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DAMENG

CITIC Dameng Holdings Limited

中信大錕控股有限公司*

(incorporated in Bermuda with limited liability)

(Stock Code: 1091)

PROFIT WARNING

This announcement is made by the Company pursuant to Rule 13.09 of the Listing Rules.

Based on the information currently available to the Group, it is expected that the Group may record a significant decline in its results for the year ending 31 December 2012 as compared to the year 2011.

Shareholders and potential investors are advised to exercise caution when dealing in the shares of the Company.

This announcement is made by CITIC Dameng Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

The board of directors of the Company (the “**Board**”) wishes to inform the shareholders of the Company (the “**Shareholders**”) and potential investors that based on the preliminary review of the unaudited management accounts of the Group for the four months and the ten months ended 31 October 2012, it is expected that the Group may record a significant decline in its results for the half year and the year ending 31 December 2012 as compared with the corresponding periods in the year 2011. Should there be no strong recovery in the remaining two months to 31 December 2012 from the deterioration of the financial performance as experienced by the Group in the first ten months of this year, it is expected that the Group will record a loss attributable to shareholders for the half year and the year ending 31 December 2012. The Group recorded an unaudited profit attributable to shareholders of HK\$28,571,000 for the half year ended 31 December 2011 and HK\$408,572,000 for the year ended 31 December 2011. The reasons for the above adverse changes are mainly:

- (i) As detailed in the Company’s annual report for the year ended 31 December 2011, the

Group recorded a gain on bargain purchase from the acquisition of subsidiaries amounting to HK\$262,775,000 in the year 2011. No such similar item is expected in the year ending 31 December 2012.

- (ii) As disclosed in the interim report of the Company for the half year ended 30 June 2012, the selling price of the Group's products dropped significantly in the six months ended 30 June 2012 because downstream steel industry was hardly hit by weak demand for steel products amid the slower economic growth in the PRC. During the same period, the costs of the Group's products could not be reduced significantly due to upward pressure of raw materials price and labour cost. During the four months ended 31 October 2012, there was further decline in the selling price of our products as steel industry continued to suffer. The combined adverse effects further eroded the gross profit margin significantly in the four months ended 31 October 2012.

Taking into consideration the Group's bank balances and notes receivables (the settlement of notes receivables are guaranteed by banks and readily convertible into cash), the Board considers that the financial status of the Group remains strong. The Group will strive to maintain its competitiveness through continuous improvement in its production efficiency and hence reduction of production costs, as well as adjustments in its manganese product mix.

The information contained in this announcement should only be treated as a preliminary assessment made by the Board based on the information currently available to the Group and is not based on any figures or information that has been audited or reviewed by the auditors of the Company. As the period covered by the year ending 31 December 2012 has not yet ended, the results of the Group for the year 2012 are not yet available and we expect that such annual results will be announced before 31 March 2013.

Shareholders and potential investors are advised to exercise caution when dealing in the shares of the Company.

By order of the Board

CITIC DAMENG HOLDINGS LIMITED

Qiu Yiyong

Chairman

Hong Kong, 23 November 2012

As at the date of this announcement, the executive Directors are Mr. Qiu Yiyong, Mr. Li Weijian and Mr. Tian Yuchuan; the non-executive Directors are Mr. Mi Zengxin, Mr. Zeng Chen and Mr. Chen Jiqui; and the independent non-executive Directors are Mr. Yang Zhi Jie, Mr. Mo Shijian and Mr. Tan Zhuzhong.

**For identification purpose only*