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(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1932)

PROFIT WARNING

This announcement is made by the board (the “**Board**”) of directors (the “**Directors**”) of CPM Group Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) pursuant to Rule 13.09(2)(a) of the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited and the Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

The Board wishes to inform the shareholders of the Company (the “**Shareholders**”) and prospective investors of the Company that based on the preliminary information available to the Board and the unaudited consolidated management accounts of the Group, the Group would incur a loss attributable to the Shareholders for the six months ended 30 June 2018 (the “**Six-month Period**”) in the amount between HK\$71.0 million and HK\$78.0 million. During the six months ended 30 June 2017, the Group recorded a loss attributable to the Shareholders of HK\$17.6 million.

The deteriorating performance of the Group during the Six-month Period was due to a number of unexpected factors as follows:

Firstly, the crude oil price continued to soar during the Six-month Period since the second half of 2017. The continuous increase in crude oil price has caused the price of principal raw materials of the Group, such as solvent and resin, to increase significantly during the Six-month Period. The Group was not able to shift the entire increase in the cost of raw materials to the Group’s customers due to the intense price competition.

Secondly, the increasingly stringent environmental protection and dangerous chemicals safety initiatives in Mainland China discouraged the use of solvent-based paint and coating products. As a result, the demand for and the sales of the Group’s solvent-based products were adversely affected during the Six-month Period.

Thirdly, the Group was not able to reduce the production overheads and other direct costs in proportion to the decrease in the production volume and sales volume since the economies of scale cannot be met under low production volume during the Six-month Period.

Finally, there was an appreciation in Renminbi when compared to the last corresponding period. Since there was loss making for the Group for the Six-month Period, the appreciation in Renminbi had resulted in a negative impact on the financial results after translation into Hong Kong dollar.

As a result, both the revenue and the gross profit margin of the Group recorded decreases and the loss attributable to the Shareholders recorded an increase during the Six-month Period.

The Company is in the process of finalising the unaudited consolidated interim results of the Group for the Six-month Period. The information contained in this announcement is based on the preliminary information available to the Board and the unaudited consolidated management accounts of the Group for the Six-month Period. This information has yet to be reviewed or confirmed by the independent external auditors of the Company, nor reviewed by the audit committee of the Board, and may be different from the unaudited consolidated interim results of the Group for the Six-month Period. The interim results announcement of the Group for the Six-month Period will be published by the Company by the end of August 2018 in full compliance with the requirements under the Listing Rules.

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

On behalf of the Board
CPM Group Limited
Tsui Ho Chuen, Philip
Executive Director and Managing Director

Hong Kong, 10 August 2018

As at the date of this announcement, the Board comprises Mr. Tsui Ho Chuen, Philip, Mr. Li Guangzhong and Mr. Wong Anders as the executive Directors; Mr. Lam Ting Ball, Paul and Mr. Chong Chi Kwan as the non-executive Directors; and Ms. Chiu Kam Hing, Kathy, Mr. Chua Joo Bin and Mr. Xia Jun as the independent non-executive Directors.