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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 PROVISION OF GUARANTEES

Reference is made to the announcement of Inner Mongolia Energy Engineering Co., Ltd. (the “**Company**”) dated 13 March 2020 in relation to the major findings of the independent forensic review conducted by PricewaterhouseCoopers Management Consulting (Shanghai) Limited. The Company found in the findings of the independent forensic review and its self-inspection that on 10 November 2017, Inner Mongolia Power Survey & Design Institute Co., Ltd. (“**Design Institute**”) (a wholly-owned subsidiary of the Company) and the Company entered into guarantee agreements (maximum pledge amount contract, maximum guarantee amount contract) with Hohhot Branch of China Minsheng Bank Co., Ltd. (“**Minsheng Bank**”), pursuant to which Design Institute and the Company agreed to provide guarantee for the credit line granted by Minsheng Bank to Inner Mongolia Mengxing Products Co., Ltd. (“**Mengxing Products**”) with a maximum credit amount under guarantee of up to RMB330 million (“**Guarantee I**”); on 13 March 2018, the Company and the Banking Department of Baotou Rural Commercial Bank Co., Ltd. (“**BRCB**”) entered into a guarantee agreement (guarantee contract), pursuant to which the Company shall provide joint and several guarantee for the loan of RMB100 million granted by BRCB to Inner Mongolia Zhendong Transportation and Sales Co., Ltd. (“**Zhendong Transportation and Sales**”) (“**Guarantee II**”); on 13 November 2018, Inner Mongolia Power Construction International Engineering Construction Investment Co., Ltd. (“**International Engineering Company**”) (a wholly-owned subsidiary of the Company) entered into guarantee agreements (guarantee contract, opinion on approval of guarantee) with BRCB, pursuant to which the International Engineering Company shall provide joint and several guarantee for the loan of RMB200 million granted by BRCB to Inner Mongolia Lichuang Photovoltaic Power Co., Ltd. (“**Inner Mongolia Lichuang**”) (“**Guarantee III**”).

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 Guarantee I is higher than 5% but lower than 25%, Guarantee I 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.

Pursuant to Rule 14.22 of the Listing Rules, Guarantee II shall be aggregated with Guarantee III. In a 12-month period, the total guarantee amount of Guarantee II and Guarantee III shall be RMB300 million. As the highest applicable percentage ratio (as defined by the Listing Rules) in respect of Guarantee II and Guarantee III is higher than 5% but lower than 25%, Guarantee II and Guarantee III constitute discloseable transactions of the Company, and therefore are 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

Reference is made to the announcement of the Company dated 13 March 2020 in relation to the major findings of the independent forensic review conducted by PricewaterhouseCoopers Management Consulting (Shanghai) Limited. The Company found in the findings of the independent forensic review and its self-inspection that on 10 November 2017, Design Institute and the Company entered into guarantee agreements (maximum pledge amount contract, maximum guarantee amount contract) with Hohhot Branch of Minsheng Bank, pursuant to which Design Institute and the Company agreed to provide guarantee for the credit line granted by Minsheng Bank to Mengxing Products with a maximum credit amount under guarantee of up to RMB330 million; on 13 March 2018, the Company and the Banking Department of BRCB entered into a guarantee agreement (guarantee contract), pursuant to which the Company shall provide joint and several guarantee for the loan of RMB100 million granted by BRCB to Zhendong Transportation and Sales; on 13 November 2018, International Engineering Company entered into guarantee agreements (guarantee contract, opinion on approval of guarantee) with BRCB, pursuant to which International Engineering Company shall provide joint and several guarantee for the loan of RMB200 million granted by BRCB to Inner Mongolia Lichuang.

Guarantee I

The Company conducted financial self-inspection after Mr. Lu Dangzhu (“**Mr. Lu**”), former chairman of the Company was took away by the national disciplinary investigation and supervision authority for investigation and was informed by Chang Qing, president of the Hohhot Daxue East Street Sub-branch of Minsheng Bank, on 3 February 2019 that Design Institute’s deposits of RMB330 million with Minsheng Bank had been used for external guarantees. However, the pledge contract was not approved by the Board or the party committee of the Company and was not reflected in the credit report of Design Institute.

The principal terms of the guarantee agreements are set out as follows:

- Date : 10 November 2017
- Parties : (1) Hohhot Branch of Minsheng Bank (as the creditor);
- (2) Design Institute, a wholly-owned subsidiary of the Company, (as the guarantor);
- (3) the Company (as the guarantor);
- (4) Mengxing Products (the debtor under the master contract)
- Terms and size of the guarantee : Design Institute provides the highest amount of pledge guarantee for all/part of the debt under the master contract entered into between Mengxing Products and Hohhot Branch of Minsheng Bank with its Corporate Large Amount Certificate of Deposit worth of RMB330 million opened by it at Hohhot Daxue East Street Sub-branch of Minsheng Bank, and signed a maximum pledge amount contract with Hohhot Branch of Minsheng Bank, pursuant to which: the maximum amount of debt under the guarantee is RMB330 million. If the debtor under the master contract fails to fulfill its debt repayment obligations, Hohhot Branch of Minsheng Bank has the right to exercise the pledge right against Design Institute at any time and dispose of the pledged property under the maximum pledge amount contract;
- The Company provides the highest amount of guarantee for all/part of the debt under the master contract entered into between Mengxing Products and Hohhot Branch of Minsheng Bank, and signed a maximum pledge amount contract with Hohhot Branch of Minsheng Bank, pursuant to which: the maximum amount of debt under the guarantee is RMB330 million, and the guarantee method is joint and several liability guarantee. If the debtor under the master contract fails to fulfill its debt repayment obligations, Hohhot Branch of Minsheng Bank has the right to claim compensation directly from the Company.
- Term of the guarantee : The duration of the principal creditor's right under the guarantee is from 10 November 2017 to 9 May 2019. According to the information obtained by the Company from Minsheng Bank, Mengxing Products proceeded with the discounting of commercial acceptance bills with an aggregate amount of RMB330 million and the last discounting business expired on 9 November 2019.

Reasons for the transaction : Mr. Lu, former chairman of the Company, privately proceeded with pledge procedures without performance of any procedures and approval and concealed relevant information. The Company is not aware of the entering into of the guarantee agreement. In February 2019, Mr. Lu was taken away by the national disciplinary investigation and supervision authority for investigation due to suspected bribery and misappropriation of corporate assets.

Progress of the transaction : The loan expired in November 2019. On 19 November 2019, Minsheng Bank has directly deducted Design Institute's pledged deposits of RMB330 million for repayment of the debts.

Accordingly, Design Institute filed a civil lawsuit against Hohhot Branch of Minsheng Bank on 27 February 2019, and requested the court to make a judgment on invalidating the guarantee agreement entered into between Design Institute and Minsheng Bank on 10 November 2017. On 12 March 2020, the first instance judgement issued by the Higher People's Court of the Inner Mongolia Autonomous Region dismissed the claims of Design Institute. The Company is preparing to institute an appeal.

Guarantee II and III

On 11 February 2019, the Company found in its financial self-inspection that the Company and International Engineering Company had negotiated deposits and negotiated deposit contracts at BRCB. As at the date of the inspection, the balance of the negotiated deposits amounted to RMB300 million (RMB200 million for the Company and RMB100 for International Engineering Company). However, when checking with the bank staff at the time, the bank staff denied the existence of the external guarantees of the Company and International Engineering Company. On 9 May 2019, upon receipt of the notice from the national disciplinary investigation and supervision authority, the Company was informed by BRCB that there were indeed external guarantees.

Guarantee II

Date : 13 March 2018

Parties : (1) BRCB (as the creditor);
(2) the Company (as the guarantor);
(3) Zhendong Transportation and Sales (the debtor under the master contract)

Terms and size of the guarantee : The Company provides the highest amount of guarantee for all/part of the debt under the master contract entered into between Zhendong Transportation and Sales and BRCB, and signed a guarantee contract with BRCB, pursuant to which: the maximum amount of debt under the guarantee is RMB100 million, and the guarantee is on joint and several liability basis. If the debtor under the master contract fails to fulfill its debt repayment obligations, BRCB has the right to claim compensation directly from the Company.

The scope of guarantee includes the debts' principal, interest (including statutory interest, agreed interest and penalty interest), compound interest, handling fees, liquidated damages, damages, fees paid by the lender to realize the creditor's rights and all other reasonable fees payable.

Term of the guarantee : The term of the loan under the guarantee is from 6 December 2017 to 2 December 2018.

Reasons for the transaction : Mr. Lu, former chairman of the Company, privately proceeded with pledge procedures without performance of any procedures and approval and concealed relevant information. The Company is not aware of the entering into of the guarantee agreement. In February 2019, Mr. Lu was taken away by the national disciplinary investigation and supervision authority for investigation due to suspected bribery and misappropriation of corporate assets.

Progress of the transaction : As at 4 December 2019, Zhendong Transportation and Sales had repaid the principal of RMB100 million and related interests to BRCB. BRCB had released guaranteed amount of RMB50 million, and the balance of the Company's negotiated deposits with BRCB amounted to RMB150 million.

Guarantee III

Date : 13 November 2018

Parties : (1) BRCB (as the creditor);
(2) International Engineering Company, a wholly-owned subsidiary of the Company, (as the guarantor);
(3) Inner Mongolia Lichuang (the debtor under the master contract)

- Terms and size of the guarantee : International Engineering Company provides the highest amount of guarantee for all/part of the debt under the master contract entered into between Inner Mongolia Lichuang and BRCB, and signed a guarantee contract with BRCB, pursuant to which the maximum amount of debt under the guarantee is RMB200 million, and the guarantee is on joint and several liability basis. If the debtor under the master contract fails to fulfill its debt repayment obligations, BRCB has the right to claim compensation directly from International Engineering Company.
- The scope of guarantee includes the debts' principal, interest (including statutory interest, agreed interest and penalty interest), compound interest, handling fees, liquidated damages, damages, fees paid by the lender to realize the creditor's rights and all other reasonable fees payable.
- Term of the guarantee : The term of the loan under the guarantee is from 13 November 2018 to 12 November 2019.
- Reasons for the transaction : Mr. Lu, former chairman of the Company, privately proceeded with pledge procedures without performance of any procedures and approval and concealed relevant information. The Company is not aware of the entering into of the guarantee agreement. In February 2019, Mr. Lu was taken away by the national disciplinary investigation and supervision authority for investigation due to suspected bribery and misappropriation of corporate assets.
- Progress of the transaction : As at the date of this announcement, Inner Mongolia Lichuang had not repaid the loan of RMB200 million to BRCB.

INFORMATION ON THE 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.

Design Institute is principally engaged in power system planning, various types of thermal power generation, wind power and other new energy generation, power transmission and transformation of different voltage levels, survey and design, consulting and general contracting of geotechnical, electronic communications, civil construction, environmental protection, soil and water conservation, municipal administration, heating and other engineering projects, development, construction and operation of new energy projects, software research and development, system integration and building intelligent system engineering, and multimedia technology applications.

International Engineering Company is principally engaged in general contracting of various engineering, including general contracting of electrical engineering construction, general contracting of housing construction engineering, professional contracting of steel structure engineering, professional contracting of lifting equipment installation engineering, thermal power equipment installation engineering, electromechanical equipment installation engineering, municipal engineering construction, decoration engineering construction, construction and installation engineering, installation of power facilities, and import and export business mainly covering the sale of electromechanical equipment, steel, metal materials, wires, cables, and electrical materials.

Minsheng Bank is the first national joint-stock commercial bank with contributions from non-state-owned enterprises in China. Minsheng Bank and its subsidiaries mainly provide corporate and personal banking, treasury business, finance leasing, asset management and other financial services in China. To the best knowledge and belief of the directors of the Company, having made all reasonable enquiries, Minsheng Bank 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).

BRCB is principally engaged in acceptance of public deposits, issuance of short, medium and long term loans; domestic settlement; bills acceptance and discounting; issuance, redemption and underwriting of government bonds as agents; trading of government bonds and financial bonds; inter-bank borrowing; collection and payment of fees as agents and involvement in insurance agency business; involvement in bank card (debit card) business; provision of deposit box service; and other businesses approved by the China Banking and Insurance Regulatory Commission. To the best knowledge and belief of the directors of the Company, having made all reasonable enquiries, BRCB 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).

Mengxing Products is mainly engaged in mining, deep processing, wholesale and retail of coal.

Zhendong Transportation and Sales is mainly engaged in coal transportation, coal washing and sales, earth and stone stripping, vegetable cultivation, livestock breeding, aquaculture, education and training, chemical products (excluding dangerous goods), color steel plates, aluminium profile, steel processing and manufacturing, manufacturing of engineering machinery accessories and equipment, hardware and electrical equipment and building hardware, electronic products, logistics and logistics auxiliary services.

Inner Mongolia Lichuang is mainly engaged in the production, manufacturing, research and development, sales, installation and maintenance of electrical equipment, development, construction, operation and maintenance of new energy power stations, energy-saving services and energy storage applications, photovoltaic equipment installation and leasing, electricity sales, coal sales, and business consulting services.

LISTING RULES IMPLICATIONS

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Pursuant to Rule 14.22 of the Listing Rules, Guarantee II shall be aggregated with Guarantee III. In a 12-month period, the total guarantee amount of Guarantee II and Guarantee III shall be RMB300 million. As the highest applicable percentage ratio (as defined by the Listing Rules) in respect of Guarantee II and Guarantee III is higher than 5% but lower than 25%, Guarantee II and Guarantee III constitute discloseable transactions of the Company, and therefore are subject to the notification and announcement requirements but exempted from the circular and the shareholders' approval requirements under Chapter 14 of the Listing Rules.

REMEDIAL MEASURES

The Company deeply regrets its failure to make timely disclosures in respect of the guarantees in compliance with the Listing Rules.

Being aware of the misunderstanding of the disclosure requirements on the transactions, the Company will promptly adopt a series of remedial measures as follows:

- (a) As remedial measures, the Company issues this announcement disclosing the details of the transactions in accordance with the relevant provisions of Chapter 14 of the Listing Rules in order to keep all shareholders of the Company informed.
- (b) In addition, the Company will enforce the following remedial actions to ensure the strict compliance by the Company with the Listing Rules in the future:
 1. Additional training by professional adviser on the disclosure requirements of the transactions and the directors' duties under the Listing Rules, including but not limited to corporate governance and procedures on information disclosure of the Company under Chapters 13, 14 and 14A of the Listing Rules, will be given to the directors, senior management and accounting personnel of the Company, so as to reinforce and improve their understanding of compliance with the Listing Rules.
 2. A letter will be issued to all the directors and senior management of the Company and its subsidiaries to remind them of the strict compliance of directors' duties under the Listing Rules, including but not limited to corporate governance and information disclosure obligations of the Company under Chapters 13, 14 and 14A of the Listing Rules, and in particular, to inform and consult the company secretary and the legal advisers of the Company before entering into transactions which may trigger disclosure obligations of the Company, so as to properly identify such transactions of the Company. Regular letters to remind the directors and senior management of the Company and its subsidiaries of the disclosure requirements of the transactions and strict compliance of directors' duties under the Listing Rules will be frequently issued by the Company.

3. A special task group will be set up to oversee the notifiable transactions of the Company and its subsidiaries, and consult the Company's legal advisers and auditors on the relevant compliance issues in a timely manner. The Company will continue to assess and enhance its internal control management regarding disclosure compliance, thereby avoiding the re-occurrence of similar incidents.

Going forward, the Company will continue to comply with and make appropriate disclosures to the market in a timely manner to ensure strict compliance with 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 18 March 2019 and will remain suspended until further notice, pending the publication of the 2018 annual results of the Company subject to relevant investigation 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.
Niu Jirong
Chairman

Inner Mongolia, PRC, 8 April 2020

As at the date of this announcement, the executive directors of the Company are Mr. NIU Jirong, 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 and Mr. DUAN Guiying.