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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)

SUPPLEMENTAL ANNOUNCEMENT IN RESPECT OF 2020 ANNUAL REPORT

Reference is made to the annual report of China Huarong Energy Company Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) for the year ended 31 December 2020 (the “**Annual Report**”). Unless the context requires otherwise, terms used herein shall have the same meanings as those defined in the Annual Report.

FURTHER DISCLOSURE RELATED TO IMPAIRMENT ON OIL PROPERTIES AND CONSTRUCTION-IN PROGRESS AND THE CO-OPERATION RIGHT RELATING TO THE ENERGY EXPLORATION AND PRODUCTION SEGMENT

The board of directors of the Company (the “**Board**”) would like to provide additional information in respect of the impairment on oil properties and construction-in-progress and the Co-operation Rights relating to the energy exploration and production segment in the Annual Report.

During the year ended 31 December 2020, due to the significant decline in crude oil price and continuing low global oil prices, the management performed impairment assessments on oil properties and construction-in-progress and the Co-operation Rights relating to the energy exploration and production segment, representing an individual cash generating unit (“**CGU**”) in accordance with IAS 36 “Impairment of Assets”. The recoverable amount of a CGU is determined based on the higher of fair value less costs of disposal or value-in-use calculations. These calculations use pretax (2019: same) cash flow forecast covering a period from year 2021 to year 2058 based on production plan for wells within the operating periods granted under the Co-operation Rights.

The recoverable amount of the CGU has been determined based on value-in-use calculations or fair value less cost to sell, whichever is higher. Hence the estimate of the recoverable amount of the CGU was determined based on a value-in-use calculation, using a discounted cash flow (“DCF”) model, which requires various parameters and inputs, among which the projection of amount and timing of future capital expenditures to enable the exploration and development of new oil production wells is a critical input. This projection, nonetheless, hinges on the overall financial position of the Company.

In assessing the impairments, the following assumptions were adopted:

1. Oil price projection

USD/Barrel	31 December 2020	31 December 2019
Forecast year		
2021	\$32.40	\$44.20
2022	\$33.80	\$46.75
2023	\$37.20	\$49.30
2024	\$37.90	\$52.70
2025	\$38.70	\$55.25
Post 2025	\$39.40–\$57.00	\$55.25

2. Given our assessment is not prepared under the perpetual aspect, we have determined 2058 as the operation terminal year.

3. The expected exploration volume by the end of 2058 is 22.9 million tonnes, which represented 97.2% of proved reserves as at 31 December 2020.

FURTHER DISCLOSURE RELATED TO RETIREMENT PLAN

In addition, the Board would like to provide additional information in relation to “Employee benefits” set out in note 2.21 to the consolidated financial statements of the Annual Report, as contemplated under paragraph 26(2) of Appendix 16 to the Listing Rules as follows:

During the years ended 31 December 2020 and 2019, the Group had no forfeited contributions under the retirement benefits scheme utilised to reduce future contributions.

The above supplementary information does not affect the other information contained in the Annual Report. Save as disclosed above, all other information in the Annual Report remains unchanged.

By order of the Board
China Huarong Energy Company Limited
CHEN Qiang
Chairman

Hong Kong, 6 January 2022

As at the date of this announcement, the directors of the Company are:

Executive directors:

Mr. CHEN Qiang (Chairman), Mr. HONG Liang, Ms. ZHU Wen Hua and Mr. NIU Jianmin.

Independent non-executive directors:

Mr. WANG Jin Lian, Ms. ZHOU Zhan and Mr. LAM Cheung Mau.