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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)

Inside Information

Suspension of mines operation and

Resumption of trading

This announcement is made by Southern Energy Holdings Group Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rule 13.09 of the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) and the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong).

The board of directors of the Company (the “**Board**”) wishes to inform the shareholders and potential investors of the Company that Guizhou Union (Group) Mining Co., Ltd.* (貴州優能(集團)礦業股份有限公司, “**Guizhou Union**”), a limited liability company established in the People’s Republic of China (the “**PRC**”) on 8 June 2011, a wholly owned subsidiary of the Company and the holding company of the mines of the Group in Guizhou Province, the PRC, suspended the operation of the mines owned by the Group in August 2019.

Background

As at the date of this announcement, the Group owns four coal mines with mining licenses all located in Guizhou Province, the PRC, namely:

1. Lasu Coal Mine (拉蘇煤礦), a coal mine located in Liuquhe Township, Hezhang County, Bejie City (畢節市赫章縣六曲河鎮), Guizhou Province, the PRC;
2. Luozhou Coal Mine (羅州煤礦), a coal mine located in Luozhou Township, Hezhang County, Bejie City (畢節市赫章縣羅州鄉), Guizhou Province, the PRC;

3. Weishe Coal Mine (威奢煤礦), a coal mine located in Weishe Township, Hezhang County, Bejie City (畢節市赫章縣威奢鄉), Guizhou Province, the PRC; and
4. Tiziyan Coal Mine (梯子岩煤礦), a coal mine located in Huangni Township, Dafang County, Bejie City (畢節市大方縣黃泥鄉), Guizhou Province, the PRC.

All these four mines are wholly owned by Guizhou Union. Among these four mines, Lasu Coal Mine, Luozhou Coal Mine and Weishe Coal Mine are in commercial production while Tiziyan Coal Mine is under development.

Furthermore, Guizhou Union also owns the exploration right of Anlang Syncline Coal Mine (安朗向斜煤礦), a coal mine located in Hezhang County, Bejie City (畢節市赫章縣), Guizhou Province, the PRC.

Following several mine incidents in various coal mines in Guizhou Province, the PRC and in different regions of the PRC causing deaths and injuries in late July 2019, the relevant regulatory departments issued notices regarding their concerns on safety situation of coal mines in the region and required all the mines in Guizhou, the PRC to carry out self-examination of compliance and safety to ensure similar incidents will not recur. The scope of the self-examination covers overall responsibility, responsibilities in respect of safety, operation, tunnel, air ventilation, water control, electricity, transport, testing, prevention, rescue, training, management etc. with a view to identifying hidden safety hazards and carrying out self-correction.

For the avoidance of doubt, none of the incidents took place at the mines owned by the Group.

Suspension of mine operations for self-examination

In order to comply with the requirements imposed by the relevant regulatory departments, the management of Guizhou Union established a task force to carry out the self-examination. The task force comprises senior management and other relevant technical departments of Guizhou Union, e.g. safety, production and machinery departments. As the scale of the self-examination is extensive and comprehensive, all the three mines in commercial production, namely Lasu Coal Mine, Luozhou Coal Mine and Weishe Coal Mine, temporarily suspended their operations on 18 August 2019 so that the self-examination could be carried out smoothly. The representatives of the relevant regulatory departments also visited the mines in Guizhou Province, the PRC to monitor the self-examination and self-correction conducted by the mine operators.

At the time of the suspension of operation, the management of Guizhou Union expected the self-examination would take about 1 to 1.5 months to complete. Based on the annual production plan for the year ending 2019 and the actual operation progress, the Company did not expect the temporary suspension of operation would have a material adverse impact on the Group's financial performance.

However, following visits by representatives of relevant regulatory departments, the three mines have not been issued the notices of resumption of operation by the relevant regulatory departments. Furthermore, in November 2019, there were a few further incidents involving coal mines causing further deaths and injuries which have triggered the relevant regulatory departments to further examine the safety measures of the coal mines in the region. As such, Guizhou Union carried out further self-examination of the three coal mines.

For the avoidance of doubt, none of these further incidents took place at the mines owned by the Group.

As at the date of this announcement, the Company is reviewing the information submitted by Guizhou Union. Based on the information available, the Board is of the view that the suspension of the operation of the mines for over four months will have an adverse impact on the business and financial performance of the Group as a whole. The Board is conducting more detailed analysis on the situation to assess the impact on the business and financial performance of the Group.

The Board wishes to emphasise that safety precaution of the Group's mining operation is always the top priority of the business engagement of the Group. The Board will continue to closely monitor the progress of the self-examination and self-correction process being carried out by Guizhou Union targeting to satisfy the strict requirements of the relevant regulatory departments and achieve an early resumption of operation of the mines thus minimising the impact on the business and financial performance of the Group.

General

At the request of the Company, trading in the shares of the Company on the Stock Exchange was halted with effect from 1:00pm on Friday, 13 December 2019 pending the release of this announcement. An application has been made to the Stock Exchange for resumption of trading in the shares of the Company with effect from 9:00 a.m. on Thursday, 19 December 2019.

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

Guiyang, People's Republic of China
18 December 2019

As at the date of this announcement, the executive directors of the Company are Mr. Xu Bo, Mr. Huang Youjun and Mr. Xiao Zhijun; and the independent non-executive director of the Company is Mr. Jiang Chenglin.

** For identification purpose only*