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eprint GROUP LIMITED

eprint集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1884)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2014

FINANCIAL HIGHLIGHTS

	For the six months ended 30 September		
	2014	2013	
	HK\$'million	HK\$'million	Change
	(Unaudited)	(Unaudited)	
Revenue	156.8	153.8	2.0%
Profit before share of (losses)/profits of joint ventures – net and income tax	17.7	13.0	36.2%
Add: Share of (losses)/profits of joint ventures – net	(0.2)	1.1	
Profit before income tax	17.5	14.1	24.1%
Less: Income tax expense	(2.9)	(4.5)	
Profit for the period	14.6	9.6	52.1%
Net profit margin %	9.3%	6.2%	
Gross profit margin %	37.6%	37.6%	
Basic earnings per share (<i>HK cents</i>)	2.93	2.57	
	As at	As at	
	30 September	31 March	
	2014	2014	
	HK\$'million	HK\$'million	Change
	(Unaudited)	(Audited)	
Total assets	240.8	253.0	(4.8%)
Total equity	158.6	164.8	(3.8%)
Bank balance and deposits	113.4	134.0	(15.4%)

The board (the “**Board**”) of directors (the “**Directors**”) of eprint Group Limited (the “**Company**”) is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 September 2014, together with the comparative figures for the corresponding period in 2013.

CONDENSED INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2014

		Six months ended 30 September	
		2014	2013
	Note	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
Revenue	3	156,816	153,764
Cost of sales		(97,841)	(95,928)
Gross profit		58,975	57,836
Other income		3,627	2,725
Other losses – net		(689)	(223)
Selling and distribution expenses		(9,668)	(8,401)
Administrative expenses		(35,341)	(38,105)
Operating profit	4	16,904	13,832
Finance income		1,276	238
Finance costs		(434)	(1,030)
Finance income/(costs) – net	5	842	(792)
Share of (losses)/profits of joint ventures – net		(195)	1,091
Profit before income tax		17,551	14,131
Income tax expense	6	(2,905)	(4,527)
Profit for the period		14,646	9,604
Other comprehensive income:			
Item that may be subsequently reclassified to profit or loss			
Currency translation differences		(17)	(98)
Total comprehensive income for the period		14,629	9,506

		Six months ended 30 September	
		2014	2013
	Note	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
Profit for the period attributable to:			
Equity holders of the Company		14,661	9,652
Non-controlling interest		(15)	(48)
		<u>14,646</u>	<u>9,604</u>
Earnings per share			
– basic and diluted (expressed in HK cents per share)	7	<u>2.93</u>	<u>2.57</u>
Total comprehensive income attributable to:			
Equity holders of the Company		14,644	9,554
Non-controlling interest		(15)	(48)
		<u>14,629</u>	<u>9,506</u>
Dividends	8	14,650	8,000

CONDENSED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2014

	As at	As at
	30 September	31 March
	2014	2014
<i>Note</i>	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
ASSETS		
Non-current assets		
Property, plant and equipment	100,164	103,414
Investments in joint ventures	6,690	2,922
Finance lease receivable	2,541	–
Deposits and prepayments	5,003	3,164
	<u>114,398</u>	<u>109,500</u>
Current assets		
Inventories	3,105	3,123
Trade receivables	2,626	2,379
Deposits, prepayments and other receivables	3,712	2,466
Finance lease receivable	646	–
Current income tax recoverable	–	1,158
Amount due from joint ventures	2,927	479
Bank deposit	–	18,004
Cash and cash equivalents	113,433	115,961
	<u>126,449</u>	<u>143,570</u>
Total assets	<u>240,847</u>	<u>253,070</u>
EQUITY		
Capital and reserves attributable to the equity holders of the Company		
Share capital	5,000	5,000
Share premium	80,357	80,357
Other reserves	58,550	57,412
Proposed interim dividend	14,650	–
Proposed final dividend	–	20,000
	<u>158,557</u>	<u>162,769</u>
Non-controlling interests	<u>–</u>	<u>2,025</u>
Total equity	<u>158,557</u>	<u>164,794</u>

		As at 30 September 2014 HK\$'000 (Unaudited)	As at 31 March 2014 HK\$'000 (Audited)
	<i>Note</i>		
LIABILITIES			
Non-current liabilities			
Obligations under finance leases		10,854	14,694
Deferred income tax liabilities		11,200	10,496
		<u>22,054</u>	<u>25,190</u>
Current liabilities			
Trade payables	10	24,977	24,920
Accruals and other payables		20,798	16,284
Amounts due to directors		350	350
Borrowings		–	9,681
Amount due to a joint venture		2,049	–
Obligations under finance leases		10,803	11,620
Current income tax payable		1,259	231
		<u>60,236</u>	<u>63,086</u>
Total liabilities		<u>82,290</u>	<u>88,276</u>
Total equity and liabilities		<u>240,847</u>	<u>253,070</u>
Net current assets		<u>66,213</u>	<u>80,484</u>
Total assets less current liabilities		<u>180,611</u>	<u>189,984</u>

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION

1 BASIS OF PREPARATION

This condensed interim consolidated financial information for the six months ended 30 September 2014 has been prepared in accordance with Hong Kong Accounting Standard (“**HKAS**”) 34, “Interim Financial Reporting”, issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and the requirements of the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”).

The condensed interim consolidated financial information should be read in conjunction with the Group’s consolidated financial statements for the year ended 31 March 2014, which are prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRS**”).

The preparation of the condensed interim consolidated financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing this condensed interim consolidated financial information, the significant judgments made by management in applying the Group’s accounting policies and key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 March 2014.

2 PRINCIPAL ACCOUNTING POLICIES

The accounting policies applied are consistent with those used in preparing the Group’s financial statements for the year ended 31 March 2014, except as stated below.

- (a) The following new standards and amendments to standards are mandatory for the first time for the Group’s accounting period beginning on 1 April 2014:

HKAS 32 (Amendment)	Financial instruments: Presentation – Offsetting financial assets and financial liabilities
HKAS 36 (Amendment)	Impairment of assets: Recoverable amount disclosures for non-financial assets
HKAS 39 (Amendment)	Financial instruments: Recognition and measurement – Novation of derivatives and continuation of hedge accounting
HKFRS 10, HKFRS 12 and HKAS 27 (Revised 2011) (Amendment)	Investment entities
HK(IFRIC) 21	Levies

The Group has adopted these standards and the adoption of these standards did not have a significant impact on the Group’s results and financial position.

There are no other new standards or amendments to standards that are effective for the first time for this interim period that could be expected to have a material impact on the Group.

- (b) The following new standards and amendments have been issued, but are not effective for the Group's accounting period beginning on 1 April 2014 and have not been early adopted:

		Effective for annual period beginning on or after
Annual Improvements Project	Annual Improvements 2010-2012 Cycle	1 July 2014
Annual Improvements Project	Annual Improvements 2011-2013 Cycle	1 July 2014
HKAS 19 (2011) Amendment	Defined Benefit Plans: Employee Contributions	1 July 2014
Annual Improvements Project	Annual Improvements 2012-2014 Cycle	1 January 2016
HKAS 16 and HKAS 38 Amendment	Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
HKAS 16 and HKAS 41 Amendment	Agriculture: Bearer Plants	1 January 2016
HKAS 27 Amendment	Equity Method in Separate Financial Statements	1 January 2016
HKFRS 10 and HKAS 28 Amendment	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2016
HKFRS 11 Amendment	Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
HKFRS 14	Regulatory Deferral Accounts	1 January 2016
HKFRS 15	Revenue from Contracts with Customers	1 January 2017
HKFRS 9	Financial Instruments	1 January 2018

The Group has commenced an assessment of the impact of these new standards and amendments but is not yet in a position to state whether they would have a significant impact on its results of operations and financial position.

- (c) Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual profit or loss.

3 REVENUE AND SEGMENT INFORMATION

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker has been identified as the chairman and executive directors of the Group. As the Group is principally engaged in the provision of printing services, which are subject to similar business risk, and resources are allocated based on what is beneficial to the Group in enhancing the value as a whole rather than any specific unit, the Board considers the performance assessment of the Group should be based on the profit before income tax of the Group as a whole and regards the Group's business as a single operating segment and reviews financial information accordingly. Therefore, the Board considers there to be only one operating segment under the requirements of HKFRS 8 "Operating Segments".

The subsidiary incorporated in the People's Republic of China (the "PRC") provides I.T. support services for the Group. Since the Group mainly operates in Hong Kong and the Group's assets are mainly located in Hong Kong, no geographical segment information is presented.

During the six months ended 30 September 2014 and 2013, no external customers contributed over 10% of the Group's revenue.

Revenue represents turnover recognised during the period and comprises the following:

	Six months ended	
	30 September	
	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Revenue		
Provision of printing services	<u>156,816</u>	<u>153,764</u>

4 OPERATING PROFIT

Operating profit is stated after charging the following:

	Six months ended 30 September	
	2014	2013
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Depreciation of property, plant and equipment	(5,927)	(5,481)
Provision for impairment of trade receivables	(9)	(1)
Recovery of trade receivables previously written off	18	–
Loss on disposal of property, plant and equipment	(796)	(223)
Professional expenses incurred in connection with the Company's Listing	–	(12,850)
Share-based payments (<i>Note 11</i>)	(1,168)	–
Net exchange gain/(loss)	41	(29)
Gain on disposal of a subsidiary	66	–
	<u> </u>	<u> </u>

5 FINANCE INCOME/(COSTS) – NET

	Six months ended 30 September	
	2014	2013
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Finance income		
Interest income from bank deposits	1,237	238
Interest income from finance lease receivable to a joint venture	39	–
	<u> </u>	<u> </u>
	1,276	238
	-----	-----
Finance costs		
Finance charge on obligations under finance lease	(390)	(518)
Interest expenses on borrowings	(44)	(512)
	<u> </u>	<u> </u>
	(434)	(1,030)
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Finance income/(costs) – net	<u> </u>	<u> </u>
	842	(792)

6 INCOME TAX EXPENSE

	Six months ended 30 September	
	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Current income tax		
– Hong Kong profits tax	2,199	4,233
– PRC corporate income tax	2	–
Deferred income tax	704	294
Income tax expense	<u>2,905</u>	<u>4,527</u>

Taxation on profits has been calculated on the estimated assessable profits for the six months ended 30 September 2014 at the rates of taxation prevailing in the countries/places in which the Group operates. Income tax expense is recognised based on management's estimate of the weighted average annual income tax rate expected for the full financial year.

7 EARNINGS PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue for the six months ended 30 September 2013 and 2014.

The weighted average number of ordinary shares for the purpose of basic earnings per share for the six months ended 30 September 2013 have been retrospectively adjusted to reflect 374,900,000 shares issued upon capitalisation on 3 December 2013.

	Six months ended 30 September	
	2014	2013
	(Unaudited)	(Unaudited)
Profit attributable to the equity holders of the Company (<i>HK\$'000</i>)	<u>14,661</u>	<u>9,652</u>
Weighted average number of ordinary shares in issue (<i>thousands</i>)	<u>500,000</u>	<u>375,000</u>
Basic earnings per share (<i>HK cents</i>)	<u>2.93</u>	<u>2.57</u>

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Group has one category of dilutive potential ordinary shares: share options. For the share options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Group's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as below is compared with the number of shares that would have been issued assuming the exercise of the share options.

	Six months ended 30 September 2014 (Unaudited)
Profit attributable to the equity holders of the Company (<i>HK\$'000</i>)	<u>14,661</u>
Weighted average number of ordinary shares in issue (<i>thousands</i>)	500,000
Adjustment for:	
– Share options (<i>thousands</i>)	<u>654</u>
Weighted average number of ordinary shares for diluted earnings per share (<i>thousands</i>)	<u>500,654</u>
Diluted earnings per share (<i>HK cents</i>)	<u>2.93</u>

The Company had no dilutive shares for the six months ended 30 September 2013.

8 DIVIDENDS

	Six months ended 30 September 2014 <i>HK\$'000</i> (Unaudited)	2013 <i>HK\$'000</i> (Unaudited)
Interim dividend declared of HK2.93 cents per share (2013: HK\$80 per share)	<u>14,650</u>	<u>8,000</u>

The Board declared the payment of an interim dividend of HK2.93 cents per share for the six months ended 30 September 2014 (2013: HK\$80 per share). These financial statements do not reflect this dividend payable.

9 TRADE RECEIVABLES

The Group's credit terms granted to customers of printing services are mainly cash on delivery and on credit. Our average credit period offered to customers ranges from 30 days to 60 days.

The ageing analysis of the trade receivables based on the invoice date are as follows:

	As at 30 September 2014 HK\$'000 (Unaudited)	As at 31 March 2014 HK\$'000 (Audited)
1 – 30 days	1,877	2,072
31 – 60 days	544	150
Over 60 days	205	157
	<u>2,626</u>	<u>2,379</u>

10 TRADE PAYABLES

The ageing analysis of trade payables based on the invoice date are as follows:

	As at 30 September 2014 HK\$'000 (Unaudited)	As at 31 March 2014 HK\$'000 (Audited)
1 – 30 days	7,498	9,043
31 – 60 days	6,256	4,467
61 – 90 days	6,060	5,732
Over 90 days	5,163	5,678
	<u>24,977</u>	<u>24,920</u>

11 SHARE-BASED PAYMENTS

On 9 May 2014, the Board resolved the cancellation of 12,500,000 pre-IPO share options granted on 13 November 2013 pursuant to the pre-IPO share option scheme adopted on 13 November 2013. The cancellation of the pre-IPO share options was accounted for as an acceleration of vesting, and an amount of approximately HK\$1.2 million was recognised in the consolidated statement of comprehensive income for the six months ended 30 September 2014. The accumulated share-based compensation reserve was transferred to retained earnings as at 30 September 2014.

12 CONTINGENT LIABILITIES

In July 2014, e-banner Limited, a joint venture of the Group, received a writ of summons (“**Summons**”) issued against it and other twelve defendants for, inter alia, the relief of an injunction restraining e-banner Limited competing the business of and soliciting customers of the plaintiffs, and claim for, inter alia, the damages for conspiracy and interference with the plaintiffs’ trade or business. The said injunction was pending the judgement from the court up to the date of this announcement. The Board considered that the Summons would not have material impact on the operation of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Board is pleased to present to shareholders the results of the Group for the six months ended 30 September 2014. The Group's revenue amounted to approximately HK\$156,816,000, an increase of 2% as compared with the same period last year. Gross profit margin was 37.6% which remained the same as the corresponding period last year. The Group's unaudited profit attributable to equity holders for the six months ended 30 September 2014 was HK\$14,661,000, an increase of 52.1% as compared with the same period last year. The increase was mainly due to the decrease in the administrative expenses of the Company for the six months ended 30 September 2014 as a result of the absence of the listing expenses which incurred in the same period last year.

The Group has a leading position in supplying online printing services and customized printed products which target at a large and diverse customer group comprising primarily small and medium enterprises, design houses, education institutes and individual customers, for instance, students. As at 30 September 2014, the Group has 17 retail stores, 4 localized websites which provide internet-based graphic design software and editing tools that allow customers to design their desired products by themselves, and computer-integrated printing facilities in Hong Kong.

During the period, eprint Holdings Limited ("**eprint Holdings**"), a wholly-owned subsidiary of the Company, established a joint venture company, e-banner Limited ("**e-banner**") with an independent third party. eprint Holdings has a 40% shareholding in e-banner, which is principally engaged in developing, producing, marketing and sale of the banners, display stands, posters and display partitions and other related products in Hong Kong. The formation of e-banner can diversify the Group's business and product portfolio and create synergy effect with the existing printing business of the Group.

In July 2014, e-banner received a writ of summons ("**Summons**") issued against it and other twelve defendants for, inter alia, the relief of an injunction restraining e-banner competing the business of and soliciting customers of the plaintiffs, and claim for, inter alia, the damages for conspiracy and interference with the plaintiffs' trade or business. The said injunction was pending the judgement from the court up to the date of this announcement. The Board considered that the Summons would not have material impact on the operation of the Company.

On 22 September 2014, the controlling shareholders of the Company, being Mr. She Siu Kee William, Mr. Chong Cheuk Ki, Mr. Lam Shing Kai, Mr. Leung Wai Ming and Mr. Leung Yat Pang, disposed of an aggregate of 61,875,000 shares of the Company, representing approximately 12.375% of the total issued shares of the Company, to Hong Kong Luck Investment Company Limited. The purchaser is a wholly-owned subsidiary of Shantou Dongfeng Printing Co., Ltd. (汕頭東風印刷股份有限公司) (“**Dongfeng Co.**”), an A share company listed on the main board of the Shanghai Stock Exchange (stock code: 601515). Dongfeng Co. is interested in the Company’s online self-service printing platform and cloud printing services system and expects to explore business opportunities with the Company in the future.

On 22 September 2014, eprint Digital Holdings Limited (“**eprint Digital**”), a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement for the acquisition of the 30% interest in Invoice Limited (“**Invoice**”) at a consideration of HK\$2,000,000 (“**Acquisition**”). Upon completion of the Acquisition on 29 September 2014, Invoice becomes a wholly-owned subsidiary of the Company. The Acquisition constituted a de minimis connected transaction and exempted from reporting, announcement and independent shareholders’ approval under Chapter 14A of the Listing Rules. The Acquisition enables the Group to enjoy greater flexibility in its operation to cope with its future growth.

Outlook

Although the Group was affected by fierce industry competition, high cost of production and shortage of labour supply, the Group has still maintained a stable gross profit margin. Looking forward to the second half of the financial year ending 31 March 2015, the Hong Kong market, which is the Group’s major market, is expected to face challenges due to the unstable market environment. Nevertheless, the Group will continue to strive for diversifying its business, strengthening the development of products with higher profit margin, obtaining engagements from new customers and market, enhancing the production processes, reinforcing internal controls and implementing stringent control over the cost in order to achieve stable profit growth of the Group. Meanwhile, the Group will look for new business opportunities from time to time to strengthen its market position and implement the future plan of business strategy stated in the Company’s prospectus dated 20 November 2013 (the “**Prospectus**”).

In October 2014, the Group formed a new company called “EPRINT AUSTRALIA Pty Ltd”, which will be engaged in printing business in Australia. The formation of the aforesaid company can diversify the Group’s business in different markets. The Company may introduce other investors into the project. The operation of its business is expected to commence in the next financial year.

On 1 November 2014, the Group and Invoice were certified by the Accredited Certification International Limited according to the requirements of ISO 14001:2004 (Environmental Management System Certification). This certification further enhances the Group's resource efficiency.

Under the leadership of the Board, the management of the Group has formed a broad consensus in response to the key improvement areas in the existing business operation and market expansion in order to further enhance the Group's overall competitiveness.

The Group will continue to strengthen its market position and increase the market share by making use of the following competitive advantages:

- Well-positioned to seize enormous online market potential
- Comprehensive information technology infrastructure and unique eprint system which is automatically operated
- Well-recognised local brand

Financial Review

Revenue

Income from the provision of printing services in Hong Kong increased by approximately HK\$3.0 million or 2.0% from approximately HK\$153.8 million for the six months ended 30 September 2013 to approximately HK\$156.8 million for the six months ended 30 September 2014. Such increase was primarily due to the increase of average monthly orders notwithstanding the slight decrease in the bound book printing sales as compared with the last period. The following table sets forth a breakdown of the revenue by service category and their respective percentage of the total revenue for the periods indicated.

	Six months ended 30 September			
	2014		2013	
	HK\$'000		HK\$'000	
Advertising printing	65,074	41.5%	62,512	40.7%
Bound book printing	45,810	29.2%	48,887	31.8%
Stationery printing	41,547	26.5%	38,189	24.8%
Other services	4,385	2.8%	4,176	2.7%
	<u>156,816</u>	<u>100.0%</u>	<u>153,764</u>	<u>100.0%</u>
Total	<u>156,816</u>	<u>100.0%</u>	<u>153,764</u>	<u>100.0%</u>

Sales mix remained relatively stable and advertising printing was our primary printing service that accounted for approximately 41.5% and 40.7% of our total revenue for six months ended 30 September 2014 and 2013, respectively.

Sales Channels	Six months ended 30 September			
	2014		2013	
	HK\$'000		HK\$'000	
Stores	58,898	37.6%	58,047	37.7%
Websites	61,507	39.2%	56,847	37.0%
Others (<i>Note</i>)	36,411	23.2%	38,870	25.3%
Total	<u>156,816</u>	<u>100.0%</u>	<u>153,764</u>	<u>100.0%</u>

Note: “Others” refers to revenue derived from orders received over the telephone, through e-mail, e-print mobile application and “Photobook” program.

Websites sales channel contributed approximately 39.2% of total revenue for the six months ended 30 September 2014, which accounted for approximately 8.2% increase as compared with that of the six months ended 30 September 2013. Such increase was primarily due to the continuous improvement in our online self-service ordering platform.

Other income

Other income primarily comprises sales of scrap materials, such as used zinc printing plates and paper scrap, pre-press processing fee income, rental income and license fee income received from the Group’s joint venture.

Other losses – net

Other losses – net primarily comprises net loss on disposal of plant and equipment, net foreign exchange gain and gain on disposal of a subsidiary.

Selling and distribution expenses

Selling and distribution expenses primarily consist of delivery expenses, handling charges for electronic payments received, and store rentals as well as advertising and marketing expenses. Selling and distribution expenses represent approximately 6.2% and 5.5% of the revenue for the six months ended 30 September 2014 and 2013, respectively.

Administrative expenses

Administrative expenses primarily comprise director fees, staff costs, outsourced customer support expenses, information technology support services expenses, office rental and utilities, depreciation, internet and telephone expenses, professional expenses and other miscellaneous administrative expenses. Administrative expenses represent approximately 22.5% and 24.8% of the total revenue for the six months ended 30 September 2014 and 2013, respectively. The decrease in administrative expenses was primarily due to the professional expenses of approximately HK\$12.8 million being absent for the six months ended 30 September 2014 incurred for the six months ended 30 September 2013 in connection with the Company's listing, offset by the increase in director fees and staff costs by approximately HK\$7.1 million.

Finance income

Finance income primarily consists of interest income from bank deposits and finance lease to a Group's joint venture.

Finance costs

Finance costs primarily consist of interest expenses on bank borrowings and finance charges on obligations under finance lease.

Share of losses of joint ventures – net

Share of losses of joint ventures – net represents the share of losses or profits of the Group's joint ventures in each period using equity method of accounting. During the period under review, the Company had two entities jointly controlled in Hong Kong and one in Malaysia, respectively. The losses were primarily due to the share of loss of e-banner of approximately HK\$1,569,000 for the six months ended 30 September 2014 which offset the share of profit of E-print Solutions Sdn. Bhd. of approximately HK\$1,374,000 for the six months ended 30 September 2014.

Profit and total income

Profit increased by approximately HK\$5.0 million or 52.1%, from approximately HK\$9.6 million for the six months ended 30 September 2013 to approximately HK\$14.6 million for the six months ended 30 September 2014. Net profit margin also increased from approximately 6.2% for the six months ended 30 September 2013 to approximately 9.3% for the six months ended 30 September 2014. The increases in net profit and net profit margin were primarily due to the absence of the professional expenses of approximately HK\$12.8 million in connection with the Company's listing incurred during the corresponding period in 2013.

Liquidity and Financial Information

As at 30 September 2014, the total amount of bank deposit, bank balances and cash of the Group was approximately HK\$113.4 million, a decrease of approximately HK\$20.6 million compared with that as at 31 March 2014. The decrease was mainly arising from the payment of dividend. As at 30 September 2014, the financial ratios of the Group were as follows:

	As at 30 September 2014	As at 31 March 2014
Current ratio ⁽¹⁾	2.1	2.3
Gearing ratio ⁽²⁾	<u>13.7%</u>	<u>21.8%</u>

Notes:

- (1) Current ratio is calculated based on total current assets divided by total current liabilities.
- (2) Gearing ratio is calculated based on total borrowings and obligation under finance leases divided by total equity and multiplied by 100%.

Borrowings

The Group's bank borrowings as at 31 March 2014 in the sum of approximately HK\$9.7 million were repaid during the period under review. No financial instruments were used for hedging purposes, nor were there any foreign currency net investments hedged by current borrowings and/or other hedging instruments.

Treasury Policies

The Group has adopted a prudent financial management approach towards its treasury policies and thus maintained a healthy liquidity position throughout the period. The Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and other commitments can meet its funding requirements from time to time.

Capital Structure

The shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 3 December 2013. There has been no change in the capital structure of the Company since that date. The capital of the Company comprises ordinary shares and other reserves.

Capital Commitments

As at 30 September 2014 and 2013, the Group has capital commitments for purchase of machines of HK\$2.0 million and HK\$0.9 million, respectively.

Significant Investments Held

Except for the investments in joint ventures, the Group did not hold any significant investment in equity interest in any other company during the period under review.

Future Plans for Material Investments and Capital Assets

Except for the aforesaid investment, the Group did not have other plans for material investments and capital assets.

Material Acquisitions

Except for the acquisition of the remaining 30% of the non-controlling interest in Invoice in the sum of HK\$2.0 million on 29 September 2014, the Group did not have any material acquisition or disposal of subsidiaries or joint ventures during the six months ended 30 September 2014.

Finance Lease

The Group has entered into a finance lease arrangement in which the Group, as a lessor, leases printing equipments to e-banner, a Group’s joint venture for a period of five years. The carrying amounts of the finance lease receivable were denominated in Hong Kong dollars and were approximate to fair value. The weighted average interest rate was 3.5% per annum.

Exposure to Foreign Exchange Risk

The Group operates principally in Hong Kong and its business is supported by an information technology support services centre located in the PRC. The Group is exposed to foreign exchange risk arising from the exposure of Renminbi against Hong Kong dollars. The Group does not hedge its foreign exchange risk as its exposure to foreign exchange risk is low as the Group's cash flows mainly denominated in Hong Kong dollars.

Charge of Assets

At 30 September 2014 and 2013, the Group pledged the plant and machinery with a carrying value of approximately HK\$42.4 million and HK\$44.1 million respectively, as collaterals to secure the Group obligation under finance leases.

Use of Proceeds from the Share Offer

The Company's shares were listed on the Stock Exchange on 3 December 2013 and raised a net proceed from IPO of approximately HK\$66.5 million. During the period between the listing date and 30 September 2014, HK\$14.5 million of the net proceed from the listing were utilised in accordance with the proposed applications set out in the section headed "Future Plans and Use of Proceeds" in the Prospectus. The unused proceeds were deposited in licensed banks in Hong Kong.

Capital Expenditure

During the period under review, the Group invested approximately HK\$3.8 million in property, plant and equipment, represented a reduction of about 59.1% from capital expenditure of the same period last year.

EMPLOYEES AND EMOLUMENT POLICIES

At 30 September 2014, the Group had approximately 375 full time employees. There is no significant change in the Group's emolument policies. On top of basic salaries, bonuses may be paid by reference to the Group's performance as well as individual's performance. Other staff benefits include contributions to Mandatory Provident Fund retirement benefits scheme in Hong Kong and the provision of pension funds, medical insurance, unemployment insurance and other relevant insurance for employees who are employed by the Group pursuant to the PRC rules and regulations and the prevailing regulatory requirements of the PRC. On 9 May 2014, the Board resolved the cancellation of 12,500,000 pre-IPO share options granted on 13 November 2013 pursuant to the pre-IPO share option scheme adopted on 13 November 2013. For further details regarding the cancellation, please refer to the announcement of the Company dated 9 May 2014.

INTERIM DIVIDEND

The Board, after considering the liquidity position and operation of the Group, resolved to declare an interim dividend of HK2.93 cents per share, totaling HK\$14,650,000 for the six months ended 30 September 2014 (2013: HK\$80 per share, totalling HK\$8,000,000) payable on Thursday, 18 December 2014 to the shareholders whose names appear on the Register of Members of the Company on Tuesday, 9 December 2014.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement of the shareholders to the interim dividend, the Register of Members of the Company will be closed from Monday, 8 December 2014 to Tuesday, 9 December 2014, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited for registration not later than 4:30 p.m. on Friday, 5 December 2014.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities for the six months ended 30 September 2014.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as the code of conduct regarding Directors' securities transactions. Having made specific enquiry of all Directors, all the Directors have confirmed that they have complied with the required standards as set out in the Model Code for the six months ended 30 September 2014.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has adopted the code provisions set out in the Corporate Governance Code and Corporate Governance Report ("**CG Code**") as set out in Appendix 14 to the Listing Rules.

To the knowledge of the Board, the Company had fully complied with the code provisions in the CG Code for the six months ended 30 September 2014 save for the deviations as explained below.

Code provision A.2.1 provides that the roles of the chairman and chief executive officer should be separated and should not be performed by the same individual. The Company does not at present separate the roles of the chairman and chief executive officer. Mr. She Siu Kee William is the chairman and chief executive officer of the Company. The Board believes that vesting the roles of both chairman and chief executive officer in the same person has the benefit of ensuring consistent leadership within the Group and enables more effective and efficient overall strategic planning for the Group. The Board further believes that the balance of power and authority for the present arrangement will not be impaired and is adequately ensured by the current Board which comprises experienced and high caliber individuals with sufficient number thereof being independent non-executive Directors.

Pursuant to code provision A.6.7 of the Code, independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. Mr. Lam Shing Kai and Mr. Chong Cheuk Ki, being non-executive Directors, did not attend the 2014 annual general meeting of the Company held on 8 August 2014 due to their engagement in their own official business.

AUDIT COMMITTEE

The Company established an audit committee (the “**Audit Committee**”) on 13 November 2013 with written terms of reference in compliance with the CG Code, and currently comprises three independent non-executive Directors, namely Ms. Luk Mei Yan (as chairlady), Dr. Lung Cheuk Wah and Mr. Chi Man Shing Stephen. The primary duties of the Audit Committee are to review the financial reporting process and internal control system of the Group.

REVIEW OF INTERIM RESULTS

The unaudited condensed interim consolidated financial information for the six months ended 30 September 2014 has been reviewed by the Group’s auditor, PricewaterhouseCoopers, in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA. The Audit Committee has reviewed the unaudited condensed interim consolidated financial information for the six months ended 30 September 2014.

INTERIM REPORT

The interim report of the Company for the six months ended 30 September 2014 will be published and dispatched to the equity holders of the Company in mid December 2014.

On behalf of the Board
eprint Group Limited
Fung Hong Keung
Executive Director and
Company Secretary

Hong Kong, 19 November 2014

As at the date of this announcement, the executive Directors are Mr. She Siu Kee William, Mr. Tsui Pak Wai and Mr. Fung Hong Keung; the non-executive Directors are Mr. Lam Shing Kai, Mr. Leung Wai Ming, Mr. Leung Yat Pang and Mr. Chong Cheuk Ki; and the independent non-executive Directors are Dr. Lung Cheuk Wah, Mr. Chan Chi Yu, Mr. Chi Man Shing Stephen and Ms. Luk Mei Yan.