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PROFIT ALERT REDUCTION IN OPERATING LOSS

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 currently available to the Board which includes, but without limitation to, the latest unaudited consolidated management accounts of the Group for the six months ended 30 June 2023 (the “**2023 Six-month Period**”), the loss attributable to the Shareholders for the 2023 Six-month Period is expected to decrease significantly, falling within the range of 78% to 73%, to the amount between HK\$11.00 million to HK\$13.60 million, as compared with the same of HK\$50.38 million for the six months ended 30 June 2022. The substantial reduction in the estimated loss of the Group for the 2023 Six-month Period was primarily due to the following factors:

- (i) slightly increase in the gross profit of paint and coating products (the “**Products**”) of the Group for the 2023 Six-month Period as a result of the net-off effect of the substantial enhancement in the gross profit margin, which was accomplished through the effective implementation of ongoing measures and initiatives aimed at revamping the business operations of the Group and the significant decrease in sales of the Products. The significant decrease in sales was a direct result of the sluggish real estate market and declining exports in Mainland China, coupled with the decision on elimination of the Products with low gross profit margins from the offerings of the Group. The contraction in China export also affected the businesses of industrial manufacturers in Mainland China;

- (ii) significant increase in rental income derived from the investment properties of the Group for the 2023 Six-month Period, which was a direct outcome of the strategic decision of the Group to transfer its underutilised production plant in Shajing, PRC to one of its investment properties in the second half of 2022; and
- (iii) significant decreases in selling and distribution expenses, administration expenses and other operating expenses for the 2023 Six-month Period due to: (a) a significant decline in sales of the Products, causing the selling and distribution expenses associated with the sales of the Products markedly decreased; (b) administration expenses significantly reduced as a result of the successful integration of production facilities; and (c) a significant decrease in other operating expenses due to the absence of staff termination costs arising from the extensive restructuring of the business operations of the Group in 2022.

There were also other factors affecting the operating results of the Group for the 2023 Six-month Period, details of which will be included in the results announcement of the Company for the 2023 Six-month Period.

The Company is in the process of finalising the results of the Group for the 2023 Six-month Period. The above estimated amount of loss 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 results of the Group for the 2023 Six-month Period. The results announcement of the Company for the 2023 Six-month Period will be published by the Company by the end of August 2023 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
Chairman and Managing Director

Hong Kong, 4 August 2023

As at the date of this announcement, the Board comprises Mr. Tsui Ho Chuen, Philip, Mr. Li Guangzhong and Mr. Mak Chi Wah as executive Directors; Mr. Chong Chi Kwan as non-executive Director; and Mr. Chua Joo Bin, Mr. Xia Jun and Ms. Meng Jinxia as independent non-executive Directors.