

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. UPDATED FTI REPORT

- 2.1 Since FTI's report was released on 17 August 2018, the Issuer and the Keepwell Provider, through their advisors, have been engaging with and soliciting responses from the major bondholders holding bonds guaranteed by the Keepwell Provider, particularly in relation to the proposed restructuring plan set out in that report. As a result of that process, FTI has been instructed to review and update its report, which is expected to be released by early December 2018.

3. COUPON PAYMENT

- 3.1 As a sign of good faith and continued commitment to the restructuring process and in line with the principle to treat all Bondholders equally and fairly, the Issuer and the Keepwell Provider propose to issue a coupon payment to all holders of the Bonds at the current interest rate(s) applicable to the Bonds, accruing up to and including 31 December 2018.
- 3.2 The coupon payment for the Bonds is expected to be made on or around 20 December 2018. Further details concerning the logistics of this coupon payment will be provided to Bondholders in due course. It is expected that the coupon payment will be distributed through the clearing systems.

4. SINO GAS TRANSACTION

- 4.1 The Issuer and the Keepwell Provider have noted certain media reports that China New Energy Mining Limited ("**CNEML**") disposed of its 51% interest in Sino Gas & Energy Limited ("**Sino Gas**"), the operator of Linxing and Sanjiaobei production contracts in the Ordos Basin in Shanxi Province of China by way of direct sale (the "**Sino Gas Transaction**"). The Issuer and the Keepwell Provider have also noted various commentary that CNEML is a subsidiary or member of the CERCG Group ("**Group**").
- 4.2 In response to such reports and commentary, the Issuer and the Keepwell Provider wish to clarify the following matters:
 - (a) CNEML is not, and has never been, a subsidiary of the Issuer or the Keepwell Provider or otherwise a member of the Group. However, CNEML is affiliated to the Group in that the Group has provided certain financial facilities to CNEML for which CNEML is indebted to the Group and certain officers of the Group have served as officers of CNEML.
 - (b) The Sino Gas Transaction has been completed. After deducting relevant taxes and expenses, the net proceeds from the sale of Sino Gas by CNEML are approximately

US\$350 million. CNEML intends to pay this sum to the Group to repay in part its outstanding debts to the Group on or before 31 December 2018, subject to final determination of applicable taxes on the transaction by the Chinese tax authorities.

- (c) Once received, the Issuer and the Keepwell Provider intend for the net proceeds from the sale of Sino Gas to be applied for the purposes of the debt restructuring for the benefit of bondholders holding bonds guaranteed by the Keepwell Provider (including the coupon payment described in paragraph 3 above), as well as for the operating capital expenses of the Group.

5. INCREASE IN SHAREHOLDING BY MAJOR SHAREHOLDER

- 5.1 The current restructuring process is fully supported by the Keepwell Provider's shareholders. China National Friend Industry Corporation (中国富莱德实业公司) ("**CNFIC**") currently holds approximately 49% of the issued shares of the Keepwell Provider. CNFIC is 100% owned by the Beijing Municipal Commission of Commerce (北京市商务委员会) which is a PRC state-owned entity. CNFIC proposes to increase its shareholding in the Keepwell Provider to a majority position of 58% by acquiring the 9% interest in the Keepwell Provider currently held by Guoneng Natural Gas Import & Export (Beijing) Co. Ltd (国能天然气进出口(北京)有限公司) ("**Guoneng**"), after which Guoneng will no longer hold any equity interest in the Keepwell Provider. It is anticipated at this stage that this restructuring (the "**Guoneng Equity Interest Disposal**") will be completed on or before the end of November 2018.
- 5.2 The Guoneng Equity Interest Disposal is indicative of CNFIC's continued support of the proposed restructuring of the Group as a whole and is intended to further facilitate that process by becoming the majority shareholder of the Keepwell Provider and thereby assuming effective control of the Group. Through the Guoneng Equity Interest Disposal, CNFIC will effectively control the equity interest in Shanghai China Energy Reserve Group Company Limited (上海国储能源集团有限公司) ("**Shanghai CERC**G") (through the 90% equity interest held by Guoneng and 10% equity interest held by the Keepwell Provider). CNFIC will, in due course, inject its 90% equity interest in Guoneng to the Keepwell Provider. Further details will be provided in FTI's updated report referred to in paragraph 2.1 above.
- 5.3 The Issuer and the Keepwell Provider are continuing to engage with all relevant stakeholders to facilitate a consensual restructuring of their debt. Further updates will be announced in due course.
- 5.4 Should Bondholders require any further information, please contact our advisors using the contact details below:

Company's advisors

Ashurst

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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

26 November 2018

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