the Reporting Period, the Company recorded operating revenue of RMB2,419.3067 million, up 42.58% YoY, of which the domestic sales revenue stood at RMB2,078.5022 million, up 46.83% YoY, and the overseas sales revenue amounted to RMB340.8045 million, up 21.17% YoY. The net profit attributable to the listed company's shareholders was RMB244.4837 million, up 55.84% YoY. And the net profit attributable to

the listed company's shareholders before exceptional gains and losses stood at RMB227.1318 million, up 54.68% YoY.

Thanks to the rapid rise of market demand in new energy and energy conservation and environmental protection sectors, the Company has maintained fast sales revenue growth in Electric Vehicles, Energy-saving variable frequency air conditioner and Wind Power. It has become a world-leading supplier of magnetic steel for these sectors, maintaining stronger competitiveness.

In terms of Electric Vehicles and auto parts, the Company supplies magnetic steel to Tesla, BYD and UAES, etc. for producing drive motors for electric vehicles. SAIC Motor, NIO and Leading Ideal are all end users of the Company. The Company has also been a magnetic steel supplier of Bosch Group for its auto parts for years. The Company is also the rare earth permanent magnetic material supplier for the modular electric drive matrix ("MEB") platform project of Volkswagen Group, and the designated supplier of rare earth permanent magnetic materials for the BEV3 flexible global all-electric vehicle platform of General Motors. In 2020, the Company achieved revenue of RMB326 million from the Electric Vehicles and auto parts sectors, representing an increase of 48.07% over last year. The Company's shipment of magnetic steel for drive motors of electric vehicles in 2020 can be assembled into approximately 450 thousand electric passenger vehicles.

With respect to Energy-saving variable frequency air conditioner, the Company is an important magnetic steel supplier for famous variable frequency air conditioner brands such as Midea, GREE, Shanghai Highly and Mitsubishi. In 2020, the Company achieved revenue of RMB878 million from the Energy-saving variable frequency air conditioner sector, representing an increase of 107.99% over last year. The Company's shipment of magnetic steel in 2020 can be assembled into approximately 41 million compressors of Energy-saving variable frequency air conditioner.

As for Wind Power, the Company's end-users are mainly Goldwind and Siemens Gamesa. It achieved revenue of RMB879 million from the Wind Power sector, representing an increase of 2.78% over last year. The installed capacity of Wind Power that can be equipped with the magnetic steel in the Company's shipment in 2020 is approximately 10GW.

During the Reporting Period, the Company began mass production of its products for the 3C sector, which has become a new growth point for the Company's earnings. In addition, the Company actively participates in new energy and energy conservation and environmental protection sectors such as Energy saving elevator, Robotics and intelligent manufacturing, as well as Rail transit, and has become a first-class supplier of high performance magnetic steel in these sectors, possessing strong market competitiveness.

3. Key Financial Information

(1) Key Financial Information of the Past Three Years

Indicate by tick mark whether there is any retrospectively restated datum in the table below.

Yes No

Unit: RMB

	2020	2019	2020-over-2019 change (%)	2018

Operating revenue	2,419,306,740.55	1,696,838,476.01	42.58%	1,289,339,875.43
Net profit attributable to the listed company's shareholders	244,483,670.62	156,880,220.48	55.84%	147,195,841.72
Net profit attributable to the listed company's shareholders before exceptional gains and losses	227,131,823.51	146,838,409.80	54.68%	105,795,891.33
Net cash generated from/used in operating activities	101,832,815.26	42,838,401.92	137.71%	58,093,008.47
Basic earnings per share (RMB/share)	0.59	0.38	55.26%	0.39
Diluted earnings per share (RMB/share)	0.59	0.38	55.26%	0.39
Weighted average return on equity (%)	17.13%	13.41%	Up by 3.72 percentage points	16.20%
	31 December 2020	31 December 2019	Change of 31 December 2020 over 31 December 2019 (%)	31 December 2018
Total assets	3,538,320,671.24	2,826,237,122.05	25.20%	2,070,299,722.99
Equity attributable to the listed company's shareholders	1,567,455,593.17	1,330,352,853.02	17.82%	1,111,491,991.61

(2) Key Financial Information by Quarter

Unit: RMB

	Q1	Q2	Q3	Q4
Operating revenue	413,131,944.95	550,278,967.10	652,846,383.31	803,049,445.19
Net profit attributable to the listed company's shareholders	35,762,924.63	55,736,932.33	61,164,708.24	91,819,105.42
Net profit attributable to the listed company's shareholders before exceptional items	35,914,641.93	50,220,464.67	55,986,025.26	85,010,691.65
Net cash generated from/used in operating activities	-133,184,959.90	77,379,752.12	-97,424,136.39	255,062,159.43

Indicate by tick mark whether any of the quarterly financial data in the table above or their summations differs materially from what have been disclosed in the Company's quarterly or interim reports.

Yes No

4. Share Capital and Shareholder Information at the Period-End

(1) Numbers of Ordinary Shareholders and Preference Shareholders with Resumed Voting Rights as well as Holdings of Top 10 Shareholders

Unit: share

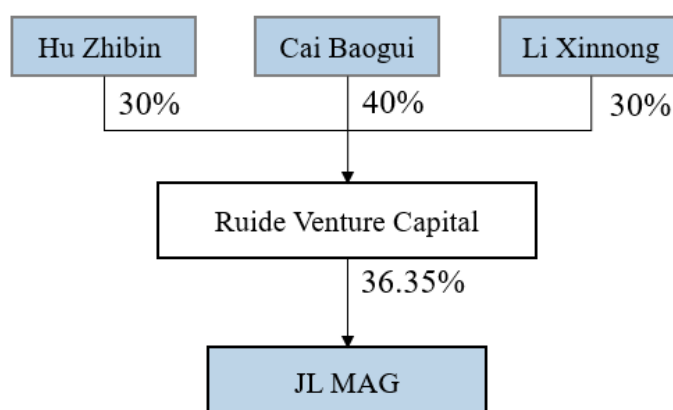
Number of ordinary shareholders at the period-end	51,619	Number of ordinary shareholders at the month-end prior to the disclosure of this Report	50,398	Number of preference shareholders with resumed voting rights at the period-end	0	Number of preference shareholders with resumed voting rights at the month-end prior to the disclosure of this Report	0
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Top 10 shareholders						
Name of shareholder	Nature of shareholder	Shareholding percentage	Number of shares held	Number of restricted shares held	Shares in pledge or frozen	
					Status	Shares
Jiangxi Ruide Venture Capital Co., Ltd.	Domestic non-state-owned corporation	36.35%	151,211,000	151,211,000	Pledged	3,000,000
Goldwind Investment Holdings Co., Ltd.	Domestic non-state-owned corporation	11.38%	47,329,557	0		
Ganzhou Qianchang Business Consulting Management Center (Limited Partnership)	Domestic non-state-owned corporation	6.72%	27,950,000	0		
Ganzhou Rare Earth Group Co., Ltd.	State-owned corporation	6.49%	27,000,000	0		
Shenzhen Capital Fortune No. 9 Investment Enterprise (Limited Partnership)	Domestic non-state-owned corporation	1.80%	7,499,294	0		
Guotai Junan Securities Co., Ltd.	State-owned corporation	0.43%	1,773,100	0		
Mao Huayun	Domestic individual	0.34%	1,430,000	1,430,000		
Hong Kong Securities Clearing Company Limited	Overseas corporation	0.30%	1,227,904	0		
Lv Feng	Domestic individual	0.22%	905,000	905,000		
Industrial and Commercial Bank of China Limited—Southern China Securities Shenwan Nonferrous Metals Trading Open-Ended Index Securities Investment Fund	Other	0.21%	877,200	0		
Related or acting-in-concert parties among the shareholders above	(1) Jiangxi Ruide Venture Capital Co., Ltd. (“Ruide Venture Capital”) is the controlling shareholder of the Company. Actual controllers of the Company, namely Cai Baogui, Hu Zhibin and Li Xinnong, hold their respective interests of 40%, 30% and 30% in Ruide Venture Capital, and they are acting-in-concert parties. Meanwhile, Cai Baogui, Hu Zhibin and Li Xinnong hold their respective interests of 27.31%, 31.43% and 17.96% in Ganzhou Qianchang; (2) Mao Huayun, Deputy General Manager of the Company, directly holds 1,430,000 shares in the Company, as well as a 3.11% interest in Ganzhou Qianchang; (3) Lv Feng, Director and Deputy General Manager of the Company, directly holds 905,000 shares in the Company, as well as a 2.90% interest in Ganzhou Qianchang; (4) save as disclosed above, the Company is not aware of any related or acting-in-concert parties among the other shareholders above.					

(2) Number of Preference Shareholders and Shareholdings of Top 10 of Them

Applicable Not applicable

No preference shareholders in the Reporting Period.

(3) Ownership and Control Relations between the Actual Controllers and the Company**5. Corporate Bonds**

Does the Company have any corporate bonds publicly offered on the stock exchange, which were outstanding before the date of this Report's approval or were due but could not be redeemed in full?

Yes.

(1) Bond Profile

Bond name	Abbr.	Bond code	Issue date	Maturity	Outstanding balance (RMB'0,000)	Coupon rate
Convertible Corporate Bonds of JL MAG Rare-Earth Co., Ltd.	JL Convertible Bonds	123033	1 November 2019	31 October 2025	43,498.18	0.4% for the first year, 1.0% for the second year, 1.5% for the third year, 2.0% for the fourth year, 3.0% for the fifth year and 4.0% for the sixth year

(2) Latest Rating and Rating Change

On 20 March 2019, CSCI Pengyuan Credit Rating Co., Ltd. issued the Credit Rating Report on Convertible Corporate Bonds Offered to the Public by JL MAG Rare-Earth Co., Ltd. in 2019 (CSCI Pengyuan Credit Rating Report [2019] No. Z.80.01), granting a long-term credit rating of AA- to the Company and a credit rating of AA- to the Company's convertible bonds, with a "Stable" outlook.

On 20 May 2020, CSCI Pengyuan Credit Rating Co., Ltd. issued the 2020 Follow-up Credit Rating Report on Convertible Corporate Bonds Offered to the Public by JL MAG Rare-Earth Co., Ltd. in 2019 (CSCI Pengyuan Follow-up Credit Rating Report [2020] No.34.01), maintaining the long-term credit rating of AA- for the Company and the credit rating of AA- for the Company's convertible bonds, with a "Stable" outlook.

(3) Selected Financial Information of the Company for the Past Two Years

Unit: RMB'0,000

Item	2020	2019	Change
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Debt/asset ratio	55.70%	52.93%	Up by 2.77 percentage points
EBITDA/Debt ratio	20.39%	17.62%	Up by 2.77 percentage points
Interest cover (times)	5.75	5.71	0.70%

Part III Management Discussion and Analysis

1. Business Review for the Reporting Period

On 22 September 2020, President Xi Jinping made a solemn declaration at the 75th session of the United Nations General Assembly to the effect that China will scale up its nationally determined contribution, adopt even more forceful policies and measures, and strive to peak carbon dioxide emissions before 2030 and achieve carbon neutrality before 2060. JL MAG focuses on the new energy and energy conservation and environmental protection sectors. As an industry-leading supplier of high performance rare earth permanent magnetic materials in Electric Vehicles and auto parts, Energy-saving variable frequency air conditioner and Wind Power, JL MAG will support China in achieving the goal of carbon neutrality.

Since 2020, the coronavirus outbreak has had a huge impact on human society. Under the correct leadership of higher-level organs, the Company has united all employees to overcome difficulties together following the guidance from the Board of Directors. With equal importance attached to pandemic control and production, substantial growth has been achieved in performance. All employees experienced an extraordinary year together.

Guided by the Company's core values of "customer orientation, innovation and transcendence; unity of knowledge and action, integrity and gratitude", in 2020, the management led all the employees of the Company to pool in efforts in accordance with the development strategy formulated by the Board of Directors. As a result, the Company reported a three-year substantial growth in sales. What's more, it further increased the share of production and sales in the global rare earth permanent magnet industry, significantly optimized the market structure and the customer structure, witnessed a continuous growth in export sales, further improved technologies, quality and management capabilities, and performed stably in the capital market. The Company beefed up solidarity and sharply boosted core competitiveness on a whole.

During the Reporting Period, the Company continuously concentrated its efforts on new energy and energy conservation and environmental protection sectors, with special attention paid to such core applications as Electric Vehicles and auto parts, Energy-saving variable frequency air conditioner, Wind Power, 3C, Energy saving elevator, Robotics and intelligent manufacturing, as well as Rail transit. The Company's operating revenue and net profit kept growing. For the Reporting Period, the Company recorded operating revenue of RMB2,419.3067 million, up 42.58% YoY, of which the domestic sales revenue stood at RMB2,078.5022 million, up 46.83% YoY, and the overseas sales revenue amounted to RMB340.8045 million, up 21.17% YoY. The net profit attributable to the listed company's shareholders was RMB244.4837 million, up 55.84% YoY. And the net profit attributable to the listed company's shareholders before exceptional gains and losses stood at RMB227.1318 million, up 54.68% YoY.

In 2020, the Company achieved revenue of RMB326 million from the Electric Vehicles and auto parts

sectors, representing an increase of 48.07% over last year. The Company has entered the supply chains of multiple top-tier companies in the global automotive industry, and has been designated by a number of international and domestic automotive customers as a project supplier. What's particularly notable is that the Company is involved in the supply chain of Tesla, a global leader in new energy vehicles, with a three-year supply agreement from 2021 to 2023 concluded; the Company has been in partnership with Bosch Group for years; the Company won the 2020 "Excellent Quality Award" from BYD-Fuddy Power. In 2020, the Company's revenue from the energy-saving variable frequency air conditioner sector grew to RMB878 million, representing an increase of 107.99% over last year. The Company continued to consolidate its leading status in the global variable frequency air conditioner sector. It won the title of "Transition to Lean and Excellent Supplier" from Midea Group and the title of "Efficiency Improvement and Excellent Supplier" from the Midea electromechanical business group, in addition to the 2020 "VE Proposal Award" from Mitsubishi Electric (Guangzhou) Compressor Co., Ltd. The Company continued to consolidate its global leading position in Wind Power. Its revenue from Wind Power reached RMB879 million in 2020. The Company won the honor of "5A Supplier with Good Quality and Credit" from Goldwind for the sixth consecutive year and won the "Technical Support Award" from Goldwind. In 2020, the Company continued to develop high-end markets for Robotics and intelligent manufacturing, as well as Energy saving elevator, and began mass production and sale of products for the 3C sector.

During the Reporting Period, the Company further improved its technology, quality and management ability. In terms of technological R&D, the Company made progress in material engineering, process optimization, surface treatment, recyclable technology and other areas, and actively cooperated with customers in R&D of new products and product iteration and upgrade. Products at the ultra-high grades, heavy rare earth free magnet grades and heavy rare earth lean magnet grades were developed. Particularly, its grain boundary diffusion products were well received by several strategic customers. The Company established a system of patent application and management. With the support from the Chinese Society of Rare Earths and the guidance of the Science and Technology Department of the Province as well as the Municipal Science and Technology Bureau, the Company evaluated a scientific achievement titled "Study and Industrialization of Key Technology to Produce High-temperature Resistant, Low HRE and High Performance Rare Earth Permanent Magnets." The evaluation conclusion was "an international advanced level achieved." In 2020, the Company independently developed, produced and delivered over 100 pieces (sets) of new automatic equipment, which improved the quality and consistency of products. The Company advocated lean production, integrated business procedures and created the enterprise value chain. The Company's product delivery capabilities and production efficiency topped the industry and were well recognized by its customers. The Company carried out comprehensive energy management activities. It optimized the process, reduced energy consumption, adopted energy-efficient equipment and reduced the power cost. An excellent supply chain would be built. The Company signed and performed long-term supply agreements with China Southern Rare Earth Group Co., Ltd. and China Northern Rare Earth (Group) High-tech Co., Ltd. At the same time, it gave play to the excellent tradition of returning every particle to the warehouses, and strictly managed production materials and auxiliary materials.

During the Reporting Period, the Company actively expanded its capacity to satisfy the increasing market demand. Currently, the Company has the capacity to produce 15,000 tons of billets a year. Its production base is

developing from single factory to a group of multiple factories. In 2020, the Company's IPO projects, including the "Establishment of a High Performance Magnet Project with an Annual Capacity of 1,300 Tons" and the "Upgrade and Transformation of Automatic Production Lines", were completed and put into operation successively. Benefits from such projects have been gradually obtained. The Company's convertible bond fund-raising project in 2019 titled "Upgrade and Transformation into Smart Manufacturing Factories" and the private placement fund-raising project in 2020 titled "High-end Magnet Project with an Annual Capacity of 3,000 Tons for Electric Vehicles and 3C" have been smoothly commenced and are under steady progress. At the same time, the Company invested RMB575 million in building the "Base of High Performance Rare Earth Permanent Magnetic Materials" in Baotou. The project has been commenced. Upon commissioning, the base will have an annual capacity of 8,000 tons of high performance rare earth permanent magnetic materials and be equipped with supporting electroplating production lines. The Company established a subsidiary in Ningbo in January 2020 in preparation for the processing base of 3C magnetic materials. Through the construction and implementation of the aforementioned projects, the Company will effectively expand and upgrade its capacity to produce high performance magnetic steel, improve the automation of production lines and the competitiveness of its products, and enhance its overall competitiveness and profitability.

During the Reporting Period, the Company made active use of capital market platforms to carry out equity incentives and refinancing. The Company practiced the sharing concept of "Platform Co-creation and Achievement Sharing." In August 2020, the Board of Directors of the Company approved the 2020 Restricted Stock Incentive Plan. By now, a total of 8,034,000 shares have been granted to 226 incentive recipients accumulatively, accounting for 2% of the Company's total share capital. In January 2021, the Company successfully issued shares to specific targets and raised a total of RMB521 million, which further enhanced its strength and facilitated its rapid development.

During the Reporting Period, the Company continuously improved and optimized corporate governance, and won a series of awards and honors from authoritative medias: The Company won the "Best Board of Directors on the ChiNext Board" from the 11th Tianma Award for Investor Relations of Chinese Listed Companies organized by Securities Times; the Company won the "Best Listed Company on the ChiNext Board" from the 15th Survey of the Competitiveness and Public Credibility of Chinese Listed Companies organized by Chinese Securities Journal; Mr. Cai Baogui, Chairman of the Company, was awarded the "Excellent Golden-Quality Entrepreneur" from the "2020 High-Quality Development Forum of Listed Companies and the Golden-Quality Award" organized by Shanghai Securities News, and was invited to the Entrepreneur Roundtable Forum; the Board of Directors of the Company was awarded the 16th Excellent Board of Directors of Chinese Listed Companies by the Directors & Boards.

Since its inception, the Company has been earnestly fulfilling its social responsibilities as a listed company during its constant development. Facing the precipitate COVID-19 outbreak at the beginning of 2020, apart from ensuring its own production safety, the Company played a role in the local combat against the pandemic. It donated RMB1 million to the First Affiliated Hospital of Gannan Medical University through Ganzhou Red Cross Philanthropy Foundation, and donated imported medical masks worthy over RMB100,000 to Ganzhou Red Cross Philanthropy Foundation. In 2020, the anti-pandemic and poverty alleviation funds and supplies donated by the

Company totaled RMB1,212,000; the scholarships or education funds established by it at schools totaled RMB420,000. In addition, the Company continued to increase investment in safe production and environment protection in 2020, and recorded expenses of environment protection and occupational safety of RMB11.83 million throughout the year, an increase of 9.39% year-on-year.

2. Significant Change to Principal Activities in the Reporting Period

Yes No

3. Product Category Contributing over 10% of Principal Business Revenue or Profit

Applicable Not applicable

Unit: RMB

Product category	Operating revenue	Operating profit	Gross profit margin	YoY change in operating revenue (%)	YoY change in operating profit (%)	YoY change in gross profit margin (%)
NdFeB magnetic steel	2,288,664,323.16	554,703,239.07	24.24%	40.40%	57.29%	Up by 2.60 percentage points

4. Business Seasonality that Calls for Special Attention

Yes No

5. Significant YoY Changes in Operating Revenue, Cost of Sales and Net Profit Attributable to the Listed Company's Ordinary Shareholders or Their Compositions

Applicable Not applicable

6. Possibility of Delisting

Applicable Not applicable

7. Matters Related to Financial Reporting

(1) YoY Changes to Accounting Policies, Accounting Estimates or Measurement Methods

Applicable Not applicable

(I) Reasons and time for the changes in accounting policies

1. The Ministry of Finance issued the Accounting Standards for Enterprises No. 22 - Recognition and Measurement of Financial Instruments (2017 Revision) (C.K. [2017] No. 7), the Accounting Standards for Enterprises No. 23 - Transfer of Financial Assets (2017 Revision) (C.K. [2017] No. 8) and the Accounting Standards for Enterprises No. 24 - Hedging (2017 Revision) (C.K. [2017] No. 9) on 31 March 2017, and the Accounting Standards for Enterprises No. 37 - Presentation of Financial Instruments (2017 Revision) (C.K. [2017] No. 14) on 2 May 2017 (the aforementioned standards are collectively referred to as the "new standards on financial instruments"). Domestic listed companies were required to implement the standards from 1 January 2019. According to the above requirements, the Company has adopted the aforementioned new financial instruments since 1 January 2019, and amended its accounting policies in light of regulations in the new standards on financial

instruments. In accordance with the related transitional requirements in the new standards on financial instruments, the Company did not conduct retroactive adjustment to its comparative statements of the same period of last year. These changes in the accounting policies would not influence the financial status or operating results of the Company in previous years.

2. On 5 July 2017, the Ministry of Finance revised and issued the Accounting Standards for Enterprises No. 14 - Revenues (C.K. [2017] No. 22). According to the requirements of the Ministry of Finance, those enterprises that are listed both at home and abroad and those enterprises that are listed overseas and adopt the International Financial Reporting Standards or the Accounting Standards for Enterprises for preparation of financial statements should implement the standards from 1 January 2018; the other domestic listed enterprises should implement the standards from 1 January 2020; and those non-listed enterprises that adopt the Accounting Standards for Enterprises should implement the standards from 1 January 2021. In accordance with the aforementioned revised accounting standards for enterprises, the Company should adjust related accounting policies that it adopted previously. According to the timeline stipulated by the Ministry of Finance, the Company has implemented the new standards on revenues from 1 January 2020.

3. The Ministry of Finance issued the Notice on Revising and Issuing the Format of Financial Statements of General Enterprises for 2019 (C.K. (2019) No. 6) and the Notice on Revising and Issuing the Format of Consolidated Financial Statements (Version 2019) (C.K. (2019) No. 16) on 30 April 2019 and 19 September 2019, respectively. The format of consolidated financial statements was revised. Enterprises were required to prepare their consolidated financial statements of 2019 and the future periods according to the accounting standards for enterprises and requirements in the Notice on Revision. In accordance with the requirements in the aforementioned Notice on Revision, the Company should accordingly adjust the format of consolidated financial statements that it adopted previously. According to the timeline stipulated by the Ministry of Finance, the format of financial statements should be amended from the preparation of the 2019 consolidated financial statements.

(II) Accounting policies adopted before and after the changes

1. Accounting policies before the changes

Before the changes in accounting policies, the Company implemented the Accounting Standards for Enterprises - Basic Standards as well as specific accounting standards, guidelines on accounting standards for enterprises, announcements on interpreting the accounting standards for enterprises and other related regulations.

2. Accounting policies after the changes

After the changes in accounting policies, the Company has implemented the requirements in the aforementioned Notice on Revision. In addition to the above changes in accounting policies, regarding the other unchanged parts, the Company implements the Accounting Standards for Enterprises - Basic Standards issued by the Ministry of Finance previously as well as specific accounting standards, guidelines on accounting standards for enterprises, announcements on interpreting the accounting standards for enterprises and other related regulations.

These changes in accounting policies only affect the format of financial statements and the presentation standards of some items. There is no retroactive adjustment or substantial influence on the Company's total assets, total liabilities, net assets, revenues and net profit. These changes in accounting policies satisfy requirements in

national laws and regulations, related rules and the Company's actualities. There is no damage to the interests of the Company and its shareholders.

(2) Retrospective Restatements due to Correction of Material Accounting Errors in the Reporting Period

Applicable Not applicable

No such cases.

(3) YoY Changes to the Scope of the Consolidated Financial Statements

Applicable Not applicable

JL MAG (Ningbo) Rare-Earth Co., Ltd. and JL MAG (Baotou) Rare-Earth Co., Ltd., wholly-owned subsidiaries incorporated on 15 January 2020 and 18 August 2020 respectively, were included in the consolidated financial statements for the year under review.