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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**If you are in any doubt** as to any aspect of this circular or as to the action to be taken, you should consult a licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in China Huarong Energy Company Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser(s) or the transferee(s) or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

This circular is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for securities of China Huarong Energy Company Limited.

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**CHINA HUARONG ENERGY COMPANY LIMITED**  
**中國華榮能源股份有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 01101)**

**PROPOSED ISSUE OF UP TO HK\$751,000,000 7.0%**  
**CONVERTIBLE BONDS DUE 2019 UNDER SPECIFIC MANDATE**  
**AND**  
**NOTICE OF EGM**

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Capitalised terms used in this cover shall have the same meanings as defined in this circular.

A letter from the Board is set out on pages 7 to 22 of this circular.

A notice convening the EGM to be held at Plaza 3-4, Lower Lobby, Novotel Century Hong Kong, 238 Jaffe Road, Wanchai, Hong Kong, at 3:00 p.m. on Wednesday, 17 May 2017 is set out on pages 23 to 24 of this circular. Such form of proxy is also published on the websites of Hong Kong Exchanges and Clearing Limited (<http://www.hkexnews.hk>) and the Company (<http://www.huarongenergy.com.hk>). Whether or not you intend to attend the EGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the Company's Registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, as soon as practicable, and in any event not less than 48 hours before the time appointed for holding the EGM or at any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or at any adjourned meeting (as the case may be) should you so wish.

29 April 2017

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## DEFINITIONS

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*In this circular, the following expressions have the following meanings, unless the context requires otherwise:*

“2018 Convertible Bonds”	HK\$103,500,000 aggregate principal amount of 7.0% convertible bonds due 2018 issued by the Company on 31 October 2016 held by Credit Suisse (Hong Kong) Limited as disclosed in the announcements of the Company dated 24 October 2016 and 31 October 2016
“2018 CB New Conversion Price”	the adjusted conversion price of the 2018 Convertible Bonds of HK\$0.50 per Share pursuant to the terms and conditions of the 2018 Convertible Bonds upon triggering of the adjustment events set out therein, as more particularly set out in the section headed “POTENTIAL ADJUSTMENT TO CONVERSION PRICE OF 2018 CONVERTIBLE BONDS” in this circular
“2018 CB Original Conversion Price”	the initial conversion price of HK\$1.05 per Share of the 2018 Convertible Bonds
“2018 CB Conversion Shares”	207,000,000 Shares to be issued upon full conversion of the 2018 Convertible Bonds based on the 2018 CB New Conversion Price, as compared to the 98,571,428 Shares to be issued upon full conversion of the 2018 Convertible Bonds based on the 2018 CB Original Conversion Price
“Board”	the board of Directors
“Bondholder(s)”	holder(s) of the Convertible Bond(s) from time to time
“Closing Date”	means the second business day after the fulfilment of the conditions precedent of the respective Subscription Agreements or such other date as the Company and the Subscriber may agree in writing
“Company”	China Huarong Energy Company Limited, a limited company incorporated in the Cayman Islands and the Shares of which are listed on the Main Board of the Stock Exchange (stock code: 01101)
“Conversion Price”	the price per Conversion Share (subject to adjustments)
“Conversion Share(s)”	the new Shares to be issued upon conversion of the Convertible Bonds
“Convertible Bonds”	the First Convertible Bonds and the Second Convertible Bonds

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## DEFINITIONS

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“Current Market Price”

in respect of a Share at a particular date the average of the daily volume weighted average price of one Share on each of the five consecutive trading days ending on and including the trading day immediately preceding such date; provided that if at any time during such five trading day period the volume weighted average price shall have been based on a price ex-dividend (or ex-any other entitlement) and during some other part of that period the volume weighted average price shall have been based on a price cum-dividend (or cum-any other entitlement) then:

- (a) if the Shares to be issued or transferred and delivered do not rank for the dividend (or entitlement) in question, the volume weighted average price on the dates on which the Shares shall have been based on a price cum-dividend (or cum-any other entitlement) shall for the purpose of this definition be deemed to be the amount thereof reduced by an amount equal to the fair market value of any such dividend or entitlement per Share; or
- (b) if the Shares to be issued or transferred and delivered rank for the dividend or entitlement in question, the volume weighted average price on the dates on which the Shares shall have been based on a price ex-dividend (or ex-any other entitlement) shall for the purpose of this definition be deemed to be the amount thereof increased by the fair market value of any such dividend or entitlement per Share;

and provided that if on each of the said five trading days the volume weighted average price shall have been based on a price cum-dividend (or cum-any other entitlement) in respect of a dividend (or other entitlement) which has been declared or announced but the Shares to be issued or transferred and delivered do not rank for that dividend (or other entitlement), the volume weighted average price on each of such dates shall for the purposes of this definition be deemed to be the amount thereof reduced by an amount equal to the fair market value of any such dividend or entitlement per Share

“Directors”

the directors of the Company

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## DEFINITIONS

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“EGM”	an extraordinary general meeting of the Company to be convened at Plaza 3-4, Lower Lobby, Novotel Century Hong Kong, 238 Jaffe Road, Wanchai, Hong Kong, at 3:00 p.m. on Wednesday, 17 May 2017, to consider, and, if thought fit, approve, among other things, by way of ordinary resolution, the issue of the Convertible Bonds and the Conversion Shares to be allotted and issued upon the exercise of the conversion rights attaching to the Convertible Bonds
“Existing Indebtedness”	the First Existing Indebtedness and the Second Existing Indebtedness
“First Convertible Bonds”	the 7.0% convertible bonds with an aggregate principal amount of HK\$610,000,000 due 2019 proposed to be issued by the Company to the Subscriber under the First Subscription Agreement
“First Existing Indebtedness”	the outstanding principal amount of HK\$610,000,000 owing by the Company to the Subscriber as at the Closing Date pursuant to the First Promissory Note
“First Guarantor Warranties”	the representations, warranties and undertakings of the Guarantor under the First Subscription Agreement
“First Promissory Note”	the promissory note dated 29 March 2016 (amended and supplemented by a deed of amendment dated 31 May 2016, a second deed of amendment dated 1 August 2016 and a third deed of amendment dated 15 December 2016) issued by the Company to the Subscriber in relation to a principal sum of HK\$610,000,000, and the accrued interest owing by the Company to the Subscriber pursuant to which was approximately HK\$46.8 million as at the Latest Practicable Date
“First Subscription Agreement”	the conditional subscription agreement dated 16 January 2017 entered into among the Company as issuer, Mr. Zhang as guarantor and the Subscriber as subscriber relating to the issue of the First Convertible Bonds
“First Warranties”	the representations, warranties and undertakings of the Company under the First Subscription Agreement
“General Mandate”	the general mandate granted to the Board by the Shareholders pursuant to an ordinary resolution passed at the annual general meeting of the Company held on 3 June 2016 to issue up to 434,318,301 Shares
“Group”	the Company and its subsidiaries

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## DEFINITIONS

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“Guarantor”	Mr. Zhang
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Latest Practicable Date”	24 April 2017, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information for inclusion in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“More Favourable Term”	among other things, any of the following: <ul style="list-style-type: none"><li>(a) certain security interest, guarantee (other than by the Guarantor), credit support or credit enhancement, and certain term, condition, right or remedy that could structurally, contractually or effectively subordinate the Convertible Bonds to any Other Convertible Bonds;</li><li>(b) any amortization or a maturity date prior to the maturity date of the Convertible Bonds; and</li><li>(c) higher effective yield than the effective yield of the Convertible Bonds, any interest rate more than 7% per annum, any right to receive interest payments more frequently than annually, a conversion price lower than the Conversion Price then in effect, certain more favourable right to receive cash in lieu of Shares at a time or in an amount more favourable, certain more favourable conversion price adjustment, certain more favourable event of default, certain more favourable right to redeem the Other Convertible Bonds, any financial covenant, or any other term, condition, right or remedy which is determined in good faith by an approved merchant bank to be materially more favourable to such holder of the Other Convertible Bonds than as set forth in the Convertible Bonds</li></ul>
“Mr. Zhang”	Mr. Zhang Zhi Rong, a substantial shareholder of the Company, who holds 409,181,031 Shares (representing approximately 18.84% of the issued share capital of the Company as at the Latest Practicable Date)

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## DEFINITIONS

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“Other Convertible Bonds”	all issued and/or outstanding convertible bonds of the Company due 2016, the 2018 Convertible Bonds and any promissory notes (as may be extended by deeds of amendments) issued as consideration for amounts owing thereunder (other than any promissory notes issued by the Company to the Subscriber), details of which have been fully disclosed to the Subscriber
“PRC”	the People’s Republic of China, and for the purposes of this circular, excluding Hong Kong, the Macao Special Administrative Region of the People’s Republic of China and Taiwan
“Relevant Indebtedness”	(i) any notes, bonds, debentures or similar instruments of the Company or any of its subsidiary denominated in a currency other than RMB or, if denominated in RMB, the majority of the principal amount of which is issued outside the PRC; and (ii) any loans of the Company or any of its subsidiary, the majority of the principal amount of which is provided by financial institutions incorporated outside the PRC, in each case whether outstanding on the Closing Date or issued thereafter
“Remaining Promissory Notes”	the two promissory notes both dated 29 March 2016 (each amended and supplemented by a deed of amendment dated 31 May 2016, a second deed of amendment dated 1 August 2016 and a third deed of amendment dated 15 December 2016) issued by the Company to the Subscriber in relation to a principal sum of HK\$75,963,276.37 and HK\$2,007,057.44, respectively, and the accrued interest owing by the Company to the Subscriber pursuant to which was approximately HK\$6.5 million as at the Latest Practicable Date
“RMB”	Renminbi, the lawful currency of the PRC
“Second Convertible Bonds”	the 7.0% convertible bonds due 2019 with an aggregate principal amount of up to HK\$141,000,000 proposed to be issued by the Company to the Subscriber under the Second Subscription Agreement
“Second Existing Indebtedness”	the aggregate amount of the principal amount and any accrued interest owing by the Company to the Subscriber as at the Closing Date pursuant to the Remaining Promissory Notes and the First Promissory Note (excluding the First Existing Indebtedness), which shall be up to HK\$141,000,000
“Second Guarantor Warranties”	the representations, warranties and undertakings of the Guarantor under the Second Subscription Agreement

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## DEFINITIONS

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“Second Subscription Agreement”	the conditional subscription agreement dated 16 January 2017 entered into among the Company as issuer, Mr. Zhang as guarantor and the Subscriber as subscriber relating to the issue of the Second Convertible Bonds
“Second Warranties”	the representations, warranties and undertakings of the Company under the Second Subscription Agreement
“Share (s)”	ordinary share(s) of HK\$0.50 each in the share capital of the Company
“Share Option (s)”	the outstanding share option(s) granted under the Share Option Schemes
“Share Option Schemes”	the pre-IPO share option scheme and the post-IPO share option scheme of the Company each adopted on 24 October 2010 by the Company
“Shareholders”	the holders of Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber”	Action Phoenix Limited
“Subscription Agreements”	The First Subscription Agreement and the Second Subscription Agreement
“%”	percentage



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## LETTER FROM THE BOARD

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# CHINA HUARONG ENERGY COMPANY LIMITED 中國華榮能源股份有限公司

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 01101)**

*Executive Directors:*

CHEN Qiang (*Chairman and Chief Executive Officer*)  
HONG Liang  
WANG Tao  
ZHU Wen Hua  
ZHANG Ming

*Independent Non-executive Directors:*

WANG Jin Lian  
ZHOU Zhan  
LAM Cheung Mau

*Registered Office:*

Cricket Square, Hutchins Drive  
P.O. Box 2681, Grand Cayman  
KY1-1111, Cayman Islands

*Principal Place of Business in Hong Kong:*

Room 2201, 22nd Floor,  
China Evergrande Centre,  
38 Gloucester Road,  
Wanchai, Hong Kong

29 April 2017

*To the Shareholders and, for information only,  
to the holders of the Share Options and  
the 2018 Convertible Bonds*

Dear Sir or Madam,

**PROPOSED ISSUE OF UP TO HK\$751,000,000 7.0%  
CONVERTIBLE BONDS DUE 2019 UNDER SPECIFIC MANDATE  
AND  
NOTICE OF EGM**

### **INTRODUCTION**

Reference is made to the announcement of the Company dated 16 January 2017. The purpose of this circular is to provide you with further information regarding details of the issue of the Convertible Bonds and a notice convening the EGM.

### **THE SUBSCRIPTION AGREEMENTS**

#### **The First Subscription Agreement**

*Date:* 16 January 2017

*Parties:*

1. the Company as issuer;
2. Mr. Zhang as guarantor; and
3. the Subscriber as subscriber

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## LETTER FROM THE BOARD

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### *Subscription:*

Subject to the fulfillment of the conditions set out in the subsection headed “Conditions precedent” below, the Company has conditionally agreed to issue, and the Subscriber has conditionally agreed to subscribe for, or procure its nominee(s) to subscribe for, the First Convertible Bonds in an aggregate principal amount of HK\$610,000,000. Mr. Zhang has agreed to guarantee the payment obligations of the Company under the First Convertible Bonds.

The Company, the Guarantor and the Subscriber agree and acknowledge that the First Convertible Bonds will be issued in exchange for the First Existing Indebtedness, subject to and in accordance with the terms and conditions of the First Subscription Agreement.

### *Conditions precedent:*

The obligations of the Company to issue the First Convertible Bonds and the Subscriber to subscribe for, or procure its nominee(s) to subscribe for, the First Convertible Bonds under the First Subscription Agreement are conditional upon:

- (a) the passing by the requisite Shareholders at the EGM of all resolution(s) required under the Listing Rules (if any) to approve the transactions contemplated under the First Subscription Agreement, including without limitation the grant of the mandate to be sought from the Shareholders at the EGM for the allotment and issue of the Conversion Shares with respect to the First Convertible Bonds;
- (b) the Stock Exchange having granted the listing of, and permission to deal in, the Conversion Shares with respect to the First Convertible Bonds;
- (c) the First Warranties and the First Guarantor Warranties not having been breached and remaining true and accurate in all respects (or, with respect to certain First Warranties, in all material respects) and not misleading in any respect (or, with respect to certain First Warranties, in any material respect) as at the Closing Date;
- (d) the Guarantor and the Company having complied with all agreements and satisfied all conditions on their parts to be performed or satisfied under the First Subscription Agreement at or prior to the Closing Date;
- (e) the Subscriber having received legal opinions from the Cayman Islands counsel for the Subscriber, in form and substance satisfactory to the Subscriber;
- (f) the Subscriber having received a certificate of the Guarantor in which the Guarantor shall state that the First Guarantor Warranties are true and correct and that the Guarantor has complied with all agreements and satisfied all conditions on his part to be performed or satisfied under the First Subscription Agreement at or prior to the Closing Date;

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## LETTER FROM THE BOARD

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- (g) the Subscriber having received a certificate from an executive Director duly authorised by the Board in which such Director shall state that the First Warranties are true and correct in all respects (or, with respect to certain First Warranties, in all material respects), and that the Company has complied with all agreements and satisfied all conditions on its part to be performed or satisfied under the First Subscription Agreement at or prior to the Closing Date;
- (h) subsequent to the execution and delivery of the First Subscription Agreement, there shall not have occurred (i) any change in the condition (financial or otherwise), results of operations, business, properties or prospects of the Group taken as a whole which, in the judgment of the Subscriber, is material and adverse; (ii) any material adverse change (as determined by the Subscriber) in Hong Kong, PRC, United Kingdom, the United States or international financial or economic conditions; or (iii) any suspension of trading of any securities of the Company on any exchange or in the over-the-counter market; and
- (i) the Subscriber having received from the Guarantor and the Company such other documents as the Subscriber may reasonably request in connection with the issuance of the First Convertible Bonds.

The Subscriber may, in its absolute discretion and upon such terms as it thinks fit, waive all or any of the conditions precedent above. Completion of the First Subscription Agreement shall take place on the second business day after the fulfilment of the conditions precedent or such other date as the Company and the Subscriber may agree in writing. In the event that the conditions precedent have not been fulfilled or waived (as the case may be) prior to 30 June 2017 or such later date as the Company and the Subscriber may agree in writing, the First Subscription Agreement shall terminate and cease to be of any effect (save for any surviving provision which shall remain in full force and effect under the First Subscription Agreement). As at the Latest Practicable Date, none of the conditions precedent set out above had been fulfilled or waived.

### **The Second Subscription Agreement**

**Date:** 16 January 2017

**Parties:**

1. the Company as issuer;
2. Mr. Zhang as guarantor; and
3. the Subscriber as subscriber

**Subscription:**

Subject to the fulfillment of the conditions set out in the subsection headed “Conditions precedent” below, the Company has conditionally agreed to issue, and the Subscriber has conditionally agreed to subscribe for, or procure its nominee(s) to subscribe for, the Second Convertible Bonds in an aggregate principal amount of up to HK\$141,000,000. Mr. Zhang has agreed to guarantee the payment obligations of the Company under the Second Convertible Bonds.

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## LETTER FROM THE BOARD

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The Company, the Guarantor and the Subscriber agree and acknowledge that the Second Convertible Bonds will be issued in exchange for the Second Existing Indebtedness, subject to and in accordance with the terms and conditions of the Second Subscription Agreement.

***Conditions precedent:***

The obligations of the Company to issue the Second Convertible Bonds and the Subscriber to subscribe for, or procure its nominee(s) to subscribe for, the Second Convertible Bonds under the Second Subscription Agreement are conditional upon:

- (a) the passing by the requisite Shareholders at the EGM of all resolution(s) required under the Listing Rules (if any) to approve the transactions contemplated under the Second Subscription Agreement, including without limitation the grant of the mandate to be sought from the Shareholders at the EGM for the allotment and issue of the Conversion Shares with respect to the Second Convertible Bonds;
- (b) the Stock Exchange having granted the listing of, and permission to deal in, the Conversion Shares with respect to the Second Convertible Bonds;
- (c) the Second Warranties and the Second Guarantor Warranties not having been breached and remaining true and accurate in all respects (or, with respect to certain Second Warranties, in all material respects) and not misleading in any respect (or, with respect to certain Second Warranties, in any material respect) as at the Closing Date;
- (d) the Guarantor and the Company having complied with all agreements and satisfied all conditions on their parts to be performed or satisfied under the Second Subscription Agreement at or prior to the Closing Date;
- (e) the Subscriber having received legal opinions from the Cayman Islands counsel for the Subscriber, in form and substance satisfactory to the Subscriber;
- (f) the Subscriber having received a certificate of the Guarantor in which the Guarantor shall state that the Second Guarantor Warranties are true and correct and that the Guarantor has complied with all agreements and satisfied all conditions on his part to be performed or satisfied under the Second Subscription Agreement at or prior to the Closing Date;
- (g) the Subscriber having received a certificate from an executive Director duly authorised by the Board in which such Director shall state that the Second Warranties are true and correct in all respects (or, with respect to certain Second Warranties, in all material respects), and that the Company has complied with all agreements and satisfied all conditions on its part to be performed or satisfied under the Second Subscription Agreement at or prior to the Closing Date;
- (h) subsequent to the execution and delivery of the Second Subscription Agreement, there shall not have occurred (i) any change in the condition (financial or otherwise), results of operations, business, properties or prospects of the Group taken as a whole which, in the judgment of the

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## LETTER FROM THE BOARD

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Subscriber, is material and adverse; (ii) any material adverse change (as determined by the Subscriber) in Hong Kong, PRC, United Kingdom, the United States or international financial or economic conditions; or (iii) any suspension of trading of any securities of the Company on any exchange or in the over-the-counter market; and

- (i) the Subscriber having received from the Guarantor and the Company such other documents as the Subscriber may reasonably request in connection with the issuance of the Second Convertible Bonds.

The Subscriber may, in its absolute discretion and upon such terms as it thinks fit, waive all or any of the conditions precedent above. Completion of the Second Subscription Agreement shall take place on the second business day after the fulfilment of the conditions precedent or such other date as the Company and the Subscriber may agree in writing. In the event that the conditions precedent have not been fulfilled or waived (as the case may be) prior to 30 June 2017 or such later date as the Company and the Subscriber may agree in writing, the Second Subscription Agreement shall terminate and cease to be of any effect (save for any surviving provision which shall remain in full force and effect under the Second Subscription Agreement). As at the Latest Practicable Date, none of the conditions precedent set out above had been fulfilled or waived.

### PRINCIPAL TERMS OF THE CONVERTIBLE BONDS

The principal terms of the Convertible Bonds are summarised as follows:

Issuer:	The Company
Principal amount:	Up to HK\$751,000,000 in aggregate (being the sum of First Existing Indebtedness for the First Convertible Bonds and the Second Existing Indebtedness for the Second Convertible Bonds)
Maturity date:	The date falling twenty-four months after the Closing Date
Issue price:	100% of the principal amount
Interest:	The Convertible Bonds bear interest at 7.0% per annum on the principal amount outstanding from time to time, accruing on a daily basis and calculated for the actual number of days elapsed on a 365-day year. The interest shall be payable on the first anniversary of the Closing Date and on the maturity date (or if either such date is not a business day then on the next following business day).
Status:	The Convertible Bonds constitute direct, unconditional, unsubordinated and unsecured obligations of the Company and shall, save for such obligation preferred by mandatory provision of law, at all times rank equally with all other present and future unsecured and unsubordinated obligations.

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## LETTER FROM THE BOARD

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Form and denomination: The Convertible Bonds are issued in registered form in the denomination of HK\$1,000,000 each and integral multiples of HK\$1,000,000 in excess thereof, or such lesser amount representing in aggregate the entire outstanding principal amount of the Convertible Bonds.

A bond certificate shall be issued to each Bondholder in respect of its registered holding of the Convertible Bonds.

Conversion period: The conversion rights attaching to the Convertible Bonds may, subject as provided in the terms and conditions of the Convertible Bonds, be exercised commencing from after the issuance of the Convertible Bonds until the maturity date.

Notwithstanding the conversion rights attaching to the Convertible Bonds, the Company shall not issue any Shares if, upon such issue, the shareholding in the Company held by the public shall be less than the minimum prescribed percentage as set out in the Listing Rules from time to time, in which case the Company shall exercise the cash settlement option pursuant to the conditions in respect of the relevant Convertible Bonds.

Conversion Price: The initial Conversion Price is HK\$0.50 per Share, which is subject to adjustments, provided that the Conversion Price shall not be less than the par value of a Share (i.e. HK\$0.50 per Share), in accordance with the terms of the Convertible Bonds upon occurrence of the following events:

- (i) an alteration to the nominal value of the Shares as a result of consolidation, subdivision or reclassification;
- (ii) an issue of Shares credited as fully paid to the Shareholders by way of capitalization of profits or reserves, other than Shares issued in lieu of the whole or any part of a cash dividend, being a dividend which the Shareholders concerned would or could otherwise have received in cash;
- (iii) a capital distribution to the Shareholders (except where the Conversion Price falls to be adjusted under paragraph (ii) above or falls within paragraph (ii) above but no adjustment falls to be made);
- (iv) a rights issues of Shares to all or substantially all Shareholders, or a grant to all or substantially all Shareholders any options, warrants or other rights to subscribe for or purchase any Shares, in each case at less than 90% of the Current Market Price per Share on the last trading day preceding the date of announcement of the terms of such issue or grant;

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## LETTER FROM THE BOARD

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- (v) an issue of any securities (other than Shares or options, warrants or other rights to subscribe for or purchase Shares) to all or substantially all Shareholders as a class by way of rights or grant to all or substantially all Shareholders as a class by way of rights of any options, warrants or other rights to subscribe for or purchase any securities (other than Shares or options, warrants or other rights to subscribe for or purchase Shares);
- (vi) issue (otherwise than as mentioned in paragraph (iv) above) wholly for cash any Shares (other than Shares issued on the exercise of conversion rights or on the exercise of any other rights of conversion into, or exchange or subscription for, Shares) or on the issue or grant of (otherwise than as mentioned in paragraph (iv) above) options, warrants or other rights to subscribe for or purchase Shares in each case at a price per Share which is less than 90% of the Current Market Price per Share on the last trading day preceding the date of announcement of the terms of such issue;
- (vii) if and whenever the Company or any subsidiary of the Company (otherwise than as mentioned in paragraphs (iv), (v) or (vi) above), or (at the direction or request of or pursuant to any arrangements with the Company or any subsidiary of the Company) any other person shall issue wholly for cash any securities (other than the Convertible Bonds) which by their terms of issue carry rights of conversion into, or exchange or subscription for, Shares (or grant any such rights in respect of any existing securities so issued) to be issued by the Company upon conversion, exchange or subscription at a consideration per Share which is less than 90% of the Current Market Price per Share on the last trading day preceding the date of announcement of the terms of such securities;
- (viii) modification of the rights of conversion, exchange or subscription attaching to any such securities as mentioned in paragraph (vii) above (other than in accordance with the terms applicable to such securities) so that the consideration per Share (for the number of Shares available on conversion, exchange or subscription following the modification) is less than 90% of the Current Market Price Per share on the last trading day preceding the date of announcement of the proposals for such modification;
- (ix) if and whenever the Company or any subsidiary of the Company or (at the direction or request of or pursuant to any arrangements with the Company or any subsidiary of the Company) any other person issues, sells or distributes any securities in connection with an offer by or on behalf of the Company or any subsidiary of the Company or such other person pursuant to which offer the Shareholders

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## LETTER FROM THE BOARD

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generally (meaning for these purposes the holders of at least 75% of the Shares outstanding at the time such offer is made) are entitled to participate in arrangements whereby such securities may be acquired by them (except where the Conversion Price falls to be adjusted under paragraph (iv) to (vii) above);

- (x) issues of any Shares in satisfaction of any Relevant Debt (as defined in the circular issued by the Company on 9 March 2016) or other liabilities at a subscription price less than HK\$1.20 per Share; or
- (xi) if the Company considers that it would be appropriate for an adjustment to be made to the Conversion Price as a result of one or more events or circumstances not specified above.

Cash settlement option:

The conversion rights of the Bondholders is subject to the Company's option to make cash payment in lieu of the issue of the Conversion Shares exercisable by the Company by giving a notice in writing within two business days after the date on which any bond certificate and the original, signed conversion notice is received by the Company. The Company shall be entitled to exercise the cash settlement option only in respect of the Shares that the Company cannot issue pursuant to (i) the general mandate to issue shares granted by the Shareholders; or (ii) a specific mandate granted by the Shareholders at an extraordinary general meeting of the Company; or (iii) if, upon such issue, the shareholding in the Company held by the public shall be less than the minimum prescribed percentage requirement as set out in the Listing Rules from time to time. In the exercise of the cash settlement option, the amount to be paid by the Company shall be arrived at by multiplying the number of Conversion Shares otherwise deliverable and the closing price of the Shares on the last day on which trading of the Shares on the Stock Exchange is not suspended preceding the day on which the notice of exercise of the cash settlement option is served.

Ranking of Conversion  
Shares:

The Shares issued upon conversion of the Convertible Bonds shall rank *pari passu* and free from encumbrances in all respects with all other existing Shares outstanding at the conversion date.

Redemption at maturity:

Unless previously redeemed, converted or purchased and cancelled in the circumstances set out in the terms of the Convertible Bonds, the Company may, subject to the terms and conditions of the Convertible Bonds, redeem the whole or part of the then outstanding principal amount of the Convertible Bonds at an amount equal to 100% of the principal amount of the Convertible Bonds plus accrued and unpaid interest on the principal amount.



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## LETTER FROM THE BOARD

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Redemption at the option of the Company:

The Company or any of its subsidiaries may, at any time and from time to time, purchase the Convertible Bonds at any price in the open market or otherwise in compliance with applicable laws and regulations.

The Company may also, at any time up to (and excluding) the commencement of the seven calendar day period ending on (and including) the maturity date, when the principal amount of the Convertible Bonds outstanding is equal to or less than 10% of the original aggregate principal amount as at the Closing Date, by written notice to the Bondholders elect to redeem the whole or part of the then outstanding principal amount of the Convertible Bonds at an amount equal to 100% of the principal amount of the Convertible Bonds sought to be redeemed as specified in the redemption notice plus accrued and unpaid interest thereon up to the date of payment.

The Company may also elect, at any time on or after eighteen months from the Closing Date and up to the third business day prior to the maturity date (the “**Call Period**”), by giving not less than two business days’ written notice to all the Bondholders at any time from two business days before the commencement of the Call Period, to redeem all or any part (in an authorised denomination) of the principal amount outstanding under the Convertible Bonds at 100% of the principal amount of such Convertible Bonds to be redeemed plus accrued and unpaid interest on the principal amount of the Convertible Bonds concerned up to the date of payment.

Redemption at the option of the Bondholder(s):

Any Bondholder(s) may, at any time on or after the Closing Date and up to the third business day prior to the maturity date (the “**Put Period**”), by giving not less than five business days written notice to the Company at any time from five business days before the commencement of the Put Period, to require the Company to redeem the whole or any part (in an authorised denomination) of the principal amount outstanding under the Convertible Bonds at 100% of the principal amount of the Convertible Bonds to be redeemed plus accrued and unpaid interest on the principal amount of the Convertible Bonds concerned up to the date of payment.

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## LETTER FROM THE BOARD

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Protection of the Bondholder(s):	The Company shall not, directly or indirectly, provide, or procure or allow any other person or entity to provide, any holder of Other Convertible Bonds any More Favourable Term without ensuring and evidencing that such More Favourable Term shall apply to the Bondholders no later than such More Favourable Term being provided to such holder of Other Convertible Bonds. In addition, the Company shall provide written notice to the Bondholders prior to the Company or any subsidiary of the Company issuing or amending the terms of any Relevant Indebtedness, or procuring or allowing any other person or entity to provide any holder of Relevant Indebtedness any security interest, guarantee (other than by the Guarantor), credit support or credit enhancement, or any other term, condition, right or remedy that could structurally, contractually or effectively subordinate the Convertible Bonds to such Relevant Indebtedness.
Transferability:	The Convertible Bonds may be assigned or transferred to any third party, subject to, among other things, the conditions of the Convertible Bonds.
Voting:	The Bondholder(s) shall not be entitled to receive notices of, attend or vote at any meetings of the Shareholders of the Company by reason only being a Bondholder.
Listing:	No application will be made for the listing of the Convertible Bonds on the Stock Exchange or any other exchange.

### CONVERSION PRICE AND CONVERSION SHARES

The initial Conversion Price was determined after arm's length negotiations between the Company and the Subscriber with reference to the historical performance of the market price of the Shares and the current market conditions. The initial Conversion Price is HK\$0.50 per Conversion Share, which represents (i) a premium of approximately 16.28% over the closing price of HK\$0.43 per Share as quoted on the Stock Exchange on 16 January 2017 (being the date of the Subscription Agreements); (ii) a premium of approximately 13.90% to the average closing price of approximately HK\$0.439 per Share as quoted on the Stock Exchange for the five consecutive trading days up to and including 13 January 2017 (being the last trading day before the date of the Subscription Agreements); and a premium of approximately 19.05% to the closing price per Share of HK\$0.42 as at the Latest Practicable Date.

Assuming full conversion of the Convertible Bonds at the initial Conversion Price of HK\$0.50 per Share (and no conversion of the 2018 Convertible Bonds and no exercise of the Share Options), the Convertible Bonds will be convertible into up to 1,502,000,000 Shares, representing approximately 69.17% of the issued share capital of the Company as at the Latest Practicable Date and approximately 40.89% of the enlarged issued share capital of the Company. The Conversion Shares shall rank *pari passu* in all respects with all other existing Shares outstanding at the conversion date.

## LETTER FROM THE BOARD

### EFFECT ON SHAREHOLDING

The table below sets out a summary of the shareholdings in the Company (i) as at the Latest Practicable Date; (ii) immediately following the full conversion of the Convertible Bonds at the initial Conversion Price of HK\$0.50 each (assuming no conversion of the 2018 Convertible Bonds and no exercise of the Share Options); and (iii) immediately following the full conversion of the Convertible Bonds at the initial Conversion Price of HK\$0.50 each (assuming full conversion of the 2018 Convertible Bonds and full exercise of the Share Options):

Shareholders	As at the Latest Practicable Date		Immediately following the full conversion of the Convertible Bonds at the initial Conversion Price of HK\$0.50 each (assuming no conversion of the 2018 Convertible Bonds and no exercise of the Share Options) (Note f)		Immediately following the full conversion of the Convertible Bonds at the initial Conversion Price of HK\$0.50 each (assuming full conversion of the 2018 Convertible Bonds and full exercise of the Share Options) (Note g)	
	Number of Shares	% (approx.)	Number of Shares	% (approx.)	Number of Shares	% (approx.)
Mr. Zhang (Note a)	409,181,031	18.84	409,181,031	11.14	409,181,031	10.45
Chen Qiang (Note b)	209,200,000	9.63	209,200,000	5.69	223,200,000	5.70
Gallop Sun Limited (Note c)	160,000,000	7.37	160,000,000	4.36	160,000,000	4.08
Other Directors (holders of Share Options)	-	-	-	-	6,801,000	0.17
Subscriber	-	-	1,502,000,000	40.89	1,502,000,000	38.35
Holder of 2018 Convertible Bonds (Note d)	137,100	0.01	137,100	-	207,137,100	5.29
Other public Shareholders (Note e)	1,393,073,376	64.15	1,393,073,376	37.92	1,408,496,376	35.96
<b>Total</b>	<b>2,171,591,507</b>	<b>100.00</b>	<b>3,673,591,507</b>	<b>100.00</b>	<b>3,916,815,507</b>	<b>100.00</b>

*Notes:*

- (a) Among 409,181,031 Shares, 387,436,231 Shares are directly held by Fine Profit Enterprises Limited and 21,744,800 Shares were directly held by Wealth Consult Limited, which is a wholly-owned subsidiary of Fine Profit Enterprises Limited. Both Fine Profit Enterprises Limited and Wealth Consult Limited are 100% directly or indirectly beneficially owned by Mr. Zhang.
- (b) Among 209,200,000 Shares, 27,200,000, 84,000,000 and 98,000,000 Shares are directly held by Boom Will Limited, Leader World Investments Limited and Outspace Limited, respectively. Boom Will Limited, Leader World Investments Limited and Outspace Limited are 100%, 38.33% and 100% directly beneficially owned by Mr. Chen Qiang, respectively. In addition, Mr. Chen Qiang is also holder of Share Options which entitle him to subscribe for 14,000,000 Shares.
- (c) Gallop Sun Limited is 100% directly and beneficially owned by Mr. Zhang De Huang, the father of Mr. Zhang.

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## LETTER FROM THE BOARD

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- (d) The Company has ascertained the shareholding of the holder of the 2018 Convertible Bonds as at the Latest Practicable Date. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the holder of the 2018 Convertible Bonds is a third party independent of the Company and its connected persons.
- (e) Other public shareholders include certain employees of the Group, who are also holders of certain Share Options which entitle them to subscribe for 15,423,000 Shares.
- (f) It is assumed that (i) the maximum principal amount of the Second Convertible Bonds of HK\$141,000,000 will be issued; (ii) the Conversion Price will not be adjusted as a result of any dilutive event; (iii) the Convertible Bonds will be converted in full at the Conversion Price of HK\$0.50 per Conversion Share; (iv) there will be no redemption, purchase or cancellation of the Convertible Bonds pursuant to the terms and conditions of the Convertible Bonds; and (v) there will not be any changes in the issued share capital of the Company save for the allotment and issue of the Conversion Shares.
- (g) It is assumed that (i) the maximum principal amount of the Second Convertible Bonds of HK\$141,000,000 will be issued; (ii) the Conversion Price will not be adjusted as a result of any dilutive event; (iii) the Convertible Bonds will be converted in full at the Conversion Price of HK\$0.50 per Conversion Share; (iv) the 2018 CB Original Conversion Price of HK\$1.05 per Share is adjusted to the 2018 CB New Conversion Price of HK\$0.50 per Share upon the completion of the Subscription Agreements pursuant to the terms and conditions of the 2018 Convertible Bonds, as further set out in the section headed "POTENTIAL ADJUSTMENT TO CONVERSION PRICE OF 2018 CONVERTIBLE BONDS" in this circular; (v) there will be no redemption, purchase or cancellation of the Convertible Bonds and the 2018 Convertible Bonds pursuant to their respective terms and conditions; (vi) the outstanding Share Options will be exercised in full; and (vii) there will not be any changes in the issued share capital of the Company save for the allotment and issue of the Conversion Shares, Shares pursuant to the exercise of the conversion rights attaching to the 2018 Convertible Bonds and the exercise of the Share Options as at the Latest Practicable Date.

### USE OF PROCEEDS

The Convertible Bonds shall be issued in exchange for the Existing Indebtedness subject to and in accordance with the terms and conditions of the Subscription Agreements. As a result, no proceeds shall be received by the Company in respect of the issue of the Convertible Bonds.

### REASONS FOR AND BENEFITS OF THE ISSUE OF THE CONVERTIBLE BONDS

Taking into account (i) the unsatisfactory financial performance and the deteriorating financial position of the Group in the past years; (ii) the current adverse market conditions in the shipbuilding industry which is unlikely to be recovered in the near future; and (iii) that the energy service business of the Group, while being adversely affected by the high gearing of the shipbuilding business of the Group, is still at an early development stage which may not be able to make a significant contribution to the Group's cash flows in the short run, the Directors consider that it is necessary and expedient for the Group to improve its overall liquidity and financial position.

Given the Existing Indebtedness will be due for repayment by 30 June 2017, the Directors consider that the issue of the Convertible Bonds serves to extend the maturity of the Existing Indebtedness owing to the Subscriber who was the holder of the 7.0% convertible bonds due 2016 issued by the Company on 7 August 2013 and therefore mitigate the Group's liquidity pressure in the short run and improve its financial position. This also indicates the continued support from the Subscriber towards the Group.

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## LETTER FROM THE BOARD

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The Directors (including the independent non-executive Directors) consider that the terms and conditions of the Subscription Agreements (including the provision of the guarantee by the Guarantor) and the issue of the Convertible Bonds in connection thereto are determined after arm's length negotiations between the Company and the Subscriber, are made on normal commercial terms and are fair and reasonable as far as the Shareholders are concerned, and the execution of the Subscription Agreements and the issue of the Convertible Bonds is in the interests of the Company and the Shareholders as a whole.

### **PROGRESS UPDATE ON THE DISPOSAL OF LIABILITIES**

The Company is actively negotiating with other creditors on the terms and conditions as well as the overall execution plan in respect of the disposal of liabilities of the Group (the “**Disposal of Liabilities**”). As at the Latest Practicable Date, the Company and the creditors (or their designated entities) have not yet entered into any definitive agreement in respect of the Disposal of Liabilities. The Company will comply with the Listing Rules by, as and when appropriate, disclosing the relevant terms and conditions of the Disposal of Liabilities in the announcement(s) and circular(s) of the Company and seeking approval from the Shareholders for the necessary mandate at an extraordinary general meeting of the Company.

### **FUND RAISING ACTIVITY BY THE COMPANY IN THE LAST 12 MONTHS**

Save for the issue of the 2018 Convertible Bonds as disclosed in the announcements of the Company dated 24 October 2016 and 31 October 2016, pursuant to which no proceeds had been received by the Company as they were issued in exchange for existing indebtedness of the Company, the Company has not raised any fund by any issue of equity securities during the 12 months immediately preceding the Latest Practicable Date.

### **GENERAL INFORMATION**

The Company is an investment holding company. The Group is a diversified large heavy industries group in the PRC and is principally engaged in shipbuilding, offshore engineering, marine engine building, engineering machinery and energy exploration and development.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Subscriber is a company incorporated in the British Virgin Islands with limited liability whose principal business is investment holding and is a member of VMS Investment Group Limited, which is 100% directly and beneficially owned by VMS Holdings Limited. VMS Holdings Limited is principally engaged in investments activities via its subsidiaries. VMS Holdings Limited is 100% directly and beneficially owned by Ms. Mak Siu Hang Viola.

As at the Latest Practicable Date, the Subscriber did not own any interest in the Shares of the Company. Save as disclosed above, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Subscriber and its ultimate beneficial owners are third parties independent of the Company and its connected persons.

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## LETTER FROM THE BOARD

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### POTENTIAL ADJUSTMENT TO CONVERSION PRICE OF 2018 CONVERTIBLE BONDS

As disclosed in the announcement of the Company dated 24 October 2016, pursuant to the terms and conditions of the 2018 Convertible Bonds, the Company shall not provide any more favourable term (including a conversion price lower than the conversion price of the 2018 Convertible Bonds then in effect) to any holders of Other Existing Convertible Bonds (as defined in the announcement of the Company dated 24 October 2016) without ensuring and evidencing that such more favourable term shall apply to the holders of the 2018 Convertible Bonds.

Therefore, pursuant to such condition, the 2018 CB Original Conversion Price of HK\$1.05 per Share is expected to be adjusted to the 2018 CB New Conversion Price of HK\$0.50 per Share upon completion of the Subscription Agreements.

Save for the abovementioned adjustment to the conversion price of the 2018 Convertible Bonds, all other terms and conditions of the 2018 Convertible Bonds will remain unchanged upon completion of the Subscription Agreements. Further announcement(s) will be made by the Company in respect of such adjustment as and when appropriate.

Upon passing of the proposed ordinary resolution as set out in the notice of EGM, an amendment and restatement agreement (the “**Amendment and Restatement Agreement**”) will be entered into amongst Credit Suisse (Hong Kong) Limited (as the holder of the 2018 Convertible Bonds), Mr. Zhang (as the guarantor of the 2018 Convertible Bonds) and the Company to acknowledge the adjustment to the conversion price of the 2018 Convertible Bonds as mentioned above by making the relevant modification to the terms and conditions of the 2018 Convertible Bonds. According to the Amendment and Restatement Agreement, the Company shall, on or before the issue date of (i) the First Convertible Bonds and (ii) the Second Convertible Bonds, or the earlier of the issue date of (i) the First Convertible Bonds and (ii) the Second Convertible Bonds if they are different, deliver to Credit Suisse (Hong Kong) Limited a copy of the approval from the Stock Exchange, certified as a true and complete copy of the original by a solicitor, for the listing of, and permission to deal in, all the 2018 CB Conversion Shares.

As at the Latest Practicable Date, the total outstanding principal amount of the 2018 Convertible Bonds is HK\$103,500,000 which are convertible into 98,571,428 Shares upon exercise of the conversion rights at the 2018 CB Original Conversion Price of HK\$1.05 per Share by the holder of the 2018 Convertible Bonds. Pursuant to the terms and conditions of the 2018 Convertible Bonds and based on the 2018 CB New Conversion Price of HK\$0.50 per Share, the maximum number of Shares to be issued by the Company upon full conversion of the 2018 Convertible Bonds shall be 207,000,000 Shares. The 2018 CB Conversion Shares will be allotted and issued by the Company pursuant to the General Mandate.

### SPECIFIC MANDATE FOR THE ISSUE OF THE CONVERSION SHARES

The Conversion Shares will be allotted and issued by the Company pursuant to the specific mandate sought to be granted to the Directors at the EGM. Therefore, the issue of the Convertible Bonds and the Conversion Shares by the Company are subject to Shareholders' approval.

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## LETTER FROM THE BOARD

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### APPLICATION FOR LISTING

The Company will apply to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares and the 2018 CB Conversion Shares to be issued upon exercise of the conversion rights attaching to the 2018 Convertible Bonds based on the 2018 CB New Conversion Price.

### EGM

An EGM will be held to consider, and, if thought fit, to approve, among other things, by way of ordinary resolution, the issue of the Convertible Bonds and the Conversion Shares to be allotted and issued upon the exercise of the conversion rights attaching to the Convertible Bonds.

The adjustment of the 2018 CB New Conversion Price of the 2018 Convertible Bonds shall be subject to, among other things, completion of the Subscription Agreements. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, save as Credit Suisse (Hong Kong) Limited and its associates which is the holder of the 2018 Convertible Bonds and held approximately 0.22% of the issued share capital of the Company as at the Latest Practicable Date, no Shareholder has a material interest in the issue of the Convertible Bonds and the Conversion Shares to be allotted and issued upon the exercise of the conversion rights attaching to the Convertible Bonds. Therefore, Credit Suisse (Hong Kong) Limited and its associates are required to abstain from voting on the resolution relating to the issue of the Convertible Bonds and the Conversion Shares to be allotted and issued upon the exercise of the conversion rights attaching to the Convertible Bonds.

A form of proxy for use at the EGM is sent to the Shareholders together with this circular. Whether or not you intend to attend the EGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the Company's Registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as practicable, and in any event not less than 48 hours before the time appointed for holding the EGM or at any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or at any adjourned meeting (as the case may be) should you so wish.

### RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

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## LETTER FROM THE BOARD

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### RECOMMENDATION

The Directors (including the independent non-executive Directors) consider that the issue of the Convertible Bonds and the Conversion Shares to be allotted and issued upon the exercise of the conversion rights attaching to the Convertible Bonds are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Shareholders to vote in favour of the relevant resolution to approve the issue of the Convertible Bonds and the Conversion Shares to be allotted and issued upon the exercise of the conversion rights attaching to the Convertible Bonds.

**Completion of the Subscription Agreements is subject to the satisfaction and/or waiver of the conditions precedent therein. Please refer to the section headed “THE SUBSCRIPTION AGREEMENTS” above for further information.**

**WARNING: As the Subscription Agreements may or may not be completed, the Convertible Bonds may or may not be issued and/or the Conversion Shares may or may not be issued or listed, Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.**

Yours faithfully,  
For and on behalf of the Board  
**China Huarong Energy Company Limited**  
**CHEN Qiang**  
*Chairman*



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## NOTICE OF EGM

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# CHINA HUARONG ENERGY COMPANY LIMITED 中國華榮能源股份有限公司

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 01101)**

## NOTICE OF EGM

**NOTICE IS HEREBY GIVEN THAT** an extraordinary general meeting of China Huarong Energy Company Limited (the “**Company**”) will be held at 3:00 p.m. on Wednesday, 17 May 2017 (or at any adjournment thereof), at Plaza 3-4, Lower Lobby, Novotel Century Hong Kong, 238 Jaffe Road, Wanchai, Hong Kong, for the purpose of considering and, if thought fit, passing with or without modifications, the following resolution of the Company. Expressions used in this notice of EGM shall have the same meanings as those defined in the circular of the Company dated 29 April 2017 unless otherwise stated herein.

### ORDINARY RESOLUTION

1. “**THAT**

- (a) the creation and issue of the Convertible Bonds (as defined in the circular of the Company dated 29 April 2017 (the “**Circular**”)), on and subject to the terms of the respective Subscription Agreements (as defined in the Circular), be and is hereby approved;
- (b) subject to and conditional upon the granting by the Listing Committee of The Stock Exchange of Hong Kong Limited of the listing of and permission to deal in the Conversion Shares (as defined in the Circular), the allotment and issue of new shares upon the exercise of the conversion rights attached to the respective Convertible Bonds in the share capital of the Company at the conversion price of HK\$0.50 (subject to adjustment in accordance with the terms and conditions of the respective Convertible Bonds) per share of the Company be and is hereby approved, and the directors of the Company (“**Directors**”) be and are hereby authorised to allot and issue the Conversion Shares pursuant to and in accordance with the terms and conditions of the respective Convertible Bonds; and
- (c) any one Director or, if the affixation of the common seal of the Company is necessary, in accordance with the articles of association of the Company, be and is/are hereby authorised for and on behalf of the Company to approve and execute all documents, instruments and agreements and to do all such acts or things deemed by him/her/them to be incidental to, ancillary to the matters contemplated in or relating to the issue of the

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## NOTICE OF EGM

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Convertible Bonds, the issue of the Conversion Shares and the transactions contemplated under the respective Subscription Agreements and completion thereof as he/she/they may consider necessary, desirable or expedient.”

By Order of the Board  
**China Huarong Energy Company Limited**  
**LEE Man Yee**  
*Company Secretary*

Hong Kong, 29 April 2017

*Registered Office:*  
Cricket Square  
Hutchins Drive  
P.O. Box 2681  
Grand Cayman  
KY1-1111  
Cayman Islands

*Principal Place of Business in Hong Kong:*  
Room 2201, 22nd Floor,  
China Evergrande Centre,  
38 Gloucester Road,  
Wanchai, Hong Kong

*Notes:*

1. Any member of the Company entitled to attend and vote at the EGM is entitled to appoint one or more than one proxy to attend and vote on his behalf. A proxy need not be a member of the Company.
2. Where there is joint holding of any share(s), any joint holder may vote at the EGM (or any adjournment thereof), either personally or by proxy, in respect of such share(s) as if he were solely entitled thereto; but if more than one of such joint holders be present at the EGM personally or by proxy, that one of the joint holders so present whose name stands first on the register of members of the Company in respect of such share(s) will alone be entitled to vote in respect thereof.
3. To be valid, a form of proxy, together with the power of attorney or other authority (if any) under which it is signed (or a notarially certified copy of that power of attorney or authority), must be deposited at the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not less than 48 hours before the time appointed for the holding of the EGM (or at any adjournment thereof).
4. The proposed resolution set out in this notice shall be decided by poll.

*As at the date of this notice, the board of Directors comprises five executive Directors, Mr. CHEN Qiang (chairman and chief executive officer), Mr. HONG Liang, Mr. WANG Tao, Ms. ZHU Wen Hua and Mr. ZHANG Ming; and three independent non-executive Directors, Mr. WANG Jin Lian, Ms. ZHOU Zhan and Mr. LAM Cheung Mau.*