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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)

Supplemental Announcement in relation to Suspension of mines operation

Reference is made to the announcement of Southern Energy Holdings Group Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) dated 18 December 2019 (the “**Announcement**”) in respect of the suspension of mines operation of the three mines, namely Lasu Coal Mine, Luozhou Coal Mine and Weishe Coal Mine in Guizhou Province, the PRC (together “**the Mines**”), owned by the Group. Unless otherwise defined, terms used herein shall have the same meanings as defined in the Announcement.

The Board wishes to provide the shareholders and potential investors of the Company further information of the self-examination and self-correction process being carried out by Guizhou Union, a wholly owned subsidiary of the Company and the holding company of the Mines and the strict requirements of the relevant regulatory departments in order to achieve resumption of operation of the Mines.

(i) The specific requirements from the relevant regulatory departments to be fulfilled for the operation of the Mines to be resumed

As described in the Announcement, 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 specific requirements from the relevant regulatory departments for carrying out self-examination of compliance and safety includes the inspection of the coal mines' organization setup, staffing, system improvement and implementation, hidden danger inspection and management, safety risk control, and serious disaster prevention and control. Specific requirements comprise 89 major safety inspections (the “**Requirements**”) on basic management, gas control, water control, roof management, electromechanical transportation, safety training, and beyond capacity production.

However, there were a few further incidents involving coal mines in November 2019 causing further deaths and injuries which triggered the relevant regulatory departments to further require self-examination of the safety measures of the coal mines in the region. Based on the information available to the Company, those incidents were mostly caused by gas* (瓦斯) condition in those mines, as the further self-examination required by the relevant regulatory departments was focused on gas control. For instance, the mines are required to identify the coal and gas outburst in the excavated coal seam and evaluate the coal seam outburst hazard for mines with high gas content. Different procedures are adopted if the relevant parameter is below or above 80% of the outburst assessment standard. Before the mining operation in the mines with high gas content can resume, it is necessary to carry out the coal seam outburst danger identification, and until the relevant regulatory departments agree to resume operations after inspections with satisfactory results.

There are several notices issued by relevant regulatory departments of the PRC government since July 2019 that outline the Requirements and guidance to be fulfilled before resumption of mine operation can take place. The major and most relevant notices are as follows:

<u>Date of the notices</u>	<u>Relevant regulatory departments*</u>	<u>Title and code of notices*</u>
<i>Major notices regarding the safety inspections</i>		
8 August 2019	Guizhou Province Energy Bureau Guizhou Administration of coal mine safety	Notice regarding the launch of provincial-wide safety inspection of coal mines - 黔能源煤安(2019)169號文
15 August 2019	The Office of Bejie City Municipal People's Government	Notice regarding issuing the coal mine safety joint-inspection in Bejie City
<i>Major notices after the incidents in Guizhou Province in November and December 2019 regarding the new requirements for gas hazard prevention and control</i>		
25 November 2019	Guizhou Province Energy Bureau Guizhou Administration of coal mine safety	Notice regarding Sanjia Coal Mine, Zhijin County, Bijie City "11.25" coal and gas outburst warning alert
17 December 2019	General Office of the Guizhou Provincial Government	Notice regarding steps to strengthen the safety production after "12.17" major incident happened in Guanglong Coal Mine, Anlong County, Southwest Guizhou - 黔府辦發電(2019)147號
21 December 2019	Bejie City Energy Bureau Bejie City Sub-bureau of Guizhou Administration of Coal Mine Safety	Notice regarding the clarification on the current mine safety production - 畢節市能源通(2019)52號

(ii) The actions taken by the Company in response to the notices issued by the relevant regulatory departments and for the resumption of operation of the Mines since 18 August 2019

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 in respect of the Requirements is extensive and comprehensive, all the Mines temporarily suspended their operations by Guizhou Union on 18 August 2019 so that the self-examination could be carried out smoothly. The relevant regulatory departments were invited to visit the Mines for work guidance and inspection to monitor the self-examination and self-correction conducted and to ensure that the Mines are on track to resume the Mines' production.

In mid of October 2019, Guizhou Union invited the relevant regulatory departments to conduct safety inspections on the Mines and approximately 15 verbal comments were given by the officials. Thereafter, Guizhou Union followed up with the verbal comments and made improvements. The relevant regulatory departments were invited to the Mines for follow-up safety inspections again in mid of November 2019, and only 11 verbal comments were given this time. Guizhou Union has demonstrated improvement in the safety compliance but there are still some areas to work on until the Requirements are fully met and mine production can be resumed.

Details of the verbal comments regarding the Requirements currently being addressed by the Mines are as follows:

Weishe Coal Mine:

- The gas geological map, description, forecast and parameter are not up-to-date.
- The drilling control of the outburst prevention measures in the coal seam gas zone of the pre-drainage lane does not meet the Requirements.
- The ventilation system of the working ground is not sufficiently comprehensive.
- The coal mining face is not supported in time, and the initial support force of the single hydraulic prop does not meet the Requirements, and should be replaced immediately.

Weishe Coal Mine is currently being suspended by Guizhou Union on a voluntary basis in order to carry out self-examination and improvements of the above comments with a view to complying with the latest requirements.

Luozhou Coal Mine:

- The personal information of human resources is not complete.
- The gas geological map of the mine is not updated as required. The drawing should indicate the mining progress, protected area, coal seam occurrence conditions, geological structure, location of protruding points, protruding strength, basic gas parameters, etc.
- The entire coal seam roadway and the areas on both sides of the outburst prevention control do not meet the Requirements, and additional drilling is required.
- The initial support force of the single hydraulic prop on the coal mining face does not meet the Requirements.

Luozhou Coal Mine is currently being suspended by Guizhou Union on a voluntary basis in order to carry out self-examination and improvements of the above comments with a view to complying with the latest requirements.

Lasu Coal Mine:

- The gas drainage standard evaluation report is missing prior to the mining operation.
- The coal mine site has not completed the required standard for safety production. It is necessary to promote the acceptance of secondary quality standardization as soon as possible.
- The gas pipe is damaged in the return air lane and should be replaced.

Lasu Coal Mine is currently being suspended by Guizhou Union on a voluntary basis in order to carry out self-examination and improvements of the above comments with a view to complying with the latest requirements.

Invitation for safety inspection by the relevant regulatory departments will be sent once all the above comments are addressed. However, it is on the discretion of the relevant regulatory departments on the timing of their inspection of the Mines. The Company is working on the improvements and invitation will be sent to the relevant regulatory departments immediately thereafter.

In case of non-compliance with their comments and the Requirements, suspension of the Mines will continue until they are fully addressed.

(iii) The proposed actions and expected timetable on resumption of operation of the Mines

As mentioned in the Announcement, the Board wishes to emphasise that addressing safety issues of the Group's mining operation is always the top priority of the business engagement of the Group. As such, the Mines are targeting to meet the relevant Requirements with a view to resuming the operation as soon as possible. The Board understands that the relevant regulatory departments demand a very high set of standards for the safety of coal mines in the PRC, especially after the recurring of incidents in November and December 2019 despite the issuance of the Requirements in August 2019. As such, the relevant regulatory departments are rather reluctant to resume the coal mining production without absolute confident that the required safety measures are in place after a series of coal mine incidents happened between July and December 2019.

The Board is given to understand that, Guizhou Union is not the only corporation that is facing such suspension. Since the further gas control measures inspection required by the relevant regulatory departments may take more time to complete. After the preliminary assessment by the Board and based on their experience on dealing with the relevant regulatory departments, it is unlikely that the resumption permit would be granted to the Mines until the relevant regulatory departments have completed the inspection of all the mines in the entire area and are satisfied that all the mines in the area meet the Requirements. Based on the discussion with the management of Guizhou Union, it is expected that the resumption of operation of the Mines may not take place before the Chinese New Year in January 2020 and the Company will publish periodic monthly announcement to update about the latest status of the Mines.

(iv) The impact of the suspension of operation of the Mines on the Company's operation and financial performance

The operation of the Group has no seasonal effect and generally stable throughout the year. Upon the suspension of the production operation of the Mines, there has been no revenue contribution from the Mines since 18 August 2019. The Board wishes to inform the shareholders and potential investors of the Company that the Group's operation and financial performance for the year ending 31 December 2019 has been materially adversely affected. The Board is continuing its detailed analysis on the situation to assess the impact on the business and financial performance of the Group.

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company, and if they are in any doubt about their positions, they should consult their professional adviser(s).

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

Guiyang, People's Republic of China
2 January 2020

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*