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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)

DISCLOSEABLE TRANSACTION IN RELATION TO TRANSFER OF 26.91% OF EQUITY INTEREST IN INNER MONGOLIA HELIN POWER CO., LTD. AND CAPITAL INCREASE

The Board is pleased to announce that on November 11, 2019, Inner Mongolia Energy Engineering Co., Ltd. (the “**Company**”) has entered into the equity cooperation agreement (the “**Equity Cooperation Agreement**”) with Inner Mongolia Mengdian Huaneng Thermal Power Corporation Ltd. (“**NMHD**”) and Huai Mine West Mine Investment Management Co., Ltd. (“**West Mine**”), pursuant to which, NMHD and the Company (the “**Transferor**”) have agreed that the Company shall transfer 26.91% of equity interest in Inner Mongolia Helin Power Co., Ltd. (“**Helin Power**” or the “**Target Company**”) to West Mine (the “**Transferee**”) (the “**Equity Transfer**”). Upon the Equity Transfer, NMHD and West Mine will make capital injections to the Target Company based on different proportions, and the Company will cease to make capital injections (the “**Capital Increase**”). Following the completion of the Equity Transfer and the Capital Increase contemplated under the Equity Cooperation Agreement, the Company will hold 13% of equity interest in the Target Company.

LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio (as defined by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”), the “**Listing Rules**”) in respect of the Equity Transfer is higher than 5% but lower than 25%, the Equity Transfer constitutes a discloseable transaction of the Company, and therefore is subject to the notification and announcement requirements but exempted from the circular and the shareholders' approval requirements under Chapter 14 of the Listing Rules.

INTRODUCTION

The Board is pleased to announce that on November 11, 2019, the Company has entered into the Equity Cooperation Agreement with NMHD and West Mine, pursuant to which, NMHD and the Company have agreed that the Company shall transfer 26.91% of equity interest in Helin Power to West Mine. Upon the Equity Transfer, NMHD and West Mine will make capital injections to the Target Company based on different proportions, and the Company will cease to make capital injections. Following the completion of the Equity Transfer and the Capital Increase contemplated under the Equity Cooperation Agreement, the Company will hold 13% of equity interest in the Target Company.

THE EQUITY COOPERATION AGREEMENT

Date : November 11, 2019

Parties : (1) NMHD
(2) the Company
(as the Transferor)
(3) West Mine
(as the Transferee)

Basic information of the Target Company : Target Company is a joint venture established by NMHD and the Company through cooperation, with a registered capital of RMB680 million. NMHD has taken up a capital contribution of RMB347 million and holds 51% of equity interest. The Company has taken up a capital contribution of RMB333 million and holds 49% of equity interest. The actual capital contributions of NMHD and the Company are RMB347 million and RMB150 million, respectively, with an outstanding capital of RMB183 million to be injected.

The 2×660MW project of Helin Power has a construction scale of 2×660MW supercritical indirect air-cooling units, equipped with 2×2250t/h supercritical DC pulverized coal boiler and adopted denitration function and limestone-gypsum wet method. Currently, two units of phase I of Helin Power have been in operation since August 2019 and generating income (net losses) of RMB1,880.5 as at December 31, 2018. For details, please refer to the announcements of the Company dated February 12, 2018, March 1, 2018 and July 6, 2018.

Principal terms : The equity interest in the Target Company is the subject of the transaction under the Equity Cooperation Agreement, and the transaction consists of two parts:

Part I (the Equity Transfer): Each party agrees that the subject of the Equity Transfer is the capital contribution of RMB183 million assumed but not yet paid by the Company, together with the corresponding equity interest of 26.91% in the Target Company. The Company agrees to transfer such equity interest to the Transferee, and the Transferee agrees to accept such equity interest. The transfer of 26.91% of equity interest from the Company to the Transferee is made at RMB nil transfer price, which is determined with reference to the valuation (as defined below) as at the Benchmark Date and confirmed by both the Transferor and the Transferee. Upon the completion of the Equity Transfer, the registered capital of the Target Company remains as RMB680 million, with the capital structure changed into: 51.03% held by NMHD, 26.91% by West Mine and 22.06% by the Company.

Part II (the Capital Increase): Each party agrees that, upon the completion of the Equity Transfer, capital injections based on different proportions will be made to the Target Company by NMHD and West Mine, but the Company will cease to make capital injections. Following the Capital Increase, in the case that the shareholding of NMHD is approximately 57% with corresponding amounts of Capital Increase of approximately RMB658 million, those of West Mine and the Company would be approximately 30% and approximately 13% with corresponding amounts of Capital Increase of approximately RMB346 million and approximately RMB nil, respectively; in the case that the shareholding of NMHD is approximately 47% with corresponding amounts of Capital Increase of approximately RMB542 million, those of West Mine and the Company would be approximately 40% and approximately 13% with corresponding amounts of Capital Increase of approximately RMB462 million and approximately RMB nil, respectively.

Pricing bases

: Each party agrees Sinovalue Assets Appraisal Co., Ltd. to conduct valuation on the Target Company, and the valuation serves as the basis of Equity Transfer after it is confirmed by the parties:

- (1) For the transfer price under the Equity Transfer, the valuation of the Target Company as at September 30, 2018 (the “**Benchmark Date**”) serves as the reference, and the Transferee will contribute a sum of RMB183 million to the registered capital of the Target Company, thus acquiring 26.91% of equity interest in the Target Company;

(2) For the consideration under the Capital Increase, the registered capital equivalent to 20% of the total investment amount (RMB1,154 million) approved in accordance with the measures of National Development and Reform Commission of the People's Republic of China on approval of enterprise investment projects, combined with the net asset as determined by the valuation, serves as the basis for capital injections to be made by NMHD and West Mine, both of which will take up the outstanding capital according to their respective shareholdings.

Consideration payment and terms

- : (1) Payment and terms of the equity price: West Mine shall pay the registered capital to the Target Company in cash with the sum of RMB183 million within 30 days after the Target Company has completed the equity change registration (that West Mine holds 26.91% of equity interest in the Target Company) with relevant industry and commerce authorities.
- (2) Payment and terms of the consideration under the Capital Increase: NMHD and West Mine shall pay the outstanding capital to the Target Company in cash according to their respective shareholdings upon the capital increase within 90 days after the Target Company has completed the capital increase and equity change registration with relevant industry and commerce authorities.

REASONS FOR AND BENEFITS OF THE TRANSACTION

In response to the relevant policies of the government on encouraging joint operation for coal-fired power enterprises, the enterprises can achieve the purpose of promotion of development through coal-power integration, coal-power cross-shareholding and other forms of cooperation by reform of diversification of equity investment as well as revitalisation of stock assets. The directors are of the view that the terms of Equity Transfer and the Capital Increase under the Equity Cooperation Agreement are concluded on normal commercial terms, and are fair and reasonable and in the interests of the Company and the shareholders as a whole.

INFORMATION ABOUT PARTIES

The Company is a large comprehensive power industry solutions provider in China, focusing on power grid and new energy projects. The Company provides a comprehensive range of solutions, including survey, design and consultancy, construction contracting and maintenance and overhaul services to serve the full life-cycle of power generation projects and the entire value chain of the power engineering industry.

NMHD is principally engaged in the production, supply, sales, maintenance and management of thermal power, heating, steam and hot water; the generation and supply of wind power and other new energies; investment of coal, railway and ancillary infrastructure projects; the investment,

construction, operation and management of the industry of chemical processing and deep processing of coal; the raw material investment related to limestone production and power generation; and the management and consultation services related to the above business operation. NMHD is a joint stock company with limited liability established in the PRC, whose shares listed on the Shanghai Stock Exchange. To the best knowledge and belief of the directors of the Company, having made all reasonable enquiries, NMHD and its ultimate beneficial owner are third parties independent of and not connected with the Company and its connected persons (as defined in the Listing Rules).

West Mine is a wholly-owned subsidiary of Huainan Mining (Group) Co., Ltd. (淮南礦業(集團)有限責任公司) with coal as its main business. West Mine, on behalf of Huainan Mining (Group) Co., Ltd., exercises control over three joint ventures (coal mines), i.e. Bojiang Haizi Coal Mine, Tangjiahui Coal Mine and Selian No. 2 Well Coal Mine. The total amount of resource of the three coal mines is 2.5 billion tonnes. Huainan Mining (Group) Co., Ltd. is a large state-owned enterprise, primarily engaged in coal mining, washing and processing, etc. West Mine is a company with limited liability established in the PRC. To the best knowledge and belief of the directors of the Company, having made all reasonable enquiries, West Mine and its ultimate beneficial owner are third parties independent of and not connected with the Company and its connected persons (as defined in the Listing Rules).

LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio in respect of the Equity Transfer is higher than 5% but lower than 25%, the Equity Transfer and the Capital Increase constitutes a discloseable transaction of the Company, and therefore is subject to the notification and announcement requirements but exempted from the circular and the shareholders' approval requirements under Chapter 14 of the Listing Rules.

CONTINUED SUSPENSION OF TRADING

Trading in the shares of the Company on the Stock Exchange has been suspended with effect from 9:00 a.m. on March 18, 2019 and will remain suspended until further notice, pending the publication of the 2018 annual results of the Company subject to the forensic review results and subsequent necessary further actions.

Potential investors and shareholders of the Company should exercise caution when dealing in the shares of the Company.

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

Inner Mongolia, PRC, November 11, 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.

** For identification purpose only*