



兗矿能源集团股份有限公司
YANKUANG ENERGY GROUP COMPANY LIMITED

2023 Q1 Results & Proposed Transactions

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Agenda

1

Operation Review

2

**Acquiring Equity Stakes in
Luxi Mining and Xinjiang Energy**

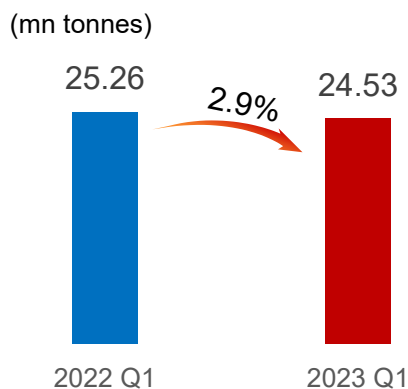
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Market Analysis of Key Products

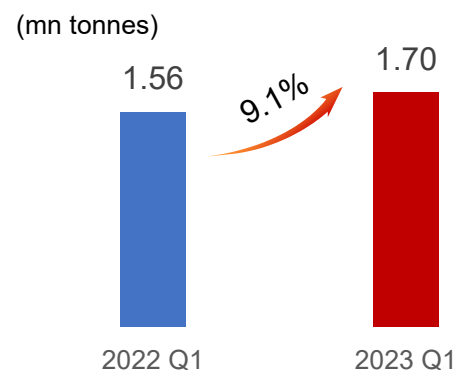
Part 1 Operation Review

(Prepared in accordance with Chinese Accounting Standards)

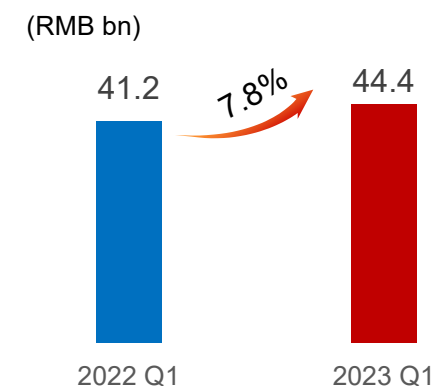
Sales volume of salable coal:
24.53 mn tonnes



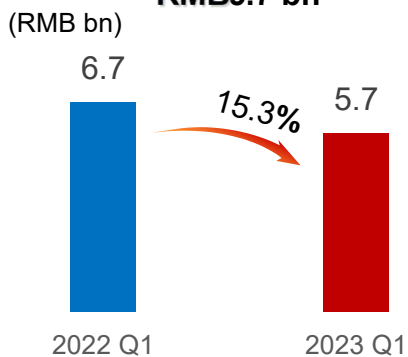
Sales volume of coal chemicals:
1.70 mn tonnes



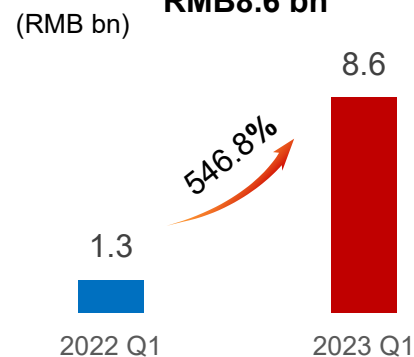
Sales revenue: RMB44.4 bn



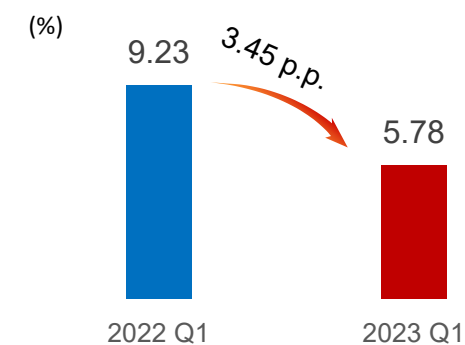
Profit attributable to shareholders:
RMB5.7 bn











Net Operating Cash Flow:
RMB8.6 bn



ROE: 5.78%



Part 2 Acquiring Equity Stakes in Luxi Mining and Xinjiang Energy

-  **The proposed transactions and their necessity**
-  **Principal assets of the target companies**
-  **Financials of the target companies**
-  **Asset valuation**
-  **The impact of the transactions**
-  **Performance commitment**
-  **IFA's opinions**
-  **Adjusted caps on connected transactions**
-  **Schedule for the transactions**

The Proposed Transactions and Their Necessity

The necessity of the transactions

1

Minimizing competition
Facilitating well-regulated operation

2

Enhancing profitability
Increasing shareholder returns

3

Building up reserves of resources
Pursuing development strategy

4

Optimizing the business mix
Diversifying operational risk

Plans for the transactions

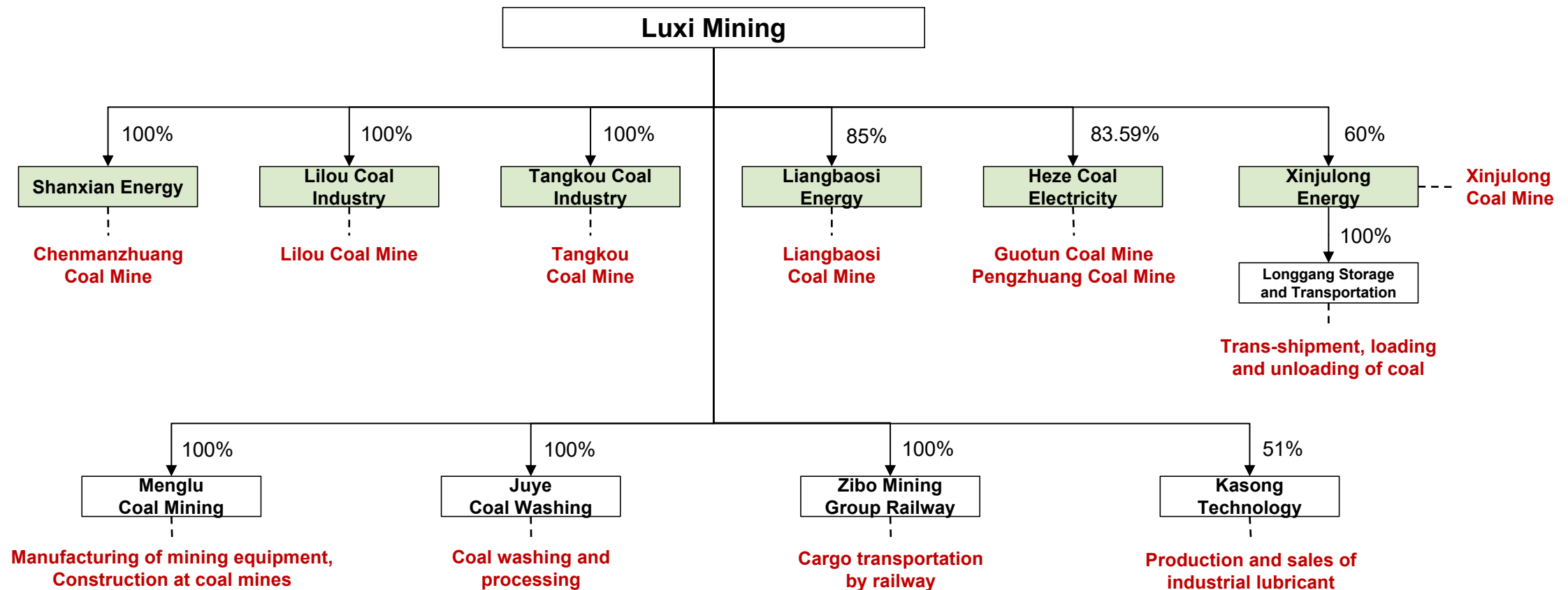
- Yankuang Energy proposes acquiring **51%-equity stakes in Luxi Mining and Xinjiang Energy respectively** from Shandong Energy Group for RMB26.4 bn in cash

The Company will pay the consideration in three tranches

1 st tranche	<ul style="list-style-type: none"> Pay 30% of the actual consideration (~ RMB7.929 bn) within 5 working days after the agreements on the transactions become effective
2 nd tranche	<ul style="list-style-type: none"> Pay 30% of the actual consideration (~ RMB7.929 bn and the corresponding interest) within 5 working days after the closing date or 31 July 2023, whichever is later
3 rd tranche	<ul style="list-style-type: none"> Pay 40% of the actual consideration (~ RMB10.571 bn and the corresponding interest) within 12 months of the effective date of the agreements on the transactions

Principal Assets of the Target Companies

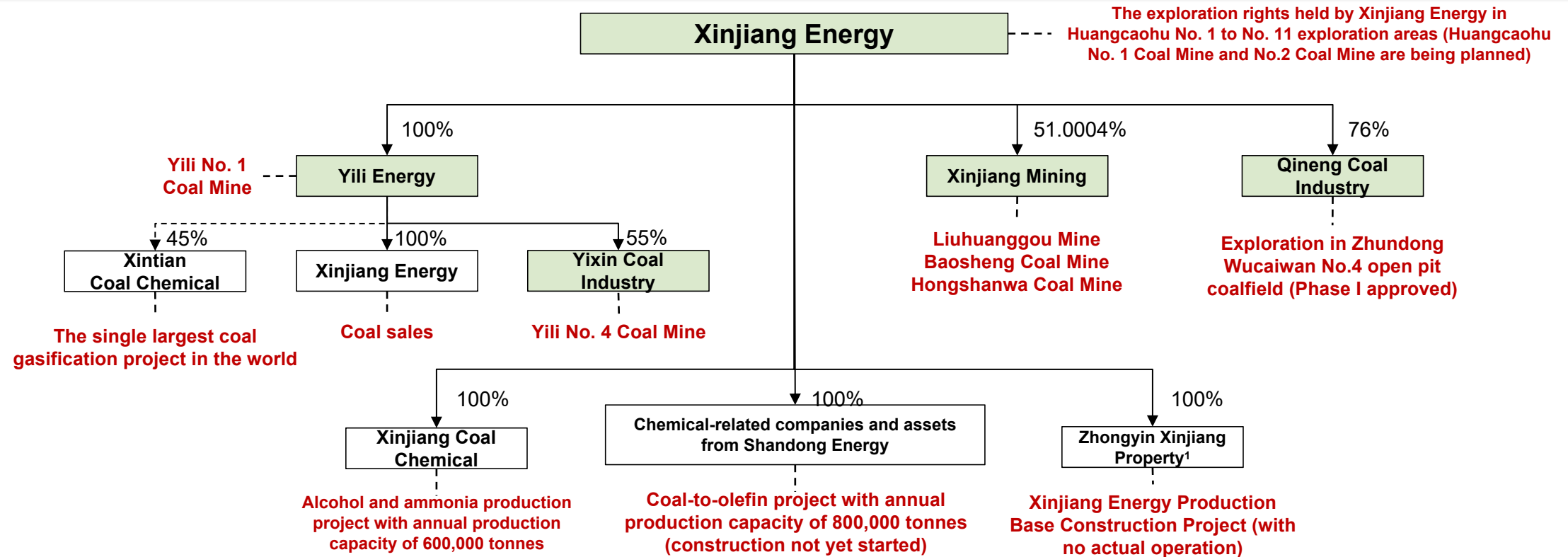
- Luxi Mining has 11 directly and indirectly majority-owned subsidiaries in total. They mainly engage in the mining, washing, sales, transportation and storage of coal and the manufacturing of mining equipment and accessories and other upstream and downstream businesses in the value chain of the coal industry



Note: Names of coal companies are shown with green background; Such companies' principal businesses or assets are indicated in red letters.

Principal Assets of the Target Companies

- Xinjiang Energy has 8 directly and indirectly majority-owned subsidiaries in total. They mainly engage in the mining, washing and sales of coal, coal chemical business and other upstream and downstream businesses in the value chain of the coal industry



Note 1: Since the expiration of its "Property Developer Qualification Certificate" in Nov 2021, Zhongyin Xinjiang Property has not been engaged in property business (sales of commodity housing) except for leasing out a small number of properties. Xinjiang Energy has promised that Zhongyin Xinjiang Property will not apply for the renewal of its "Property Developer Qualification Certificate" and it does not have any plan for engaging in property development.

Note 2: Names of coal companies are shown with green background; Such companies' principal businesses or assets are indicated in red letters; arrows with dotted lines indicate companies which are shareholders.

Principal Assets of the Target Companies

Coal businesses

No.	Target Companies	Type of mineral rights	Resources ¹ (mn tonnes)	Recoverable reserves ¹ (mn tonnes)	Approved production capacity (mn tonnes/year)	Production volume of saleable coal in 2022 (mn tonnes)
1	Luxi Mining	7 mining rights	2,589	1,228	19.00	11.34
2	Xinjiang Energy	5 mining rights	5,617	3,116	20.89	20.47
		12 exploration rights	17,398	12,150	-	-
Total		12 mining rights, 12 exploration rights	25,603	16,495	39.89	31.81

Coal chemicals businesses

No.	Company names	Projects	Chemicals	Approved production capacity
1	Xinjiang Coal Chemical	Production of alcohol and ammonia	Urea	520,000 tonnes/year
			Methanol	300,000 tonnes/year
2	Xintian Coal Chemical Co., Ltd. ²	Coal gasification	Natural gas	2 bn cubic metres/year

Note 1: The figures are based on the resources and recoverable reserves used in the valuation as at 31 Dec 2022 in the valuation report on mineral rights issued by Beijing Kuangtong Resources Development Consultation Co., Limited.

Note 2: Xintian Coal Chemical Co., Ltd. is a stakeholder of Xinwen Mining Group (Yili) Energy Development Co., Ltd. (which is a wholly-owned subsidiary of Xinjiang Energy), with a 45% effective equity stake.

Financial Figures of the Target Companies

■ Consolidated financial figures of Luxi Mining and Xinjiang Energy for 2021, 2022 and Q1 2023

(RMB mn)

Items	For the 3M ended 31/03/2023			For the 12M ended 31/12/2022			For the 12M ended 31/12/2021		
	Luxi Mining	Xinjiang Energy	Total	Luxi Mining	Xinjiang Energy	Total	Luxi Mining	Xinjiang Energy	Total
Revenue	4,731	1,290	6,021	17,713	6,063	23,776	14,980	4,486	19,466
Profit before tax	1,552	344	1,897	5,731	2,376	8,107	3,433	353	3,786
Profit after tax	1,153	342	1,494	4,201	2,168	6,369	2,234	278	2,512
Profit attributable to shareholders	896	355	1,251	3,246	1,940	5,186	1,810	345	2,156

Note: The financial figures for 2021 and 2022 have been audited by ShineWing Certified Public Accountants (Special General Partnership) (“ShineWing”), and the financial figures for the three months ended 31 Mar 2023 have not been audited.

Asset Valuation

- The net assets of Luxi Mining and Xinjiang Energy estimated with the asset-based valuation method as at 31 Dec 2022 are shown below:

(RMB mn)

Target Companies	Projects ¹	Book value	Appraised value	Appreciation in value	Growth rate in appraised value	Proportion of the appreciated value
Luxi Mining	Net assets	9,097	37,130	28,033	308.15%	-
	Value of mineral rights attributable to equity stake	5,094	28,541	23,447	460.30%	83.64%
	Fixed assets	15,806	19,582	3,776	23.89%	13.47%
	Lands	856	1,330	474	55.33%	1.69%
Xinjiang Energy	Net assets	2,517	15,906	13,389	531.98%	-
	Value of mineral rights attributable to equity stake	1,254	14,713	13,459	1,073.21%	100.53%
	Fixed assets	5,976	5,729	-246	-4.12%	-1.84%
	Lands	261	361	100	38.14%	0.74%

Sources of data: The asset valuation report issued by Shandong Zhongping Hengxin Asset Valuation Co., Ltd., which is the valuer of these transactions, and the valuation report on mineral rights issued by Beijing Kuangtong Resources Development Consultation Co., Limited ("Beijing Kuangtong").

Note 1: The data on mineral rights, fixed assets and lands of Luxi Mining and Xinjiang Energy are attributable to the parent companies, that is, they are the sum of the values of the corresponding items of the parent companies and the values of the corresponding items of the subsidiaries determined by asset-based valuation method times the percentages of the corresponding equity stakes.

Impact of the Transactions

1 Impact on business: According to the valuation report on mineral rights issued by Beijing Kuangtong, the target companies will increase the Group's coal reserves in mainland China by 25.6 bn tonnes, its recoverable coal reserves by 16.5 bn tonnes and its production volume of saleable coal by 30 mn tonnes

Projects	Coal resources and recoverable reserves by the end of 2022 (mn tonnes)		Production volume of saleable coal in 2022 (mn tonnes)
	Resources	Recoverable reserves	
Luxi Mining	2,589	1,228	11.34
Xinjiang Energy	23,015	15,266	20.47
Total	25,603	16,495	31.81

Note: The data on the resources/reserves used in the valuation and recoverable reserves as at 31 Dec 2022 are from the valuation report on mineral rights issued by Beijing Kuangtong; the discrepancies between some of the total values and sum of the values shown in the breakdown in the table are the results of the rounding of some data.

2 Impact on financial performance: By a rough estimate, the target companies will increase the Group's turnover by RMB23.8 bn, its net profit attributable to the parent company by RMB2.6 bn, or by 15.84% and 8.59% respectively compared with the corresponding figures in 2022

Projects	Turnover (2022)	Net profit attributable to parent company (2022)
Luxi Mining	17,713	3,246
Xinjiang Energy	6,063	1,940
Total	23,776	5,186

Note: The data on the target companies are from the audit report issued by an audit institution ShineWing Certified Public Accountants; the discrepancies between some of the total values and sum of the values shown in the breakdown in the table are the results of the rounding of some data.

Performance Commitment

The party who makes the performance commitment	Target companies	Cumulative committed net profit after deducting non-recurring profit and loss (RMB mn)
Xinwen Mining Group Co., Ltd., Longkou Mining Group Co., Ltd., Zibo Mining Group Co., Ltd., Feicheng Feikuang Coal Industry Co., Ltd., Linyi Mining Group Co., Ltd.	Luxi Mining	11,425
Shandong Energy Group, Xinwen Mining Group Co., Ltd.	Xinjiang Energy	4,013
Total		15,438

A performance commitment that protect the interests of both the listed company and the shareholders to the greatest extent

If the actual cumulative net profit after deducting non-recurring profit and loss during the commitment period fails to reach the committed net profit after deducting non-recurring profit and loss, the vendor shall compensate the Company in cash for the difference proportional to the tranches of the consideration for the transaction

IFA's Opinions

The independent financial advisor believes that:

■ Although the acquisitions are not conducted in the ordinary and usual course of business of the Company, the agreements on the transfer of the equity stakes are reached on normal commercial terms, are fair and reasonable, and are in the interests of the Company and the shareholders as a whole.

■ The provision of products, materials and asset leasing is conducted in the ordinary and usual course of business of the Company. The agreement on the provision of products, materials and asset leasing is reached on normal commercial terms, is fair and reasonable, and is in the interests of the Company and the shareholders as a whole.

The IFA recommends that the Independent Board Committee should propose that independent shareholders vote for the resolution at the general meeting of the Company to approve the caps on the value of the agreements and proposals on equity stake transfer. It also recommends that the independent shareholders vote for the resolution

Adjusted Caps on Connected Transactions

Annual caps under the Existing Continuing Connected Transactions Agreements will need to be adjusted

(RMB mn)

Category		2023 (before adjustment)	2023 (after adjustment)	2024	2025
Mutual Provision of Labour and Services	Provision of labour and services by Shandong Energy to the Company	3,203	4,830	4,475	3,529
	Provision of labour and services by the Company to Shandong Energy	220	141	174	204
Provision of products, materials and asset leasing by the Company to Shandong Energy		9,072	14,196	14,532	14,638
Provision of insurance fund management services by Shandong Energy to the Company		932	230	270	300
Provision of materials supply by Shandong Energy to the Company		2,600	5,370	5,370	5,370

Schedule for the Transactions

- The review process by the Board of Directors has been completed. The following is an indicative timetable, and the final timeline will be determined in conjunction with the actual progress of the acquisitions

Early June

- **Notice of General Meeting**



Late June

- **Proposed acquisitions to be approved by the general meeting**

2H 2023

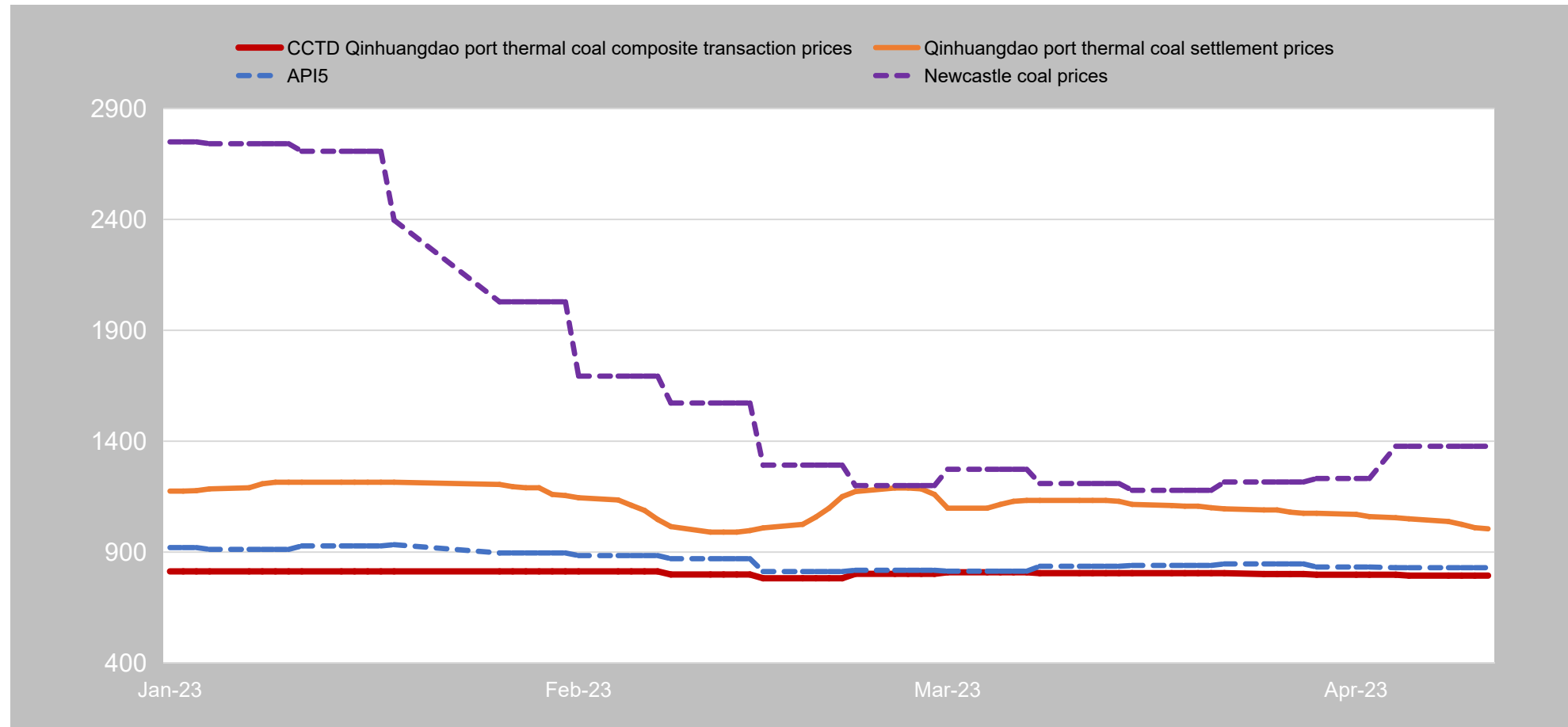
- **To close the equity transfer agreement and complete the filing procedure with the registration authority**

Part 3 Market Analysis of Key Products

-  **Analysis of coal market**
-  **Analysis of coal chemical market**

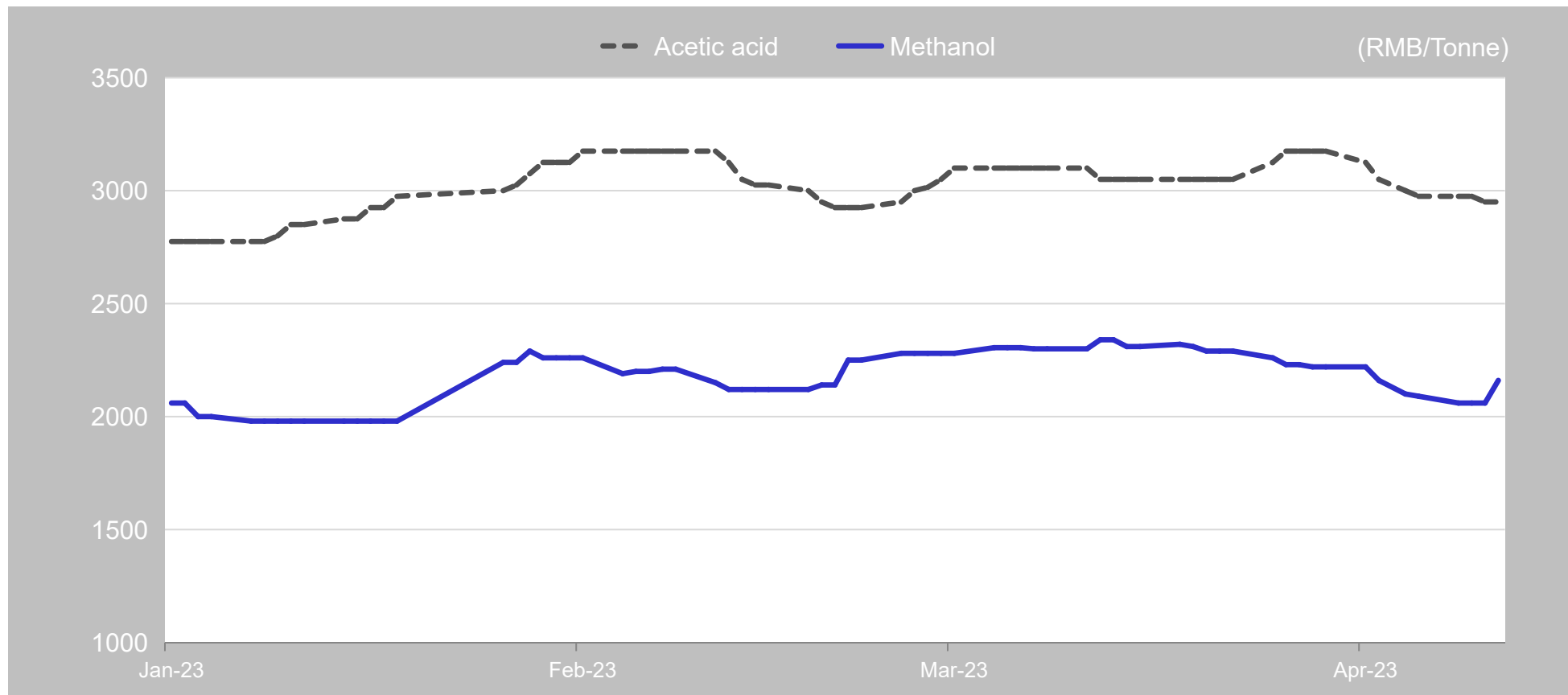
Analysis of Coal Markets

In Q1 2023, coal prices declined in both domestic and overseas markets and are expected to remain at the middle and high levels in the next 3 quarters



Analysis of Coal Chemical Market

**In Q1 2023, prices of key chemicals fluctuate in a narrow range;
Prices of methanol and acetic acid will remain depressed in the next 3 quarters**





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YANKUANG ENERGY GROUP COMPANY LIMITED

Thank you