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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in JL MAG RARE-EARTH CO., LTD., you should at once hand this circular and the accompanying form(s) of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.



JL MAG RARE-EARTH CO., LTD.

江西金力永磁科技股份有限公司

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

(Stock Code: 06680)

**(1) CHANGE IN THE USE OF PROCEEDS
FROM THE GLOBAL OFFERING
AND
(2) NOTICE OF THE FIRST EXTRAORDINARY GENERAL MEETING
OF 2022**

The notice convening the first extraordinary general meeting of 2022 of the Company (the "EGM") to be held at the conference room of Pullman Hotel, Block C, No. 2 Jianhua South Road, Jiuyuan District, Baotou City, Inner Mongolia Autonomous Region, the PRC on Wednesday, August 24, 2022 at 2:30 p.m. is set out in this circular.

Whether or not you are able to attend the EGM, please complete and sign the form of proxy for use at the EGM in accordance with the instructions printed thereon and return them to the Company's H Share Registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 24 hours before the time appointed for the holding of the EGM (i.e. before 2:30 p.m. on Tuesday, August 23, 2022). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof (as the case maybe) if you so wish.

This circular together with the form of proxy are also published on the websites of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and the Company (www.jlmag.com.cn).

August 9, 2022

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DEFINITIONS

In this circular, the following expression shall have the meanings set out below unless the context requires otherwise:

“2021 Annual Report”	the annual report of the Company for the year ended December 31, 2021
“A Share(s)”	domestic share(s) of the Company with a nominal value of RMB1.00 each listed on the ChiNext Market of the Shenzhen Stock Exchange and traded in RMB
“Articles of Association”	the articles of association of the Company, as amended, modified or otherwise supplemented from time to time
“Board” or “Board of Directors”	the board of Directors of the Company
“JL MAG”, “Company” or “Our 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 or any one of them
“EGM”	the first extraordinary general meeting of 2022 of the Company to be held at 2:30 p.m. on Wednesday, August 24, 2022 at the conference room of Pullman Hotel, Block C, No. 2 Jianhua South Road, Jiuyuan District, Baotou City, Inner Mongolia Autonomous Region, the PRC, the notice of which is set out on pages 10 to 11 of this circular
“Global Offering”	the global offerings of the Company
“H Share Registrar”	Computershare Hong Kong Investor Services Limited, the Company’s H Share registrar
“H Shareholder(s)”	holder(s) of H Shares
“H Shares”	overseas listed foreign shares of the Company with a nominal value of RMB1.00 each listed on the Stock Exchange and traded in HK\$
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time

DEFINITIONS

“Latest Practicable Date”	August 4, 2022, being the latest practicable date prior to the issuance of this circular for ascertaining certain information contained herein
“Listing Date”	Friday, January 14, 2022, being the date on which the H Shares were listed on the Stock Exchange and permitted to commence trading on the Stock Exchange
“Memorandum”	the Company’s Working Capital Forecast Memorandum submitted to the Stock Exchange at the time of its listing
“PRC” or “China”	the People’s Republic of China, which, for the purpose of this circular, shall exclude the Hong Kong Special Administrative Region, the Macao Special Administrative Region and Taiwan
“PRC Company Law”	The Company Law of the People’s Republic of China, as amended, supplemented or otherwise modified from time to time
“Prospectus”	the prospectus of the Company dated December 31, 2021
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	Share(s) in the share capital of the Company with a nominal value of RMB1.00 each, including A Shares and H Shares
“Shareholder(s)”	the shareholder(s) of the Company
“Stock Exchange” or “Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supervisor(s)”	the supervisor (s) of the Company
“Supervisory Committee”	the supervisory committee of the Company
“%”	percentage

LETTER FROM THE BOARD



JL MAG RARE-EARTH CO., LTD.

江西金力永磁科技股份有限公司

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

(Stock Code: 06680)

Executive Directors:

Mr. Cai Baogui

Mr. Lyu Feng

Non-executive Directors:

Mr. Hu Zhibin

Mr. Li Xinnong

Mr. Li Fei

*Registered office and principal place
of business in 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

Independent Non-executive Directors:

Mr. You Jianxin

Mr. Xu Feng

Mr. Yuan Taifang

Place of business in Hong Kong:

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

Jiangxi, August 9, 2022

To the Shareholders

Dear Sir or Madam,

**(1) CHANGE IN THE USE OF PROCEEDS
FROM THE GLOBAL OFFERING
AND**

(2) NOTICE OF THE FIRST EXTRAORDINARY GENERAL MEETING OF 2022

INTRODUCTION

The purpose of this circular is to provide Shareholders with further information in respect of the resolution to be proposed at the Company's EGM to be held on Wednesday, August 24, 2022 at 2:30 p.m. to enable you to make an informed decision on whether to vote for or against the proposed resolution at the EGM. For the details of the proposed resolution at the EGM, please also refer to the announcement of the Company dated July 11, 2022 in relation to the change in the use of proceeds from the Global Offering.

LETTER FROM THE BOARD

MATTERS TO BE RESOLVED AT THE EGM

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

Reference is made to the announcement of the Company dated July 11, 2022 (the “**Announcement**”) in relation to the change in the use of proceeds from the Global Offering.

Basic Information of the Use of Net Proceeds from the Global Offering before the Change

As described in the 2021 Annual Report, the Company’s net proceeds from the Global Offering were approximately HK\$4,045.2 million.

As of the Latest Practicable Date, net proceeds of approximately HK\$1,278.5 million have been utilized, and approximately HK\$2,753.5 million remains unutilized. Details of the original allocation of net proceeds, the net proceeds utilized and unutilized as of the date of this circular and the expected timeline for the use of the remaining unutilized net proceeds are set out in the following table:

No.	Use of proceeds	Allocation of net proceeds (HK\$ million)	Percentage of net proceeds (%)	Amount utilized as of the Latest Practicable Date (HK\$ million)	Unutilized net proceeds as of the Latest Practicable Date (HK\$ million)	Expected timeline for the use of the unutilized net proceeds
1	Construction of Ningbo production base	1,411.2	35.0%	453.5	957.8	By the end of 2023
2	Potential acquisitions	1,008.0	25.0%	52.8	955.2	By the end of 2023
3	Research and development	806.4	20.0%	94.4	712.0	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	Working capital and general corporate purposes	403.2	10.0%	274.7	128.5	By the end of 2022
	Subtotal	4,032.1	100.0%	1,278.5	2,753.5	

Note:

- (1) The difference between the net proceeds in the table and the estimated data disclosed in the Prospectus is due to adjustments based on the actual issuance costs, the same below;
- (2) The utilized amounts from the Listing Date to the Latest Practicable Date and the unutilized amounts as of the Latest Practicable Date have been translated using the exchange rate as of the Latest Practicable Date, the same below.

LETTER FROM THE BOARD

Basic Information of the Use of Net Proceeds from the Global Offering after the Change

The proposed changes in the use of net proceeds, the use of unutilized net proceeds and the expected timeline for the use of the remaining unutilized net proceeds as of the Latest Practicable Date are as follows:

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

The table below sets forth a comparison of the original and updated use of proceeds with a further breakdown for “working capital and general corporate purposes”:

Use of Proceeds	Original		Use of Proceeds	Updated	
	Allocation of proceeds (HK\$ million)	Percentage of total net proceeds (%)		Allocation of proceeds (HK\$ million)	Percentage of total net proceeds (%)
Working capital and general corporate purposes	403.2	10%	Repayment of working capital loans	322.6	8%
/	/	/	Other daily use	80.6	2%
			Purchase of raw materials	403.2	10%
Total	403.2	10%		806.4	20%

LETTER FROM THE BOARD

As set out in the table above, Company intended to use 10% of the net proceeds for “working capital and general corporate purposes”. Within such 10% of the net proceeds, the Company decided in its working capital management process after the listing to use 8% for the repayment of the Company’s short-term working capital loans. This decision was made by the Company after taking into careful consideration that the original purpose of the Company’s borrowing of these short-term loans was to supplement the Company’s working capital in the first place, and the proceeds from such short-term loans have indeed been used as the Company’s working capital in support of its accelerated business growth. Accordingly, the Company considers that the use of 8% of the net proceeds for the repayment of the Company’s short-term working capital loans to be in line with the relevant disclosure in the Prospectus.

Save as disclosed above, there are no other changes in the intended use of net proceeds.

Reasons for and Benefits of the Change in the Use of Net Proceeds from the Global Offering

On March 30, 2022, the Company reviewed and approved the resolution at the eleventh meeting of the third session of the Board in respect of the investment in the construction of Project of High-performance REPMs Base (Phase 2) (“**Baotou Production Base Phase 2 Project**”) by JL MAG (Baotou) Technology Co., Ltd. (“**Baotou Company**”), a subsidiary of the Company, with a total planned fund of RMB700 million. The Company has fully assessed and analyzed the current construction progress of the production bases in Ningbo and Baotou. As the construction progress of the second phase of the Baotou production base of the Company exceeded the scheduled progress, and to improve the efficiency of capital use, the Company intends to change the use of the proceeds by allocating a proportion of the proceeds for “the Baotou Production Base Phase 2 Project and daily operating capital of Baotou Company”, which were originally planned to be used in the “construction of Ningbo production base”. This change in the use of net proceeds from the Global Offering is a prudent decision based on the construction progress of the Company’s projects, which is better aligned with the Company’s development strategy and operating conditions, and is conducive to improving the efficiency of the use of net proceeds from the Global Offering.

In addition to the above, the Company also intends to change the use of the proceeds by allocating a proportion of the proceeds for “working capital and general corporate purposes”, which were originally intended to be used for “research and development”, due to the accelerated business growth of the Company for the first half of 2022 that far exceeded the Company’s expectation at the time of the listing. Specifically:

- Historically, according to the audited financials of the Company, the revenue for the first half of the year accounted for approximately **37.9%** and **43.3%** of the revenue for the full year of 2020 and 2021, respectively.

LETTER FROM THE BOARD

- By contrast, the revenue for the first half of 2022 based on the unaudited management accounts of the Company has already reached an amount close to the revenue forecast in the Memorandum for the full year of 2022. This reflects the Company's accelerated business growth since its listing due to strong market demand for its products, which far exceeded its expectations at the time the Memorandum was prepared.
- Similarly, the raw materials costs for the first half of the year accounted for approximately **39.3%** and **45.1%** of the raw materials costs for the full year of 2020 and 2021, respectively. By contrast, the raw materials costs for the first half of 2022 have already reached an amount close to the forecast raw materials costs for the full year of 2022.
- In the Memorandum, the Company only estimated a relatively moderate increase of its revenue in 2022 by **15.3%** over 2021, which is estimated based on the signed contracts and/or quotation offered to the customers for each business segment as at 16 December 2021, when the Memorandum was prepared, for prudence sake. In reality, its unaudited revenue for the first half of 2022 has far exceeded its revenue for the first half of 2021, which could not be reasonably foreseen at the time of preparing the Memorandum and the listing.

As the Company's business scale in the first half of 2022 has grown far beyond its expectation, the working capital it needed for the operation of such enlarged business also far exceeded its expectation as well. Accordingly, the proposed reallocation of the proceeds for "working capital and general corporate purposes" is entirely intended to be used for the purchase of raw materials to meet the increased market demand. This change in the use of net proceeds from the Global Offering is a prudent decision that is expected to help the Company in capturing the growth opportunities in the market in order to further enhance the Company's profitability.

The Board confirms that there has been no material change in the nature of the Company's business as set out in the Prospectus and considers that the change in the use of the net proceeds from the Global Offering will not have any material adverse effect on the existing business of the Group. The aforesaid change in the use of net proceeds from the Global Offering is in the interest of the Company and its shareholders as a whole.

LETTER FROM THE BOARD

EGM

The notice convening the EGM of the Company to be held at the conference room of Pullman Hotel, Block C, No. 2 Jianhua South Road, Jiuyuan District, Baotou City, Inner Mongolia Autonomous Region, the PRC on Wednesday, August 24, 2022 at 2:30 p.m. and the form of proxy for use at the EGM are enclosed. Whether or not you intend to attend the EGM, you are advised to complete, sign and return the proxy form in respect of the EGM in accordance with the instructions printed thereon as soon as possible to the Company's H Shares Registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong and, in any event, not less than 24 hours prior to the commencement of the EGM, (i.e. before 2:30 p.m. on Tuesday, August 23, 2022). Completion and return of the proxy form will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

As of the date of this circular, to the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, there is no connected person of the Company, Shareholder and their respective associates with a material interest in the resolution to be proposed, considered and approved at the EGM required to be abstain from voting at the EGM.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the H Shareholders entitled to attend and vote at the EGM, the register of members of the H Shares of the Company has been closed from Monday, July 25, 2022 to Wednesday, August 24, 2022 (both days inclusive), during which no transfer of H Shares will be registered. H Shareholders whose names appear on the register of members of the Company on Wednesday, August 24, 2022 shall be entitled to attend and vote at the EGM.

VOTING BY POLL

According to Rule 13.39(4) of the Hong Kong Listing Rules, apart from certain exceptions, any vote of Shareholders at a general meeting must be taken by poll. On a poll, every Shareholder present in person or by proxy (or being a corporation by its duly authorized representative) shall have one vote for each Share registered in his/her name in the register of members. A Shareholder entitled to more than one vote needs not use all his/her votes or cast all the votes he/she has in the same manner.

RECOMMENDATION

The Board considers that the resolution to be proposed at the EGM is in the interests of the Company and the Shareholders as a whole, and accordingly, recommends the Shareholders to vote in favor of the resolution to be proposed at the EGM.

LETTER FROM THE BOARD

RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Hong Kong Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

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

NOTICE OF THE FIRST EXTRAORDINARY GENERAL MEETING OF 2022

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

(A joint stock limited company incorporated in the People's Republic of China with limited liability)
(Stock Code: 06680)

NOTICE OF THE FIRST EXTRAORDINARY GENERAL MEETING OF 2022

NOTICE IS HEREBY GIVEN THAT the first extraordinary general meeting of 2022 (the “EGM”) of JL MAG RARE-EARTH CO., LTD. (the “Company”) will be held at the conference room of Pullman Hotel, Block C, No.2 Jianhua South Road, Jiuyuan District, Baotou City, Inner Mongolia Autonomous Region, the PRC on Wednesday, August 24, 2022 at 2:30 p.m. for the following purpose:

ORDINARY RESOLUTION

1. To consider and approve the change in the use of proceeds from the global offering

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

Jiangxi, August 9, 2022

As of the date of this notice, 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.

NOTICE OF THE FIRST EXTRAORDINARY GENERAL MEETING OF 2022

Notes:

- (1) The register of members of the Company has been closed for the purpose of determining Shareholders' entitlement to attend the EGM from Monday, July 25, 2022 to Wednesday, August 24, 2022 (both days inclusive). In order to attend the EGM, H Shareholders should ensure that all transfer documents, accompanied by the relevant share certificates, are lodged with the Company's Hong Kong H Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (for H Shareholders) at or before 4:30 p.m. on Friday, July 22, 2022 to complete registration. The H shareholders listed on the register of the Company on Wednesday, August 24, 2022 shall have the right to attend and vote at the EGM.
- (2) The EGM circular and the form of proxy for shareholders will be issued and published by the Company in due course.
- (3) Resolution at the EGM will be voted on by poll in accordance the Rules Governing the Listing of the Securities on The Stock Exchange of Hong Kong Limited (the "**Hong Kong Listing Rules**") and the voting results will be posted on the website of the Hong Kong Stock Exchange (www.hkexnews.hk) and the website of the Company (www.jlmg.com.cn) in accordance with the Listing Rules.
- (4) Any shareholders entitled to attend and vote at the EGM can appoint one or more proxies to attend and vote at the EGM on his/her behalf. A proxy need not be a shareholder of the Company. If more than one proxy is so appointed, the appointment shall specify the number and type of shares in respect of which each proxy is so appointed.
- (5) Shareholders shall appoint their proxies in writing. The form of proxy shall be signed by the shareholder or his/her/its attorney who has been authorized in writing. If the shareholder is a corporation, the form of proxy shall be affixed with the corporation's seal or signed by its director, or its attorney duly authorized in writing. If the form of proxy is signed by the attorney of the shareholder, the power of attorney or other authorization document shall be notarized. For H Shareholders, the aforementioned documents must be lodged with the Company's Hong Kong H Share Registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 24 hours before the time appointed for the holding of the EGM (i.e. before 2:30 p.m. on Tuesday, August 23, 2022) in order for such documents to be valid. Completion and delivery of the form of proxy shall not preclude a shareholder of the Company from attending and voting in person at the EGM and, in such event, the instrument appointing a proxy shall be deemed to be revoked.
- (6) Shareholders shall produce their identification documents when attending the EGM.
- (7) If a proxy attends the EGM on behalf of a shareholder, he/she should produce his/her identification document and the power of attorney or other documents signed by the appointer or his/her attorney, which specifies the date of its issuance. If a representative of a corporate shareholder attends the EGM, such representative shall produce his/her identification document and the notarized copy of the resolution passed by the board of directors or other authority or notarized copy of any authorization documents issued by such corporate shareholder.
- (8) The EGM is expected to last for half a day. Shareholders who attend the EGM (in person or by proxy) shall bear their own traveling, accommodation and other expenses.
- (9) The contact of the Company:

Address: Board Secretary Office of JL MAG RARE-EARTH CO., LTD., 81 West Jinling Road, Economic and Technological Development Zone, Ganzhou City, Jiangxi Province

Postal Code: 341000

Tel: 0797-8068059

Contact Person: Mr. Lu Ming

Mr. Lai Xunlong

Fax: 0797-8068000