DAMENG

CITIC Dameng Holdings Limited

中信大錳控股有限公司*

(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 and the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

The Board would like to inform the shareholders of the Company and potential investors that, based on the preliminary review of the unaudited consolidated management accounts of the Group for the four months from 1 July 2019 to 31 October 2019, the Group recorded an unaudited profit attributable to shareholders of the Company of HK$36.3 million, a drop by HK$145.5 million or 80% from the same period of 2018. Furthermore, based on sales orders received from the Group's customers thus far for the remaining two months of the year 2019, it is expected that the operating performance of the Group for the two remaining months will continue to suffer from further weakening EMM market with average selling price even lower than the preceding months. The operating performance of the Group for the six months and therefore also the year ending 31 December 2019 will substantially decline as compared with those of the year 2018.

However, the management of the Group has implemented a series of measures with a view to improving operating performance of the Group for the subsequent years. The financial results of the Group for the financial year ending 31 December 2019 will only be ascertained after all the relevant results and accounting treatments have been finalized.

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**") and the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

The board of directors of the Company (the "**Board**") would like to inform the shareholders of the Company and potential investors that, based on the preliminary review of the unaudited consolidated management accounts of the Group for the four months from 1 July 2019 to 31 October 2019, the Group recorded an unaudited profit attributable to shareholders of the Company of HK$36.3 million, a drop by HK$145.5 million or 80% from the same period of 2018. For information, the unaudited profit attributable to shareholders of the Company for the six months ended 30 June 2019 was HK$86.2 million (same period in 2018: HK$85.9 million) as disclosed in our 2019 interim report.

The slump in profit for the four months ended 31 October 2019 is largely attributable to the very much softer trading conditions in the second half of this year through now, as detailed below:

1. substantially lower average selling price of the Group's major products, i.e. electrolytic metal manganese and manganese briquettes (collectively "**EMM**"), in the four months ended 31 October 2019 as compared to the same period in 2018. Such tremendous price drop amounted to HK$5,400 per tonne in EMM (or about 31.6% from HK$17,100 per tonne to HK$11,700 per tonne) particularly because:
   (a) substantial drop in selling price of import manganese ore during this year leads to the increase in market production and supply of other manganese alloy products which compete with our EMM;
   (b) increased use of scrap steel in the market to produce stainless steel weakens the demand of our EMM's downstream products; and
   (c) as expected, the extremely advantageous trading conditions of our EMM in the second half year of 2018 as disclosed in our 2018 annual report did not repeat this year. Further details about the market supply of EMM and the price increase in the year 2018 have been set out in the section headed Management Discussion and Analysis in our 2018 annual report.
2. decrease in the sales quantity of EMM by approximately 3.9% in the four months ended 31 October 2019 as compared to the same period in 2018 (i.e. decrease from 53,300 tonnes to 51,300 tonnes).

Furthermore, based on sales orders received from the Group's customers thus far for the remaining two months of the year 2019, it is expected that the operating performance of the Group for the two remaining months will continue to suffer from further weakening EMM market with average selling price even lower than the preceding months. On the basis of the above and currently available information to the Board, the operating performance of the Group for the six months and therefore also the year ending 31 December 2019 will substantially decline as compared with those of the year 2018.

However, the management of the Group has implemented a series of measures with a view to improving operating performance of the Group for the subsequent years:

1. increasing production capacity of our battery materials including:

   (a) the second phase of lithium manganese oxide plant in Chongzuo base which is scheduled to be completed by April 2020 with an additional production capacity of approximately 1,500 to 3,000 tonnes per annum depending on the product type; and

   (b) through technological improvement, an additional production capacity of 40,000 tonnes per annum of electrolytic manganese dioxide of our joint venture Huiyuan Manganese plant which is scheduled to start from January 2020;

2. technical research and development to upgrade the quality of our battery material products including electrolytic manganese dioxide and lithium manganese oxide for higher value-added application in motive batteries which are used in electric vehicles and electric tools and equipment;

3. continuous cost reduction programme in our production including:

   (a) upgrading machine automation to improve cost efficiency and reduce headcount, including a new grinding plant in our Daxin mine which is scheduled to be completed by December 2020; and

   (b) strengthening our negotiating team of Daxin and Tiandeng EMM plants in bargaining with local government for more subsidies in power purchase.

The information contained in this announcement is based only on the preliminary assessment by the Board upon its review of the unaudited consolidated management accounts of the Group and the currently available information to the Board which have not been audited nor reviewed by the Company's independent auditor. The financial results of the Group for the financial year ending 31 December 2019 will only be ascertained after all the relevant results and accounting treatments have been finalized. The Group's financial results for the financial year ending 31 December 2019 will also be affected by other factors including value assessment of the Group's assets and liabilities which may result in additional impairment loss and/or gain (if any) and/or provision (if any) to be recorded. The Company will publish further announcement if there is any additional information warranting disclosure in accordance with the Listing Rules. Shareholders of the Company and potential investors are advised to refer to the details of the Company's annual results announcement for the financial year ending 31 December 2019 which will be published before the end of March 2020.

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
Guo Aimin
Chairman

Hong Kong, 22 November 2019

As at the date of this announcement, the executive Directors are Mr. Guo Aimin and Mr. Li Weijian; the non-executive Directors are Mr. Suo Zhengang, Mr. Lyu Yanzheng, Mr. Cheng Zhiwei and Ms. Cui Ling; and the independent non-executive Directors are Mr. Lin Zhijun, Mr. Tan Zhuzhong and Mr. Wang Zhihong.

**For identification purpose only*