

# AmCap

*Ample Capital Limited*

豐盛融資有限公司

24 June 2026

*To the Independent Board Committee of  
CPM Group Limited*

Dear Sirs/Madams,

**MANDATORY UNCONDITIONAL CASH OFFERS BY  
YU MING INVESTMENT MANAGEMENT LIMITED ON BEHALF OF  
PRIME SURPLUS LIMITED AND SHK HONG KONG INDUSTRIES LIMITED  
TO ACQUIRE ALL THE ISSUED SHARES OF CPM GROUP LIMITED  
(OTHER THAN THOSE SHARES ALREADY OWNED  
AND/OR AGREED TO BE ACQUIRED BY THE OFFERORS, CNT  
AND PARTIES ACTING IN CONCERT WITH ANY OF THEM)  
AND TO CANCEL ALL THE OUTSTANDING SHARE OPTIONS OF  
CPM GROUP LIMITED**

## INTRODUCTION

We refer to our engagement as the Independent CPM Financial Adviser to the Independent CPM Board Committee in respect of the CPM Offers, details of which are set out in the letter from the CPM Board contained in the Composite Document dated 24 June 2026 jointly issued by the Offerors and CPM, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Composite Document unless the context requires otherwise.

Reference is made to (i) the Joint Announcement in relation to the CNT Offer and the CPM Offers; (ii) the CNT Composite Document in relation to the CNT Offer; and (iii) the announcement dated 17 June 2026 jointly issued by the Offerors, CNT and CPM in respect of, among other things, the CNT Offer having become unconditional in all respects and the satisfaction of the pre-condition to the CPM Offers.

The CNT Offer became unconditional in all respects on 17 June 2026. The Offerors and parties acting in concert with any of them together hold more than 50% of the voting rights in CNT as a result of the CNT Offer. Therefore, pursuant to the chain principle in Note 8 to Rule 26.1 of the Takeovers Code, Yu Ming, on behalf of the Offerors, makes the CPM Offers.

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## **THE INDEPENDENT CPM BOARD COMMITTEE**

Pursuant to Rule 2.1 of the Takeovers Code, the Independent CPM Board Committee, comprising Mr. Mak Chi Wah, the non-executive CPM Director and all independent non-executive CPM Directors, namely, Mr. Chua Joo Bin, Mr. Xia Jun and Ms. Meng Jinxia, has been established to advise the Independent CPM Shareholders and the Independent CPM Optionholders as to whether the CPM Offers are fair and reasonable and as to acceptance of the CPM Offers. We, Ample Capital Limited (“**Ample Capital**”), have been appointed as the Independent CPM Financial Adviser with the approval of the Independent CPM Board Committee to advise the Independent CPM Board Committee in respect of the CPM Offers and, in particular, as to whether the CPM Offers are fair and reasonable and as to the acceptance of the CPM Offers pursuant to Rule 2.1 of the Takeovers Code.

## **OUR INDEPENDENCE**

As at the Latest Practicable Date, we are independent from and not connected with CPM, the Offerors, any of their respective substantial shareholders, or any party acting, or presumed to be acting, in concert with any of them. During the past two years immediately preceding and up to the date of our appointment as the Independent CPM Financial Adviser, save for this appointment as the Independent CPM Financial Adviser in respect of the CPM Offers, we, Ample Capital Limited, have no other connection, financial, business or otherwise with and there were no other engagements between Ample Capital and CPM, the Offerors, any of their respective substantial shareholders, or any party acting, or presumed to be acting, in concert with any of them. Apart from the normal advisory fee payable to us in connection with our appointment as the Independent CPM Financial Adviser to advise the Independent CPM Board Committee, no arrangement exists whereby we shall receive any other fees or benefits from the Offerors and CPM or any of their respective substantial shareholders or any person acting, or deemed to be acting, in concert with any of them. Accordingly, we are considered eligible to give independent advice on the CPM Offers.

## **BASIS OF OUR OPINION**

In formulating our opinion and advice, we have relied on the statements, information, opinions and representations contained or referred to in the Composite Document and the information and representations provided to us by the CPM Group, the CPM Directors and/or senior management of CPM (the “**CPM Management**”). We have assumed that all information, representations and opinions contained or referred to in the Composite Document or made, given or provided to us by CPM, the CPM Directors and the CPM Management, for which they are solely and wholly responsible, were true and accurate and complete in all material respects at the time when they were made and continue to be so as at the Latest Practicable Date. We have assumed that all the opinions and representations made by the CPM Directors in the Composite Document have been reasonably made after due and careful enquiry. We have reviewed, among other things, (i) the Joint Announcement; (ii) the Composite Document; (iii) the annual report of CPM for the year ended 31 December 2025 (the “**2025 Annual Report**”); and (iv) other information obtained from the public domain.

We consider that we have been provided with sufficient information on which to form a reasonable basis for our opinion. We have no reason to suspect that any relevant information has been withheld, nor are we aware of any fact or circumstance which would render the information provided and representations made to us untrue, inaccurate or misleading. We consider that we have performed all the necessary steps to enable us to reach an informed view and to justify our reliance on the information provided so as to provide a reasonable basis for our opinion. We have also assumed that all statements of opinion made by the CPM Directors and the CPM Management in the Composite Document were reasonably made after due enquiries and careful consideration. The CPM Directors have confirmed, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this Composite Document (other than that expressed by the director(s) of each of the Offerors in their capacity as such) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statements in this Composite Document misleading. In addition, the directors of SHK and AGL have confirmed, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this Composite Document (other than opinions expressed by the CPM Directors and the sole director of Prime Surplus) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statement in this Composite Document misleading. The sole director of Prime Surplus has confirmed, having made all reasonable inquiries, that to the best of his knowledge, opinions expressed in this Composite Document (other than opinions expressed by the directors of SHK and the opinions expressed by the CPM Directors in their capacity as such) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statement in this Composite Document misleading. Should there be any material changes to such information and representations and/or our opinion contained in this letter after the Latest Practicable Date, the CPM Shareholders and CPM Optionholders would be notified as soon as possible in accordance with Rule 9.1 of the Takeovers Code.

While we have taken reasonable steps to satisfy the requirements under the Takeovers Code and the Listing Rules, we have not carried out any independent verification of the information, opinions or representations given or made by or on behalf of CPM as set out in the Composite Document, nor have we conducted an independent investigation into the business affairs or assets and liabilities of the CPM Group or any of the other parties involved in the CPM Offers.

We have not considered the tax and regulatory implications on the CPM Shareholders and CPM Optionholders of acceptance or non-acceptance of the CPM Offers since these depend on their individual circumstances. In particular, the CPM Shareholders and CPM Optionholders who are resident overseas or subject to overseas taxes or Hong Kong taxation on securities dealings should consider their own tax positions, and if in any doubt, should consult their own professional adviser.

This letter is issued for the information for the Independent CPM Board Committee, the CPM Shareholders and CPM Optionholders solely in connection with their consideration of the CPM Offers, and except for its inclusion in the Composite Document, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

## PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and recommendations, we have taken into consideration the following principal factors and reasons. Our conclusions are based on the results of all analyses taken as a whole.

### 1. Background of the CPM Offers

The CNT Board was informed by Prime Surplus that on 10 April 2026, it had acquired 88,723,592 CNT Shares from the Seller for a consideration of HK\$8,872,359.2, equivalent to approximately HK\$0.1 per Sale Share, by entering into the bought and sold notes and the standard form of transfer. The Sale Shares represent approximately 4.66% of the total issued CNT Shares. Completion of the acquisition took place on 10 April 2026.

Pursuant to Rule 26.1 of the Takeovers Code, the Offerors are required to make a mandatory conditional cash offer for all the issued CNT Shares (other than those already owned and/or agreed to be acquired by the Offerors and parties acting in concert with any of them).

Immediately following completion of the acquisition and as at the date of the Joint Announcement, the Offerors holds 34.38% of the voting rights in CNT, which in turn holds 75.00% of the voting rights in CPM.

The CNT Offer became unconditional in all respects on 17 June 2026. The Offerors and parties acting in concert with any of them together hold more than 50% of the voting rights in CNT as a result of the CNT Offer. Therefore, pursuant to the chain principle in Note 8 to Rule 26.1 of the Takeovers Code, the Offerors are required to make a mandatory unconditional cash offer for all the issued CPM Shares (other than those shares already owned and/or agreed to be acquired by the Offerors, CNT and parties acting in concert with any of them) and a mandatory unconditional cash offer to cancel all outstanding CPM Share Options (other than those share options already owned and/or agreed to be acquired by the Offerors, CNT and parties acting in concert with any of them).

Yu Ming, on behalf of the Offerors, is making the CPM Offers to acquire all the CPM Offer Shares and to cancel all CPM Share Options in compliance with the Takeovers Code on the basis set out below:

#### The CPM Share Offer

For each CPM Offer Share . . . . . HK\$0.0562 in cash

#### The CPM Option Offer

For each CPM Share Option . . . . . HK\$0.0001 in cash

As the exercise price of the outstanding CPM Share Options is above the CPM Share Offer Price, the outstanding CPM Share Options are out of the money and the offer price for cancellation of each CPM Share Option is set at a nominal value of HK\$0.0001, in cash.

## 2. Background and information and financial overview of the CPM Group

### 2.1 *Principal business*

As stated in the Composite Document, CPM is a company incorporated in the Cayman Islands with limited liability, the CPM Shares are listed on the Main Board. The CPM Group is principally engaged in (i) the manufacture and sale of paint and coating products; and (ii) property investment.

#### *Paint and coating products*

The CPM Group is engaged in the wholesale and retail trade of paint and coating products in the PRC and Hong Kong, which can be broadly divided into (i) industrial paint and coating products; (ii) architectural paint and coating products; and (iii) general paint and coating and ancillary products.

Industrial paint and coating products are used in a wide range of applications, such as furniture painting, manufacturing and surface finishing for different kinds of materials, and are used by manufacturers, renovation contractors for property and infrastructure projects and household users. Architectural paint and coating products are used for walls, floors and exterior parts of buildings. The CPM Group's architectural paint and coating products focus primarily on the construction and maintenance markets of commercial and residential properties. General paint and coating and ancillary products, such as thinner, enamels, anti-mold agents and solvent agents, can be used for both architectural and industrial purposes.

#### *Property investment*

As at 31 December 2025, the CPM Group's investment property portfolio comprised of 6 properties (31 December 2024: 6) with a total land area of 175,675.8 square meters ("sq.m.") (31 December 2024: 175,675.8 sq.m.) and a total gross floor area of 76,295.3 sq.m. (31 December 2024: 76,295.3 sq.m.). These investment properties are industrial properties and a commercial property located in the PRC, which generate stable recurring income and cash flows for long-term strategic and investment purposes.

## 2.2 Financial information of the CPM Group

Set out below are the summarised consolidated income statements of the CPM Group for the years ended 31 December 2024 and 2025 (“FY2024” and “FY2025”, respectively) as extracted from the 2025 Annual Report.

	For the year ended		
	31 December		% change
	2025	2024	
	HK\$'000	HK\$'000	
	(audited)	(audited)	
Revenue	241,091	321,352	(24.97)
– Paint and coating products	222,679	298,341	(25.36)
• Industrial paint and coating products	127,681	151,138	(15.52)
• Architectural paint and coating products	37,729	69,933	(46.05)
• General paint and coating and ancillary products	57,269	77,270	(25.88)
– Property investment	18,412	23,011	(19.99)
Cost of sales	(140,513)	(192,034)	(26.83)
Gross profit	100,578	129,318	(22.22)
Loss before tax	(46,626)	(49,585)	(5.97)
(Loss) for the year	(46,047)	(47,984)	(4.04)
(Loss) for the year attributable to:			
Owners of the parent	(45,982)	(47,915)	(4.03)
Non-controlling interest	(65)	(69)	(5.80)
	As at 31 December		
	2025	2024	% change
	HK\$'000	HK\$'000	
	(audited)	(audited)	
Non-current assets	425,720	438,683	(2.95)
Current assets	280,955	365,313	(23.09)
Total assets	706,675	803,996	(12.10)
Non-current liabilities	179,968	152,674	17.88
Current liabilities	169,550	270,259	(37.26)
Total liabilities	349,518	422,933	(17.36)
Net assets	357,157	381,063	(6.27)

As set out in the 2025 Annual Report, the CPM Group's total revenue FY2025 amounted to approximately HK\$241.09 million, which included the sales of paint and coating products of HK\$222.68 million and rental income from investment properties of HK\$18.41 million. The amount of the total revenue represented a significant decrease of 25.0%, as compared to the CPM Group's total revenue of HK\$321.35 million in 2024, which included sales of the paint and coating products of HK\$298.34 million and rental income from investment properties of HK\$23.01 million.

#### *Paint and coating products*

For the FY2025, the CPM Group experienced a significant decline in sales to industrial manufacturers in the PRC, which significantly decreased by 14.9% to approximately HK\$74.11 million, from approximately HK\$87.13 million FY2024. The decrease in revenue in paint and coating segment was primarily attributed to fierce competition within the paint and coating market, driven by decreased sales to property developers amid a sluggish real estate environment. Additionally, many manufacturers reduced their selling prices to attract distributors and mitigate revenue losses stemming from lower demand, which further intensified competitive pressures. Moreover, the CPM Group adopted a flexible pricing strategy to address the significant challenges and increased competition faced by wholesale and retail distributors, compared to the FY2024.

#### *Property investment*

Rental income from the CPM Group's investment properties decreased by approximately 20.0% compared to the FY2024. This decrease was predominantly attributable to the cancellation of the appreciation rental clause in existing tenancy agreements, which was influenced by a recent downturn in rental prices within the PRC. Consequently, this adjustment affected the effective rent calculations in the accounting treatment. Despite the decline in rental income, the overall cash generation from investment properties slightly increased, as compared to the FY2024. Furthermore, owing to the appreciation of the Renminbi, the total value of the CPM Group's investment properties decreased slightly to HK\$292.17 million as at 31 December 2025, down from HK\$295.28 million as at 31 December 2024.

### *Loss position*

Despite the prevailing challenging market conditions, the CPM Group recorded a notable decline in revenue of 25.0% FY2025. However, the CPM Group's gross profit only decreased by 22.2%, which represented a better outcome compared to the revenue decline, thereby enhancing the gross profit margins for the year. The CPM Group successfully implemented reductions in operating expenses and improved the management of outstanding aged trade and bills receivables. This improvement enabled the reversal of certain provisions for impairment of trade and bills receivables, reflecting the CPM Group's ongoing commitment to minimising losses and enhancing gross profit margins. Through the ongoing implementation of effective business revamp measures and initiatives, the CPM Group's overall performance continued to improve compared with the FY2024. Nevertheless, the CPM Group's loss FY2025 diminished by 4.0%, amounting to HK\$46.05 million, as compared to HK\$47.98 million FY2024.

### *Total assets*

Total assets of the CPM Group decreased from approximately HK\$804.0 million as at 31 December 2024 to approximately HK\$706.68 million in 2025. As at 31 December 2025, the CPM Group held non-current assets of approximately HK\$425.72 million, compared with HK\$438.68 million as at 31 December 2024, and current assets of approximately HK\$280.96 million, compared with HK\$365.31 million as at 31 December 2024. Major non-current assets included investment properties of approximately HK\$292.17 million as at 31 December 2025, compared with HK\$295.28 million as at 31 December 2024, and property, plant and equipment of approximately HK\$85.00 million as at 31 December 2025, compared with HK\$90.79 million as at 31 December 2024, while current assets primarily consisted of cash and cash equivalents of approximately HK\$143.60 million as at 31 December 2025, compared with HK\$169.25 million as at 31 December 2024.

The decline in total assets was mainly driven by a reduction in trade and bills receivables from HK\$103.63 million to HK\$64.47 million, as certain aged balances were settled and credit management was tightened during the year. Cash and cash equivalents also decreased from HK\$169.25 million to HK\$143.60 million, reflecting the use of funds for operating needs and financing activities. Pledged deposits fell from HK\$22.21 million to HK\$14.69 million, mainly because fewer deposits were required to support banking facilities. Property, plant and equipment declined from HK\$90.79 million to HK\$85.00 million, largely due to depreciation and the disposal or reclassification of underutilised production assets. Investment properties decreased from HK\$295.28 million to HK\$292.17 million, mainly because of higher fair value losses arising from the weak PRC property market.

### *Total liabilities*

The decrease in total liabilities was mainly attributable to lower trade and bills payables and a substantial reduction in current interest-bearing bank borrowings. Trade and bills payables fell from HK\$125.44 million to HK\$87.42 million, reflecting lower purchasing needs and the settlement of payables during the year. The interest-bearing bank borrowings as at 31 December 2025 decreased sharply from HK\$88.08 million to HK\$27.27 million, mainly because the CPM Group refinanced and restructured its borrowings by replacing higher-cost short-term funding with more efficient longer-term facilities. Lease liabilities also declined from HK\$3.26 million to HK\$2.62 million as lease obligations were gradually repaid. These decreases were partly offset by the increase in non-current interest-bearing bank borrowings from nil to HK\$65.89 million and loans from the parent group of HK\$71.49 million, which formed part of the CPM Group's financing optimization.

### **3. Future prospects and business plans of the CPM Group**

#### *Business outlook*

The paint and coating market in the PRC continues to be primarily driven by rapid urbanisation and significant growth in the automotive and industrial manufacturing sectors. These industries create stable demand for both architectural and industrial paint and coating products, effectively maintaining the baseline levels of consumption, regardless of fleeting stylistic trends or technological developments. Nevertheless, the market is currently facing substantial challenges due to the decline in the domestic real estate sector within the PRC. According to Savills' China Property Outlook 2026<sup>1</sup>, property investment volumes in the PRC reached a decade-low of approximately RMB190 billion by the end of 2025 due to a wide pricing gap between buyers and sellers. While nominal interest rates remain low in China, low/negative inflation has pushed effective (real) interest rates to historically high levels. This has disincentivized real estate investment, driving private capital into fixed-income or cash preservation instead. According to Goldman Sachs<sup>2</sup>, China's property sector is in its fifth year of decline. Most property activity indicators – such as new home starts, sales, and property investment – are down 50%-80% from their 2020-2021 peaks. There is no sign of the property market reaching a bottom yet. Housing inventory remains elevated, and some large developers still face challenging funding conditions. With the effects of fewer new residential housing projects still feeding through to property construction and investment, Shan writes, there appears to be no “quick fix” for the property sector. This downturn has directly affected the demand for architectural paint and coating products, leading to a deceleration in overall production growth, even as other areas of the economy display resilience.

<sup>1</sup> Breaking the Cycle: Back to Basics China Property Outlook 2026 - January 2026 by Savills, <https://pdf.savills.asia/selected-international-research/2026-outlook-en-final.pdf>

<sup>2</sup> China's Economy is Expected to Grow 4.8% in 2026 Amid Surging Exports, Jan 8, 2026 by Goldman Sachs, <https://www.goldmansachs.com/insights/articles/chinas-economy-expected-to-grow-in-2026-amid-surging-exports>

In addition, the ongoing Russo-Ukrainian tensions and their significant impact on crude oil prices led to the price risen above USD100 per barrel and exhibit considerable volatility, largely driven by concerns surrounding potential conflicts involving Iran, particularly in relation to the United States and Israel. Following intense clashes earlier in the year, crude oil price spiked to a massive peak of USD112 per barrel in early April when the Strait of Hormuz faced de facto closure, temporarily cutting off nearly 20% of global oil supplies. According to the U.S. Energy Information Administration (EIA), global oil markets are in a period of heightened volatility. In its recent Short-Term Energy Outlook<sup>3</sup>, the EIA estimated that production shut-ins caused by Middle East disruptions would peak or trigger massive global inventory draws. The EIA notes that because of these disruptions, global inventories are shrinking through the second quarter of 2026, which is keeping physical spot market prices heavily supported. These developments create substantial cost pressures within the paint and coating industry, primarily due to inflation affecting the prices of raw materials necessary for the CPM Group's manufacturing processes. It is crucial for the CPM Group to carefully evaluate whether to absorb these increased costs or to pass them on to end consumers of the CPM Group. This decision will play a vital role in influencing the CPM Group's financial performance and pricing strategy within the marketplace.

For the property investment segment, the CPM Group strategically relocated its production facilities, which has allowed for the reclassification of these properties as investment properties, thereby providing a source of consistent rental income. Furthermore, the CPM Group may choose to divest certain properties to finance its business operations and expansion strategies, enabling the CPM Group to sustain its operations through rental income while generating additional capital through property sales, thus enhancing its overall financial position.

### ***Business plans***

As outlined in the 2025 Annual Report, the CPM Group is committed to expanding its reach and enhancing business opportunities by actively engaging with both existing and prospective wholesalers across the PRC, Hong Kong, and other regions. Simultaneously, the CPM Group is optimising its financing arrangements by reducing borrowings and borrowing costs, as well as improving the efficiency of the CPM Group's recovery processes from trade and bills receivables. The CPM Group is implementing a series of business initiatives focused on achieving these objectives. These initiatives include,

- (i) exploring diversified financing facilities to ensure sustainable liquidity;
- (ii) seeking advantageous terms to minimise interest burdens on the borrowings of the CPM Group; and
- (iii) expediting the turnover of trade and bills receivables through improved credit management practices.

<sup>3</sup> Short-term Energy Outlook, April 2026 by U.S. Energy Information Administration (EIA)  
<https://www.eia.gov/outlooks/steo/archives/apr26.pdf>

Moving forward, the CPM Group implements several business initiatives including leveraging strategic partnerships for product expansion and market reach, strategic financial restructuring and optimisation by borrowing rearrangements to enhance liquidity, extending banking facilities which is low-cost and long-term borrowings in the PRC to replace higher-cost and short-term borrowings previously acquired in Hong Kong, and utilisation of Renminbi borrowing funds as an internal natural hedge to manage currency risk.

#### **4. Background of the Offerors and Reasons for the CPM Offers**

##### ***4.1 Information of the Offerors***

Prime Surplus and SHK are the Offerors of the CPM Offers.

As disclosed in the letter from Yu Ming, Prime Surplus is a BVI business company incorporated in the British Virgin Islands with limited liability. Prime Surplus is principally engaged in investment holding. As at the Latest Practicable Date, Mr. Tsui is the sole shareholder and sole director of Prime Surplus. Mr. Tsui is also a non-executive CNT Director, an executive director, the chairman and managing director of CPM.

SHK is a company incorporated in Hong Kong with limited liability. SHK is principally engaged in investments in listed and unlisted financial instruments. SHK was formerly listed on the Main Board of the Stock Exchange. The listing of SHK was withdrawn on 23 April 2021. Mr. Mark Wong Tai Chun and Mr. Lee Wa Lun, Warren are the directors of SHK. As at the Latest Practicable Date, SHK is an indirect wholly-owned subsidiary of AGL.

AGL is a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Main Board of the Stock Exchange. The principal business activity of AGL is investment holding. The principal business activities of its major subsidiaries are development and investment of residential, office and commercial properties, hospitality related activities, investment and operation of hospital, eldercare and health related businesses, provision of property management, cleaning and security guarding services, and the provision of finance, investments in listed and unlisted securities and funds management.

As at the Latest Practicable Date, AGL is beneficially owned as to approximately 75.42% by Lee and Lee Trust (inclusive of Mr. Lee Seng Hui's personal interests of approximately 0.01%), being a discretionary trust.

When Prime Surplus contemplated the purchase of the Sale Shares, it was aware that it may be required to make the CPM Offers under the Takeovers Code. Prime Surplus invited SHK to jointly make the CPM Offers. SHK considers the CPM Offers an attractive investment opportunity as the CPM Share Offer Price represents a deep discount to the market price of the shares and net asset value per share of CPM. SHK and Prime Surplus will use SHK's internal resources and the personal financial resources of Mr. Tsui to settle the acceptance of the CPM Offers, respectively. Prime Surplus intends to take up all tendered shares in the CPM Offers. However, in the event that Prime Surplus's funding falls short to settle the consideration for the tendered shares in the CPM Offers, SHK will take up such tendered shares. For the avoidance of doubt, SHK has earmarked sufficient fund from its internal resources to finance the CPM Offers to the satisfaction of Yu Ming, and will utilize the earmarked fund to settle any tendered shares which are not taken up by Prime Surplus. This arrangement is mutually agreed between the Offerors and no agreement has been entered in this regard.

#### **4.2 Intentions of the Offerors**

As set out in the letter from Yu Ming, the Offerors do not have any particular plans and strategies regarding the future development of the CPM Group and intend to continue the existing businesses of the CPM Group. The Offerors have no intention to (i) introduce any major changes to the existing business and operation of the CPM Group; (ii) discontinue the employment of any employees of the CPM Group to make significant changes to any employment; or (iii) dispose of or re-deploy the fixed assets of CPM other than those in its ordinary and usual course of business. However, the Offerors will continuously review the business of the CPM Group and the Offerors reserve the right to make such changes that it deems necessary or appropriate to the CPM Group's business and operations to optimise the value of the CPM Group.

The Offerors have no intention, understanding, obligation, negotiation or arrangement (concluded or otherwise) to downsize, cease or dispose of any of the existing businesses of the CPM Group.

#### **4.3 Public Float of CPM**

As disclosed in the letter from Yu Ming, The Stock Exchange has stated that:

- (a) if, at the close of the CPM Offers, the Stock Exchange believes that:
- a false market exists or may exist in the trading of the CPM Shares; or
  - an orderly market does not exist or may not exist;

it will consider exercising its discretion to suspend dealings in the CPM Shares; and

- (b) if, at the close of the CPM Offers, CPM has a Significant Public Float Shortfall (as defined in Rule 13.32F of the Listing Rules), then:
  - the Stock Exchange will add a designated marker to the stock name of the CPM Shares; and
  - the Stock Exchange will cancel the listing of the CPM Shares if CPM fails to re comply with Rule 13.32B of the Listing Rules for a continuous period of 18 months from the commencement of the Significant Public Float Shortfall.

The Offerors intend CPM to remain listed on the Stock Exchange. The directors of the Offerors and the CPM Directors have jointly undertaken to the Stock Exchange that if, at the close of the CPM Offers, CPM fails to comply with the requirement of Rule 13.32B of the Listing Rules, they will take appropriate steps to ensure the CPM's compliance with Rule 13.32B of the Listing Rules at the earliest possible moment. CPM will make an application to the Stock Exchange for a temporary waiver from strict compliance with Rule 8.08(1) of the Listing Rules in case less than 25% of the CPM Shares will be held by the public upon the close of the CPM Offers in accordance with Rule 13.33 of the Listing Rules. The steps that the Offerors may take include but not limited to placing down or selling sufficient number of accepted CPM Shares which they will acquire under the CPM Share Offer to selected Independent Third Parties, or in the market. No arrangements have been confirmed or put in place as at the Latest Practicable Date. Further announcement(s) regarding the restoration of public float (if any) will be made by CPM as and when appropriate.

The Offerors do not intend to avail themselves of any powers of compulsory acquisition of any CPM Shares outstanding after the close of the CPM Offers.

#### **4.4 Our View**

As mentioned in the 2025 Annual Report, looking ahead to 2026, the CPM Board expected that paint and coating industry in the PRC would face continued challenges, although the pace of decline in demand may slow. The "15th Five-Year Plan" is expected to support investment and domestic demand, with urban renewal, electric vehicles, and container applications such as energy storage likely to provide new growth drivers, even as weaker new construction in the real estate sector may keep overall demand subdued.

At the same time, excess capacity and insufficient demand are expected to continue making price recovery difficult, while volatile crude oil prices are likely to add further cost pressure through higher raw material costs. Against this backdrop, the CPM Group plans to focus on innovation, operational efficiency, product quality, and supply continuity in order to enhance financial performance and respond to changing market conditions. Taking into account the abovementioned and the fact that CPM Group has been in loss-making position in recent years, we consider that CPM's outlook remains challenging, notwithstanding that the CPM Board has shown itself committed to enhance the CPM Group's value and improve its financial position, such that the loss position has exhibited a downward trend since FY2022, showing signs of improvement.

Given that Mr. Tsui, being the sole shareholder and sole director of Prime Surplus, the executive director, the chairman and managing director of CPM, the CPM Offers are not expected to result in any direct or material change to, or enhancement of, the expertise of the CPM Board. Having considered that the Offerors intended to continue with the CPM Group's existing principal business and the Offerors have no intention to (i) introduce any major changes to the existing business and operation of the CPM Group; (ii) discontinue the employment of any employees of the CPM Group in their ordinary courses; or (iii) re-deploy the fixed assets of CPM other than those in its ordinary and usual course of business. Despite that the Offerors will continuously review the business of the CPM Group and the Offerors reserve the right to make such changes that it deems necessary or appropriate to the CPM Group's business and operations to optimise the value of the CPM Group, we do not expect that there would be substantial change in the principal business activities of the CPM Group as a direct result of the CPM Offers and shortly after the CPM Offers.

## 5. Principal terms of the CPM Offers

### 5.1 The CPM Share Offer Price

For every CPM Offer Share . . . . . HK\$0.0562 in cash

The CPM Offer Price at HK\$0.0562 for each CPM Offer Share has been determined based on the Pacpo Formula set out in Practice Note 19 to the Takeovers Code, taking into consideration (i) the CNT Offer Price of HK\$0.1 per CNT Offer Share; (ii) the audited consolidated total net asset values of CNT and CPM attributable to owners as at 31 December 2025, being approximately HK\$1,196.1 million and HK\$353.1 million, respectively; (iii) the total number of CNT Shares and CPM Shares as at the date of the Joint Announcement, being 1,903,685,690 and 1,000,000,000, respectively; and (iv) the fact that CNT through its wholly-owned subsidiary, CNT Enterprises Limited, holds 750,000,000 CPM Shares (representing 75.00% of the voting rights of CPM) as at the date of the Joint Announcement.

The CPM Offer Shares to be acquired under the CPM Share Offer shall be fully paid and free from all Encumbrances and together with all rights and interests attaching thereto, including all rights to any dividend or other distribution declared, made or paid on or after the date on which the CPM Offers are made, being the date of the despatch of this Composite Document.

Based on the Pacpo Formula, the CPM Share Offer Price of HK\$0.0562 per CPM Offer Share is calculated as follows:

$$\frac{\text{Net asset values of CPM} \times \text{CNT's \% equity interest in CPM}}{\text{Net asset values of CNT}} \times \frac{\text{CNT Offer Price of HK\$0.1 per CNT Offer Share} \times \text{Total CNT Shares in issue}}{\text{Number of CPM Shares held by CNT}}$$

*Note:* The net asset value of the CNT and CPM represents the audited consolidated total net asset values of CNT and CPM attributable to owners as at 31 December 2025.

## 5.2 *The CPM Option Offer*

For every CPM Share Option . . . . . HK\$0.0001 in cash

As the exercise price of the outstanding CPM Share Options is above the CPM Share Offer Price, the outstanding CPM Share Options are out of the money and the offer price for cancellation of each CPM Share Option is set at a nominal value of HK\$0.0001, in cash.

As at the Latest Practicable Date, there are a total of 60,000,000 outstanding CPM Share Options, carrying rights to subscribe for 60,000,000 new CPM Shares with an exercise price of HK\$0.335 per CPM Share Option, out of which 10,000,000 CPM Share Options are held by Mr. Tsui.

If any CPM Share Option is exercised by the CPM Optionholders in accordance with the terms of the relevant CPM Share Option Scheme prior to the close of the CPM Share Offer, any CPM Shares issued as a result of such exercise will be subject to the CPM Share Offer.

Pursuant to the terms of the CPM Share Option Scheme, in the event that a general offer is made to all CPM Shareholders (or all such CPM Shareholders other than the offeror and/or any person controlled by the offeror and/or any person acting in concert with the offeror (as defined in the Takeovers Codes)) and such offer becomes or is declared unconditional during the option period of the relevant CPM Share Option, the grantee shall be entitled to exercise the CPM Share Option in full (to the extent not already exercised) at any time up to the close of the offer or the record date for entitlements under the scheme of arrangement, as the case may be.

The CPM Offers are extended to all CPM Shareholders and CPM Optionholders other than the Offerors, CNT and parties acting in concert with any of them in accordance with the Takeovers Code. As at the Latest Practicable Date, CPM has 1,000,000,000 CPM Shares in issue. Save for the 1,000,000,000 CPM Shares and 60,000,000 outstanding CPM Share Options in issue, there are no outstanding CPM Shares, options, warrants, derivatives or securities convertible or exchangeable into Shares or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code).

## 5.3 *Comparisons of value of the CPM Share Offer Price*

The CPM Share Offer Price of HK\$0.0562 per CPM Share Offer represents:

- (a) a discount of approximately 77.43% to the closing price of HK\$0.249 per CPM Share as quoted on the Stock Exchange on the Last Trading Day;
- (b) a discount of approximately 76.39% to the average closing price of approximately HK\$0.238 per CPM Share as quoted on the Stock Exchange for the last five (5) consecutive trading days up to and including the Last Trading Day;

- (c) a discount of approximately 76.49% to the average closing price of approximately HK\$0.239 per CPM Share as quoted on the Stock Exchange for the last ten (10) consecutive trading days up to and including the Last Trading Day;
- (d) a discount of approximately 77.79% to the average closing price of approximately HK\$0.253 per CPM Share as quoted on the Stock Exchange for the last thirty (30) consecutive trading days up to and including the Last Trading Day;
- (e) a discount of approximately 76.58% to the closing price of HK\$0.240 per CPM Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (f) a discount of approximately 84.08% to the audited consolidated net asset value attributable to owners of CPM of approximately HK\$0.353 per CPM Share as at 31 December 2025 calculated based on the information as set out in the 2025 Annual Report and 1,000,000,000 CPM Shares in issue as at the Latest Practicable Date; and
- (g) a discount of approximately 86.56% to the Adjusted NAV (as defined below) of approximately HK\$0.418 per CPM Share as at 31 December 2025, calculated based on the information as set out in the 2025 Annual Report and adjusted for the Revaluation Surplus (as defined below), divided by 1,000,000,000 CPM Shares in issue as at the Latest Practicable Date.

#### **5.4 Property valuation**

The valuation of the CPM Group's property interests (collectively, the "**Properties**") as at 31 March 2026 have been conducted by BMI Appraisals Limited (the "**Valuer**"). The full text of the valuation report (including the certificates of the Properties) are set out in Appendix III to the Composite Document (the "**Valuation Report**"). According to the Valuation Report, the market value of the interest in the Properties attributable to owners of the parent was approximately HK\$452.7 million (comprising the market value of the interest in properties in Hong Kong and the PRC of zero value and approximately RMB399.7 million, respectively) as at 31 March 2026 (the "**Valuation**").

We have reviewed the Valuation Report and discussed with the Valuer the methodology, bases and assumptions adopted in the Valuation and the adjustments made to arrive at the Valuation. We noted that the Valuer has valued those Properties by using investment approach for properties which are held for investment and comparison approach for properties held for owner-occupation. As disclosed in the Valuation Report, such approaches were based on that the assumptions that the real properties are sold in the market in their existing states without the benefit of deferred terms contract, leaseback, joint venture, management agreement or any other similar arrangement which might serve to affect the values of the real properties. In addition, no account has been taken of any option or right of pre-emption concerning or effecting sale of the real properties and no forced sale situation in any manner is assumed in the valuations.

For our due diligence on the Valuation, we have discussed with the Valuer the basis of the Valuation and raised questions on areas where we require further explanation. After our discussion with the Valuer and our review of the Valuation Report, we understand that the valuations under the investment approach were based on current passing rents of these properties being held under existing tenancies and the reversionary potential of the tenancies if they have been or would be let to tenants or the reversionary values of such properties, and for those valuations under comparison approach, references were made to comparable sale information as available in the relevant market and appropriate adjustments were made to account for the differences between the real properties and the comparables in terms of time, location, age, size and other relevant factors.

We understand that the above valuation methodologies are commonly adopted approaches in establishing the respective market values of the Properties. Further to the above, we have assessed the qualifications and experience of the responsible person of the Valuer for its engagement as the Valuer for the Valuation. We noted that Dr. Tony C.H. Cheng and Ms. Joannau W.F. Chan, the responsible persons in charge of the Valuation, are members of the Hong Kong Institute of Surveyors (General Practice), with over 33 and 27 years of experience in the valuations of properties in Hong Kong and the PRC, respectively. In addition, we have also reviewed the Valuer's terms of engagement and noted that the scope of work is appropriate for arriving at the opinion in the Valuation. Nothing has come to our attention that CPM has made any formal or informal representation to the Valuer that contravenes our understanding of the Valuation. The Valuer has also confirmed that the Valuation has been prepared in accordance with The HKIS Valuation Standards (2024 Edition) published by The Hong Kong Institute of Surveyors, The RICS Valuation – Global Standards published by The Royal Institution of Chartered Surveyors and the International Valuation Standards (IVS) published by The International Valuation Standards Council; and are in compliance with Rule 11 of the Takeovers Code.

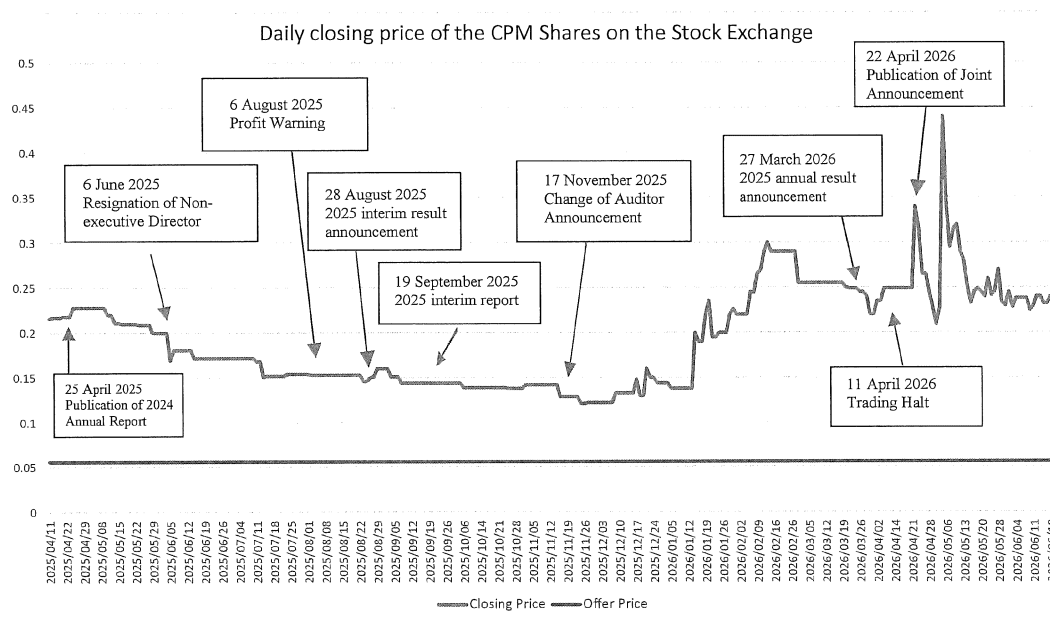
Based on our review of the work done by the Valuer, we are of the view that the basis and assumptions in arriving at the Valuation are fair and reasonable.

In evaluating the CPM Offer, we have taken into account the adjusted unaudited consolidated net asset attributable to the CPM Shareholders (the “**Adjusted NAV**”) provided by the CPM Management, which is calculated based on the audited consolidated NAV attributable to the CPM Shareholders as at 31 December 2025 and adjusted with reference to the Valuation as at 31 March 2026. The Adjusted NAV per CPM Share would have been approximately HK\$0.418, calculated based on (i) the CPM Group's audited consolidated net assets attributable to owners of CPM of approximately HK\$353.1 million as at 31 December 2025, as disclosed in the 2025 Annual Report; (ii) the difference between the Valuation of approximately HK\$452.7 million as at 31 March 2026 and the corresponding book value of approximately HK\$388.1 million as at 31 December 2025 (the “**Revaluation Surplus**”), and (iii) 1,000,000,000 CPM Shares in issue as at the Latest Practicable Date. Accordingly, the CPM Offer Price of HK\$0.0562 represents a discount of approximately 86.56% to the Adjusted NAV per CPM Share.

## 5.5 Our Analysis on Historical Share Price Performance

In order to assess the fairness and reasonableness of the CPM Share Offer Price, we have reviewed the movements in the closing price per CPM Share during the period from 11 April 2025, being 12 months immediately preceding the Last Trading Day, to the Latest Practicable Date (the “**Review Period**”), which is commonly adopted for share price analysis. Set out below is the chart showing the daily closing price of the CPM Shares as quoted on the Stock Exchange during the Review Period, where the trading of the CPM Shares has been suspended from 13 to 21 April 2026 pending the release of the Joint Announcement.

**Historical daily closing price of the CPM Shares during the Review Period**



Source: the website of the Stock Exchange ([www.hkex.com](http://www.hkex.com))

We noted from the above chart that, during the Review Period, the CPM Shares closed on the Stock Exchange within the range of the lowest of HK\$0.121 per CPM Share on 25 and 26 November 2025 to the highest of HK\$0.44 per CPM Share on 5 May 2026. The CPM Share Offer Price of HK\$0.0562 is lower than the average closing price of approximately HK\$0.193 per CPM Share during the Review Period, which represents a discount of approximately 70.9% over the average closing price per CPM Share during the Review Period.

Since the commencement of the Review Period (i.e. 11 April 2025) and up to the trading day immediately before the date of the publication of the Joint Announcement (i.e. 12 April 2026), the closing price per CPM Share was in a general stable decreasing trend, and then exhibited an increasing trend from January to February 2026, and then slightly decreased to HK\$0.249 per CPM Share on Last Trading Day.

Following the resumption of trading of the CPM Shares after the publication of the Joint Announcement, the closing price per CPM Share rose to HK\$0.34 per CPM Share on 22 April 2026. The temporary price increase is likely to be driven by market reaction to the Joint Announcement. After reaching the peak, then experienced a sudden correction and subsequently decreased to HK\$0.209 on 30 April 2026. The closing price of the CPM Shares has remained fluctuated at a level above the CPM Share Offer Price since the publication of the Joint Announcement and up to the Latest Practicable Date.

We have made enquiry with the CPM Management and were advised that save for the publication of the annual results announcement of CPM as described above, the Directors were not aware of any specific reasons which may have an impact of the fluctuations of Share prices during the Review Period.

During the period from 22 April 2026 (from the resumption of trading after the release of the Joint Announcement) up to and including the Latest Practicable Date (the “**Post Announcement Period**”), the CPM Share Offer Price of HK\$0.0562 per CPM Share represents (i) a discount of approximately 73.11% over the lowest closing price of HK\$0.209 per CPM Share; and (ii) a discount of approximately 87.23% to the highest closing price of HK\$0.44 per CPM Share during the Post-Announcement Period.

The CPM Share Offer Price itself represents a discount of approximately 70.9% of the average closing price of approximately HK\$0.193 per CPM Share during the Review Period, having considered that the CPM Share Offer Price is below the closing prices per CPM Share during the entire Review Period, we consider that the CPM Share Offer Price is unattractive from the perspective of the historical performance of the CPM Shares.

The increase in the trading price of the CPM Shares during the Post Announcement Period is likely due to the market reaction to the Joint Announcement. There remains uncertainty as to whether such trading price can be sustained at a level higher than the CPM Share Offer Price during and after the CPM Offer Period.

(i) *Analysis on the historical trading liquidity of the CPM Shares*

The table below sets out the average daily trading volume of the CPM Shares for each month/period during the Review Period.

<b>Month/Period</b>	<b>Number of trading days</b>	<b>Average daily trading volume of the CPM Shares during the month/period</b>	<b>Average daily trading volume as a percentage of the CPM Shares during the month/period to the total number of issued Shares<sup>(1)</sup></b>	<b>Average daily trading volume as a percentage of the CPM Shares during the month/period to the public float<sup>(2)</sup></b>
<b>2025</b>				
April	12	333	0.0000%	0.0001%
May	20	30,800	0.0031%	0.0123%
June	21	2,286	0.0002%	0.0009%
July	22	21,455	0.0021%	0.0086%
August	21	190	0.0000%	0.0001%
September	22	8,727	0.0009%	0.0035%
October	20	800	0.0001%	0.0003%
November	20	3,600	0.0004%	0.0014%
December	21	16,565	0.0017%	0.0066%
<b>2026</b>				
January	21	34,667	0.0035%	0.0139%
February	17	29,412	0.0029%	0.0118%
March	22	7,455	0.0007%	0.0030%
April	12	3,654,365	0.3654%	1.4617%
May	19	1,137,438	0.1137%	0.4550%
June (up to and including the Latest Practicable Date)	14	145,414	0.0145%	0.0582%

*Source: the website of the Stock Exchange (www.hkex.com)*

*Notes:*

- (1) Calculated based on average daily trading volume over the month/period divided by the total number of CPM Shares in issue at each month/period end according to the monthly returns filed by CPM.
- (2) The calculation is based on the average daily trading volume of the CPM Shares divided by the total number of CPM Shares in issue held by public Shareholders at the Latest Practicable Date.
- (3) Trading of the CPM Shares on the Stock Exchange has been suspended from 13 to 21 April 2026 pending the release of the Joint Announcement.

As set out in the table above, during the Review Period, the percentage of average daily trading volume of the CPM Shares for the respective month/period were in the range from the lowest of approximately 0.0000% to the highest of approximately 0.3654% with an average of approximately 0.0340% as to the total number of issued CPM Shares at the end of the respective month/period.

During the Review Period and up to and including the Latest Practicable Date, we noted that the average daily trading volume of the CPM Shares as a percentage to the public float in April 2026, and May 2026 were relatively high as compared to that of the rest of the other months. Following the resumption of trading of the CPM Shares after the publication of the Joint Announcement, the average daily trading volume of the CPM Shares as a percentage to the public float was approximately 2.50% in April 2026 (excluding the date of suspension of CPM Shares), such high trading volume is likely be driven by market reaction to the Joint Announcement.

Taking into account the fact that the average daily trading volume of the CPM Shares during the Review Period was approximately 0.0340% of the total number of issued CPM Shares and approximately 0.1358% of the public float of CPM, we are of the view that the trading volume of CPM Shares can be considered as low, and in normal circumstances, if the Independent CPM Shareholders are to dispose of a large number of CPM Shares in the market, it may exert downward pressure on the market price of CPM Shares.

Given the overall thin historical daily trading volume of the CPM Shares during the Review Period, the Independent CPM Shareholders (especially those with relatively sizeable shareholdings) may find it difficult to dispose of a large volume of Shares in the open market at a fixed cash price within a short period of time without exerting downward pressure on the CPM Shares price. The CPM Share Offer, therefore, represents an opportunity for the Independent CPM Shareholders, particularly for those who hold a large volume of CPM Shares, to dispose of at least part of their shareholdings at the CPM Share Offer Price if they so wish.

(ii) *Comparison with other comparable companies*

To further assess the fairness and reasonableness of the CPM Share Offer Price, we have analysed commonly used trading multiples, including the price-to-book ratio (the “**P/B Ratio**”), price-to-earnings ratio (the “**P/E Ratio**”), and price-to-sales ratio (the “**P/S Ratio**”). Since the CPM Group recorded loss for the year ended 31 December 2025, the P/E Ratio analysis was not applicable. In addition, any fluctuation in revenue for CPM and/or any of the comparable companies would distort the results of analysis on P/S Ratio and P/S Ratio does not reflect the cost structure differences between different companies. Given the aforesaid limitations, P/S Ratio analysis is not included in our analysis below. Accordingly, we consider the P/B Ratio to be an appropriate indicator of the fair values of the comparable companies.

Based on the CPM Share Offer Price of HK\$0.0562 per Offer Share and the total number of issued Shares of 1,000,000,000 as at the Last Trading Day, CPM is valued at approximately HK\$56.2 million. The P/B Ratio of CPM implied by the CPM Share Offer Price is approximately 0.13 times (the “**Implied P/B Ratio**”) based on the Adjusted NAV of approximately HK\$417.6 million (being the audited consolidated NAV attributable to the CPM Shareholders as at 31 December 2025 and adjusted with reference to the Valuation as at 31 March 2026).

In assessing the fairness and reasonableness of the CPM Share Offer Price, we consider that it is relevant to assess the CPM Share Offer Price by making reference to market valuation for companies listed in Hong Kong which are principally engaged in business similar to those of the CPM Group. With reference to the 2025 Annual Report, approximately 92.5% of the revenue of the CPM Group was generated from the manufacture and sale of paint products for FY2025, with more than 80% of the total revenue during FY2025 generated in the PRC. For the purpose of comparison, we have conducted a search of comparable companies which meet the criteria of (i) having listed on the Stock Exchange on or before the Latest Practicable Date; (ii) being principally engaged in the manufacture and sale of paint products; and (iii) majority (more than 50%) of the revenue generated in the PRC. However, according to our search result based on such criteria, we noted that none of the companies listed on the Stock Exchange was principally engaged in the exact same business and in the same geographical location as that of the CPM Group. As such, we have broadened the aforesaid criteria to being principally engaged in the surface coating industry in the PRC, with majority (more than 50%) of the total revenue attributable to such businesses (the “**Comparable Companies**”).

Based on the abovementioned criteria, we have identified four Comparable Companies by searching through published information on the Stock Exchange’s website. Based on our search conducted according to the abovementioned criteria, the list of Comparable Companies is an exhaustive list of companies meeting the abovementioned criteria, save for the exclusions of CNT and CPM.

Although the number of the Comparable Companies were limited, we are of the view that the valuation of the Comparable Companies is comparable to that of CPM because the Comparable Companies also engage in the surface coating industry in the PRC, and we consider that the Comparable Companies represent the companies operating in the same business segment and in the same geographical market to that of CPM. Based on the above, having considered the exhaustive list of Comparable Companies having met the selection criteria, we are of the view that the Comparable Companies are representative samples and it is fair and reasonable for the Comparable Companies to represent companies similar to that of CPM for the Independent CPM Shareholders to take reference of.

The details of the Comparable Companies are set out below:

Company name (Stock code)	Principal activities	Market capitalisation as at the Latest Practicable Date	Net asset value (Note 1)	P/B ratio
Yip's Chemical Holdings Ltd (408)	Principally engaged in (i) manufacture of and trading in solvents, coatings, inks and lubricants; (ii) manufacture and sales of chemical vapour recovery and treatment systems; (iii) property investment; and (iv) other businesses, mostly in the PRC	HK\$1,189.5 million	HK\$4,020.8 million	0.30 times
Precious Dragon Technology Holdings (1861)	Manufacturing of aerosol products used in the automotive beauty and maintenance products for auto cleaning, maintenance, paint and coating, mainly in the PRC	HK\$666.7 million	HK\$377.8 million	1.76 times
Tiande Chemical Holdings Ltd (609)	Research and development, manufacture and sale of fine chemical products widely used in decoration works and fittings for coating purposes, mainly in the PRC	HK\$1,045.3 million	RMB2,437.4 million	0.38 times
China Longevity Group Co Ltd (1863)	Design, development, manufacture and sale of (i) polymer processed high strength polyester fabric composite materials and other reinforced composite and conventional materials and (ii) PVC and Non-PVC composite materials of floorings and wall panels used as protective coating for industrial and construction settings, mainly in the PRC	N/A (Note 3)	RMB797.3 million	N/A (Note 3)
			<b>Maximum</b>	<b>1.76 times</b>
			<b>Average</b>	<b>0.81 times</b>
			<b>Median</b>	<b>0.38 times</b>
			<b>Minimum</b>	<b>0.30 times</b>
CPM (1932) (The CPM Offer)	Manufacture and sales of paint products	HK\$56.2 million (Note 2)	HK\$417.6 million	0.13 times

Source: website of the Stock Exchange and the financial reports of the respective Comparable Companies

*Notes:*

1. The P/B Ratio of the Comparable Companies are calculated based on the market capitalisation of the respective Comparable Companies as at the Last Trading Day divided by the net assets value of the respective Comparable Companies as extracted from their respective latest published interim or annual results as at the Last Trading Day.
2. The Implied P/B Ratio is calculated based on the theoretical market capitalisation of CPM with reference to the CPM Share Offer Price and the Adjusted NAV.
3. The Adjusted NAV, being the audited consolidated NAV attributable to the CPM Shareholders as at 31 December 2025 and adjusted with reference to the Valuation as at 31 March 2026, has been adopted as net asset value of CPM.
4. The trading of the shares of China Longevity Group Co Ltd (1863) has been suspended since 14 February 2013.

As illustrated in the table above, the P/B Ratios of the Comparable Companies ranged from approximately 0.30 times to 1.76 times. The Implied P/B Ratio is approximately 0.13 times, which is lower than all Comparables Companies. This indicates the implied valuation of CPM based on the CPM Share Offer Price is lower than the valuations of the Comparable Companies based on their respective closing share prices from the perspective of P/B Ratio. Accordingly, we are of the view that the CPM Share Offer Price is set at a lower price as compared with the Comparable Companies and is unattractive from the perspective of market comparable analysis using P/B Ratio and the CPM Share Offer is not fair and reasonable so far as the CPM Shareholders are concerned.

#### **5.6 *Our Analysis on the CPM Option Offer***

With reference to the letter from the CPM Board to the Composite Document, as at the Latest Practicable Date, there are a total of 60,000,000 outstanding CPM Share Options, carrying rights to subscribe for 60,000,000 new CPM Shares with an exercise price of HK\$0.335 per CPM Share Option, out of which 10,000,000 CPM Share Options are held by Mr. Tsui.

If any CPM Share Option is exercised by the Independent CPM Optionholders in accordance with the terms of the relevant CPM Share Option Scheme prior to the close of the CPM Share Offer, any CPM Shares issued as a result of such exercise will be subject to the CPM Share Offer.

Pursuant to the terms of the CPM Share Option Scheme, in the event that a general offer is made to all CPM Shareholders (or all such CPM Shareholders other than the offeror and/or any person controlled by the offeror and/or any person acting in concert with the offeror (as defined in the Takeovers Codes)) and such offer becomes or is declared unconditional during the option period of the relevant CPM Share Option, the grantee shall be entitled to exercise the CPM Share Option in full (to the extent not already exercised) at any time up to the close of the offer or the record date for entitlements under the scheme of arrangement, as the case may be.

The CPM Offers are extended to all CPM Shareholders and CPM Optionholders other than the Offerors, CNT and parties acting in concert with any of them in accordance with the Takeovers Code. As of the Latest Practicable Date, CPM has 1,000,000,000 CPM Shares in issue. Save for the 1,000,000,000 CPM Shares and 60,000,000 outstanding CPM Share Options in issue, there are no outstanding CPM Shares, options, warrants, derivatives or securities convertible or exchangeable into Shares or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code).

Given that the exercise price of the outstanding CPM Share Options (being HK\$0.335 per CPM Share Option) is above the CPM Share Offer Price, the outstanding CPM Share Options are out of the money and the offer price for cancellation of each CPM Share Option is set at a nominal value of HK\$0.0001, in cash. As the CPM Share Offer Price under the CPM Option Offer Price are based on the CPM Share Offer Price of HK\$0.0562, which is offered to all CPM Shareholders, our view on the CPM Option Offer Price is same as that on the CPM Share Offer Price. Given that we consider the CPM Share Offer Price is not fair and reasonable, the price offered for the CPM Share Options, are also considered by us to be not fair and reasonable.

In view of the fact that the recent CPM Share market price had been fluctuating near the exercise prices of the CPM Share Options, if the market price of the CPM Shares is above the relevant exercise prices of the CPM Share Options, the Independent CPM Optionholders may, to the extent their respective circumstances permit, exercise their rights under the CPM Share Options and dispose of their CPM Shares on the market if there is sufficient trading liquidity in the market and the market price is above the exercise price (to the extent such excess in market price would be adequate to cover additional charges such as brokerage, transaction levies etc., which would not be applicable if the CPM Offer Shares are tendered in acceptance of the CPM Share Offer) during the CPM Offer Period. However, if the market price of the CPM Shares becomes below the exercise price of the CPM Share Options, the CPM Optionholders may consider accepting the CPM Option Offer instead. The CPM Optionholders are also reminded that in accordance with the Share Option Scheme, the unexercised CPM Share Options will lapse automatically after the Closing Date as detailed in the paragraph headed “1. PROCEDURES FOR ACCEPTANCE” set out in the Appendix I to the Composite Document.

## **RECOMMENDATION**

Based on our analyses above, having considered the following:

- (i) the Offerors intended to continue with the CPM Group’s existing principal business and the Offerors have no intention to (i) introduce any major changes to the existing business and operation of the CPM Group; (ii) discontinue the employment of any employees of the CPM Group in their ordinary courses; or (iii) re-deploy the fixed assets of CPM other than those in its ordinary and usual course of business. We do not expect that there would be substantial change in the principal business activities of the CPM Group as a direct result of the CPM Offers and shortly after the CPM Offers;
- (ii) Mr. Tsui, being the sole shareholder and sole director of Prime Surplus, the executive director, the chairman and managing director of CPM, the CPM Offers are not expected to result in any direct or material change to, or enhancement of, the expertise of the CPM Board;

- (iii) the paint and coating market is currently facing substantial challenges due to the decline in the domestic real estate sector within the PRC. Despite the CPM Group's loss FY2025 diminished by 4.0%, amounting to HK\$46.05 million, as compared to HK\$47.98 million FY2024, CPM Group has been in loss-making position in recent years, we consider that CPM's outlook remains challenging, notwithstanding that the CPM Board has shown itself committed to enhance the CPM Group's value and improve its financial position, such that the loss position has exhibited a downward trend since FY2022, showing signs of improvement;
- (iv) the CPM Share Offer Price is unattractive considered that discount of approximately 70.9% of the average closing price of approximately HK\$0.193 per CPM Share during the Review Period, having considered that the CPM Share Offer Price is below the closing prices per CPM Share during the entire Review Period;
- (v) the CPM Share Offer Price represents a discount of approximately 86.56% to the Adjusted NAV of approximately HK\$0.418 per CPM Share as at 31 December 2025;
- (vi) the increase in the trading price of the Shares during the Post Announcement Period is likely due to the market reaction to the Joint Announcement. There remains uncertainty as to whether such trading price can be sustained at a level higher than the CPM Share Offer Price during and after the CPM Offer Period;
- (vii) the overall thin historical daily trading volume of the CPM Shares during the Review Period, the Independent CPM Shareholders (especially those with relatively sizeable shareholdings) may find it difficult to dispose of a large volume of Shares in the open market at a fixed cash price within a short period of time without exerting downward pressure on the CPM Shares price. The CPM Share Offer, therefore, represents an opportunity for the CPM Shareholders, particularly for those who hold a large volume of CPM Shares, to dispose of at least part of their shareholdings at the CPM Share Offer Price if they so wish;
- (viii) the Implied P/B Ratio of the CPM Share Offer are the lowest as compared with the Comparable Companies, implying that the CPM Offer Price is set at a lower price overall as compared with the Comparable Companies and is unattractive from the perspective of market comparable analysis using P/B Ratio;
- (ix) the recent CPM Share market price had been fluctuating near the exercise prices of the CPM Share Options (being HK\$0.335 per CPM Share Option); and
- (x) the unexercised CPM Share Options will lapse automatically after the Closing Date.

On balance, we consider that the CPM Offers (including the Share Offer Price and Option Offer Price) are not fair and reasonable so far as the CPM Shareholders and the CPM Optionholders are concerned. Accordingly, we recommend the Independent CPM Board Committee to advise the CPM Shareholders not to accept the CPM Share Offer. Given that in accordance with the Share Option Scheme, the unexercised CPM Share Options will lapse automatically after the Closing Date, we recommend the Independent CPM Board Committee to advise the CPM Optionholders to accept the CPM Option Offer if the CPM Optionholders chose not to exercise their CPM Share Options.

For those CPM Shareholders who wish to realise their investments in CPM, we recommend that they consider disposing of their CPM Shares in the open market, rather than accepting the CPM Share Offer, if the net proceeds from the sale of such CPM Shares in the open market would exceed the net proceeds receivable under the CPM Offers. Nevertheless, the CPM Shareholders should also note that they may not be able to realise their investments in the CPM Shares at a price higher than the CPM Share Offer Price when they are going to dispose of their partial or entire holdings. In such circumstances, the CPM Share Offer might provide an exit alternative for the CPM Shareholders who would like to realise their investments in the CPM Shares at the CPM Share Offer Price of HK\$0.0562.

In addition, we would like to remind the CPM Shareholders and the CPM Optionholders (for the CPM Optionholders, if they opt to exercise their rights under the CPM Share Options to subscribe for the new CPM Shares) that if they consider retaining their CPM Shares or tendering less than all their CPM Shares under the CPM Share Offer should carefully consider the potential difficulties they may encounter in disposing their investments in the CPM Shares after the close of the CPM Offers in view of the historical low liquidity of the CPM Shares and there is no guarantee that the prevailing level of the CPM Share price will sustain during and after the CPM Offer Period. The CPM Optionholders are also reminded that in accordance with the Share Option Scheme, the unexercised CPM Share Options will lapse automatically upon the close of the CPM Offers as detailed in the paragraph headed “1. PROCEDURES FOR ACCEPTANCE” set out in the Appendix I to the Composite Document.

As each individual CPM Shareholder and the CPM Optionholder would have different investment objectives and/or circumstances, we recommend any CPM Shareholders and the CPM Optionholders who may require advice in relation to any aspect of the CPM Offers and/or the Composite Document, or as to the action to be taken, to consult a licensed securities dealer, bank manager, solicitor, professional accountant, tax adviser or other professional adviser. Furthermore, they should carefully read the procedures for accepting the CPM Offers as set out in the Composite Document, its appendices and the accompanying Forms of Acceptance.

Yours faithfully,  
for and on behalf of  
**Ample Capital Limited**



**H.W. Tang**  
President



**Jenny Law**  
Vice President

*Mr. H.W. Tang is a licensed person registered with the SFC and a responsible officer of Ample Capital Limited, which is licensed under the SFO to carry out Type 6 (advising on corporate finance) regulated activity. Mr. Tang has over 20 years' experience in the corporate finance industry.*

*Ms. Jenny Law is a licensed person registered with the SFC and a responsible officer of Ample Capital Limited, which is licensed under the SFO to carry out Type 6 (advising on corporate finance) regulated activity. Ms. Law has over 15 years' experience in the corporate finance industry.*