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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 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 five months from 1 January 2020 to 31 May 2020, the Group recorded an unaudited loss attributable to shareholders of the Company of HK\$17.0 million, comparing to a profit attributable to shareholders of HK\$65.7 million in the same period of the year 2019. Based on information currently available including sales orders received from the customers thus far for the month of June 2020, it is expected that the operating performance of the Group for the month of June 2020 will probably be unable to reverse the loss for the five months ended 31 May 2020. Therefore, the Group is expected to record a loss attributable to shareholders of the Company for the six months ending 30 June 2020 as compared with a profit attributable to shareholders of the Company of HK\$86.0 million in the same period of the year 2019.

The interim financial results of the Group for the six months ending 30 June 2020 will only be ascertained after all the relevant results and accounting treatments have been finalised.

**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 five months from 1 January 2020 to 31 May 2020, the Group recorded an unaudited loss attributable to shareholders of the Company of HK\$17.0 million, comparing to a profit attributable to shareholders of HK\$65.7 million in the same period of the year 2019. Based on information currently available including sales orders received from the customers thus far for the month of June 2020, it is expected that the operating performance of the Group for the month of June 2020 will probably be unable to reverse the loss for the five months ended 31 May 2020. Therefore, the Group is expected to record a loss attributable to shareholders of the Company for the six months ending 30 June 2020 as compared with a profit attributable to shareholders of the Company of HK\$86.0 million in the same period of the year 2019.

The negative turnaround to a loss attributable to shareholders of the Company for the five months ended 31 May 2020 from a profit in the same period of the year 2019 is mainly attributable to the net impact of the followings:

1. Average selling price of the Group’s major products, i.e. electrolytic metal manganese and manganese briquettes (collectively “**EMM**”), in the five months ended 31 May 2020 dropped substantially as compared to the same period in 2019. The EMM price dropped by HK\$2,700 per tonne from HK\$13,400 per tonne to HK\$10,700 per tonne (or about 20.1%). This is mainly due to the adverse condition of the EMM markets which prevailed in the fourth quarter of the year 2019 has been carried into the year 2020 and the outbreak of the coronavirus disease (the “**COVID-19**”) from the end of January 2020 has constrained the growth of market demand. The above negative impact was partially offset, but to a lesser extent, by decrease in the unit cost of production of EMM as a result of price decrease of EMM’s major raw materials including manganese ores, sulfuric acid and selenium dioxide.
2. As detailed in our announcement of 20 February 2020, as the Group did not participate in the rights issue of Greenway Mining Group Limited (“**Greenway Mining**”), the Group’s shareholdings in Greenway Mining was diluted from 29.99% to 23.99% immediately after the completion of the rights issue. The Group recorded a one-off extraordinary non-cash loss of approximately HK\$100.0 million arising from the deemed disposal of interest in Greenway Mining.
3. The negative impacts set out in the above paragraphs 1 and 2 were partially offset by the following gain. As detailed in our announcement of 30 March 2020, the Group

acquired 65.17% equity interest of Ningbo Dameng Management Partnership (Limited Partnership) (“**Ningbo Dameng**”), at an aggregate consideration of RMB124,045,988 (equivalent to HK\$136,450,587). Upon completion of the acquisition, Ningbo Dameng became a wholly owned subsidiary of the Group and the financial results of Ningbo Dameng was consolidated into those of the Group since then. Based on an independent third party valuer’s valuation, a gain on bargain purchase of approximately HK\$73.0 million was recognised in the consolidated statement of profit or loss of the Group upon completion of the acquisition.

Our Group has implemented a series of measures with a view to improving our operating performance for the subsequent periods:

1. The Group continues our strategy to cautiously expand our production capacity of battery material products. Upon completion of the acquisition of 65.17% equity interest of Ningbo Dameng in March 2020, Ningbo Dameng became a wholly owned subsidiary of the Group. Ningbo Dameng owns an electrolytic manganese dioxide (“**EMD**”) manufacturing plant, Huiyuan Manganese Plant, in Laibin, Guangxi with technological upgrade of annual capacity to 90,000 tonnes per annum by the end of the year 2019. It is now one of the largest EMD manufacturing plant in the PRC with cost advantages including internal supply of manganese ores from our own Gabon mine. With the additional equity interest in Huiyuan Manganese Plant and release of its new production capacity in the current year, our product mix will further be shifted to more profitable battery material products i.e. EMD with more profit contribution to the Group from Ningbo Dameng.
2. Different levels of lockdown around the world due to the outbreak of the COVID-19 has significantly reduced the human flows, transportation and trading activities worldwide. The lockdown of certain countries with major manganese ore supplies has led to temporary closures of some manganese ore mines and/or ore ports and therefore reduction in manganese ores supply in the international market in recent months. Nevertheless, the Group has been strictly implementing precautionary measures at our mining site in Gabon since the beginning of the outbreak and at the same time Gabon government has only implemented lockdown around major city areas. Therefore, our mining operations in Gabon and its ore export remained largely unaffected by the COVID-19 so far. We will continue to implement our existing precautionary measures to ensure our staff’s safety while securing the stable production and export of our ores in Gabon to seize the recent market opportunities.
3. We will continue to implement 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 governments 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 six months ending 30 June 2020 will only be ascertained after all the relevant results and accounting treatments have been finalised, 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 interim results announcement for the six months ending 30 June 2020 which will be published before the end of August 2020.

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

Note: Unless otherwise specified and for illustration purpose only, the figures in RMB are converted into HK\$ at the rate of RMB1.00=HK\$1.10 throughout this announcement for indication purposes only. Such conversion should not be construed as a representation that the relevant currency could actually be converted into HK\$ at that rate or at all.

By order of the Board  
**CITIC DAMENG HOLDINGS LIMITED**  
**Guo Aimin**  
Chairman

Hong Kong, 24 June 2020

*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*