

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")
(ISIN: XS1328315723 Common Code: 132831572)
(the "Bonds")**

1. DEFINITIONS AND INTRODUCTION

- 1.1 This announcement is made by the Issuer and the Keepwell Provider.
- 1.2 In this announcement, "**Bondholders**" means the holders of the Bonds.

2. COUPON PAYMENT

- 2.1 As announced by the Issuer and the Keepwell Provider in the announcement dated 26 November 2018 (the "**November 2018 Announcement**"), as a sign of good faith and continued commitment to the restructuring process, the Issuer intended to make a coupon payment in relation to the Bonds accruing up to and including 31 December 2018, with such payment being made on or about 20 December 2018. Since the November 2018 Announcement, the Issuer and the Keepwell Provider have been engaging with the Trustee in relation to the logistics and execution of that coupon payment.
- 2.2 Pursuant to the Trust Deed of the Bonds, the Trustee is bound to apply any monies received in accordance with the provisions for payment (the "waterfall") as set out in the Trust Deed. Therefore, the Trustee would only be able to pay accrued interest on the Bonds falling due up to the date of payment and will not be able to prepay any accrued interest that has not fallen due thereafter (i.e.: from the date of payment until 31 December 2018), because under the terms of the waterfall any amount in excess of the accrued and unpaid interest would be treated as a part payment of principal. The provisions of the waterfall are mandatory and binding on the Trustee.
- 2.3 The Issuer and the Keepwell Provider are committed to paying the coupon equally and fairly to all Bondholders. Therefore, and given the above, the Issuer will now arrange for accrued interest on the Bonds to be paid on and up to 20 December 2018. It is expected that the coupon payment will be distributed through the clearing systems.
- 2.4 Should Bondholders require any further information, please contact our advisors using the contact details below:

Company's advisors

Ashurst

FTI Consulting Inc.

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By Order of the Boards of

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

17 December 2018

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