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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 2019**

FINANCIAL HIGHLIGHTS

	For the six months ended 30 September		
	2019	2018	Change
	HK\$'000	HK\$'000	
	(Unaudited)	(Unaudited)	
Operating Results			
Revenue	205,158	204,789	0.2%
– e-print segment	159,068	158,168	0.6%
– e-banner segment	46,090	46,621	(1.1%)
Segment results	7,102	12,889	(44.9%)
– e-print segment	6,661	11,915	(44.1%)
– e-banner segment	441	974	(54.7%)
Profit for the period attributable to equity holders of company	5,962	11,456	(48.0%)
Net profit margin % (Attributable to equity holders of company)	2.9%	5.6%	
Gross profit margin %	35.2%	35.6%	
Basic earnings per share (HK Cents)	1.08	2.08	(48.1%)
	As at 30 September 2019	As at 31 March 2019	Change
	HK\$'000	HK\$'000	
	(Unaudited)	(Audited)	
Financial Position			
Total assets	339,514	310,673	9.3%
Total equity	230,594	234,518	(1.7%)
Cash and cash equivalents	108,922	123,664	(11.9%)

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 2019, together with the comparative figures for the corresponding period in 2018.

CONDENSED INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2019

		Six months ended 30 September	
		2019	2018
	Note	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
Revenue		205,158	204,789
Cost of sales		(133,020)	(131,836)
Gross profit		72,138	72,953
Other income		1,297	1,629
Other gains/(losses) – net		(5,741)	1,791
Selling and distribution expenses		(19,987)	(23,624)
Administrative expenses		(40,605)	(39,860)
Operating profit	4	7,102	12,889
Finance income		1,249	446
Finance costs		(1,064)	(393)
Finance income – net	5	185	53
Share of profit of a joint venture		897	1,047
Share of losses of associates		(136)	(578)
Profit before income tax		8,048	13,411
Income tax expense	6	(2,136)	(1,898)
Profit for the period		5,912	11,513

		Six months ended	
		30 September	
		2019	2018
<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>(1,036)</u>	<u>(1,491)</u>
Total comprehensive income for the period		<u>4,876</u>	<u>10,022</u>
Profit for the period attributable to:			
Equity holders of the Company		5,962	11,456
Non-controlling interest		<u>(50)</u>	<u>57</u>
		<u>5,912</u>	<u>11,513</u>
Earnings per share			
– basic and diluted (expressed in HK cents per share)	7	<u>1.08</u>	<u>2.08</u>
Total comprehensive income attributable to:			
Equity holders of the Company		4,946	10,042
Non-controlling interest		<u>(70)</u>	<u>(20)</u>
		<u>4,876</u>	<u>10,022</u>

CONDENSED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2019

		As at 30 September 2019 <i>HK\$'000</i> (Unaudited)	As at 31 March 2019 <i>HK\$'000</i> (Audited)
	<i>Note</i>		
Assets			
Non-current assets			
Property, plant and equipment		112,960	121,213
Right-of-use assets		43,682	–
Intangible assets		725	725
Other financial assets at amortised cost		633	1,100
Investments in associates		1,957	1,158
Investment in a joint venture		10,492	10,084
Deferred income tax assets		2,231	2,313
Deposits and prepayments		8,231	6,093
		<u>180,911</u>	<u>142,686</u>
Current assets			
Inventories		6,073	6,032
Trade receivables	10	6,014	6,480
Deposits, prepayments and other receivables		10,165	10,639
Other financial assets at amortised cost		14,472	8,919
Financial assets at fair value through profit or loss	9	12,714	9,545
Amounts due from related companies		243	2,708
Cash and cash equivalents		108,922	123,664
		<u>158,603</u>	<u>167,987</u>
Total assets		<u><u>339,514</u></u>	<u><u>310,673</u></u>

		As at 30 September 2019 <i>HK\$'000</i> (Unaudited)	As at 31 March 2019 <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		86,152	90,006
		<u>224,573</u>	<u>228,427</u>
Non-controlling interests		6,021	6,091
Total equity		<u>230,594</u>	<u>234,518</u>
Liabilities			
Non-current liabilities			
Obligations under finance leases		–	268
Lease liabilities		23,653	–
Deferred income tax liabilities		6,551	6,901
Other payables		915	1,063
		<u>31,119</u>	<u>8,232</u>
Current liabilities			
Trade payables	11	7,699	9,323
Accruals and other payables		27,155	30,250
Borrowings		22,145	25,943
Obligations under finance leases		–	1,868
Lease liabilities		18,957	–
Amount due to related companies		201	34
Amounts due to directors		238	200
Current income tax payable		1,406	305
		<u>77,801</u>	<u>67,923</u>
Total liabilities		<u>108,920</u>	<u>76,155</u>
Total equity and liabilities		<u>339,514</u>	<u>310,673</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 2019 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 (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

This condensed interim consolidated financial information should be read in conjunction with the Group’s consolidated financial statements for the year ended 31 March 2019, 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 2019, except as stated below.

- (a) The following amendment to standard is mandatory for the Group’s accounting period beginning on 1 April 2019:

HKFRS 16	Leases
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The impact of the adoption of the standard and the new accounting policy are disclosed in Note 2.1 below.

Annual Improvements Project (Amendments)	Annual improvements 2015-2017 cycle
HKAS 19 (Amendments)	Plan amendment, curtailment or settlement
HKAS 28 (Amendments)	Long-term interests in associates and joint ventures
HKFRS 9 (Amendments)	Prepayment Features with Negative Compensation
HK(IFRIC) 23	Uncertainty over Income Tax Treatments

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 2019 and have not been early adopted:

		Effective for accounting periods beginning on or after
HKFRS 3 (Revised) (Amendments)	Definition of a Business	1 January 2020
Conceptual Framework for Financial Reporting 2018	Revised conceptual framework for financial reporting	1 January 2020
Amendments to HKAS 1 and HKAS 8	Definition of Material	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	<i>Note</i>

Note: To be announced by HKICPA

The Directors are in the process of assessing the financial impact of the adoption of the above new standards and amendments to standards. The Directors will adopt the new standards and amendments 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 policy

The following explains the impact of the adoption of HKFRS 16 "Leases" on the Group's financial information and also discloses the new accounting policy that has been applied from 1 April 2019, where it is different to those applied in prior periods.

Impact on financial information

As a lessee

The Group elected to adopt HKFRS 16 without restating comparative information. The reclassifications and the adjustments are therefore not reflected in the consolidated statement of financial position as at 31 March 2019, but are recognised in the opening of the condensed interim consolidated statement of financial position on 1 April 2019.

On adoption of HKFRS 16, the Group recognized lease liabilities in relation to lease which had previously been classified as 'operating leases' under the principles of HKAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 April 2019.

For leases previously classified as finance leases, the entity recognized the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right-of-use asset and the lease liability at the date of initial application. The measurement principles of HKFRS 16 are only applied after that date.

The impacts arising from the adoption of HKFRS 16 as at 1 April 2019 are as follows:

	As at 1 April 2019 HK\$'000 (Unaudited)
Operating lease commitments disclosed as at 31 March 2019	48,640
Lease liabilities discounted at relevant incremental borrowing rates	45,556
Add: Reclassification from obligations under finance lease recognised as at 31 March 2019	2,136
Less: Recognition exemption – short term leases	(1,410)
Less: Recognition exemption – low-value leases	(20)
Lease liabilities as at 1 April 2019	46,262
Analysed as	
Current	17,013
Non-current	29,249
	46,262

The carrying amount of right-of-use assets as at 1 April 2019 comprises the following:

	As at 1 April 2019 HK\$'000 (Unaudited)
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16	44,126
Reclassify from property, plant and equipment	4,448
Adjustments on rental deposits at 1 April 2019 (<i>Note</i>)	608
	49,182
By class:	
Plant and buildings	41,841
Machinery	7,341
	49,182

Note:

Before the application of HKFRS 16, the Group considered refundable rental deposits paid as rights and obligations under leases to which HKAS 17 applied. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use of the underlying assets and were adjusted to reflect the discounting effect at transition. Accordingly, approximately HK\$608,000 was adjusted to refundable deposits paid and right-of-use assets.

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, 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 and administrative 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 2019 and 2018, no external customers contributed over 10% of the Group’s revenue.

For the six months ended 30 September 2019

	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	159,068	46,090	–	205,158
Inter-segment revenue	239	30	(269)	–
Total	159,307	46,120	(269)	205,158
Segment results	6,661	441		7,102
Finance income				1,249
Finance costs				(1,064)
Share of profit of a joint venture				897
Share of losses of associates				(136)
Profit before income tax				8,048
Income tax expense				(2,136)
Profit for the period				5,912
Depreciation of property, plant and equipment	3,701	3,887	–	7,588
Depreciation of right-of-use assets	7,510	1,709	–	9,219
Capital expenditure	2,517	957	–	3,474

For the six months ended 30 September 2018

	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	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

The following tables present segment assets as at 30 September 2019 and 31 March 2019 respectively.

	As at 30 September 2019		
	Paper printing <i>HK\$'000</i> (Unaudited)	Banner printing <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)
Segment assets	173,663	44,480	218,143
	As at 31 March 2019		
	Paper printing <i>HK\$'000</i> (Unaudited)	Banner printing <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)
Segment assets	134,958	40,809	175,767

Segment assets for banner printing segment mainly represented property, plant and equipment, right-of-use assets and goodwill amounting to HK\$23,577,000 (31 March 2019: HK\$28,450,000), HK\$8,824,000 (31 March 2019: HK\$ nil) and HK\$725,000 (31 March 2019: HK\$725,000).

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

	As at 30 September 2019 <i>HK\$'000</i>	As at 31 March 2019 <i>HK\$'000</i>
Segment assets	218,143	175,767
Investments in associates	1,957	1,158
Investment in a joint venture	10,492	10,084
Cash and cash equivalents	108,922	123,664
Total assets	339,514	310,673

4 OPERATING PROFIT

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

	Six months ended 30 September 2019 <i>HK\$'000</i> (Unaudited)	2018 <i>HK\$'000</i> (Unaudited)
Depreciation of property, plant and equipment	7,588	9,046
Depreciation of right-of-use assets	9,219	–
Recovery of trade receivables previously written off	(12)	(12)
Loss/(gain) on disposal of property, plant and equipment	773	(40)
Net exchange gain	(255)	(752)
Cost of materials	28,354	24,983
Subcontracting fee	68,685	75,107
Operating lease rental of premises and equipment	2,700	10,590

5 FINANCE INCOME – NET

	Six months ended 30 September	
	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Finance income		
Interest income from bank deposits	733	435
Interest income from loan receivables	516	11
	<u>1,249</u>	<u>446</u>
Finance costs		
Finance charge on obligations under finance lease	–	(111)
Interest expenses on lease liabilities	(780)	–
Interest expenses on borrowings	(284)	(282)
	<u>(1,064)</u>	<u>(393)</u>
Finance income – net	<u>185</u>	<u>53</u>

6 INCOME TAX EXPENSE

	Six months ended 30 September	
	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Current income tax		
– Hong Kong profits tax	2,360	2,085
– PRC corporate income tax	34	10
Under/(over) provision in prior years	10	(203)
Deferred income tax	(268)	6
	<u>2,136</u>	<u>1,898</u>
Income tax expense	<u>2,136</u>	<u>1,898</u>

Taxation on profits has been calculated on the estimated assessable profits for the six months ended 30 September 2019 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 2019 and 2018.

	Six months ended 30 September	
	2019	2018
	(Unaudited)	(Unaudited)
Profit attributable to the equity holders of the Company (<i>HK\$'000</i>)	<u>5,962</u>	<u>11,456</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>1.08</u>	<u>2.08</u>

(b) Diluted

For the six months ended 30 September 2019 and 2018, 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 2019 was paid in September 2019 (2018: HK\$13,200,000).

The Board resolved not to declare an interim dividend for the six months ended 30 September 2019 (2018: Nil).

9 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 30 September 2019 <i>HK\$'000</i> (Unaudited)	As at 31 March 2019 <i>HK\$'000</i> (Audited)
Fair value of mutual fund investments	<u>12,656</u>	<u>4,145</u>
Listed equity investment	<u>58</u>	<u>5,400</u>
	<u>12,714</u>	<u>9,545</u>

The listed equity investments represent shares 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 investments is based on quoted prices (unadjusted) in active markets and is classified within level 1 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 2019 <i>HK\$'000</i> (Unaudited)	As at 31 March 2019 <i>HK\$'000</i> (Audited)
Up to 30 days	3,768	3,906
31-60 days	1,331	1,155
Over 60 days	915	1,419
	<u>6,014</u>	<u>6,480</u>

11 TRADE PAYABLES

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

	As at 30 September 2019 <i>HK\$'000</i> (Unaudited)	As at 31 March 2019 <i>HK\$'000</i> (Audited)
Up to 30 days	7,278	5,495
31-60 days	2	2,330
61-90 days	270	763
Over 90 days	149	735
	<u>7,699</u>	<u>9,323</u>

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 2019. The Group's revenue amounted to HK\$205.2 million, representing an increase of 0.2% as compared with that of the period ended 30 September 2018. Gross profit margin slightly decreased to 35.2% (2018: 35.6%). The Group's unaudited profit attributable to equity holders for the six months ended 30 September 2019 was HK\$6.0 million, representing a decrease of 48% as compared with that of the period ended 30 September 2018. The decrease in net profit was mainly attributed to the fair value loss of HK\$5.2 million on the equity investment held by the Group.

For the Group's paper printing segment, the revenue slightly increased by HK\$0.9 million or 0.6% from HK\$158.2 million to HK\$159.1 million. The advertising printing was still the major contributor to the segment's revenue and recorded an amount of HK\$63.9 million for the six months ended 30 September 2019. The segment's gross profit margin slightly decreased from 35.4% to 34.6%, and the major reason was that the delivery charges, which was classified as selling and distribution expenses in the previous period, had been reclassified to cost of sales in the current period according to the accounting standard. If the impact of the reclassification was ignored, the segment's gross profit margin would be 36.9%, which represented a 1.5 percent point increase when compared with the same period of last year. The increase was contributed by the effective cost control. The segment's operating profits decreased by HK\$5.3 million in the current period and it was mainly caused by the fair value loss of HK\$5.2 million incurred on the listed equity investment held.

For the Group's banner printing segment, the revenue dropped by 1.1% when compared with the same period of last year. The segment's gross profit margin slightly increased by 0.4 percent point when compared with same the period of last year. If the impact of the above mentioned reclassification was ignored, the segment's gross profit margin would be increased to 38.3%, which is 1.9 percent point higher. Effective cost control was the major reason of the increase in segment's gross profit margin. Even though the segment recorded an increase in its gross profit, the segment's operating profits dropped by HK\$0.5 million as a result of the increased daily operating costs.

OUTLOOK

With the combined effects of the increasing popularity of digital marketing and Hong Kong's economic instability, the managements expects the business environment will be more challenging in the coming year. In order to overcome these obstacles and increase the market share, the Group will put maximum efforts to make use of its solid financial resources and reputation to improve the quality of its principal printing business, invest in suitable financial products and diversify the business.

Under the leadership of the Board, the management of the Group has formed a broad consensus in response to the Group's key development areas. The Group will continue to strengthen its leading market position and increase its market share by adopting the following approaches:

- Strengthening the cost control to achieve competitive pricing strategy.
- Improving the customers experience by expanding the product mix and offering the customization of the products and services.
- Continuously enhancing the value added services, including but not limited to the e-print mobile application, online self-service platform, phone ordering system and logistics system.

FINANCIAL REVIEW

Revenue

Income from the provision of printing services in Hong Kong increased by HK\$0.4 million or 0.2% from HK\$204.8 million for the six months ended 30 September 2018 to HK\$205.2 million for the six months ended 30 September 2019. The growth was primarily due to the increasing demands on the bound book 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.

	2019 <i>HK\$'000</i> (Unaudited)		2018 <i>HK\$'000</i> (Unaudited)	
Advertising printing	63,921	31.1%	64,612	31.6%
Bound book printing	50,643	24.7%	46,827	22.9%
Stationery printing	38,320	18.7%	40,242	19.6%
Banner printing	40,317	19.7%	40,800	19.9%
Other services	11,957	5.8%	12,308	6.0%
Total	<u>205,158</u>	<u>100%</u>	<u>204,789</u>	<u>100%</u>

The advertising printing was still the major contributor of the revenue, which accounted for 31.1% of the total revenue for the six months ended 30 September 2019.

Sales Channels	Six months ended 30 September			
	2019 <i>HK\$'000</i> (Unaudited)		2018 <i>HK\$'000</i> (Unaudited)	
Stores	34,151	16.6%	54,105	26.4%
Websites	105,875	51.6%	86,570	42.3%
Others (<i>Note</i>)	65,132	31.8%	64,114	31.3%
Total	<u>205,158</u>	<u>100.0%</u>	<u>204,789</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 remained the major sales channel and it contributed 51.6% of total revenue for the six months ended 30 September 2019. And the sales contributed by stores decreased from 26.4% for the six months ended 30 September 2018, to 16.6% for the six months ended 30 September 2019. The changes were the result of the increasing reliance on the online platform because of its sound reputation.

Other income

Other income primarily mainly comprises the sales of scrap materials. The amount decreased by HK\$0.3 million and it was mainly caused by the decrease of the interest income received from the unlisted bond securities by HK\$0.6 million when compared with the same period of last year.

Detail of the unlisted bond security as at 30 September 2019 and 31 March 2019 is as follows:

Investment date	Detail of the unlisted bond security	Amount
20 October 2016	Subscribed for bonds issued by National Arts Entertainment and Culture Group Limited (stock code: 8228)	HK\$5,000,000

In view of the sufficiency of the Group’s liquidity, the Group had diversified to invest in 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. As at 30 September 2019, there was an unsettled principal amount of HK\$0.5 million. On 8 November 2019, National Arts Entertainment and Culture Group Limited announced that the financial restructuring scheme was approved. Under the scheme, the Group will be allotted the convertible bonds in the amount of 60% of the outstanding principal amount which equivalents to HK\$300,000 and the remaining 40% of the outstanding principal amount will be allotted and issued new shares in which the value equivalents to HK\$200,000.

Other gains/(losses) – net

Other gains/(losses) – net mainly comprises the fair value changes on the financial assets and the losses on disposal of property, plant and equipment. The Group generated a gain of HK\$1.8 million for the six months ended 30 September 2018 while it incurred the net loss of HK\$5.7 million for the current period. The major reason for the losses was due to the listed equity investment held by the Group, which was classified as financial assets at fair value through profit or loss, recorded a significant drop in share price in the current period, and hence incurred the fair value loss of HK\$5.2 million.

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 9.7% and 11.5% of the revenue for the six months ended 30 September 2019 and 2018, respectively. The decrease of HK\$3.6 million was mainly due to the reclassification of delivery charges of HK\$4.3 million to cost of sales according to the accounting standard. If we ignore the effect of the reclassification, the expenses would slightly increased by HK\$0.7 million, which was mainly attributed to the increased staff cost.

Administrative expenses

Administrative expenses primarily comprised directors' remunerations, staff costs and outsourced customer support expenses. Administrative expenses represent 19.8% and 19.5% of the total revenue for the six months ended 30 September 2019 and 2018 respectively. The amount increased by HK\$0.7 million from HK\$39.9 million for the six months ended 30 September 2018 to HK\$40.6 million for the six months ended 30 September 2019. The increase in expenses was the result of the increased outsourced customer support expenses.

Finance income

Finance income primarily represented the interest income generated from the bank deposits and the loan receivables.

Finance costs

Finance costs primarily consist of interest expenses on bank borrowings and interest expenses on lease liabilities.

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 2019, 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 2019, the Company had three associates operating in the PRC and Hong Kong respectively.

Profit for the period attributable to equity holders of the Company

Profit for the period attributable to equity holders of the Company decreased by HK\$5.5 million or 48.0%, from HK\$11.5 million for the six months ended 30 September 2018 to HK\$6.0 million for the six months ended 30 September 2019. Net profit margin dropped from 5.6% for the six months ended 30 September 2018 to 2.9% for the six months ended 30 September 2019. The decrease in the profit for the period attributable to equity holders of the Company was mainly due to the fair value loss of HK\$5.2 million on the equity investment held by the Group.

Liquidity and Financial Information

As at 30 September 2019, the Group's bank balances and cash was approximately HK\$108.9 million, represented a decrease of HK\$14.7 million when compared with that as at 31 March 2019. The decrease was mainly caused by the additional investment in the mutual fund investment and dividend payment during the period. As at 30 September 2019 and 30 September 2018, the financial ratios of the Group were as follows:

	As at 30 September 2019	As at 30 September 2018
Current ratio ⁽¹⁾	2.0	2.5
Gearing ratio ⁽²⁾	<u>28.1%</u>	<u>12.3%</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 leases liabilities divided by total equity and multiplied by 100%.

Borrowings

The Group had the bank borrowings of HK\$22.1 million and HK\$25.9 million as at 30 September 2019 and 31 March 2019 respectively. All bank borrowings were made from banks in Hong Kong and were repayable within 1 year, except a mortgage loan with the carrying amount of HK\$20.4 million 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 2.1% and 2.4% for the six months ended 30 September 2019 and 30 September 2018, 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 2019, the total number of issued ordinary shares of the Company was 550,000,000 shares.

Capital commitments

As at 30 September 2019 and 31 March 2019, the Group has capital commitments of HK\$4.1 million and HK\$4.4 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 2019.

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 2019 and 31 March 2019, the Group pledged the plant and machinery with a carrying value of HK\$2.3 million and HK\$4.4 million respectively, as collaterals to secure the Group's lease liabilities. As at 30 September 2019 and 31 March 2019, the Group pledged two properties with a carrying value of HK\$61.4 million and HK\$62.5 million respectively, as collaterals to secure the Group's mortgage loan.

Capital expenditure

During the period under review, the Group invested HK\$3.5 million in property, plant and equipment, represented an increase of HK\$0.2 million when compared with the same period of last year.

EMPLOYEES AND EMOLUMENT POLICIES

As at 30 September 2019, the Group had 326 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 2019 (2018: Nil).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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 2019.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the Directors. Having made specific enquiry of all Directors, the Company confirmed that all Directors had complied with the required standards as set out in the Model Code for the six months ended 30 September 2019.

CORPORATE GOVERNANCE PRACTICES

The Company has adopted the code provisions set out in the Corporate Governance Code (“CG Code”) as set out in Appendix 14 to the Listing Rules as its own code of corporate governance.

For the six months ended 30 September 2019, the Company was in compliance with the relevant code provisions set out in the CG Code except 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 calibre individuals with sufficient number thereof being non-executive Directors and independent non-executive Directors.

REVIEW OF INTERIM RESULTS BY AUDIT COMMITTEE

The Company established the audit committee of the Company (the “**Audit Committee**”) on 13 November 2013 with written terms of reference, which was revised on 25 February 2019 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 2019.

INTERIM REPORT

The interim report of the Company for the six months ended 30 September 2019 will be published and dispatched to the equity holders of the Company in mid-December 2019.

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

Hong Kong, 22 November 2019

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