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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 2017

FINANCIAL HIGHLIGHTS

	For the six months ended 30 September		
	2017	2016	Change
	HK\$'000	HK\$'000	
	(Unaudited)	(Unaudited)	
Operating Results			
Revenue	198,604	200,171	(0.8%)
– e-print segment	155,975	163,527	(4.6%)
– e-banner segment	42,629	36,644	16.3%
Segment results	11,470	3,378	239.6%
– e-print segment	12,871	10,925	17.8%
– e-banner segment	(1,401)	(7,547)	(81.4%)
Profit for the period attributable to equity holders of company	10,063	5,808	73.3%
Net profit margin % (Attributable to equity holders of company)	5.1%	2.9%	
Gross profit margin %	36.5%	33.7%	
Basic earnings per share (HK Cents)	1.83	1.06	72.6%
	As at	As at	
	30 September	31 March	
	2017	2017	Change
	HK\$'000	HK\$'000	
	(Unaudited)	(Audited)	
Financial Position			
Total assets	305,677	312,829	(2.3%)
Total equity	216,335	207,520	4.2%
Cash and cash equivalents	81,181	68,220	19.0%

The board (the “**Board**”) of directors (the “**Directors**”) of eprint Group Limited (the “**Company**”) announces the unaudited consolidated interim results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 September 2017, together with the comparative figures for the corresponding period in 2016.

CONDENSED INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2017

		Six months ended 30 September	
		2017	2016
	Note	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
Revenue		198,604	200,171
Cost of sales		(126,079)	(132,808)
Gross profit		72,525	67,363
Other income		1,869	3,465
Other losses – net		(4,241)	(4,666)
Selling and distribution expenses		(22,449)	(21,524)
Administrative expenses		(36,234)	(41,260)
Operating profit	4	11,470	3,378
Finance income		222	396
Finance costs		(813)	(711)
Finance costs – net	5	(591)	(315)
Share of profit of joint ventures – net		512	713
Share of profit/(losses) of associates		130	(461)
Profit before income tax		11,521	3,315
Income tax expense	6	(2,352)	(1,640)
Profit for the period		9,169	1,675

		Six months ended	
		30 September	
		2017	2016
<i>Note</i>		<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Unaudited)
Other comprehensive income:			
<i>Item that may be subsequently reclassified to profit or loss</i>			
Currency translation differences		<u>606</u>	<u>(834)</u>
Total comprehensive income for the period		<u>9,775</u>	<u>841</u>
Profit for the period attributable to:			
Equity holders of the Company		<u>10,063</u>	<u>5,808</u>
Non-controlling interest		<u>(894)</u>	<u>(4,133)</u>
		<u>9,169</u>	<u>1,675</u>
Earnings per share			
– basic and diluted			
(expressed in HK cents per share)	7	<u>1.83</u>	<u>1.06</u>
Total comprehensive income attributable to:			
Equity holders of the Company		<u>10,598</u>	<u>5,078</u>
Non-controlling interest		<u>(823)</u>	<u>(4,237)</u>
		<u>9,775</u>	<u>841</u>

CONDENSED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2017

		As at 30 September 2017 HK\$'000 (Unaudited)	As at 31 March 2017 HK\$'000 (Audited)
	Note		
ASSETS			
Non-current assets			
Property, plant and equipment		144,071	157,189
Intangible assets		1,227	1,442
Held-to-maturity investments	9	15,000	15,000
Financial assets at fair value through profit or loss	10	12,512	12,319
Investment in associates		3,096	2,962
Investment in a joint venture		7,060	6,205
Deferred income tax assets		3,187	3,259
Deposits and prepayments		5,016	4,940
		<u>191,169</u>	<u>203,316</u>
Current assets			
Inventories		5,333	5,409
Trade receivables	11	5,764	4,518
Deposits, prepayments and other receivables		15,953	15,500
Held-to-maturity investments	9	–	10,000
Current income tax recoverable		–	17
Amounts due from related companies		6,277	5,849
Cash and cash equivalents		81,181	68,220
		<u>114,508</u>	<u>109,513</u>
Total assets		<u><u>305,677</u></u>	<u><u>312,829</u></u>

		As at 30 September 2017 <i>HK\$'000</i> (Unaudited)	As at 31 March 2017 <i>HK\$'000</i> (Audited)
	<i>Note</i>		
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital		5,500	5,500
Share premium		132,921	132,921
Other reserves		73,612	71,814
		<u>212,033</u>	<u>210,235</u>
Non-controlling interests		4,302	(2,715)
		<u>216,335</u>	<u>207,520</u>
LIABILITIES			
Non-current liabilities			
Obligations under finance leases		4,321	7,045
Deferred income tax liabilities		8,373	9,477
		<u>12,694</u>	<u>16,522</u>
Current liabilities			
Trade payables	12	9,127	7,948
Accruals and other payables		24,647	28,298
Borrowings		27,873	38,343
Obligations under finance leases		5,781	7,013
Amount due to related companies		3	9
Amounts due to directors		245	245
Current income tax payable		8,972	6,931
		<u>76,648</u>	<u>88,787</u>
Total liabilities		<u>89,342</u>	<u>105,309</u>
Total equity and liabilities		<u>305,677</u>	<u>312,829</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 2017 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 of Hong Kong Limited (the “Stock Exchange”) (the “Listing Rules”).

This condensed interim consolidated financial information should be read in conjunction with the Group’s consolidated financial statements for the year ended 31 March 2017, which are prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

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 2017, except as stated below.

- (a) The following amendments to standards are mandatory for the Group’s accounting period beginning on 1 April 2017:

Amendments to HKAS 12, “Income taxes”

Amendments to HKAS 7, “Statement of cash flows”

Amendments to HKFRS 12, “Disclosure of interest in other entities”

The Group has adopted these amendments and the adoption of these amendments did not have significant impacts 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 2017 and have not been early adopted:

	Effective for annual periods beginning on or after
Amendment to HKFRS 1, "First time adoption of HKFRS"	1 January 2018
Amendments to HKFRS 2, "Classification and measurement of Share-based Payment Transactions"	1 January 2018
Amendments to HKFRS 4, Insurance Contracts "Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts"	1 January 2018
Amendment to HKAS 28, "Investments in associates and joint ventures"	1 January 2018
HKFRS 9, "Financial Instruments"	1 January 2018
HKFRS 15, "Revenue from Contracts with Customers"	1 January 2018
HK (IFRIC) 22, "Foreign Currency Transactions and Advance Consideration"	1 January 2018
HKFRS 16, "Leases"	1 January 2019
Amendments to HKFRS 10 and HKAS 28, "Sale or contribution of assets between an investor and its associate or joint venture"	<i>Note</i>

Note: To be announced by HKICPA

The Group is in the process of assessing the financial impact of the adoption of the above new standards and amendments to standards. The Group will adopt the new and amended standards when they become effective.

- (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 SEGMENT INFORMATION

The chief operating decision-maker has been identified as the executive directors of the Company. The chief operating decision-maker has determined the operating segments based on the reports approved by the board of directors of the Company, that are used to make strategic decisions and assess performance.

The chief operating decision-maker has determined the operating segments based on these reports. The Group is organised into two business segments:

- (a) paper printing segment (mainly derived from the brand "e-print"); and
- (b) banner printing segment (mainly derived from the brand "e-banner").

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker.

Management assesses the performance of the operating segments based on a measure of gross profit less distribution costs, administrative and selling expenses, and other operating expenses that are allocated to each segment. Other information provided is measured in a manner consistent with that in the financial statements.

Sales between segments are carried out at arm's length basis.

The subsidiary incorporated in the People's Republic of China (the "PRC") provides information technology ("I.T.") support services within the Group. The subsidiaries incorporated in Malaysia and Australia generated immaterial external revenue during the period. 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 2016 and 2017, no external customers contributed over 10% of the Group's revenue.

	For the six months ended 30 September 2017			
	Paper printing HK\$'000 (Unaudited)	Banner printing HK\$'000 (Unaudited)	Eliminations HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Segment revenue				
Revenue from external customers	155,975	42,629	–	198,604
Inter-segment revenue	216	21	(237)	–
Total	<u>156,191</u>	<u>42,650</u>	<u>(237)</u>	<u>198,604</u>
Segment results	<u>12,871</u>	<u>(1,401)</u>		11,470
Finance income				222
Finance costs				(813)
Share of profit of joint venture				512
Share of loss of an associate				<u>130</u>
Profit before income tax				11,521
Income tax expense				<u>(2,352)</u>
Profit for the period				<u>9,169</u>
Depreciation of property, plant and equipment	5,898	3,365		9,263
Amortisation of intangible assets	–	215		215
Impairment loss on property, plant and equipment	–	(5)		(5)
Capital expenditure	415	222		637

For the six months ended 30 September 2016

	Paper printing <i>HK\$'000</i> (Unaudited)	Banner printing <i>HK\$'000</i> (Unaudited)	Eliminations <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)
Segment revenue				
Revenue from external customers	163,527	36,644	–	200,171
Inter-segment revenue	245	57	(302)	–
Total	163,772	36,701	(302)	200,171
Segment results	10,925	(7,547)		3,378
Finance income				396
Finance costs				(711)
Share of profit of joint venture				713
Share of loss of an associate				(461)
Profit before income tax				3,315
Income tax expense				(1,640)
Profit for the period				1,675
Depreciation of property, plant and equipment	5,812	3,243		9,055
Amortisation of intangible assets	–	215		215
Capital expenditure	4,963	1,297		6,260

The following tables present segment assets as at 30 September 2017 and 31 March 2017 respectively.

	As at 30 September 2017		
	Paper printing <i>HK\$'000</i> (Unaudited)	Banner printing <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)
Segment assets	156,009	53,333	209,342

	As at 31 March 2017		
	Paper printing <i>HK\$'000</i> (Unaudited)	Banner printing <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)
Segment assets	175,192	55,253	230,445

Segment assets for banner printing segment mainly represented property, plant and equipment and goodwill amounting to HK\$38,837,000 (31 March 2017: HK\$42,287,000) and HK\$725,000 (31 March 2017: HK\$725,000).

A reconciliation of segment assets to total assets is provided as follows:

	As at 30 September 2017 <i>HK\$'000</i>	As at 31 March 2017 <i>HK\$'000</i>
Segment assets	209,342	230,445
Investment in associates	3,096	2,962
Investment in a joint venture	7,060	6,205
Cash and cash equivalents	81,181	68,220
Other unallocated segment assets	4,998	4,997
Total assets	<u>305,677</u>	<u>312,829</u>

4 OPERATING PROFIT

Operating profit is stated after charging the following:

	Six months ended 30 September 2017 <i>HK\$'000</i> (Unaudited)	2016 <i>HK\$'000</i> (Unaudited)
Depreciation of property, plant and equipment	(9,263)	(9,055)
Recovery of trade receivables previously written off	12	12
Loss on disposal of property, plant and equipment	(4,257)	(2,955)
Loss on disposal of financial assets	–	(1,803)
Loss on disposal of interest in an associate	(111)	–
Net exchange loss	(66)	(20)
Investment income	782	1,808
Cost of materials	(26,378)	(29,717)
Subcontracting fee	(68,409)	(67,089)
Operating lease rental of premises and equipment	<u>(10,126)</u>	<u>(12,363)</u>

5 FINANCE COST – NET

	Six months ended 30 September	
	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Finance income		
Interest income from bank deposits	222	114
Unwinding of discount on held-to-maturity investments	–	282
	<u>222</u>	<u>396</u>
Finance costs		
Finance charge on obligations under finance lease	(222)	(377)
Interest expenses on borrowings	(591)	(334)
	<u>(813)</u>	<u>(711)</u>
Finance cost – net	<u>(591)</u>	<u>(315)</u>

6 INCOME TAX EXPENSE

	Six months ended 30 September	
	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Current income tax		
– Hong Kong profits tax	3,224	3,310
– PRC corporate income tax	144	17
Under/(over) provision in prior year	16	(643)
Deferred income tax	(1,032)	(1,044)
	<u>2,352</u>	<u>1,640</u>
Income tax expense	<u>2,352</u>	<u>1,640</u>

Taxation on profits has been calculated on the estimated assessable profits for the six months ended 30 September 2017 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 2016 and 2017.

	Six months ended 30 September	
	2017	2016
	(Unaudited)	(Unaudited)
Profit attributable to the equity holders of the Company (<i>HK\$'000</i>)	<u>10,063</u>	<u>5,808</u>
Weighted average number of ordinary shares in issue (<i>thousands</i>)	<u>550,000</u>	<u>550,000</u>
Basic earnings per share (<i>HK cents</i>)	<u>1.83</u>	<u>1.06</u>

(b) Diluted

For the six months ended 30 September 2017 and 2016, diluted earnings per share is the same as the basic earnings per share as there was no dilutive potential ordinary shares.

8 DIVIDENDS

A dividend of HK\$8,800,000 that relates to the year ended 31 March 2017 was paid in August 2017 (2016: HK\$12,650,000).

The board of directors of the Company resolved not to declare an interim dividend for the six months ended 30 September 2017 (2016: Nil).

9 HELD-TO-MATURITY INVESTMENTS

	As at 30 September 2017 <i>HK\$'000</i> (Unaudited)	As at 31 March 2017 <i>HK\$'000</i> (Audited)
Unlisted bond securities at amortised costs	<u>15,000</u>	<u>25,000</u>

The movement in held-to-maturity investments is summarised as follows:

	Six months ended	
	30 September	
	2017	2016
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
At beginning of the period	25,000	40,295
Unwinding of discount on held-to-maturity investments (<i>Note 5</i>)	–	282
Disposal and redemption	(10,000)	(20,584)
Currency translation differences	–	7
At end of the period	15,000	20,000

There were no provision of impairment of held-to-maturity investment as at 30 September 2017 and 2016.

The fair values of unlisted securities are based on cash flows discounted using a rate based on the market interest rate and the risk premium specific to the unlisted securities at 8% for the six months ended 30 September 2017 (for the year ended 31 March 2017: 9%).

Held-to-maturity investments are dominated in Hong Kong dollar as at 30 September 2017 and 31 March 2017.

The maximum exposure to credit risk at the reporting date is the carrying value of the debt securities classified as held-to-maturity investments. None of these financial assets is either past due or impaired.

10 FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at	As at
	30 September	31 March
	2017	2017
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Fair value of insurance policy investment	12,512	12,319

The insurance policy investment is an insurance contract provided to a director with underlying investment on a capital fund.

Financial asset at fair value through profit or loss is presented within investing activities in the consolidated statement of cash flows.

Changes in fair value of financial asset at fair value through profit or loss are recorded in 'Other losses – net' in the consolidated statement of comprehensive income.

The fair value of the insurance policy investment is based on the unobservable inputs and is classified within level 3 of the fair value hierarchy.

11 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 is as follows:

	As at 30 September 2017 <i>HK\$'000</i> (Unaudited)	As at 31 March 2017 <i>HK\$'000</i> (Audited)
Up to 30 days	3,919	2,983
31-60 days	956	713
Over 60 days	889	822
	<u>5,764</u>	<u>4,518</u>

12 TRADE PAYABLES

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

	As at 30 September 2017 <i>HK\$'000</i> (Unaudited)	As at 31 March 2017 <i>HK\$'000</i> (Audited)
Up to 30 days	6,826	5,476
31-60 days	1,340	2,175
61-90 days	435	277
Over 90 days	526	20
	<u>9,127</u>	<u>7,948</u>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the six months ended 30 September 2017, the Group's revenue amounted to HK\$198.6 million, representing a decrease of 0.8% as compared with the same period last year. The Group's unaudited profit attributable to equity holders for the six months ended 30 September 2017 was HK\$10.1 million, representing an increase of 73.3% as compared with the same period last year. Net profit margin (profit attributable to equity holders of company) was 5.1%, representing an increase of 2.2% as compared with the same period last year.

The increase in profit was mainly due to the improvement in segment results of the Group's two segments, and the one-off loss on disposal of financial asset for the six months ended 30 September 2016 being absent for the six months ended 30 September 2017, offset by the decrease in interest income from held-to-maturity investments due to their maturity and early redemption.

As for the Group's paper printing segment, there is a drop of revenue from external customers of 4.6% from HK\$163.5 million to HK\$155.9 million. The drop of revenue is mainly due to the deterioration in the Hong Kong market for the six months ended 30 September 2017. Nevertheless, there is no significant change in the gross profit of the paper printing segment which remained at HK\$56.4 million for both the six months ended 30 September 2017 and 2016. And it is mainly due to the execution of the Group's plan of more subcontracting to manufacturers in China and downsizing its own production capacity to achieve lower average cost has been substantially completed.

As for the Group's banner printing segment, there is a significant growth in revenue from external customers of 16.3% from HK\$36.6 million to HK\$42.6 million. The increase in revenue is mainly due to the increase in number of order from the Hong Kong market. The banner printing segment's operating loss decreased by HK\$6.1 million, which is mainly due to its growth in Hong Kong business leading to better operational efficiencies and economies of scale, as well as the decrease of operating loss made by its business in Malaysia by HK\$2.8 million from HK\$2.8 million to HK\$27.1 thousand, offset by the increase in operating loss by HK\$0.7 million by its App Solutions Business from HK\$0.9 million to HK\$1.6 million.

On 3 April 2017, E-Boss Co. Limited, a wholly-owned subsidiary of the Company, invested in Sakura Japan Property (Hong Kong) Limited ("Sakura") with two independent third parties. Sakura is principally engaged in providing Japanese real estate agency service in Hong Kong. Sakura has commenced its operation in April 2017 and has been generating revenue during the six months ended 30 September 2017. The Board considers that this investment enables the Group to diversify its business by utilising its reputation and system technology.

OUTLOOK

Looking forward to the second half of the financial year ending 31 March 2018, as far as the management is aware, there is neither recent industry or regulatory changes nor unfavorable trends or developments which may have a material adverse impact on the Group's operations, business and financial performance. Nevertheless, the Group will continue to strive for diversifying its business, including but not limited to expanding banner business in Hong Kong and Malaysia, reinforcing internal controls, streamlining factory operation and production outsourcing in order to achieve stable revenue growth for the Group. Meanwhile, the Group will look for new business opportunities from time to time to strengthen its market share.

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 and other services decreased by HK\$1.6 million or 0.8% from HK\$200.2 million for the six months ended 30 September 2016 to HK\$198.6 million for the six months ended 30 September 2017. Such decrease was primarily due to the decrease of average monthly orders. 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.

	2017		2016	
	HK\$'000		HK\$'000	
	(Unaudited)		(Unaudited)	
Advertising printing	63,899	32.2%	68,991	34.5%
Bound book printing	44,995	22.7%	46,620	23.3%
Stationery printing	41,024	20.7%	41,115	20.5%
Banner printing	38,033	19.1%	33,354	16.7%
Other services	10,653	5.3%	10,091	5.0%
Total	198,604	100%	200,171	100%

The contribution to the sales mix by the banner printing category increased from 16.7% of total revenue for six months ended 30 September 2016 to 19.1% of total revenue for six months ended 30 September 2017, while advertising printing remained our primary printing service that accounted for 32.2% and 34.5% of our total revenue for six months ended 30 September 2017 and 2016, respectively.

Sales Channels	Six months ended 30 September			
	2017 <i>HK\$'000</i> (Unaudited)		2016 <i>HK\$'000</i> (Unaudited)	
Stores	46,476	23.4%	51,582	25.8%
Websites	81,004	40.8%	85,618	42.8%
Others (<i>Note</i>)	71,124	35.8%	62,971	31.4%
Total	198,604	100.0%	200,171	100.0%

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 40.8% of total revenue for the six months ended 30 September 2017, which remained as the Group’s primary sales channel. The contribution from other channels increased from 31.4% of total revenue for the six months ended 30 September 2016, to 35.8% of total revenue for the six months ended 30 September 2017. Such increase was primarily due to the Group’s banner business relying more on sales team receiving customer orders via phone call and e-mail.

Other income

Other income primarily comprises interest income from held-to-maturity investments, sales of scrap materials, such as used zinc printing plates and paper scrap, equipment rental income and license fee income received from the Group’s joint venture. The decrease in amount during the six months ended 30 September 2017 compared to that of the six months ended 30 September 2016 was primarily due to the decrease in interest income from held-to-maturity investments resulting from the repayment and early redemption of part of the investments.

Details of the held-to-maturity investments (the “HTM”) as at 30 September 2017 are as follows:

Investment date	Details of the HTM	Amount
20 October 2016	Subscribed for bonds issued by National Arts Entertainment and Culture Group Limited (stock code: 8228)	HK\$5,000,000
11 November 2016	Subscribed for bonds issued by Unity Investment Holdings Limited (stock code: 913)	HK\$10,000,000

Details of the movements of the HTM during the six months ended 30 September 2017 are set out in Note 9 to the financial information. In view of the sufficiency of the Group’s liquidity, the Group had diversified to invest in notes/bonds issued by listed companies on the Stock Exchange for the purpose of capital preservation and a relative high interest return accruing when compared with the bank interest income. During the six months ended 30 September 2017, the Group had not recorded any default nor interests delinquency. The Group’s future investment options will depend on the Group’s liquidity position and other cash planning.

Other losses – net

Other losses – net primarily comprises net loss on disposal of property, plant and equipment, loss on disposal of financial assets and net foreign exchange loss. The net loss on disposal of property, plant and equipment increased by HK\$1.3 million from HK\$3.0 million for the six months ended 30 September 2016 to HK\$4.3 million for the six months ended 30 September 2017, and it was offset by the absence of the one-off loss on disposal of financial assets of HK\$1.8 million for the six months ended 30 September 2016.

Selling and distribution expenses

Selling and distribution expenses primarily consist of staff costs for the sales team, distribution costs, handling charges for electronic payments received, and store rentals as well as advertising and marketing expenses. Selling and distribution expenses represent 11.3% and 10.8% of the revenue for the six months ended 30 September 2017 and 2016, respectively. Such an increase was primarily due to the additional staff costs of the sales team from the banner printing segment.

Administrative expenses

Administrative expenses primarily comprise directors' 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 18.2% and 20.6% of the total revenue for the six months ended 30 September 2017 and 2016, respectively, while the amount of it decreased from HK\$41.3 million for the six months ended 30 September 2016 to HK\$36.2 million for the six months ended 30 September 2017. The decrease in administrative expenses was primarily due to the decrease in outsourced customer support expenses incurred by HK\$2.4 million and the decrease in administrative expenses incurred for overseas business development of banner printing segment by HK\$1.9 million during the six months ended 30 September 2017.

Finance income

Finance income primarily consists of unwinding of discounts on held-to-maturity investments and interest income from cash and cash equivalents.

Finance costs

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

Share of profit of joint venture

Share of profit of joint venture represents the share of losses or profits of the Group's joint venture in each period using equity method of accounting. During the six months ended 30 September 2017, the Company had one jointly controlled entity in Malaysia.

Share of profit/(losses) of associates – net

Share of profit/(losses) of associates – net represents the share of profits or losses of the Group's associates in each period using equity method of accounting. During the six months ended 30 September 2017, the Company had two associates operating in the PRC and one associate operating in Hong Kong.

Profit for the period attributable to equity holders of the Company

Profit increased by HK\$4.3 million or 73.3%, from HK\$5.8 million for six months ended 30 September 2016 to HK\$10.1 million for the six months ended 30 September 2017. Net profit margin also increased from 2.9% for the six months ended 30 September 2016 to 5.1% for the six months ended 30 September 2017. The increases in net profit and net profit margin were primarily due to the decrease in net loss of banner printing segment attributable to equity holders of the Company by HK\$2.9 million, the decrease in outsourced customer support expenses by paper printing segment by HK\$2.1 million, the absence of the one-off loss on disposal of financial asset of HK\$1.8 million for the six months ended 30 September 2016, offset by the increase in loss on disposal of property, plant and equipment by HK\$1.3 million and the decrease in interest income from held-to-maturity investments by HK\$1.0 million.

Liquidity and Financial Information

As at 30 September 2017, the total amount of bank balances and cash of the Group was HK\$81.2 million, an increase of HK\$13.0 million compared with that as at 31 March 2017. The increase was mainly arising from the repayment from held-to-maturity investments. As at 30 September 2017, the financial ratios of the Group were as follows:

	As at 30 September 2017	As at 31 March 2017
Current ratio ⁽¹⁾	1.5	1.2
Gearing ratio ⁽²⁾	<u>17.6%</u>	<u>25.3%</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 bank overdraft, borrowings and obligation under finance leases divided by total equity and multiplied by 100%.

Borrowings

The Group had bank borrowings as at 30 September 2017 and 31 March 2017 in the sum of HK\$27.9 million and HK\$38.3 million respectively. All bank borrowings were made from banks in Hong Kong and were repayable within 3 years, except a mortgage loan of HK\$22.3 million which was repayable within twenty years. The bank borrowings with repayable on demand clause was classified as current liabilities. 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. The weighted average interest rates (per annum) were 2.4% and 4.1% for the six months ended 30 September 2017 and 30 September 2016, respectively.

Treasury policies

The Group has adopted a prudent financial management approach towards its treasury policies and thus maintained a healthy liquidity position throughout the year. 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. Surplus cash will be invested to meet the Group's cash need in support of the Group's strategy direction from time to time.

Capital structure

The capital of the Company comprises ordinary shares and other reserves. The shares of the Company were listed on the Main Board of the Stock Exchange since 3 December 2013. As at 30 September 2017, the total number of issued ordinary shares of the Company was 550,000,000 shares.

Capital commitments

As at 30 September 2017 and 31 March 2017, the Group has capital commitments of HK\$4.6 million and HK\$4.5 million for investment in an associate and purchase of computer equipment, respectively.

Significant investments held

Except for the investments in subsidiaries, joint venture and associates, 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 capital commitment to the investment in an associate, the Group did not have other plans for material investments and capital assets.

Material acquisitions or disposals

The Group did not have any material acquisition or disposal of associates, subsidiaries or joint ventures during the six months ended 30 September 2017.

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

As at 30 September 2017 and 31 March 2017, the Group pledged the plant and machinery with a carrying value of HK\$17.4 million and HK\$23.8 million respectively, as collaterals to secure the Group's obligations under finance leases. As at 30 September 2017 and 31 March 2017, the Group pledged two properties with a carrying value of HK\$65.8 million and HK\$66.9 million respectively, as collaterals to secure the Group's mortgage loan.

Use of proceeds

The Company's shares were listed (the "Listing") on the Stock Exchange since 3 December 2013 and raised a net proceed from the Listing of HK\$66.5 million. During the period between the listing date and 30 September 2017, HK\$57.0 million of the net proceed from the Listing was utilised in accordance with the proposed applications set out in the section headed "Future Plans and Use of Proceeds" in the prospectus of the Company dated 20 November 2013. The unused proceeds were deposited in licensed banks in Hong Kong.

Capital expenditure

During the period under review, the Group invested HK\$0.6 million in property, plant and equipment, represented a reduction of about 90.5% in capital expenditure of the same period last year.

EMPLOYEES AND EMOLUMENT POLICIES

As at 30 September 2017, the Group had 348 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, 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, and the Employees Provident Fund and contributions to Social Security Organization for employees who are employed by the Group pursuant to the Malaysian rules and regulations and the prevailing regulatory requirements of Malaysia.

INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend for the six months ended 30 September 2017 (six months ended 30 September 2016: Nil).

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 2017.

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 2017.

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 relevant code provisions in the CG Code for the six months ended 30 September 2017 save for the deviation as explained below.

Code provision A.2.1 of the CG Code 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 non-executive Directors and independent non-executive Directors.

AUDIT COMMITTEE

The Company established the audit committee (the “Audit Committee”) on 13 November 2013 with written terms of reference in compliance with the CG Code. The primary duties of the Audit Committee are to review and supervise the financial reporting system and to review the risk management and internal control systems of the Group. The Audit Committee comprises three independent non-executive Directors of the Company, namely, Mr. Ma Siu Kit (Chairman), Mr. Poon Chun Wai and Mr. Fu Chung. The Audit Committee has reviewed the unaudited condensed interim consolidated financial information for the six months ended 30 September 2017.

On behalf of the Board
eprint Group Limited
She Siu Kee William
Chairman

Hong Kong, 24 November 2017

As at the date of this announcement, the executive Directors are Mr. She Siu Kee William and Mr. Lam Shing Kai; the non-executive Directors are Mr. Leung Wai Ming, Mr. Chong Cheuk Ki and Mr. Deng Xiaen; and the independent non-executive Directors are Mr. Poon Chun Wai, Mr. Fu Chung and Mr. Ma Siu Kit.