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INNER MONGOLIA ENERGY ENGINEERING CO., LTD.

內蒙古能源建設投資股份有限公司

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

(Stock Code: 01649)

ANNOUNCEMENT IN RESPECT OF (1) PUBLICATION OF UNAUDITED MANAGEMENT ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2018 AND (2) CONTINUED SUSPENSION OF TRADING

This announcement is made by Inner Mongolia Energy Engineering Co., Ltd. (the “**Company**”) pursuant to rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

Reference is made to the announcements made by the Company dated 15 March 2019 and 29 March 2019, relating to, among other things, suspension of trading and the delay in the publication of the 2018 annual results announcement of the Company (the “**Annual Results**”), respectively. Unless the context otherwise requires, capitalised terms in this announcement shall have the same meaning as those defined in the aforesaid announcements.

In order to keep the shareholders of the Company (the “**Shareholders**”) and the public informed of the Group’s financial performance and position, the board of directors of the Company (the “**Board**”) hereby sets forth below the preliminary unaudited consolidated financial information extracted from the draft unaudited management accounts of the Company and its subsidiaries (the “**Group**”) for the year ended 31 December 2018 (the “**Management Accounts**”). The Directors confirm that the following unaudited consolidated financial information is prepared on the same basis as used in the audited consolidated financial statements of the Group for the financial year ended 31 December 2017.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Prepared by: Inner Mongolia Energy Engineering Co., Ltd.

Unit: RMB in million

Item	At 31 December 2018 (Unaudited)	At 31 December 2017 (Audited)
NON-CURRENT ASSETS		
Property, plant and equipment	2,970.27	2,054.90
Prepaid lease payments	56.53	55.72
Investment properties	8.57	9.15
Goodwill	13.25	13.25
Intangible assets	131.60	137.84
Investments in joint ventures	324.13	127.81
Available-for-sale investments	—	1.00
Equity instruments at fair value through other comprehensive income	15.12	—
Deferred tax assets	85.86	54.53
Deposit for acquisition of an office building	—	15.50
Trade receivables/Trade and bills receivables	313.21	260.30
Other non-current assets	238.01	—
TOTAL NON-CURRENT ASSETS	4,156.55	2,729.99
CURRENT ASSETS		
Inventories	94.32	115.80
Prepaid lease payments	1.34	1.29
Properties for sale	9.01	8.97
Contract assets	842.97	—
Amounts due from customers for construction contracts	—	673.27
Trade receivables/Trade and bills receivables	6,414.93	6,871.93
Debt instruments at fair value through other comprehensive income	194.08	—
Prepayments, deposits and other receivables	3,146.59	2,582.30
Pledged bank deposits	1,092.83	724.47
Time deposits	—	330.00
Cash and cash equivalents	1,907.06	3,777.38
TOTAL CURRENT ASSETS	13,703.13	15,085.41

Item	At 31 December 2018 (Unaudited)	At 31 December 2017 (Audited)
CURRENT LIABILITIES		
Trade and bills payables	3,725.54	4,105.29
Contract liabilities	230.33	—
Amounts due to customers for construction contracts	—	79.11
Other payables and accruals	1,137.57	1,022.14
Income tax payable	62.85	134.95
Bank and other borrowings	5,657.50	5,955.00
Defined benefit obligations	22.55	22.80
Dividends payables	29.81	—
Finance lease liabilities	21.76	—
TOTAL CURRENT LIABILITIES	10,887.91	11,319.28
NET CURRENT ASSETS	2,815.22	3,766.13
TOTAL ASSETS LESS CURRENT LIABILITIES	6,971.77	6,496.12
NON-CURRENT LIABILITIES		
Bank and other borrowings	1,744.00	1,890.00
Defined benefit obligations	400.32	369.63
Deferred tax liabilities	1.95	2.02
Finance lease liabilities	678.47	—
TOTAL NON-CURRENT LIABILITIES	2,824.74	2,261.64
NET ASSETS	4,147.04	4,234.47
Capital and reserves		
Issued share capital	2,846.86	2,846.86
Reserves	1,292.51	1,380.11
	4,139.37	4,226.97
Non-controlling interests	7.67	7.50
TOTAL EQUITY	4,147.04	4,234.47

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Prepared by: Inner Mongolia Energy Engineering Co., Ltd.

Unit: RMB in million

Item	Twelve months ended 31 December	
	2018 (Unaudited)	2017 (Audited)
Revenue	13,302.11	6,797.78
Cost of sales	(12,240.58)	(5,260.70)
Gross profit	1,061.53	1,537.09
Other income	58.72	192.67
Other expenses	(9.87)	(14.00)
Credit impairment losses	(30.97)	17.15
Other gains and losses	11.07	(8.27)
Selling and distribution expenses	(17.88)	(26.54)
Administrative expenses	(801.24)	(802.82)
Share of profit of joint ventures	6.65	3.30
Finance income	110.88	72.04
Finance costs	(377.66)	(283.49)
Profit before tax	11.23	687.13
Income tax expense	(6.82)	(127.82)
Profit for the period	4.41	559.31
Other comprehensive (expense) income, net of income tax:		
Items that will not be reclassified subsequently to profit or loss:		
— Remeasurement of defined benefit obligations	(34.57)	126.79
— Income tax relating to remeasurement of defined benefit obligations that will not be reclassified to profit or loss	0.62	(1.50)
— Changes in the fair value of other investments in equity instruments	2.72	—
Other comprehensive income that will be reclassified subsequently to profit or loss:		
— Changes in the fair value of other debt investments	(2.18)	—
Other comprehensive (expense) income for the period, net of income tax	(33.41)	125.29
Total comprehensive (expense) income for the period	(29.00)	684.60

Item	Twelve months ended 31 December	
	2018 (Unaudited)	2017 (Audited)
Profit for the year attributable to:		
Owners of the Company	4.25	559.29
Non-controlling interests	0.16	0.02
	<u>4.41</u>	<u>559.31</u>
Total comprehensive income for the year attributable to:		
Owners of the Company	(29.16)	684.58
Non-controlling interests	0.16	0.02
	<u>(29.00)</u>	<u>684.60</u>
Earnings per share		
— Basic and diluted (RMB)	<u>0.0015</u>	<u>0.23</u>

Note: Any discrepancies in any table between the total shown and the sum of the amounts listed are due to rounding.

MANAGEMENT DISCUSSION AND ANALYSIS

Revenue by business segments

	Twelve months ended 31 December			
	2018		2017	
	(Unaudited)		(Audited)	
	(RMB		(RMB	
	<i>in million)</i>	%	<i>in million)</i>	%
Survey, design and consultancy	480.80	3.61	784.97	11.55
Construction contracting	3,397.48	25.54	5,458.28	80.30
Trading	8,888.61	66.82	230.37	3.39
Power project operations and other business	591.04	4.44	390.36	5.74
Inter-segment elimination ⁽¹⁾	(55.82)	(0.42)	(66.20)	(0.97)
Total	<u>13,302.11</u>	<u>100.00</u>	<u>6,797.78</u>	<u>100.00</u>

Note: (1) Inter-segment elimination mainly represents the provision of goods or services among business segments.

Revenue of the Group increased by approximately 95.68% from approximately RMB6,797.78 million in 2017 to approximately RMB13,302.11 million in 2018. The increase in revenue was mainly driven by the increase in revenue of trading business and revenue of power project operations and other business of approximately RMB8,658.24 million and RMB200.68 million, respectively, which was partially offset by the decrease in revenue of survey, design and consultancy business and revenue of construction contracting business of approximately RMB304.17 million and RMB2,060.80 million, respectively.

The increase in revenue of trading business was primarily due to the growth of the metal trading business driven by the expansion of trading business by the Company. The increase in revenue of power project operations and other business was primarily due to the acquisition of three power generation projects by the Company at the end of 2017 and in the second half of 2018, respectively, which generated revenue from power generation in 2018. The decrease in revenue of survey, design and consultancy business and construction contracting business were both primarily caused by the decline in business volume resulting from the implementation of the “May 31 New Policy” within the photovoltaic industry and the preferential policies pursuant to which more investments were made to distribution network in the western Inner Mongolia market.

Cost of sales by business segments

	Twelve months ended 31 December			
	2018 (Unaudited)		2017 (Audited)	
	(RMB in million)	%	(RMB in million)	%
Survey, design and consultancy	304.58	2.49	240.79	4.58
Construction contracting	2,757.23	22.53	4,566.38	86.80
Trading	8,827.71	72.12	228.87	4.35
Power project operations and other business	406.88	3.32	290.86	5.53
Inter-segment elimination	(55.82)	(0.46)	(66.20)	(1.26)
Total	12,240.58	100.00	5,260.70	100.00

Cost of sales of the Group increased by approximately 132.68% from approximately RMB5,260.7 million in 2017 to approximately RMB12,240.58 million in 2018. The reason for the increase in the cost of sales is basically in line with the aforementioned reason for the increase in the revenue.

Gross profit and gross profit margin by business segments

	Twelve months ended 31 December			
	2018 (Unaudited)		2017 (Audited)	
	(RMB in million)	%	(RMB in million)	%
Survey, design and consultancy	176.22	36.65	544.19	69.33
Construction contracting	640.25	18.84	891.9	16.34
Trading	60.90	0.69	1.5	0.65
Power project operations and other business	184.16	31.16	99.5	25.49
Total	1,061.53	7.98	1,537.09	22.61

Gross profit of the Group decreased by approximately 30.94% from approximately RMB1,537.09 million in 2017 to approximately RMB1,061.53 million in 2018. The gross profit margin decreased from approximately 22.61% in 2017 to approximately 7.98% in 2018. As the costs of survey, design and consultancy business are mainly fixed labor costs, thus the decline in business volume resulted in the decrease in gross profit margin. Meanwhile, the survey, design and consultancy business with relatively higher gross profit margin saw a decline in its business volume and also in its proportion to the segment revenue, while the metal trading business with relatively lower gross profit margin saw an increase in its business volume and also in its proportion to the segment revenue, which resulted in the decrease in the overall gross profit and gross profit margin.

Finance costs

Finance costs of the Group represent interest expenses on bank borrowings and finance lease. Finance costs of the Group increased from approximately RMB283.49 million in 2017 to approximately RMB377.66 million in 2018, which was primarily due to the increase in bank borrowings used as working capital, the newly added finance lease and the rise in interest rate of bank borrowings in 2018.

The Board hereby emphasises that the unaudited consolidated financial information set out above has not been finalised and is still in process of providing the required information to the auditor of the Company (the “**Auditor**”). Shareholders and potential investors should note that the above unaudited consolidated financial information of the Group has been reviewed by the audit committee of the Company, but has not been reviewed or audited by the Auditor. The unaudited consolidated financial information set out above is only based on the preliminary assessment of the Board after reviewing the Management Accounts, and is not based on any other data or information that has been audited or reviewed by the Auditor. The Board cannot guarantee the unaudited consolidated financial information set out above truly reflects the financial performance and position of the Group and such information might be misleading if any potential adjustments have not been taken into account. Potential investors and Shareholders should note that the actual Annual Results may be significantly different from the disclosure in this announcement.

The meeting of the Board for the purpose of, among others, considering and approving the publication of the Annual Results will be postponed to a date to be fixed by the Board. The Company is still working closely and actively communicating with the Auditor to assist them to complete the audit of the consolidated financial information of the Group, and will use its best endeavours to publish the Annual Results as soon as practicable. The Company will publish further announcement(s) to inform the Shareholders of the date of publication of the Annual Results and the date of despatch of the annual report for the year ended 31 December 2018 as and when appropriate.

Potential investors and Shareholders are reminded by the Company to exercise caution when considering the unaudited consolidated financial information disclosed above and when dealing in the shares of the Company.

CONTINUED SUSPENSION OF TRADING

Trading in the shares of the Company on The Stock Exchange of Hong Kong Limited has been suspended with effect from 9:00 a.m. on 18 March 2019. Trading in the shares of the Company will remain suspended until further notice, pending publication of the 2018 annual results of the Company subject to the forensic investigation result and subsequent follow-up actions required.

By order of the Board
Inner Mongolia Energy Engineering Co., Ltd.
Chao Ketu
Executive Director

Inner Mongolia, PRC, 13 May 2019

As at the date of this announcement, the executive directors of the Company are Mr. LU Dangzhu, Mr. CHAO Ketu and Mr. LIU Lisheng; the non-executive director of the Company is Mr. CHEN Ming; and the independent non-executive directors of the Company are Mr. YUE Jianhua, Ms. LAU Miu Man and Mr. DUAN Guiying.