

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

金力永磁
JLMAG

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: 6680)

ANNOUNCEMENT

(I) TERMINATION OF DISCLOSEABLE TRANSACTIONS AND (II) CHANGE IN THE USE OF PROCEEDS FROM THE GLOBAL OFFERING

(I) TERMINATION OF DISCLOSEABLE TRANSACTIONS

Reference is made to the announcement of JL MAG RARE-EARTH CO., LTD. (the “**Company**”) dated July 22, 2022 in relation to the acquisition of 46% equity interest in Xinyang Yen Sonic Technology Co., Ltd. held by INNOVATIVE FRONTIER LIMITED by the Company (“**Xinyang Yen Equity Transfer**”), and the acquisition of 51% equity interest in Suzhou Yuange Electronics Co., Ltd. held by EASY VICTORY GLOBAL LIMITED (“**Suzhou Yuange Equity Transfer**”) by the Company (collectively the “**Transactions**”) (the “**Announcement**”).

Since conditions precedent under the Transactions as agreed are not yet fulfilled in the course of the Transactions, together with the occurrence of changes in the market environment, after prudent consideration by the Company and negotiation between all parties of the Transactions, all parties of the Transactions unanimously agreed to terminate the Transactions.

As of the date of this announcement, no payment is made by the Company to the counterparties of the Transactions, and the target equity under the Transactions have not been delivered. The termination of the Transactions does not pose material adverse effect to the normal operation of the Company, and will not prejudice the interests of the Company and its shareholders.

(II) CHANGE IN THE USE OF PROCEEDS FROM THE GLOBAL OFFERING

References are made to (i) the prospectus of the Company dated December 31, 2021 (the “**Prospectus**”), in relation to the use of net proceeds from the global offering (the “**Global Offering**”) of the Company; and (ii) the annual report of the Company for the year ended December 31, 2022 (the “**2022 Annual Report**”), in relation to the use of net proceeds as of December 31, 2022. Unless otherwise defined, terms used in this announcement shall have the same meaning as defined in the Prospectus and the 2022 Annual Report.

The board of directors (the “**Board**”) of the Company announces that, the Board has considered and approved the change in the use of proceeds from the Global Offering, subject to the approval by way of ordinary resolution by the shareholders’ general meeting of the Company.

BASIC INFORMATION OF THE USE OF NET PROCEEDS FROM THE GLOBAL OFFERING BEFORE THE CHANGE

As described in the 2022 Annual Report, the Company's net proceeds from the Global Offering were approximately HK\$4,032.1 million.

As of the date of this announcement, net proceeds of approximately HK\$2,716.9 million have been utilized, and approximately HK\$1,315.1 million remains unutilized. Details of the original allocation of net proceeds, the net proceeds utilized and unutilized as of the date of this announcement and the expected timeline for the use of the remaining unutilized net proceeds are set out in the following table:

No.	Use of proceeds	Net proceeds (HK\$ million)	Percentage of net proceeds (%)	Amount utilized as of the date of this announcement (HK\$ million)	Unutilized net proceeds as of the date of this announcement (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%	127.0	881.0	By the end of 2023
3	Research and development	403.2	10.0%	130.6	272.6	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%	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%	2,716.9	1,315.1	

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 of the H Shares of the Company on the Stock Exchange to the date of this announcement and the unutilized amounts as of the date of this announcement have been translated using the exchange rate on June 30, 2023, the same below.

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 date of this announcement are as follows:

No.	Use of proceeds	Net proceeds (HK\$ million)	Percentage of net proceeds (%)	Amount utilized as of the date of this announcement (HK\$ million)	Unutilized net proceeds as of the date of this announcement (HK\$ million)	Expected timeline for the use of the unutilized net proceeds
1	Construction of Ningbo production base	806.4	20.00%	806.4	0.00	N/A
2	Potential acquisitions	604.8	15.00%	127.0	477.8	By the end of 2023
3	Research and development	403.2	10.00%	130.6	272.6	By the end of 2024
4	Repayment of loans for the construction of Baotou Production Base project	403.2	10.00%	403.2	0.00	N/A
5	Baotou Production Base Phase II Project and Baotou Company's daily operation capital	604.8	15.00%	604.8	0.00	N/A
6	Project for Comprehensive Utilization of Waste NdFeB Magnet in Mexico	403.2	10.00%	0.00	403.2	By the end of 2025
7	Working capital and general corporate purposes	806.4	20.00%	644.9	161.5	By the end of 2023
	Subtotal	4,032.1	100.00%	2,716.9	1,315.1	

The table below set out the comparison of the original use and updated use of the proceeds:

Original use			Updated use		
Use of proceeds	Allocation of proceeds (HK\$ million)	Percentage of gross net proceeds (%)	Use of proceeds	Allocation of proceeds (HK\$ million)	Percentage of gross net proceeds (%)
Potential acquisitions	1,008.0	25.0%	Potential acquisitions	604.8	15%
/	/	/	Project for Comprehensive Utilization of Waste NdFeB Magnet in Mexico	403.2	10%
Total	1,008.0	25.0%		1,008.0	25.0%

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

Reference is made to the announcement of the Company dated September 13, 2022. The Company considered and approved the Resolution on Investment of a Wholly-owned Subsidiary in the Construction of the Project for Comprehensive Utilization of Waste NdFeB Magnet in Mexico at the 16th meeting of the third session of the Board convened on September 9, 2022. Pursuant to which, the Company intends to invest in the construction of the “Project for Comprehensive Utilization of Waste NdFeB Magnet” in Mexico (the “**Project for Comprehensive Utilization of Waste NdFeB Magnet in Mexico**”). A new production workshop, inspection and storage building and corresponding public and auxiliary facilities including power, water and gas supply facilities as well as new recycling treatment equipment and magnetic material production equipment, etc. would be built. After completion of the Mexico 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. The total planned investment in the Mexico Project is US\$100 million, and the construction period is 3 years. As of the date of this announcement, an amount of approximately US\$12.51 million has been invested in the Project for Comprehensive Utilization of Waste NdFeB Magnet in Mexico.

In the light of (1) the Company’s termination of the Xinyang Yen Equity Transfer and Suzhou Yuange Equity Transfer, (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 Acquisitions” purpose would be changed to the purpose of the “Project for Comprehensive Utilization of Waste NdFeB Magnet in Mexico”.

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.

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.

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

Jiangxi, August 24, 2023

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, Mr. Liang Minhui and Mr. Li Xiaoguang as non-executive Directors; and Mr. Zhu Yuhua, Mr. Xu Feng and Ms. Cao Ying as independent non-executive Directors.