

**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 "Bonds")**

1. DEFINITIONS AND INTRODUCTION

- 1.1 This announcement is made by the Issuer and the Keepwell Provider.
- 1.2 Capitalised terms used but not otherwise defined herein shall have the meanings ascribed to them in the previous announcements issued by the Issuer and the Keepwell Provider.

2. UPDATE ON LEGAL PROCEEDINGS IN RELATION TO 2022 BONDS

- 2.1 Reference is made to paragraph 3.3 of the announcement issued by the Issuer and the Keepwell Provider on 10 March 2021 informing Bondholders of the Garnishee Proceedings, paragraph 2.2 of the announcement issued on 29 March 2021 informing Bondholders of the Garnishee Order Nisi, and paragraph 2 of the announcement issued on 14 April 2021 (the "**14 April 2021 Announcement**") informing Bondholders of, among other things, the receipt of the Initial Notices and the Further Notices and the dispute over the Bare Trust.
- 2.2 On 9 April 2021, Kirkland & Ellis, solicitors for an ad-hoc committee of holders of the US\$350,000,000 Bonds (the "**Ad-hoc Committee**"), wrote to the Court to oppose the 2022 Bonds Garnishee Application and to seek the permission of the Court to participate in such application. The Court granted permission for the Ad-hoc Committee to attend and be heard at the hearing of the 2022 Bonds Garnishee Application which was fixed for 16 April 2021.
- 2.3 On 13 April 2021, CERCG Overseas filed a summons to set aside the Garnishee Order Nisi on the basis that there had been material non-disclosure by the Trustee in the 2022 Bonds Garnishee Application (the "**Setting Aside Application**").
- 2.4 The hearing of the 2022 Bonds Garnishee Application and the Setting Aside Application were heard together at 9:30 a.m. on 16 April 2021 (the "**Hearing**"). Upon considering submissions made by counsel for the Trustee, counsel for CERCG Overseas and China Energy Reserve and Chemicals Trading Company Limited and solicitors for the Ad-hoc Committee, the Court adjourned the Setting Aside Application and the 2022 Bonds Garnishee Application for a 2nd call-over hearing (with all interested parties present) at 2:30 p.m. on 3 June 2021 with a view to affording the Trustee more time to take measures resolving the conflict of interest described in paragraph 3 below.
- 2.5 Since 29 March 2021 and up to the date of this announcement, at least 76 Initial Notices and at least 75 Further Notices have been issued by bondholders or persons claiming to be bondholders of one or more tranches of the eight Bonds issued by the Issuers.

3. CLARIFICATION OF THE TRUSTEE'S POSITION IN RELATION TO THE LEGAL PROCEEDINGS OF 2022 BONDS

- 3.1 Reference is made to paragraph 2.7 of the 14 April 2021 Announcement which stated, among other things, that as at the date of the 14 April 2021 Announcement, the Company had been informed by the Trustee that it denies the assertion made in the Further Notices that, in making the 2022 Bonds Garnishee Application, the Trustee is acting in breach of the fiduciary duties it owes to the senders of the Further Notices.

- 3.2 Since issuing the 14 April 2021 Announcement, the Company now understands (through documents filed by the Trustee in relation to the 2022 Bonds Garnishee Application in the morning of 15 April 2021) that:
- (a) in its capacity as Trustee for various other bondholders, the Trustee has received conflicting instructions with regard to the 2022 Bonds Garnishee Application, thereby placing it in a position of conflict;
 - (b) in particular, from 29 March 2021 to 14 April 2021, the Trustee has received written instructions from at least 25% (in aggregate) of the 2018 Bonds to oppose the 2022 Bonds Garnishee Application on the ground that the US\$120 million Deposit is held on the Bare Trust;
 - (c) the position of the sole bondholder of the 2022 Bonds is therefore in conflict with that of the holders of the 2018 Bonds, as the former supports the 2022 Garnishee Application while the latter opposes it; and
 - (d) the Trustee intends to appoint separate trustees and is also considering other available options to address the conflict issue.
- 3.3 In addition to the conflict of interest relating to the 2022 Bonds Garnishee Application mentioned above, counsel for the Trustee also pointed out at the Hearing that a similar conflict also exists with respect to the Setting Aside Application. The Company continues to reserve its rights to respond to any actions that the Trustee may take in this regard.
- 3.4 Following submissions made by the parties at the Hearing, the Court ordered, among other things, that the Setting Aside Application and the 2022 Bonds Garnishee Application be adjourned for a 2nd call-over hearing (with all interested parties present) to be held at 2:30 p.m. on 3 June 2021, and that not less than 3 days before that hearing, all interested parties shall file and serve written submissions on whether the Setting Aside Application should be determined before the 2022 Bonds Garnishee Application or at the same time.
- 3.5 Any Bondholder who wishes to express a view on the Setting Aside Application and/or the 2022 Bonds Garnishee Application should seek independent legal advice.

4. UPDATE ON RESTRUCTURING PLAN

- 4.1 Reference is made to paragraph 4 of the 14 April 2021 Announcement and the Group expects to present the further revised restructuring proposal on or before 30 June 2021.
- 4.2 The Group remains committed to try and effect a consensual restructuring of its debt, and will update Bondholders on the next steps of the restructuring in a further notice.

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

21 April 2021

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