SOUTHERN ENERGY HOLDINGS GROUP LIMITED
南方能源控股集團有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 1573)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2019

The board (the "**Board**") of directors (the "**Directors**") of Southern Energy Holdings Group Limited (the "**Company**") is pleased to announce the unaudited interim results of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 30 June 2019 (the "**Reporting Period**").

FINANCIAL HIGHLIGHTS

- Revenue amounted to approximately RMB282.0 million (six months ended 30 June 2018: RMB310.7 million).
- Sales volume of anthracitic coal amounted to approximately 486,000 tonnes (six months ended 30 June 2018: 519,000 tonnes).
- Gross profit amounted to approximately RMB148.0 million (six months ended 30 June 2018: RMB170.3 million).
- Gross profit margin was 52.5% (six months ended 30 June 2018: 54.8%).
- Profit attributable to owners of the Company amounted to approximately RMB95.2 million (six months ended 30 June 2018: RMB110.4 million).
- Basic earnings per share was RMB0.13 (six months ended 30 June 2018: RMB0.15).

INTERIM RESULTS

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2019

		Six months ended 30 June	
	NOTES	**2019**	2018
		RMB'000	RMB'000
		(**unaudited**)	(unaudited)
Revenue	3	**281,976**	310,659
Cost of sales		**(133,970)**	(140,366)
Gross profit		**148,006**	170,293
Other income		**2,034**	2,086
Net foreign exchange gain/(loss)		**41**	(165)
Distribution and selling expenses		**(1,833)**	(1,399)
Administrative expenses		**(12,091)**	(11,115)
Finance costs		**(7,165)**	(11,608)
Share of profit/(loss) of a joint venture		**82**	(134)
Profit before taxation		**129,074**	147,958
Income tax expense	4	**(33,869)**	(37,514)
Profit and total comprehensive income for the period	5	**95,205**	110,444
		RMB	RMB
Earnings per share			
Basic	7	**0.13**	0.15

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2019

	NOTES	At 30 June 2019 RMB'000 (unaudited)	At 31 December 2018 RMB'000 (audited)
Non-current assets			
Property, plant and equipment		**257,710**	264,640
Mining rights		**850,148**	858,975
Exploration right		**288,000**	288,000
Rehabilitation deposits		**16,874**	16,874
Interest in a joint venture		**4,663**	4,581
Prepaid lease payments - non-current portion		**5,641**	5,769
		1,423,036	1,438,839
Current assets			
Inventories		**2,112**	1,083
Prepaid lease payments - current portion		**318**	319
Trade and other receivables	8	**2,718**	2,142
Short-term bank deposits		**—**	50,000
Bank balances		**228,308**	139,245
		233,456	192,789
Current liabilities			
Trade and other payables	9	**192,504**	194,146
Contract liabilities		**60**	68
Tax payables		**23,234**	21,263
Bank borrowings - current portion	10	**100,150**	142,300
		315,948	357,777
Net current liabilities		**(82,492)**	(164,988)
Total assets less current liabilities		**1,340,544**	1,273,851
Capital and reserves			
Share capital		**47,988**	47,988
Reserves		**1,237,034**	1,141,829
Total equity		**1,285,022**	1,189,817
Non-current liabilities			
Provision for restoration and environmental costs		**19,490**	19,002
Bank borrowings - non-current portion	10	**29,000**	58,000
Deferred tax liabilities		**7,032**	7,032
		55,522	84,034
		1,340,534	1,273,851

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months end 30 June 2019

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 ("**HKAS 34**") "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") as well as with the applicable disclosure requirements of Appendix 16 to the Rules (the "**Listing Rules**") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

At 30 June 2019, the Group had net current liabilities of approximately RMB82 million. In preparing the condensed consolidated financial statements, the Directors have carefully considered the future liquidity of the Group and concluded that the Group has sufficient working capital to meet in full its financial obligations as and when they fall due in the foreseeable future, after taking into account (i) the continuous operating cash inflows generated from the Group's business; (ii) the Group's capital expenditure plan for its future business development; and (iii) the availability of banking facilities, amounting to approximately RMB771 million. Accordingly, the Directors are satisfied that the adoption of the going concern basis in preparing the condensed consolidated financial statements is appropriate.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis.

Other than changes in accounting policies which became first applicable during the current interim period and resulting from application of new and amendments to Hong Kong Financial Reporting Standards ("**HKFRSs**"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2019 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2018.

2. **PRINCIPAL ACCOUNTING POLICIES -** continued

Application of new and amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 January 2019 for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKFRS 9	Prepayment Features with Negative Compensation
HKFRS 16	Leases
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
HK(IFRIC) - Int 23	Uncertainty over Income Tax Treatments
Annual Improvements 2015 - 2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

Adoption of new and amendments to above standards did not constitute any significant financial impact on the condensed consolidated financial statement.

3. **REVENUE AND SEGMENT INFORMATION**

All revenues are generated in the People's Republic of China (the "**PRC**"). The following is an analysis of the Group's revenue in the reporting periods.

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Sale of anthracite coal	**281,976**	310,659

The sale of anthracite coal is recognised at point-in-time.

The management determines the operating segment based on the information reported to the Group's chief operating decision maker ("**CODM**"), being the executive directors of the Company. The CODM assesses the operating performance and allocates the resources of the Group as a whole, as the Group is primarily engaged in the extraction and sale of anthracite coal in the PRC. Accordingly, there is only one operating and reportable segment. All the principal assets employed by the Group are located in the PRC.

Segment assets and liabilities

Information regularly reported to the CODM for the purposes of resources allocation and performance assessment does not include any assets and liabilities. Accordingly, no segment assets and liabilities are presented.

4. INCOME TAX EXPENSE

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Current tax:		
PRC Enterprise Income Tax ("**EIT**")	**33,869**	38,645
Deferred tax	**–**	(1,131)
	33,869	37,514

During the six months ended 30 June 2019 and 2018, the Group had no assessable profit subject to tax in any jurisdictions other than the PRC.

Under the Law of the PRC on Enterprise Income Tax (the "**EIT Law**") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both periods.

No deferred taxation has been provided in respect of the undistributed earnings of the Group's PRC subsidiaries as the Directors of the Company consider that such earnings will not be distributed in the foreseeable future.

5. PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Profit for the period has been arrived at after charging/(crediting):		
Amortisation of mining rights (capitalised in inventories)	**8,827**	9,378
Depreciation of property, plant and equipment	**7,360**	7,855
Capitalised in inventories	**(7,091)**	(7,601)
	269	254
Release of prepaid lease payments	**129**	159
Cost of inventories recognised as expenses	**133,970**	140,366
Bank interest income	**(1,250)**	(1,355)

6. DIVIDEND

No dividend was paid, declared or proposed for the six months ended 30 June 2019 and 2018 by the Directors.

7. EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to the owners of the Company is based on the following data:

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Earnings		
Earnings for the purpose of basic earnings per share (profit for the period attributable to owners of the Company)	**95,205**	110,444

	Six months ended 30 June	
	2019	2018
Number of shares		
Number of ordinary shares for the purpose of basic earnings per share	**718,000,000**	718,000,000

No diluted earnings per share for the six months ended 30 June 2019 and 2018 was presented as there were no potential ordinary shares outstanding during both periods.

8. TRADE AND OTHER RECEIVABLES

	At 30 June 2019 RMB'000 (unaudited)	At 31 December 2018 RMB'000 (audited)
Trade receivables	**59**	41
Deposits, prepayments and other receivables (note)	**2,659**	2,101
	2,718	2,142

Note: Included in other receivables as at 30 June 2019 and 31 December 2018 was an amount of RMB305,000 due from ultimate holding company, which is unsecured, interest-free and repayable on demand.

Before accepting any new customers, the Group assesses the customers' credit quality and reputation. This exercise is also performed on a regular basis by the Group. In general, the Group requests advance payments from customers before delivering the goods and no credit period is granted.

The following is an aged analysis of trade receivables, presented based on invoice dates which approximated the respective revenue recognition date, at the end of the Reporting Period:

	At 30 June 2019 RMB'000 (unaudited)	At 31 December 2018 RMB'000 (audited)
0 - 30 days	**59**	41

9. TRADE AND OTHER PAYABLES

	At 30 June 2019 RMB'000 (unaudited)	At 31 December 2018 RMB'000 (audited)
Trade payables	**5,457**	4,587
Accruals for staff costs	**12,866**	14,329
Interests payables	**17,142**	16,586
Other payables and accruals	**6,865**	8,410
Other tax payables	**13,673**	13,733
Resources fees payable and accrual (note)	**136,501**	136,501
	187,047	189,559
	192,504	194,146

Note: Resources fees are charged by the PRC local government authority upon their approval to upgrade the Group's annual production capacity of the relevant coal mines and the payable amounts are determined based on the total coal reserves in the respective mining areas as assessed and approved by the authority. Included in the amounts are RMB29,055,000 as at 30 June 2019 and 31 December 2018 which carry interest at the Benchmark Lending Rate of the People's Bank of China and are payable on demand. The amount as at 30 June 2019 and 31 December 2018 also included an amount of RMB107,446,000 estimated and accrued by the management upon the PRC local government authority approving the upgrade of the annual production capacity of Lasu Coal Mine, Weishe Coal Mine and Luozhou Coal Mine in late 2015. Such accrual did not bear interest and the Group is in the process of finalising the actual resources fees to be paid and applying for deferring the payment and agreeing an instalment plan with the relevant authority. Up to the date of approval of these condensed consolidated financial statements, the approval is yet to obtain.

9. TRADE AND OTHER PAYABLES - continued

The following is an aged analysis of trade payables, presented based on the invoice date, at the end of the reporting period:

	At 30 June 2019 RMB'000 (unaudited)	At 31 December 2018 RMB'000 (audited)
0 - 30 days	**5,457**	4,587

The average credit period on purchase of goods is 30 days.

10. BANK BORROWINGS

During the Reporting Period, the Group repaid bank borrowings of approximately RMB71 million (six months ended 30 June 2018: RMB71 million). The borrowings carry interest at fixed market rates ranging from 5.50% to 6.60% (31 December 2018: ranging from 5.50% to 6.60%) per annum and are repayable within one to two years (31 December 2018: one to two years).

MANAGEMENT DISCUSSION AND ANALYSIS

This management discussion and analysis is prepared by the Board. It should be read in conjunction with the unaudited interim condensed consolidated financial statements and notes thereto of the Group for the six months ended 30 June 2019.

Business Review and Market Review

According to the National Bureau of Statistics of China, during the first half of 2019, China's GDP was RMB45,933.3 billion, representing a period-on-period increase of 6.3%. The first quarter and second quarter period-on-period growth were 6.4% and 6.2%, respectively. Overall, the national economy has maintained a steady development in the first half of 2019.

2019 is the fourth year of reform on the supply side of the coal industry, which has attained achievements for this stage. According to the data from the National Energy Administration of China, the coal industry has resolved the 290 million tonnes of excess capacity in 2016, reduced its production by 250 million tonnes in 2017, and eliminated its backward production capacity by 270 million tonnes in 2018, upon which the main targets of the "13th Five-Year Plan" coal de-capacity efforts were basically completed.

In 2019, the coal industry is posed to transfer into the new stage of structural de-capacity and systematic optimization of production capacity. The impact of the continuous elimination of backward production capacity policies in recent years has gradually becoming apparent, and the output of high-quality raw coal has steadily increased. According to the National Bureau of Statistics of China, from January to June 2019, the production capacity of high-quality coal was released in an orderly manner, as the national raw coal output was 1,758.20 million tonnes, up 2.6% period-on-period. The growth rate was 1.7 percentage points higher than that from January to May 2019, and accelerated by 2.2 percentage points compared to the first quarter of 2019.

The three coal mines in production under the Group, namely the Weishe Coal Mine, the Luozhou Coal Mine and the Lasu Coal Mine recorded an anthracite coal sales volume of 486,000 tonnes in total, resulting in a revenue of approximately RMB282.0 million.

Looking forward, China economy is expected to operate within a reasonable range and keeps the trend of maintaining overall stability while making steady progress. The state will uphold the supply-side structural reform as the main target, it will continue to encourage the coal industry to bring its production capacity into full play, so as to balance the supply and demand in the market. Such multiple factors are conducive to maintaining stable supply and demand equilibrium in the coal market and keep the price in a stable and rational range.

Financial Review

Revenue

During the Reporting Period, the Group recorded a revenue of approximately RMB282.0 million, representing a decrease of RMB28.7 million, or a drop of approximately 9.2%, from approximately RMB310.7 million for the six months ended 30 June 2018. The decrease in the revenue was primarily attributable to the Lunar New Year vacation this year being longer than that in last year, resulting in a drop in production volume. Sales volume decreased by 6.4% from approximately 519,000 tonnes for the six months ended 30 June 2018 to approximately 486,000 tonnes for the Reporting Period due to the decrease in production volume.

Cost of Sales

The Group's cost of sales decreased by 4.6% to approximately RMB134.0 million for the Reporting Period from approximately RMB140.4 million for the six months ended 30 June 2018, which was primarily attributable to the decrease in production volume.

The Group's cost of sales per tonne recorded an increase from RMB270 per tonne for the six months ended 30 June 2018 to RMB275 per tonne for the Reporting Period.

The following table sets forth a breakdown of the Group's average cost of sales per tonne of anthracite coal for the periods indicated below:

Cost of sales per tonne	Six months ended 30 June **2019** **RMB/Tonne**	2018 RMB/Tonne
Staff costs	**127**	118
Cost of materials, fuel and energy	**71**	74
Depreciation and amortisation	**33**	33
Business taxes and surcharges	**37**	39
Others	**7**	6
Total	**275**	270

Gross Profit and Gross Profit Margin

As a result of the foregoing, the gross profit decreased by 13.1% from approximately RMB170.3 million for the six months ended 30 June 2018 to approximately RMB148.0 million for the Reporting Period. The gross profit margin decreased by 4.2% from 54.8% for the six months ended 30 June 2018 to 52.5% for the Reporting Period.

Distribution and Selling Expenses

During the Reporting Period, the Group's distribution and selling expenses were approximately RMB1.8 million, representing an increase of RMB0.4 million, or a rise of approximately 28.6%, from approximately RMB1.4 million for the six months ended 30 June 2018, which was primarily attributable to material consumption which depleted inventory level, resulting in the divergence during the Reporting Period.

Administrative Expenses

During the Reporting Period, the Group's administrative expenses were approximately RMB12.1 million, representing an increase of RMB1.0 million, or a rise of approximately 9.0%, from approximately RMB11.1 million for the six months ended 30 June 2018, which was primarily attributable to increase in staff wages and social security cost as well as operational expenses.

Finance Costs

During the Reporting Period, the Group's finance costs were approximately RMB7.2 million, representing a decrease of RMB4.4 million, or a drop of approximately 37.9%, from approximately RMB11.6 million for the six months ended 30 June 2018, which was primarily attributable to partial repayment of loans.

Income Tax Expense

During the Reporting Period, the Group's income tax expense was approximately RMB33.9 million, representing an decrease of RMB3.6 million from approximately RMB37.5 million for the six months ended 30 June 2018, which was primarily attributable to decrease in assessable proceeds.

Profit and Total Comprehensive Income Attributable to Owners of the Company

During the Reporting Period, profit and total comprehensive income attributable to owners of the Company was approximately RMB95.2 million, representing an decrease of RMB15.2 million, or a drop of approximately 13.8%, from approximately RMB110.4 million for the six months ended 30 June 2018. The decrease was primarily attributable to decrease in production volume.

Liquidity and Capital Resources

As at 30 June 2019, the Group had net current liabilities of approximately RMB82.5 million (31 December 2018: RMB165.0 million).

The Group intends to finance its future capital expenditure requirements mainly with the continuous operating cash flows generated from the Group's business, the net proceeds from the listing and the availability of banking facilities. As at 30 June 2019, the Group had bank balances in the amount of approximately RMB228.3 million (31 December 2018: RMB139.2 million) and unutilised banking facilities in the amount of approximately RMB770.9 million (31 December 2018: RMB699.7 million).

As at 30 June 2019, the Group had bank borrowings of approximately RMB129.2 million (31 December 2018: RMB200.3 million). Bank borrowings carry interest at fixed market rates ranging from 5.50% to 6.60% (31 December 2018: ranging from 5.50% to 6.60%) and are repayable within one to two years (31 December 2018: one to two years) and are denominated in RMB.

The Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The management monitors the utilisation of bank borrowings and ensures compliance with the covenants under the relevant loan.

Capital Structure

During the Reporting Period and up to the date of this announcement, there has been no change in the capital structure of the Company. The capital of the Company comprises its shares and other reserves.

Foreign Exchange Exposure

The Group's business is mainly located in the PRC with most of its transactions effected in RMB. Other than certain bank balances denominated in HKD, most of the assets and liabilities of the Group are denominated in RMB. As the fluctuation of the exchange rate of RMB against HKD was limited during the Reporting Period, the Group was not exposed to a materially adverse risk of exchange fluctuation during the Reporting Period.

The Group has not engaged in any foreign currency contract to hedge the potential foreign currency exchange exposure.

Charges over Assets of the Group

As at 30 June 2019, the Group's mining rights with carrying amounts of approximately RMB850 million (31 December 2018: RMB859 million) were pledged to secure bank borrowings of the Group from Guiyang Branch of Shanghai Pudong Development Bank.

Capital Commitments

No capital commitment was noted at 31 December 2018 and 30 June 2019.

Gearing Ratio

As at 30 June 2019, the gearing ratio (total bank borrowings over total equity and multiplied by 100%) of the Group was 10.1% (31 December 2018: 16.8%). The decrease in the gearing ratio was primarily attributable to decrease in bank borrowings.

Employee and Remuneration Policy

As of 30 June 2019, the Group had a total of 1,586 employees.

The employee's remuneration policy of the Group is formulated on the basis of the performance, work experience and salary level prevailing in the market. The Group has not experienced any significant employment issues or any suspension of operations due to labour disputes nor has it experienced any difficulty in the recruitment and retention of experienced staff. The Group maintains a good relationship with its employees.

Contingent Liabilities

Between 2013 and 2015, the Group entered into five conditional asset transfer agreements with independent third parties to acquire all the assets and liabilities in five companies (with respect to Daihaizi Coal Mine, Xinfeng Coal Mine, Chengguan Coal Mine, Hongfa Coal Mine and Qingsong Coal Mine), each of which is inactive but holding the mining right of an anthracite coal mine in Guizhou Province of the PRC. Each of the agreements contain a number of condition precedents including, but not limited to, transfer of mining right to the Group, technological upgrade and related application for upgrading the annual production capacity of the mines by the vendors, obtaining the updated mining right licences with the increased production capacity, satisfactory completion of the due diligence by the Group as well as consideration determination based on professional valuation.

In 2016, the Group entered into supplemental agreements with the vendors to delineate the rights and obligations between the parties under the proposed acquisitions and each of the vendors agreed to indemnify the Group and its Directors and shareholders for any potential liabilities therefrom. In addition, the Group has the sole and absolute discretion to decide whether or not to proceed with the acquisitions in accordance with the supplemental agreements. Based on the foregoing, the management of the Group is of the view that no provision is considered necessary during the Reporting Period.

At the end of the Reporting Period, the respective acquisitions are yet to complete given the fact that many of the key completion precedents are not satisfied. Hence, the Directors consider that it is unlikely that future economic benefits associated with the mines will flow to the Group in the near term and the consideration of the transactions cannot be accurately measured. The Directors concluded that the risks and rewards of those anthracite coal mines are yet to be transferred to the Group. Notwithstanding certain obligations imposed on the Group in the respective asset transfer agreements as well as those mining licence transfer agreements subsequently entered into, the management of the Group, having consulted its PRC legal advisors, considered that contingent liabilities adhered to those agreements are remote and yet to estimate reliably. Hence, no provision has been made in the financial statements in accordance with HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets".

Significant Investment Held

There was no other significant investment held by the Company during the Reporting Period.

Material Acquisition and Disposal of Subsidiaries, Associates and Joint Ventures

There was no material acquisition and disposal of subsidiaries, associates and joint ventures during the Reporting Period and up to the date of this announcement.

Off-balance Sheet Arrangement

The Group has not entered into, nor does it expect to enter into, any off-balance sheet arrangement. The Group also has not entered into any financial guarantees or other commitments to guarantee the payment obligations of third parties.

Issue of Warrants

The Company entered into a subscription agreement on 27 June 2018 (as supplemented by the supplemental agreements dated 31 July 2018 and 28 September 2018) (collectively, the "**Subscription Agreements**") with Mr. Yang Wei ("**Mr. Yang**"), pursuant to which, subject to the fulfillment of the conditions to the Subscription Agreements, the Company agreed to the issue and Mr. Yang agreed to subscribe for 5,000,000 warrants at the issue price of HK$2.32 per warrant and the allotment and issue of up to 5,000,000 shares of US$0.01 each in the share capital of the Company at the initial subscription price of HK$12 per warrant share (subject to adjustments) pursuant to the exercise of the subscription rights attaching to the warrants. For details of the Subscription Agreements, including the terms and conditions precedents, please refer to the Company's announcements dated 27 June 2018, 31 July 2018, 23 August 2018 and 28 September 2018 and the Company's circular dated 9 November 2018.

As of the date of this announcement, conditions under the Subscription Agreements were not fulfilled or waived, and the Subscription Agreements had ceased and determined.

Proposed Notes Issue

On 20 June 2019, the Company announced that it proposes to conduct an international offering of senior notes (the "**Notes**"), which will be offered to professional investors only (the "**Proposed Notes Issue**"). The Notes are proposed to be guaranteed by certain subsidiaries of the Company (the "**Subsidiary Guarantors**").

In connection with the Proposed Notes Issue, the Company commenced a series of presentations to professional investors only beginning on or around 20 June 2019. CMB International Capital Limited ("**CMBI**") and Standard Chartered Bank have been appointed as the joint global coordinators, joint bookrunners and joint lead managers, in respect of the Proposed Notes Issue. Completion of the Proposed Notes Issue is subject to, among other things, market conditions and investors' interests. Pricing of the Notes, including the aggregate principal amount, the offer price and the interest rate, will be determined through a book building exercise to be conducted by CMBI and Standard Chartered Bank as the joint global coordinators, joint bookrunners and joint lead managers. Upon the finalization of the terms of the Notes, the Company, the Subsidiary Guarantors, CMBI and Standard Chartered Bank will enter into a purchase agreement and other ancillary documents in relation to the Proposed Notes Issue.

The Notes are expected to be rated "B2" by Moody's Investors Service. A rating is not a recommendation to buy, sell or hold the Notes and may be subject to suspension, reduction or withdrawal at any time by Moody's Investors Service.

If the Notes are issued, the Company intends to use the net proceeds of the Proposed Notes Issue for refinancing of indebtedness and general corporate purposes.

The Company believes that the Proposed Notes Issue is in the interest of the Company as the Notes will enhance the working capital requirement of the Group.

For details of the Proposed Notes Issue, please refer to the announcement of the Company dated 20 June 2019. Please note that since no definitive or binding agreement in relation to the Proposed Notes Issue has been entered into as at the date of this announcement, and the Proposed Notes Issue may or may not materialize.

For latest information, please refer to the website of the Company (www.nfny.hk) and/or the website of the Stock Exchange (https://www.hkexnews.hk/index.htm).

Potential Disposal

On 6 June 2019, the Company announced that the Board has been informed by its controlling shareholder, namely Lavender Row Limited (the "**Relevant Shareholder**"), that it has been approached by Bijie City Anfang Construction Investment (Group) Co., Ltd.* (畢節市安方建設投資(集團)有限公司) (the "**Potential Purchaser**") in respect of the Potential Purchaser's desire to acquire up to 143,600,000 ordinary shares in the Company held by the Relevant Shareholder, representing approximately 20% of the entire issued share capital of the Company as at 6 June 2019 (the "**Potential Disposal**").

For details of the Potential Disposal, please refer to the Company's announcements dated 6 June 2019 and 5 July 2019.

Subsequently, the Company has been informed by the Relevant Shareholder that the discussions between the Relevant Shareholder and the Potential Purchaser in relation to the Potential Disposal were terminated on 5 August 2019. For details, please refer to the Company's announcement dated 5 August 2019.

Subsequent Events after the Reporting Period

Save as disclosed in this announcement, there is no material event undertaken by the Group subsequent to 30 June 2019 and up to the date of this announcement.

Prospect

Looking forward, China's economy remained within a reasonable range, and shall continue the overall stable and steady development trend going forward, while adhering to the supply-side structural reform as the main objective, insisting on promoting the coal industry to release high-quality production capacity, as well as balancing the supply and demand within the coal market, which is supported by a number of beneficial factors, as the price is maintained at a stable and rational state.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the Reporting Period, there was no purchase, sale or redemption of the Company's listed securities by the Company or any of its subsidiaries.

USE OF PROCEEDS FROM THE LISTING

Net proceeds from the global offering amounted to approximately HK$154.7 million (including the proceeds received pursuant to the partial exercise of the over-allotment option), and are intended to be used in the manner as set out in the prospectus of the Company. As at 31 December 2018, a total of HK$89.2 million had been utilized, of which HK$77.4 million was used in acquisition of Anlang Syncline Coal Mine, HK$0.4 million was used as the capital expenditure of Tiziyan Coal Mine, and HK$11.5 million was used as working capital.

On 1 January 2019, the unutilized proceeds amounted to HK$65.49 million. No proceeds were utilized during the Reporting Period. The unused proceeds from the global offering (i.e. HK$65.49 million) will be applied as disclosed by the Group in the Prospectus, and is expected to be utilized upon obtaining the approval for all new coal mining procedures.

INTERIM DIVIDEND

The Board does not recommend the distribution of any interim dividend for the Reporting Period.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Directors recognise the importance of good corporate governance in the management of the Group. The Company has adopted the code provisions set out in the Corporate Governance Code and Corporate Governance Report (the "**CG Code**") contained in Appendix 14 to the Listing Rules as its own corporate governance framework.

During the Reporting Period, the Company has complied with the code provisions as set out in the CG Code, save and except for the following code provision.

Chairman and Chief Executive

Under code provision A.2.1 of the CG Code, the roles of chairman and chief executive of the Company should be performed by separate individuals, but due to Mr. Xu Bo's background, qualifications and experience at the Company, he was considered the most suitable person to take both roles in the current circumstances. The Board believes that it is appropriate and in the best interests of the Company that Mr. Xu Bo holds both positions at the current stage, as it helps to maintain the continuity, the stability and efficiency of the operations of the Company. The Board believes that the balance of power and authority is adequately ensured by the operations of the Board which comprises experienced and high-calibre individuals including four independent non-executive directors offering independent advice from different perspectives. In addition, major decisions are made after consultation with the Board and appropriate Board committee. The Board is therefore of the view that there are adequate balance and safeguards in place.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' securities transactions.

The Company has made specific enquiry to all Directors, and all Directors have confirmed that they have complied with the required standard as set out in the Model Code during the Reporting Period.

NON-COMPLIANCE WITH RULE 3.10(1) AND RULE 3.21 OF THE LISTING RULES

Pursuant to Rule 3.10(1) and Rule 3.21 of the Listing Rules, every board of directors of a listed issuer must include at least three independent non-executive directors and the majority of the audit committee members must be independent non-executive directors, with such committee chaired by an independent non-executive director and comprising of a minimum of three members.

Following the resignation of Mr. Fu Lui on 15 August 2019, as at the date of this announcement, the Board comprises three executive directors and two independent non-executive directors. The number of independent non-executive directors is therefore less than that required under Rule 3.10(1) of the Listing Rules. The audit committee of the Company (the "**Audit Committee**") comprises two independent non-executive directors and there is no chairman. The composition and chairman requirements under Rule 3.21 of the Listing Rules are therefore not satisfied.

The Company will seek suitable candidate(s) to fill the vacancies and expects replacements to be appointed within 3 months from 15 August 2019 pursuant to Rules 3.11 and 3.23 of the Listing Rules.

CHANGE IN BOARD COMPOSITION

With effect from 15 May 2019, Mr. Wei Yue resigned as an executive director of the Company and Mr. Huang Youjun was appointed as an executive director of the Company.

Mr. Choy Wing Hang William and Mr. Fu Lui resigned as an independent non-executive director of the Company with effect from 8 August 2019 and 15 August 2019, respectively.

REVIEW OF INTERIM RESULTS BY THE AUDIT COMMITTEE

The Audit Committee has reviewed the unaudited interim results for the six months ended 30 June 2019 of the Group. The Audit Committee has also reviewed the effectiveness of the financial control, internal control and risk management systems of the Company.

PUBLICATION OF THE INTERIM RESULTS AND 2019 INTERIM REPORT

This announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.nfny.hk), and the 2019 Interim Report will be dispatched to the shareholders of the Company and will be made available on the websites of the Stock Exchange and the Company in due course.

By order of the Board
SOUTHERN ENERGY HOLDINGS GROUP LIMITED
Xu Bo
Chairman

Guiyang, People's Republic of China

28 August 2019

As at the date of this announcement the executive Directors are Mr. Xu Bo, Mr. Huang Youjun and Mr. Xiao Zhijun; and the independent non-executive Directors are Mr. Jiang Chenglin and Mr. Lee Cheuk Yin Dannis.