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 2018

FINANCIAL HIGHLIGHTS

	For the six months ended 30 September		
	2018	2017	Change
	HK$'000	*HK$'000*	
	(Unaudited)	(Unaudited)	
Operating Results			
Revenue	**204,789**	198,604	3.1%
– e-print segment	**158,168**	155,975	1.4%
– e-banner segment	**46,621**	42,629	9.4%
Segment results	**12,889**	11,470	12.4%
– e-print segment	**11,915**	12,871	(7.4%)
– e-banner segment	**974**	(1,401)	(169.5%)
Profit for the period attributable to equity holders of company	**11,456**	10,063	13.8%
Net profit margin % (Attributable to equity holders of company)	**5.6%**	5.1%	
Gross profit margin %	**35.6%**	36.5%	
Basic earnings per share (HK Cents)	**2.08**	1.83	13.7%
	As at 30 September 2018	As at 31 March 2018	Change
	HK$'000	*HK$'000*	
	(Unaudited)	(Audited)	
Financial Position			
Total assets	**299,320**	311,157	(3.8%)
Total equity	**228,488**	231,666	(1.4%)
Cash and cash equivalents	**73,502**	89,524	(17.9%)

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 2018, together with the comparative figures for the corresponding period in 2017.

CONDENSED INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2018

		Six months ended 30 September	
		2018	2017
	Note	***HK$'000***	*HK$'000*
		(Unaudited)	(Unaudited)
Revenue		**204,789**	198,604
Cost of sales		**(131,836)**	(126,079)
Gross profit		**72,953**	72,525
Other income		**1,629**	1,869
Other gains/(losses) – net		**1,791**	(4,241)
Selling and distribution expenses		**(23,624)**	(22,449)
Administrative expenses		**(39,860)**	(36,234)
Operating profit	*4*	**12,889**	11,470
Finance income		**446**	222
Finance costs		**(393)**	(813)
Finance income/(costs) – net	*5*	**53**	(591)
Share of profit of a joint venture		**1,047**	512
Share of (losses)/profits of associates		**(578)**	130
Profit before income tax		**13,411**	11,521
Income tax expense	*6*	**(1,898)**	(2,352)
Profit for the period		**11,513**	9,169

	Note	Six months ended 30 September 2018 HK$'000 (Unaudited)	2017 HK$'000 (Unaudited)
Other comprehensive income:			
Item that may be subsequently reclassified to profit or loss			
Currency translation differences		**(1,491)**	606
Total comprehensive income for the period		**10,022**	9,775
Profit for the period attributable to:			
Equity holders of the Company		**11,456**	10,063
Non-controlling interest		**57**	(894)
		11,513	9,169
Earnings per share			
– basic and diluted (expressed in HK cents per share)	*7*	**2.08**	1.83
Total comprehensive income attributable to:			
Equity holders of the Company		**10,042**	10,598
Non-controlling interest		**(20)**	(823)
		10,022	9,775

CONDENSED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2018

	Note	**As at 30 September 2018** **HK$'000** **(Unaudited)**	As at 31 March 2018 *HK$'000* (Audited)
Assets			
Non-current assets			
Property, plant and equipment		**130,272**	135,671
Intangible assets		**725**	725
Investments in associates		**2,207**	2,977
Investment in a joint venture		**8,434**	8,021
Deferred income tax assets		**2,256**	2,402
Deposits and prepayments		**3,061**	4,913
		146,955	154,709
Current assets			
Inventories		**7,196**	6,051
Trade receivables	*10*	**7,575**	7,880
Deposits, prepayments and other receivables		**29,689**	15,036
Held-to-maturity investments		**–**	15,000
Other financial assets at amortised cost		**25,011**	–
Financial assets at fair value through profit or loss	*9*	**5,605**	12,746
Current income tax recoverable		**–**	20
Amounts due from related companies		**3,787**	10,191
Cash and cash equivalents		**73,502**	89,524
		152,365	156,448
Total assets		**299,320**	311,157

	Note	As at 30 September 2018 HK$'000 (Unaudited)	As at 31 March 2018 HK$'000 (Audited)
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		**83,710**	86,868
		222,131	225,289
Non-controlling interests		**6,357**	6,377
Total equity		**228,488**	231,666
Liabilities			
Non-current liabilities			
Obligations under finance leases		**1,139**	1,935
Deferred income tax liabilities		**7,628**	7,768
Other payables		**1,186**	1,186
		9,953	10,889
Current liabilities			
Trade payables	*11*	**11,331**	12,886
Accruals and other payables		**22,355**	25,270
Borrowings		**23,512**	24,592
Obligations under finance leases		**3,418**	5,110
Amount due to related companies		**36**	336
Amounts due to directors		**200**	245
Current income tax payable		**27**	163
		60,879	68,602
Total liabilities		**70,832**	79,491
Total equity and liabilities		**299,320**	311,157

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 2018 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").

This condensed interim consolidated financial information should be read in conjunction with the Group's consolidated financial statements for the year ended 31 March 2018, 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 2018, except as stated below.

(a) The following amendments to standards are mandatory for the Group's accounting period beginning on 1 April 2018:

HKFRS 15	Revenue from Contracts with Customers
HKFRS 15 (Amendments)	Clarification to HKFRS 15
HKFRS 9	Financial Instruments

The impact of the adoption of these standards and the new accounting policies are disclosed in Note 2.1 below.

Annual Improvements Projects HKFRS 1 and HKAS 28	Annual Improvements 2014 – 2016 Cycle
HKFRS 1 (Amendments)	First Time Adoption of HKFRS
HKFRS 2 (Amendments)	Classification and Measurement of Share-based Payment Transactions
HKFRS 4 (Amendments)	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
HKAS 40 (Amendments)	Transfers of Investment Property
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration

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 2018 and have not been early adopted:

		Effective for accounting periods beginning on or after
Annual Improvements Project	Annual Improvements 2015 – 2017 Cycle	1 January 2019
HKAS 19	Plan Amendment, Curtailment or Settlement	1 January 2019
HKAS 28	Long-term Interests in Associates and Joint Ventures	1 January 2019
HKFRS 9 (Amendments)	Prepayment Features with Negative Compensation	1 January 2019
HKFRS 16	Leases	1 January 2019
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments	1 January 2019
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting	1 January 2020
HKFRS 17	Insurance contracts	1 January 2021
HKAS 10 and HKFRS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associates or Joint Venture	To be determined

Note: To be announced by HKICPA

HKFRS 16, 'Leases'

Nature of change

HKFRS 16 will result in almost all leases being recognised on the statement of financial position, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

Impact

The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of approximately HK$19,187,000. Upon adoption of HKFRS 16 the majority of operating lease commitments will be recongised in the statement of financial position as lease liabilities and right-of-use assets. The lease liabilities would subsequently be measured at amortised cost and the right-of-use assets will be depreciated on a straight-line basis during the lease term.

The Group has not yet assessed what other adjustments, if any, are necessary for example because of the change in the definition of the lease term and the different treatment of variable lease payments and of extension and termination options. It is therefore not yet possible to estimate the amount of right-of-use assets and lease liabilities that will have to be recognised on adoption of the new standard and how this may affect the Group's profit or loss and classification of cash flows going forward.

Some of the commitments may be covered by the exception for short-term and low value leases and some commitments may relate to arrangements that will not qualify as leases under HKFRS 16.

Date of adoption by Group

It is mandatory for financial years commencing on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

Aport from aforementioned HKFRS 16, the directors of the Group is in the process of assessing the financial impact of the adoption of the above new standards and amendments to standards. The directors of 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.

2.1 Changes in accounting policies

The following explains the impact of the adoption of HKFRS 9 "Financial Instruments" and HKFRS 15 "Revenue from Contracts with Customers" on the Group's financial information and also discloses the new accounting policies that have been applied from 1 April 2018, where they are different to those applied in prior periods.

(a) Impact on financial information

The Group elected to adopt HKFRS 9 and HKFRS 15 without restating comparative information. The reclassifications and the adjustments are therefore not reflected in the consolidated balance sheet as at 31 March 2018, but are recognised in the opening of the condensed interim consolidated statement of financial position on 1 April 2018.

The following tables show the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided. The adjustments are explained in more detail by standard below.

Condensed consolidated interim statement of financial position (extract)	**Audited** **31 March 2018 as originally presented** ***HK$'000***	**Unaudited** **Effect of the adoption of HKFRS 9** ***HK$'000***	**1 April 2018 Restated** ***HK$'000***
Current assets			
Held-to-maturity investments	15,000	(15,000)	–
Other financial assets at amortised cost	–	15,000	15,000

(b) HKFRS 9 Financial Instruments – Impact on adoption

HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of HKFRS 9 Financial Instruments from 1 April 2018 resulted in changes in accounting policies. The new accounting policies are set out in Note 2.1 (c) below.

(i) Classification and measurement

On 1 April 2018 (the date of initial application of HKFRS 9), the Group's management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate HKFRS 9 categories. The Group elected to classify its held-to-maturity investments as other financial assets at amortised cost.

The impact of the reclassification is as follows:

	Unaudited	
	Held-to-maturity investments	**Other financial assets at amortised cost**
	HK$'000	*HK$'000*
Closing balance 31 March 2018 – HKAS 39	15,000	–
Reclassify held-to-maturity investments to Other financial assets at amortised cost	(15,000)	15,000
Opening balance 1 April 2018 – HKFRS 9	–	15,000

(ii) Impairment of financial assets

The Group has three type of financial assets that is subject to HKFRS 9's new expected credit loss model.

- Trade receivables
- Other receivables
- Other financial assets at amortised cost

The Group was required to revise its impairment methodology under HKFRS 9 for each class of assets.

The loss allowances for financial assets are based on assumption about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation based on the customers past settlement pattern, existing market condition.

While cash and cash equivalents are also subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial.

Trade receivables

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses ("ECL") which permits the uses of the lifetime expected loss allowance for all trade receivables.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The Group assessed that there was no significant financial impact upon the initial adoption of the standard.

Other receivables

The loss allowance for other receivables as a result of applying the expected credit risk model was immaterial.

Other financial assets at amortised cost

All of the Group's other financial assets at amortised cost are considered to have low credit risk, and hence the loss allowance as a result of applying the expected credit risk model was immaterial.

(c) HKFRS 9 Financial Instruments – Accounting policies applied from 1 April 2018

(i) Classification

From 1 April 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through the comprehensive income ("FVOCI").

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(ii) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) – net, together with foreign exchange gains and losses.

Equity investments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in the profit or loss, there is no subsequent reclassification of fair value gains and losses to other comprehensive income following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVTPL are recognised in "other gains/(losses) – net" in the condensed interim consolidated statement of comprehensive income as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured in FVOCI are not reported separately from other changes in fair value.

(iii) Impairment

From 1 April 2018, the Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade and other receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

(d) HKFRS 15 Revenue from Contracts with Customers – Impact of adoption

HKFRS 15 replaces the provision of HKAS 18 which resulted in changes in accounting policies that relate to timing of revenue recognition and presentations of contract liabilities.

The Group has adopted HKFS 15 from 1 April 2018 which resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. In accordance with the transition provision in HKFRS 15, the Group elected to use a modified retrospective approach which allows the Group to recognise the accumulative effects of initially applying HKFRS 15 as an adjustment to the opening balance of retained earnings on 1 April 2018. Thus the comparative figures have not been restated.

The impacts of the adoption of HKFRS 15 are as follows:

Timing difference of revenue recognition

The adoption of HKFRS 15 does not have a significant impact on when the Group recognise revenue from sales of goods.

Presentation of contract liabilities

"Advanced receipt from customers" which were previously included in accruals and other payables, amounting to HK$7,945,000 as at 1 April 2018, are now included under contract liabilities to reflect the terminology of HKFRS 15.

Financing components

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

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 (the "Board") of directors of the Company ("Directors"), 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-marker.

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 2018 and 2017, no external customers contributed over 10% of the Group's revenue.

	For the six months ended 30 September 2018			
	Paper printing *HK$'000* **(Unaudited)**	**Banner printing** *HK$'000* **(Unaudited)**	**Eliminations** *HK$'000* **(Unaudited)**	**Total** *HK$'000* **(Unaudited)**
Segment revenue				
Revenue from external customers	**158,168**	**46,621**	**–**	**204,789**
Inter-segment revenue	**140**	**28**	**(168)**	**–**
Total	**158,308**	**46,649**	**(168)**	**204,789**
Segment results	**11,915**	**974**		**12,889**
Finance income				**446**
Finance costs				**(393)**
Share of profit of a joint venture				**1,047**
Share of losses of associates				**(578)**
Profit before income tax				**13,411**
Income tax expense				**(1,898)**
Profit for the period				**11,513**
Depreciation of property, plant and equipment	**5,617**	**3,429**	**–**	**9,046**
Capital expenditure	**2,542**	**1,381**	**–**	**3,923**

	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	156,191	42,650	(237)	198,604
Segment results	12,871	(1,401)		11,470
Finance income				222
Finance costs				(813)
Share of profit of a joint venture				512
Share of losses of associates				130
Profit before income tax				11,521
Income tax expense				(2,352)
Profit for the period				9,169
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

The following tables present segment assets as at 30 September 2018 and 31 March 2018 respectively.

	As at 30 September 2018		
	Paper printing ***HK$'000*** **(Unaudited)**	**Banner printing** ***HK$'000*** **(Unaudited)**	**Total** ***HK$'000*** **(Unaudited)**
Segment assets	**170,460**	**44,717**	**215,177**

	As at 31 March 2018		
	Paper printing *HK$'000* (Unaudited)	Banner printing *HK$'000* (Unaudited)	Total *HK$'000* (Unaudited)
Segment assets	156,719	48,919	205,638

Segment assets for banner printing segment mainly represented property, plant and equipment and goodwill amounting to HK$32,130,000 (31 March 2018: HK$34,871,000) and HK$725,000 (31 March 2018: HK$725,000).

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

	As at 30 September 2018 *HK$'000*	As at 31 March 2018 *HK$'000*
Segment assets	**215,177**	205,638
Investments in associates	**2,207**	2,977
Investment in a joint venture	**8,434**	8,021
Cash and cash equivalents	**73,502**	89,524
Other unallocated segment assets	**–**	4,997
Total assets	**299,320**	311,157

4 OPERATING PROFIT

Operating profit is stated after (charging)/crediting the following:

	Six months ended 30 September	
	2018 *HK$'000* **(Unaudited)**	2017 *HK$'000* (Unaudited)
Depreciation of property, plant and equipment	**(9,046)**	(9,263)
Recovery of trade receivables previously written off	**12**	12
Gain/(loss) on disposal of property, plant and equipment	**40**	(4,257)
Loss on disposal of interest in an associate	**–**	(111)
Net exchange gain/(loss)	**752**	(66)
Interest income from unlisted bonds securities	**559**	782
Cost of materials	**(24,983)**	(26,378)
Subcontracting fee	**(75,107)**	(68,409)
Operating lease rental of premises and equipment	**(10,590)**	(10,126)

5 FINANCE INCOME/(COSTS) – NET

	Six months ended 30 September	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Finance income		
Interest income from bank deposits	**435**	222
Interest income from loan	**11**	–
	446	222
Finance costs		
Finance charge on obligations under finance lease	**(111)**	(222)
Interest expenses on borrowings	**(282)**	(591)
	(393)	(813)
Finance income/(costs) – net	**53**	(591)

6 INCOME TAX EXPENSE

	Six months ended 30 September	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Current income tax		
– Hong Kong profits tax	**2,085**	3,224
– PRC corporate income tax	**10**	144
(Over)/under provision in prior years	**(203)**	16
Deferred income tax	**6**	(1,032)
Income tax expense	**1,898**	2,352

Taxation on profits has been calculated on the estimated assessable profits for the six months ended 30 September 2018 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 2017 and 2018.

	Six months ended 30 September	
	2018	2017
	(Unaudited)	(Unaudited)
Profit attributable to the equity holders of the Company *(HK$'000)*	**11,456**	10,063
Weighted average number of ordinary shares in issue *(thousands)*	**550,000**	550,000
Basic earnings per share *(HK cents)*	**2.08**	1.83

(b) Diluted

For the six months ended 30 September 2018 and 2017, 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$13,200,000 that relates to the year ended 31 March 2018 was paid in September 2018 (2017: HK$8,800,000).

The Board resolved not to declare an interim dividend for the six months ended 30 September 2018 (2017: Nil).

9 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 30 September 2018	As at 31 March 2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Insurance policy investment	**–**	12,746
Listed equity investment	**5,605**	–
	5,605	12,746

The insurance policy investment is an insurance contract provided to a director with underlying investment on a capital fund. The investment was redeemed during the period.

The listed equity investment represents the shares issued by the company listed on the Stock Exchange.

Financial assets at fair value through profit or loss are presented within investing activities in the condensed interim consolidated statement of cash flows.

Changes in fair value of financial assets at fair value through profit or loss are recorded in 'Other gains/(losses) – net' in the condensed interim consolidated statement of comprehensive income.

The fair value of the listed equity investment is based on quoted prices (unadjusted) in active markets and is classified within level 1 of the fair value hierarchy.

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.

10 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 2018	As at 31 March 2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Up to 30 days	**4,648**	4,977
31-60 days	**1,524**	1,530
Over 60 days	**1,403**	1,373
	7,575	7,880

11 TRADE PAYABLES

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

	As at 30 September 2018	As at 31 March 2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Up to 30 days	**10,122**	9,720
31-60 days	**11**	2,250
61-90 days	**589**	916
Over 90 days	**609**	–
	11,331	12,886

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Board presents to the Company's shareholders the results of the Group for the six months ended 30 September 2018. The Group's revenue amounted to HK$204.8 million, representing an increase of 3.1% as compared with that of the period ended 30 September 2017. Gross profit margin slightly decreased to 35.6% (2017: 36.5%). The Group's unaudited profit attributable to equity holders for the six months ended 30 September 2018 was HK$11.5 million, representing an increase of 13.8% as compared with that of the period ended 30 September 2017. The increase in net profit was the result of the improving performance of banner printing segment and effective cost management.

For the Group's paper printing segment, the revenue increased by HK$2.2 million or 1.4% from HK$156.0 million to HK$158.2 million as a result of the improved sales of the bound book printing. Nevertheless, the gross profit slightly decreased by HK$0.4 million because of the inflating material cost, and this was also the major reason that led the operating profit of the segment dropped by HK$1.0 million when compared with the same period of last year.

For the Group's banner printing segment, there was a growth in revenue of 9.4% from HK$42.6 million to HK$46.6 million. The increase in revenue was the result of the expansion of its market shares in Hong Kong during the period. The banner printing segment was also affected by the increasing material costs and subcontracting cost during the period, which led to the drop of gross profit margin by 1.4%. The operating profit of the segment was HK$1.0 million for the six months ended 30 September 2018 while it incurred the operating loss of HK$1.4 million for the six months ended 30 September 2017. The improvement was the result of the downsizing of the segment's subsidiary which engaged in the provision of the app solution in Hong Kong, and this led to the lower operating cost of the segment during the period.

OUTLOOK

The Board expects the operating environment in Hong Kong will remain challenging in the foreseeable future. Nevertheless, the Group will continue to strive for diversifying its business, including but not limited to expanding banner printing business in Hong Kong and Malaysia, reinforcing internal controls and streamlining factory operation, production outsourcing in order to achieve stable revenue growth for the Group. Meanwhile, the Group will proactively 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 its market share by adopting the following approaches:

- Adopt the product diversification strategy by expanding the product line of the existing printing business.

- Strengthen the new business line of gift products to meet the increasing demand of the market.

- Continuously improve the value added services, including but not limited to the e-print app, self-service platform, phone ordering system, self checkout and collecting counters and the storage and delivery system.

FINANCIAL REVIEW

Revenue

Income from the provision of printing services in Hong Kong increased by HK$6.2 million or 3.1% from HK$198.6 million for the six months ended 30 September 2017 to HK$204.8 million for the six months ended 30 September 2018. The growth was primarily due to the increasing demand on the banner printing services. 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.

	2018 ***HK$'000*** **(Unaudited)**		2017 *HK$'000* (Unaudited)	
Advertising printing	**64,612**	**31.6%**	63,899	32.2%
Bound book printing	**46,827**	**22.9%**	44,995	22.7%
Stationery printing	**40,242**	**19.6%**	41,024	20.7%
Banner printing	**40,800**	**19.9%**	38,033	19.1%
Other services	**12,308**	**6.0%**	10,653	5.3%
Total	**204,789**	**100%**	198,604	100%

The contribution to the sales mix by the banner printing category increased from 19.1% for six months ended 30 September 2017 to 19.9% for six months ended 30 September 2018, while the advertising printing remained our major sources of revenue which accounted for 31.6% and 32.2% of our total revenue for the six months ended 30 September 2018 and 2017 respectively.

	Six months ended 30 September			
Sales Channels	**2018** ***HK$'000*** **(Unaudited)**		2017 *HK$'000* (Unaudited)	
Stores	**54,105**	**26.4%**	46,476	23.4%
Websites	**86,570**	**42.3%**	81,004	40.8%
Others *(Note)*	**64,114**	**31.3%**	71,124	35.8%
Total	**204,789**	**100.0%**	198,604	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 remained as the major sales channel of the Group which contributed 42.3% of total revenue for the six months ended 30 September 2018. Contribution from other channels decreased from 35.8% for the six months ended 30 September 2017, to 31.3% for the six months ended 30 September 2018. Such decrease was due to the increasing trend of placing the sales orders through online platform instead of making the phone call.

Other income

Other income primarily comprises interest income from unlisted bonds securities and sales of scrap materials. There was HK$0.3 million decrease in amount when compared to that of the six months ended 30 September 2017 which was mainly due to the decrease in interest income from unlisted bonds securities resulting from the redemption.

Details of the unlisted bonds securities as at 30 September 2018 and 31 March 2018 are as follows:

Investment date	Details of the unlisted bonds securities	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 Ltd. (stock code: 913)	HK$10,000,000

The unlisted bonds securities were reclassified to other financial assets at amortised cost accounting to the newly effective accounting standard in the current period. There was no movement during the period ended 30 September 2018. In view of the sufficiency of the Group's liquidity, the Group had diversified to invest in notes/bonds issued by the 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. The Group's future investment options will depend on the Group's liquidity position and other cash planning.

Other gains/(losses) – net

Other gains/(losses) – net mainly comprises the fair value gains on financial assets and net exchange difference. The Group turned the net losses in the prior period to net gains in the current period as the Group incurred losses on disposal of property, plant and equipment of HK$4.3 million for the six months ended 30 September 2017 while generated a gain of HK$0.1 million from the relevant disposal in the current period. The fair value gains on financial assets also increased by HK$0.4 million when compared with the same period of last year.

Selling and distribution expenses

Selling and distribution expenses mainly consisted of staff costs, distribution costs, handling charges for electronic payments and store rentals. Selling and distribution expenses represent 11.5% and 11.3% of the revenue for the six months ended 30 September 2018 and 2017, respectively. The increase of the expenses was mainly caused by the increasing delivery charges that attributed to the growth of sales orders.

Administrative expenses

Administrative expenses primarily comprised directors' remunerations, staff costs and outsourced customer support expenses. Administrative expenses represent 19.5% and 18.2% of the total revenue for the six months ended 30 September 2018 and 2017 respectively. The amount increased by HK$3.7 million from HK$36.2 million for the six months ended 30 September 2017 to HK$39.9 million for the six months ended 30 September 2018. The increase in expenses was the result of the increasing staff cost and the outsourced customer support expenses.

Finance income

Finance income primarily represented the interest income generated from the bank deposits.

Finance costs

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

Share of profit of a joint venture

Share of profit of a joint venture represented the share of result of the Group's joint venture. During the six months ended 30 September 2018, the Company had one joint venture in Malaysia.

Share of losses of associates – net

Share of losses of associates represented the share of results of the Group's associates. During the six months ended 30 September 2018, the Company had one associates operating in the PRC and Hong Kong respectively.

Profit for the year attributable to equity holders of the Company

Profit for the period attributable to equity holders of the Company increased by HK$1.4 million or 13.8%, from HK$10.1 million for the six months ended 30 September 2017 to HK$11.5 million for the six months ended 30 September 2018. Net profit margin slightly increased from 5.1% for the six months ended 30 September 2017 to 5.6% for the six months ended 30 September 2018. The increase in the profit for the period attributable to equity holders of the Company was mainly due to the banner printing segment which recorded a profit for the six months ended 30 September 2018 while there was a loss making in the same period of last year.

Liquidity and Financial Information

As at 30 September 2018, the total amount of bank balances and cash of the Group was approximately HK$73.5 million, a decrease of approximately HK$16.0 million as compared with that as at 31 March 2018. The decrease was mainly due to the dividend payment of HK$13.2 million. As at 30 September 2018, the financial ratios of the Group were as follows:

	As at 30 September 2018	As at 30 September 2017
Current ratio [(1)]	**2.5**	1.5
Gearing ratio [(2)]	**12.3%**	17.6%

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 of approximately HK$23.5 million and HK$24.6 million as at 30 September 2018 and 31 March 2018 respectively. All bank borrowings were made from banks in Hong Kong and were repayable within 1 year, except a mortgage loan with carrying amount of HK$21.4 million which was repayable within 18 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 2.4% for the six months ended 30 September 2018 and 30 September 2017, 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 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 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 2018, the total number of issued ordinary shares of the Company was 550,000,000 shares.

Capital commitments

As at 30 September 2018 and 31 March 2018, the Group has capital commitments of HK$4.4 million and HK$5.7 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 2018.

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 2018 and 31 March 2018, the Group pledged the plant and machinery with a carrying value of HK$7.2 million and HK$9.7 million respectively, as collaterals to secure the Group's obligations under finance leases. As at 30 September 2018 and 31 March 2018, the Group pledged two properties with a carrying value of HK$63.6 million and HK$64.7 million respectively, as collaterals to secure the Group's mortgage loan.

Capital expenditure

During the period under review, the Group invested HK$3.9 million in property, plant and equipment, represented an increase of HK$3.3 million when compared with the same period of last year.

EMPLOYEES AND EMOLUMENT POLICIES

As at 30 September 2018, the Group had 331 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 housing allowances, 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 2018 (six months ended 30 September 2017: 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 during the six months ended 30 September 2018.

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 2018.

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 2018 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 of the Board (the "Audit Committee") on 13 November 2013 with written terms of reference, which was revised on 22 April 2016 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, 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 2018.

INTERIM REPORT

The interim report of the Company for the six months ended 30 September 2018 will be published and dispatched to the equity holders of the Company in mid-December 2018.

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

Hong Kong, 23 November 2018

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.