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(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1932)

VOLUNTARY ANNOUNCEMENT UPDATED INFORMATION ON THE USE OF THE NET PROCEEDS FROM THE GLOBAL OFFERING

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**”) on a voluntary basis. Unless the context requires otherwise, capitalised terms used in this announcement shall have the same meanings as those defined in the prospectus of the Company dated 19 June 2017 (the “**Prospectus**”) and the annual report of the Company for the year ended 31 December 2018 (the “**2018 Annual Report**”). This announcement provides updated information on the use of the net proceeds (the “**Net Proceeds**”) from the Global Offering (as defined in the Prospectus) in addition to the disclosure in the 2018 Annual Report.

Background information

It was disclosed in the Prospectus that the Group would use HK\$78.5 million out of the Net Proceeds for the construction of the Xinfeng Production Plant, which was expected to include (a) a production plant and related ancillary facilities for the production of water-based paint and coating products with an annual production capacity of 20,000 tonnes (the “**New Water-based Paint Production Facilities**”); (b) a product research and development centre; and (c) three dangerous goods warehouses. As set forth in the 2018 Annual Report, an amount of HK\$52.2 million (the “**Unutilised Amount**”) had not been used, of which an amount of HK\$32.2 million would be used for the construction of the New Water-based Paint Production Facilities and the remaining balance of HK\$20.0 million would be used on further improvements and upgrades to the product research and development centre and the purchase of relevant testing equipment at the product research and development centre.

Updated information on the use of the Net Proceeds

The Group has completed the construction of the three dangerous goods warehouses (at the originally estimated cost of HK\$9.7 million) and the first stage of the product research and development centre (at the cost of HK\$8.9 million). As set forth in the 2018 Annual Report, the business of the Group was adversely affected by certain macro-economic and environmental protection factors in the PRC which were not expected when the Prospectus was issued. The Directors have adopted a cautious approach in making investment in the construction of the New Water-based Paint Production Facilities and the product research and development centre, albeit that the Board has no intention to change the prescribed use of the Net Proceeds.

The Group completed the acquisition of the entire equity interest in China Molybdenum & Vanadium Development Limited in the middle of 2018, and the Group currently operates a production plant in Zhongshan, Guangdong Province, the PRC (the “**Zhongshan Production Plant**”) for the production of solvent-based paint and coating products. Having considered the advantage of the location and the site area of the Zhongshan Production Plant and subject to completion of the relevant feasibility study and the final decision of the Board, the New Water-based Paint Production Facilities may be constructed at the Zhongshan Production Plant. Because of the construction delay and the general inflation of the construction cost in the PRC, the Board would need to update the cost estimate for the construction of the New Water-based Paint Production Facilities.

Subject to the final decision of the Board, the Directors expect that the construction work of the New Water-based Paint Production Facilities would commence from the first quarter of 2020 and trial production is expected to commence during the third quarter of 2020. Commercial production of the New Water-based Paint Production Facilities would commence from the fourth quarter of 2020.

Further announcement and disclosure to be made

The Company will make further announcement and will comply with the disclosure requirement under paragraphs 11(8) and 11A of Appendix 16 to the Listing Rules, if there is any further update on the use of the Net Proceeds and the Unutilised Amount.

On behalf of the Board
CPM Group Limited
Tsui Ho Chuen, Philip

Executive Director and Managing Director

Hong Kong, 29 July 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.