

**IMPORTANT ANNOUNCEMENT TO THE BONDHOLDERS OF THE
US\$400,000,000 6.125% Bonds due 2019 issued by
China Energy Reserve and Chemicals Group International Company Limited (the
"Issuer") with the benefit of a keepwell deed and a deed of equity interest purchase and
investment undertaking provided by China Energy Reserve and Chemicals Group
Company Limited (中國國儲能源化工集團股份公司) (the "Keepwell Provider" or the
"Company")
(ISIN: XS1328315723 Common Code: 132831572)
(the "US\$400,000,000 Bonds")**

1. DEFINITIONS AND INTRODUCTION

- 1.1 This announcement is made by the Issuer and the Keepwell Provider.
- 1.2 Reference is made to the previous announcements issued by the Issuer and the Keepwell Provider (the "**Announcements**"). Capitalised terms used but not otherwise defined herein shall have the meanings ascribed to them in the Announcements. In particular, the terms Interim Injunction and 2022 Bonds Garnishee Application are defined in the announcement issued by the Issuer and the Keepwell Provider on 10 March 2021.
- 1.3 In this announcement, "**CERCG Overseas**" means China Energy Reserve and Chemicals Group Overseas Company Limited.

2. UPDATE ON LEGAL PROCEEDINGS IN RELATION TO 2022 BONDS

- 2.1 On 26 March 2021, CERCG Overseas, the Keepwell Provider and the Trustee made a joint application, by way of a consent summons ("**Mareva Injunction Consent Summons**"), for an order by consent that, among other terms:
- (a) the Trustee do have leave to withdraw the Mareva Injunction Application;
 - (b) the Interim injunction be discharged; and
 - (c) the substantive hearing of the Mareva Injunction Application scheduled for 7 April 2021 be vacated.
- 2.2 The Court made an order in terms of the Mareva Injunction Consent Summons (including (a) to (c) above) on 29 March 2021.
- 2.3 From 29 March 2021 to 12 April 2021, 18 "notices of trust" were issued by 17 bondholders or persons claiming to be bondholders of the US\$350,000,000 Bonds and/or the US\$400,000,000 Bonds issued by the Issuer and/or the US\$265,000,000 6.250% Guaranteed Bonds due 2019 issued by China Energy Reserve and Chemicals Group International Holding Limited (the "**US\$265,000,000 Bonds**") to BOCOM and copied to, among others, the Trustee and the Keepwell Provider ("**Initial Notices**").
- 2.4 The Initial Notices:
- (a) notify BOCOM that the US\$120 million Deposit held in the CERCG Overseas Bank Account is not beneficially owned by CERCG Overseas but is in fact held on bare trust for distribution to all holders of the Bonds in the proposed restructuring of the Bonds (the "**Bare Trust**");
 - (b) request the Trustee to immediately refrain from pursuing the 2022 Bonds Garnishee Application as the Trustee, it is alleged, is acting in breach of the fiduciary duties it owes to those persons who issued the Initial Notices ("**Senders of the Initial Notices**") in doing so, although the Trustee denies this allegation. The Trustee has informed the Company that it is seeking legal advice in relation to the said request;

- (c) request the Trustee acting on behalf of the Senders of the Initial Notices that in the event that the Trustee refuses to comply with the request referred to in (b) above, to oppose the 2022 Bonds Garnishee Application on the grounds that the US\$120 million Deposit is held on the Bare Trust. Again, the Trustee has informed the Company that it is seeking legal advice in relation to the said request;
 - (d) notify BOCOM that payment of the US\$120 million Deposit otherwise than in accordance with the Bare Trust, including payment to the Trustee, would constitute a knowing breach of the Bare Trust; and
 - (e) request BOCOM to undertake to:
 - (i) not permit any of the US\$120 million Deposit to be transferred otherwise than in accordance with the Bare Trust; and
 - (ii) cause the Initial Notices to be placed before the Court in the course of any proceedings in connection with the US\$120 million Deposit, including any application by the Trustee to garnish the US\$120 million Deposit. The Trustee has confirmed to the Company that it would, in any event, produce the Initial Notices to the Court in connection with the 2022 Bonds Garnishee Application in accordance with its disclosure obligations.
- 2.5 However, the matters stated in the Initial Notices are currently disputed by the holders of the 2022 Bonds, including but not limited to the existence of the alleged Bare Trust referred to in paragraphs 2.4(a) and 2.4(d) above.
- 2.6 Further, from 1 April 2021 to 12 April 2021, at least 16 "notices of instructions" have been issued by 16 bondholders or persons claiming to be bondholders of the US\$350,000,000 Bonds and/or the US\$400,000,000 Bonds and/or the US\$265,000,000 Bonds to the Trustee and copied to, among others, the Keepwell Provider (the "**Further Notices**").
- 2.7 The Further Notices:
- (a) assert (among other things) that (i) the 2022 Bonds Garnishee Application is not in the interests of anybody who is not a holder of the 2022 Bonds; and (ii) in making the 2022 Bonds Garnishee Application, the Trustee is acting in breach of the fiduciary duties it owes to them (as to which assertions see paragraphs (b)(i) and (ii) below); and
 - (b) instruct the Trustee to immediately refrain from pursuing the 2022 Bonds Garnishee Application or, in the event that the Trustee refuses to comply with such instructions, to oppose the 2022 Bonds Garnishee Application on the grounds that the US\$120 million Deposit is held on the Bare Trust. Again, the Trustee has informed the Company that it is seeking legal advice in relation to the said instructions.

However, the Trustee has informed the Company that:

- (i) it does not agree with the assertion referred to in paragraph (a)(i) above since:
 - (A) the ownership of the US\$120 million Deposit will be determined by the Court in the 2022 Bonds Garnishee Application;
 - (B) the determination of such ownership is, in the opinion of the Trustee, in the interests of all bondholders given that there is a dispute as to such ownership; and
 - (C) application of the US\$120 million Deposit in accordance with its beneficial ownership (as determined by the Court) cannot, therefore,

prejudice the interests of any bondholders or constitute a breach of fiduciary duties; and

- (ii) accordingly, it denies the allegation of breach of fiduciary duties referred to in paragraph (a)(ii) above.

2.8 Any Bondholder who wishes to express a view on the 2022 Bonds Garnishee Application should seek independent legal advice.

3. INSTRUCTIONS TO TRUSTEE; FUTURE ACTION

3.1 The Trustee has also informed the Company, and wishes it to be made known to Bondholders, that it is ready and willing to provide any support and assistance to Bondholders in accordance with the relevant Trust Deed. It is the Trustee's position that legitimate instructions from any Bondholders with an eligible holding of Bonds (generally, 25 per cent. in aggregate principal amount of Bonds outstanding (as defined in the relevant Trust Deed)) will be duly executed provided that the relevant preconditions, including provision of indemnification and/or security and/or pre-funding to the Trustee's satisfaction, are satisfied. The Company is further informed by the Trustee that in relation to the requests and instructions referred to above, the Trustee is taking legal advice and actively investigating whether they are binding on the Trustee and, if so, the Trustee will take further action accordingly. This may include the appointment of a separate trustee, pursuant to the terms of the relevant Trust Deeds, to implement such requests and instructions.

3.2 The Company reserves its rights to respond to any actions that the Trustee may take in this regard.

4. UPDATE ON RESTRUCTURING PLAN

4.1 Reference is made to the announcements dated 17 November 2020, 10 December 2020 and 10 March 2021 informing Bondholders about the delay in the publication of the further revised restructuring proposal.

4.2 The Group has been in discussion with the Group's independent financial advisers and considered the wide range of feedback from Bondholders to make further changes to the further revised restructuring proposal. The Group expects to present the further revised restructuring proposal on or before 30 June 2021.

4.3 The Group remains committed to try and effect a consensual restructuring of their debt, and will update Bondholders on the next steps of the restructuring in a further announcement.

5. CONTINUED SUSPENSION OF COUPON AND PRINCIPAL PAYMENTS

The Issuer and the Keepwell Provider confirm that all interest and principal payments on the outstanding Bonds continue to be suspended pending further notice.

6. TRUSTEE DISCLAIMER

The Trustee takes no responsibility for the contents of this announcement.

By Order of the Boards of

China Energy Reserve and Chemicals Group International Company Limited
China Energy Reserve and Chemicals Group Company Limited

14 April 2021

THIS ANNOUNCEMENT IS IMPORTANT AND REQUIRES THE IMMEDIATE ATTENTION OF BONDHOLDERS. IF BONDHOLDERS ARE IN ANY DOUBT AS TO THE ACTION THEY SHOULD TAKE, THEY SHOULD SEEK THEIR OWN FINANCIAL AND LEGAL ADVICE, INCLUDING AS TO ANY TAX CONSEQUENCES, IMMEDIATELY FROM THEIR STOCKBROKER, SOLICITOR, ACCOUNTANT OR OTHER INDEPENDENT FINANCIAL OR LEGAL ADVISOR.

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