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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**”, together with its subsidiaries, the “**Group**”) pursuant to Rule 13.09(2)(a) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) 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 Company is expected to incur a loss attributable to the Shareholders for the year ended 31 December 2018 in the amount between HK\$130.0 million and HK\$140.0 million, as compared with the profit attributable to the Shareholders for the year ended 31 December 2017 of HK\$17.3 million.

The loss attributable to the Shareholders for the year ended 31 December 2018 was primarily due to a number of unexpected factors as follows:

First, the revenue of the Group during the year ended 31 December 2018 decreased because of the sluggish demand for solvent-based and water-based paint and coating products in the real estate sector and the furniture manufacturing sector in Mainland China in 2018. The decrease in such demand has further intensified the price competition, which had a negative impact on the sales volume of the principal paint and coating products of the Group. The demand for solvent-based paint and coating products was also adversely affected by the increasingly stringent regulations on the use and storage of solvent-based paint and coating products in the target markets of the Group in Mainland China.

Second, the crude oil price has continued to soar and reached the year-high level in October 2018. The increase in crude oil price has led to the increase in the prices of solvent and resin, which are the principal raw materials of the Group. The Group was not able to shift the entire increase in the cost of production to its customers because of the intense price competition among the existing players in the market.

Third, as a result of the decrease in the sales and production volume of the solvent-based and water-based paint and coating products of the Group, the gross profit margin of the Group was reduced due to the fixed production overhead and direct cost incurred by the Group.

In addition, in response to the unfavourable market conditions, the Group has streamlined its sales and production teams. As a result, the Group incurred expenses on one-off redundancy compensation for certain employees in Mainland China.

There were also other factors affecting the operating results of the Group for the year ended 31 December 2018, details of which will be included in the results announcement of the Company. Further information on the measures/initiatives taken by the Group in response to the current adverse business environment will also be included in the results announcement of the Company.

The Company is in the process of finalising the annual results of the Group for the year ended 31 December 2018. The above estimate is based on the preliminary information available to the Board and the unaudited consolidated management accounts of the Group for the year ended 31 December 2018 which has yet to be reviewed or audited by the independent external auditors of the Company and the audit committee of the Board. The above estimate may be different from the audited consolidated annual results of the Group for the year ended 31 December 2018. The results announcement of the Company for the year ended 31 December 2018 will be published by the Company by the end of March 2019 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, 4 February 2019

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