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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 2020, RESIGNATION OF NON-EXECUTIVE DIRECTOR AND APPOINTMENT OF NON-EXECUTIVE DIRECTOR**

<b>FINANCIAL HIGHLIGHTS</b>			
	<b>For the six months ended 30 September</b>		
	<b>2020</b>	<b>2019</b>	<b>Change</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>	
	<b>(Unaudited)</b>	<b>(Unaudited)</b>	
<b>Operating Results</b>			
Revenue	<b>128,375</b>	205,158	(37.4%)
– e-print segment	<b>101,980</b>	159,068	(35.9%)
– e-banner segment	<b>26,395</b>	46,090	(42.7%)
Segment results	<b>6,915</b>	7,102	(2.6%)
– e-print segment	<b>7,804</b>	6,661	(17.2%)
– e-banner segment	<b>(889)</b>	441	(301.6%)
Profit for the period attributable to equity holders of company	<b>5,181</b>	5,962	(13.1%)
Net profit margin % (Attributable to equity holders of company)	<b>4.0%</b>	2.9%	
Gross profit margin %	<b>37.5%</b>	35.2%	
Basic earnings per share (HK Cents)	<b>0.94</b>	1.08	(13.0%)
	<b>As at 30 September 2020</b>	<b>As at 31 March 2020</b>	<b>Change</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>	
	<b>(Unaudited)</b>	<b>(Audited)</b>	
<b>Financial Position</b>			
Total assets	<b>333,585</b>	327,602	1.8%
Total equity	<b>236,148</b>	230,005	2.7%
Cash and cash equivalents	<b>93,335</b>	101,525	(8.1%)

The board (the “**Board**”) of directors (the “**Directors**”) of eprint Group Limited (the “**Company**”) announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 September 2020, together with the comparative figures for the corresponding period in 2019.

## CONDENSED INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*For the six months ended 30 September 2020*

		Six months ended 30 September	
		2020	2019
	Note	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
Revenue		128,375	205,158
Cost of sales		(80,256)	(133,020)
<b>Gross profit</b>		<b>48,119</b>	72,138
Other income		1,376	1,297
Other gains/(losses) – net		1,375	(5,741)
Selling and distribution expenses		(12,973)	(19,987)
Administrative expenses		(30,982)	(40,605)
<b>Operating profit</b>	4	<b>6,915</b>	7,102
Finance income		1,527	1,249
Finance costs		(857)	(1,064)
Finance income – net	5	<b>670</b>	185
Share of (losses)/profit of joint ventures		(224)	897
Share of losses of associates		(1,233)	(136)
<b>Profit before income tax</b>		<b>6,128</b>	8,048
Income tax expense	6	(1,062)	(2,136)
<b>Profit for the period</b>		<b>5,066</b>	5,912

		Six months ended	
		30 September	
		2020	2019
		HK\$'000	HK\$'000
Note		(Unaudited)	(Unaudited)
<b>Other comprehensive income:</b>			
<i>Item that may be subsequently reclassified to profit or loss</i>			
	Currency translation differences	<u>1,077</u>	<u>(1,036)</u>
	Total comprehensive income for the period	<u><b>6,143</b></u>	<u>4,876</u>
<b>Profit for the period attributable to:</b>			
	Equity holders of the Company	<u>5,181</u>	<u>5,962</u>
	Non-controlling interest	<u>(115)</u>	<u>(50)</u>
		<u><b>5,066</b></u>	<u>5,912</u>
	Earnings per share		
	– basic and diluted (expressed in HK cents per share)	<u><b>0.94</b></u>	<u>1.08</u>
<b>Total comprehensive income attributable to:</b>			
	Equity holders of the Company	<u><b>6,239</b></u>	<u>4,946</u>
	Non-controlling interest	<u>(96)</u>	<u>(70)</u>
		<u><b>6,143</b></u>	<u>4,876</u>

# CONDENSED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2020

		As at 30 September 2020 <i>HK\$'000</i> (Unaudited)	As at 31 March 2020 <i>HK\$'000</i> (Audited)
	<i>Note</i>		
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment		103,698	108,365
Right-of-use assets		30,197	38,151
Intangible assets		725	725
Other financial assets at amortised cost		28,808	833
Investments in associates		1,674	2,407
Investments in joint ventures		12,487	11,792
Deferred income tax assets		2,343	2,134
Deposits and prepayments		3,146	2,921
		<u>183,078</u>	<u>167,328</u>
<b>Current assets</b>			
Inventories		6,361	6,804
Trade receivables	10	4,600	4,168
Deposits, prepayments and other receivables		12,356	9,184
Other financial assets at amortised cost		11,514	12,965
Financial assets at fair value through profit or loss	9	22,019	25,469
Amounts due from related companies		322	159
Cash and cash equivalents		93,335	101,525
		<u>150,507</u>	<u>160,274</u>
<b>Total assets</b>		<u>333,585</u>	<u>327,602</u>

		As at 30 September 2020 <i>HK\$'000</i> (Unaudited)	As at 31 March 2020 <i>HK\$'000</i> (Audited)
	<i>Note</i>		
<b>Equity</b>			
<b>Capital and reserves attributable to the equity holders of the Company</b>			
Share capital		5,500	5,500
Share premium		132,921	132,921
Other reserves		91,669	85,430
		<u>230,090</u>	<u>223,851</u>
Non-controlling interests		6,058	6,154
		<u>236,148</u>	<u>230,005</u>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Lease liabilities		9,939	17,004
Deferred income tax liabilities		6,647	6,348
Other payables		618	766
		<u>17,204</u>	<u>24,118</u>
<b>Current liabilities</b>			
Trade payables	11	7,863	5,998
Accruals and other payables		31,330	24,596
Borrowings		20,093	21,157
Lease liabilities		19,452	20,200
Amounts due to related companies		301	201
Amounts due to directors		165	165
Current income tax payable		1,029	1,162
		<u>80,233</u>	<u>73,479</u>
<b>Total liabilities</b>		<u>97,437</u>	<u>97,597</u>
<b>Total equity and liabilities</b>		<u>333,585</u>	<u>327,602</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 2020 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 2020, 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 2020, except as stated below.

- (a) The following amendment to standard is mandatory for the Group’s accounting period beginning on 1 April 2020:

HKFRS 3 (Revised) (Amendments)	Definition of a Business
Conceptual Framework for Financial Reporting 2018	Revised conceptual framework for financial reporting
HKAS 1 and HKAS 8 (Amendments)	Definition of Material
HKAS 39, HKFRS 7 and HKFRS 9 (Amendments)	Hedge accounting
HKFRS 16 (Amendments)	COVID-19 Related Rent Concession

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 2020 and have not been early adopted:

		Effective for accounting periods beginning on or after
HKFRS 17	Insurance contracts	1 January 2021
HKFRS 3 (Amendments)	Reference to the Conceptual Framework	1 January 2022
HKAS 16 (Amendments)	Property, Plant and Equipment — Proceeds before Intended Use	1 January 2022
HKAS 37 (Amendments)	Onerous Contracts — Cost of Fulfilling a Contract	1 January 2022
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018—2020	1 January 2022
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current	1 January 2023
HKFRS 10 and HKAS 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) Change in accounting policy

HKFRS 16 (Amendment), “COVID-19 – related Rent Concessions” (effective for annual periods beginning on or after 1 June 2020, early application of the amendments is permitted). The Group has early adopted Amendment to HKFRS 16 from 1 April 2020. The amendment provides lessees with exemption from assessing whether COVID-19 – related rent concession is a lease modification and requires lessees that apply the exemption to account for COVID-19 – related rent concession as if they were not lease modifications. In applying HKFRS 16 (Amendment) for the first time, the Group has applied the practical expedient and elected not to assess whether COVID-19 – related rent concession is a lease modification. All of the COVID-19 – related rent concessions amounted to HK\$84,000 has been credited to the income statement within “other gains/(losses) – net”.

- (d) 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 Executive 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 selling and distribution expenses and administrative expenses that are allocated to each segment. Other information provided is measured in a manner consistent with that in the consolidated 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 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 2020 and 2019, no external customers contributed over 10% of the Group's revenue.

	For the six months ended 30 September 2020			
	<b>Paper printing HK\$'000 (Unaudited)</b>	<b>Banner printing HK\$'000 (Unaudited)</b>	<b>Eliminations HK\$'000 (Unaudited)</b>	<b>Total HK\$'000 (Unaudited)</b>
<b>Segment revenue</b>				
Revenue from external customers	101,980	26,395	–	128,375
Inter-segment revenue	200	13	(213)	–
<b>Total</b>	<b>102,180</b>	<b>26,408</b>	<b>(213)</b>	<b>128,375</b>
<b>Segment results</b>	<b>7,804</b>	<b>(889)</b>		<b>6,915</b>
Finance income				1,527
Finance costs				(857)
Share of losses of joint ventures				(224)
Share of losses of associates				(1,233)
<b>Profit before income tax</b>				<b>6,128</b>
Income tax expense				(1,062)
<b>Profit for the period</b>				<b>5,066</b>
Depreciation of property, plant and equipment	5,204	1,099	–	6,303
Depreciation of right-of-use assets	7,927	2,651	–	10,578
Capital expenditure	1,726	56	–	1,782



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)
<b>Segment revenue</b>				
Revenue from external customers	159,068	46,090	–	205,158
Inter-segment revenue	239	30	(269)	–
<b>Total</b>	<b>159,307</b>	<b>46,120</b>	<b>(269)</b>	<b>205,158</b>
<b>Segment results</b>	<b>6,661</b>	<b>441</b>		<b>7,102</b>
Finance income				1,249
Finance costs				(1,064)
Share of profit of a joint venture				897
Share of losses of associates				(136)
<b>Profit before income tax</b>				<b>8,048</b>
Income tax expense				(2,136)
<b>Profit for the period</b>				<b>5,912</b>
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

The following tables present segment assets as at 30 September 2020 and 31 March 2020 respectively.

	<b>As at 30 September 2020</b>		
	<b>Paper printing <i>HK\$'000</i> (Unaudited)</b>	<b>Banner printing <i>HK\$'000</i> (Unaudited)</b>	<b>Total <i>HK\$'000</i> (Unaudited)</b>
Segment assets	<b>189,233</b>	<b>36,856</b>	<b>226,089</b>
	<b>As at 31 March 2020</b>		
	<b>Paper printing <i>HK\$'000</i> (Audited)</b>	<b>Banner printing <i>HK\$'000</i> (Audited)</b>	<b>Total <i>HK\$'000</i> (Audited)</b>
Segment assets	<b>172,674</b>	<b>39,204</b>	<b>211,878</b>

Segment assets for banner printing segment mainly represented property, plant and equipment, right-of-use assets and goodwill amounting to HK\$20,144,000 (31 March 2020: HK\$21,143,000), HK\$5,021,000 (31 March 2020: HK\$7,090,000) and HK\$725,000 (31 March 2020: HK\$725,000).

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

	As at <b>30 September</b> <b>2020</b> <b>HK\$'000</b> <b>(Unaudited)</b>	As at 31 March 2020 HK\$'000 <b>(Audited)</b>
Segment assets	<b>226,089</b>	211,878
Investments in associates	<b>1,674</b>	2,407
Investments in joint ventures	<b>12,487</b>	11,792
Cash and cash equivalents	<b>93,335</b>	101,525
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Total assets	<b>333,585</b>	327,602
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#### **4 OPERATING PROFIT**

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

	Six months ended 30 September <b>2020</b> <b>HK\$'000</b> <b>(Unaudited)</b>	2019 HK\$'000 <b>(Unaudited)</b>
Depreciation of property, plant and equipment	<b>6,303</b>	7,588
Depreciation of right-of-use assets	<b>10,578</b>	9,219
Recovery of trade receivables previously written off	<b>(12)</b>	(12)
Loss on disposal of property, plant and equipment	<b>519</b>	773
Net exchange loss/(gain)	<b>169</b>	(255)
Cost of materials	<b>23,499</b>	28,354
Subcontracting fee	<b>30,405</b>	68,685
Operating lease rental of premises and equipment	<b>956</b>	2,700
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## 5 FINANCE INCOME – NET

	Six months ended 30 September	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Finance income		
Interest income from bank deposits	303	733
Interest income from loan receivables	1,104	516
Unwinding of interests on refundable rental deposits	120	–
	<u>1,527</u>	<u>1,249</u>
Finance costs		
Interest expenses on lease liabilities	(624)	(780)
Interest expenses on borrowings	(233)	(284)
	<u>(857)</u>	<u>(1,064)</u>
Finance income – net	<u>670</u>	<u>185</u>

## 6 INCOME TAX EXPENSE

	Six months ended 30 September	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Current income tax		
– Hong Kong profits tax	973	2,360
– PRC corporate income tax	–	34
Under provision in prior years	–	10
Deferred income tax	89	(268)
	<u>1,062</u>	<u>2,136</u>
Income tax expense	<u>1,062</u>	<u>2,136</u>

Taxation on profits has been calculated on the estimated assessable profits for the six months ended 30 September 2020 at the rates of taxation prevailing in the countries/places in which the Group operates. Income tax expenses 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 2020 and 2019.

	Six months ended 30 September	
	2020	2019
	(Unaudited)	(Unaudited)
Profit attributable to the equity holders of the Company ( <i>HK\$'000</i> )	<u>5,181</u>	<u>5,962</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>0.94</u>	<u>1.08</u>

### (b) Diluted

For the six months ended 30 September 2020 and 2019, 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.

The Board resolved not to declare an interim dividend for the six months ended 30 September 2020 (2019: Nil).

## 9 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 30 September 2020 <i>HK\$'000</i> (Unaudited)	As at 31 March 2020 <i>HK\$'000</i> (Audited)
Fair value of mutual fund investments	21,734	25,182
Fair value of convertible bond	160	160
Listed equity investment	<u>125</u>	<u>127</u>
	<u>22,019</u>	<u>25,469</u>

The listed equity investments represent shares listed on the Stock Exchange.

The fair values of the listed equity investments and mutual fund investments are based on quoted prices in active markets and are classified within level 1 of the fair value hierarchy.

On 6 March 2020, the issuer of the unlisted bond security, National Arts Entertainment and Culture Group Ltd (“**National Arts**”), revised creditor’s scheme and converted into a convertible bond. The instrument is unsecured with a maturity term of five years and carries interest at 1% per annum.

The fair value of the convertible bond is based on binomial model and is classified within level 3 of the fair value hierarchy.

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.

## 10 TRADE RECEIVABLES

	As at <b>30 September</b> <b>2020</b> <i><b>HK\$’000</b></i> <b>(Unaudited)</b>	As at 31 March 2020 <i><b>HK\$’000</b></i> <b>(Audited)</b>
Trade receivables	<b>4,925</b>	4,493
Less: loss allowance	<b>(325)</b>	(325)
	<hr/>	<hr/>
Trade receivables – net	<b><u>4,600</u></b>	<b><u>4,168</u></b>

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 gross trade receivables based on the invoice date is as follows:

	As at <b>30 September</b> <b>2020</b> <i><b>HK\$’000</b></i> <b>(Unaudited)</b>	As at 31 March 2020 <i><b>HK\$’000</b></i> <b>(Audited)</b>
Up to 30 days	<b>2,658</b>	1,821
31-60 days	<b>1,094</b>	560
Over 60 days	<b>1,173</b>	2,112
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	<b><u>4,925</u></b>	<b><u>4,493</u></b>

## 11 TRADE PAYABLES

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

	As at 30 September 2020 <i>HK\$'000</i> (Unaudited)	As at 31 March 2020 <i>HK\$'000</i> (Audited)
Up to 30 days	6,607	4,091
31-60 days	–	1,265
61-90 days	675	–
Over 90 days	581	642
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	7,863	5,998
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## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

The Board presents to its shareholders the results of the Group for the six months ended 30 September 2020. Being affected by the macroeconomic downturn and the novel coronavirus disease (“**COVID-19**”) outbreak (the “**Coronavirus Outbreak**”), the overall business environment was challenging during the six months ended 30 September 2020. The Coronavirus Outbreak and the macroeconomic downturn had adversely impacted the overall market demand which resulted in the decrease in the orders from customers compared with same period of last year. Although the overall market demand and sales volume being affected by the deteriorating business environment, we continuously closely monitored the situation and taken actions to minimize the impact. With the drop in the sales orders, we changed our strategy by reducing the outsourced processing to subcontractors and therefore the subcontracting costs of the Group decreased a lot during the reporting period. The Group’s revenue amounted to HK\$128.4 million and HK\$205.2 million for the six months ended 30 September 2020 and 2019. Although the sales volume of the Group decreased, gross profit margin increased from 35.2% for the six months ended 30 September 2019 to 37.5% for the six months ended 30 September 2020 as the result of cost control measures. The Group’s unaudited profit attributable to equity holders for the six months ended 30 September 2020 was HK\$5.2 million, representing a decrease of 13.1% as compared with that of the period ended 30 September 2019. The decrease in net profit was mainly due to the decline in the orders from customers during the economic uncertainty caused by the Coronavirus Outbreak.

For the Group’s paper printing segment, the revenue decreased by 35.9% from HK\$159.1 million to HK\$102.0 million. The advertising printing was still the major contributor to the segment’s revenue and recorded an amount of HK\$39.4 million, representing 30.7% of the Group’s total revenue for the current period. The segment’s gross profit margin increased from 34.6% to 37.3%, the increase was mainly contributed by the effective cost control. Without the fair value loss of HK\$5.2 million incurred on the listed equity investment held for the six months ended 30 September 2019, the segment’s operating profits increased from HK\$6.7 million to HK\$7.8 million even though the revenue dropped during the reporting period.

For the Group’s banner printing segment, the revenue dropped by 42.7% when compared with the same period of last year. The segment’s gross profit decreased by HK\$7.7 million or 43.4% when compared with the same period of last year. The decrease in gross profit was in line with the decrease in sales volume for the six months ended 30 September 2020.

On 27 September 2018, Promise Network Printing Limited (the “**Lender**”), an indirect wholly-owned subsidiary of the Company, entered into the initial loan agreement (the “**Initial Loan Agreement**”) with Sun Cheong Paper Development Limited (the “**Borrower**”), pursuant to which the Lender agreed to provide the initial loan (the “**Initial Loan**”) to the Borrower in the principal amount of HK\$10,000,000 for a period of one year commencing from the date of the Initial Loan Agreement at an interest rate of 10% per annum.

On 27 September 2019, the Lender entered into the second loan agreement (the “**Second Loan Agreement**”) with the Borrower, pursuant to which the Lender agreed to provide the loan to the Borrower in the principal amount of HK\$15,000,000 (including the outstanding principal amount of the Initial Loan of HK\$10,000,000 and an additional principal amount of HK\$5,000,000) (the “**Second Loan**”), for a period of one year commencing from the date of the Second Loan Agreement at an interest rate of 9% per annum.

On 27 September 2020, the Lender entered into the renewed loan agreement (the “**Renewed Loan Agreement**”) with the Borrower in relation to the provision of the loan by the Lender to the Borrower in the principal amount of HK\$13,000,000 (including the outstanding principal amount of the second loan on 27 September 2019 of HK\$13,000,000), for a period of one year commencing from the date of the Renewed Loan Agreement at an interest rate of 8% per annum.

## **OUTLOOK**

During the six months ended 30 September 2020, the Group faced challenging business environment and the sales volume was impacted by the Coronavirus Outbreak and the macroeconomic downturn. With the current economic condition and the Coronavirus Outbreak, the macroeconomic environment as a whole remains uncertain in the coming future. The management of the Group expects that the operating environment in Hong Kong will remain challenging in the coming period. Although the business environment is difficult, the Group will continuously closely monitor the situation, overcome the challenges and take actions to minimize the operating costs in order to maintain the profitability and maximize the shareholders value.

Besides minimizing the operating costs, the Group will continue to put efforts to make use of its solid financial resources and proactively explore different business opportunities to diversify the business portfolio.

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 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 decreased by HK\$76.8 million or 37.4% from HK\$205.2 million for the six months ended 30 September 2019 to HK\$128.4 million for the six months ended 30 September 2020. The decline was primarily due to the reduced orders from customers during the economic uncertainty caused by the Coronavirus Outbreak. 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.

	2020 HK\$'000 (Unaudited)		2019 HK\$'000 (Unaudited)	
Advertising printing	39,387	30.7%	63,921	31.1%
Bound book printing	29,118	22.7%	50,643	24.7%
Stationery printing	27,943	21.8%	38,320	18.7%
Banner printing	23,655	18.4%	40,317	19.7%
Other services	8,272	6.4%	11,957	5.8%
Total	<u>128,375</u>	<u>100%</u>	<u>205,158</u>	<u>100%</u>

The advertising printing was still the major contributor of the revenue, which accounted for 30.7% of the total revenue for the six months ended 30 September 2020.

	Six months ended 30 September			
	2020 HK\$'000 (Unaudited)		2019 HK\$'000 (Unaudited)	
<b>Sales Channels</b>				
Stores	23,329	18.2%	34,151	16.6%
Websites	68,951	53.7%	105,875	51.6%
Others ( <i>Note</i> )	36,095	28.1%	65,132	31.8%
Total	<u>128,375</u>	<u>100.0%</u>	<u>205,158</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 53.7% of total revenue for the six months ended 30 September 2020. The sales contributed by stores slightly increased from 16.6% for the six months ended 30 September 2019 to 18.2% for the six months ended 30 September 2020.

**Other income**

Other income primarily mainly comprises the sales of scrap materials. For the six months ended 30 September 2020 and 2019, other income amounted to HK\$1.4 million and HK\$1.3 million respectively.

**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 incurred the net loss of HK\$5.7 million for the six months ended 30 September 2019 while it generated the net gain of HK\$1.4 million for the current period. The net gain was mainly attributable to the increase in the fair value of the mutual fund investments for the six months ended 30 September 2020.

**Selling and distribution expenses**

Selling and distribution expenses mainly consisted of staff costs, distribution costs, handling charges for electronic payments. Selling and distribution expenses represent 10.1% and 9.7% of the revenue for the six months ended 30 September 2020 and 2019, respectively. The decrease of HK\$7.0 million or 35.1% was mainly due to the decrease in staff cost of HK\$3.0 million and delivery charges by HK\$2.0 million.

**Administrative expenses**

Administrative expenses primarily comprised directors' remunerations, staff costs and outsourced customer support expenses. Administrative expenses represent 24.1% and 19.8% of the total revenue for the six months ended 30 September 2020 and 2019 respectively. The amount decreased by HK\$9.6 million from HK\$40.6 million for the six months ended 30 September 2019 to HK\$31.0 million for the six months ended 30 September 2020. The decrease in expenses was the result of the decreased staff costs and outsourced customer support expenses in the amount of approximately HK\$5.6 million and HK\$2.6 million.

**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 (losses)/profit of joint ventures**

Share of (losses)/profit of joint ventures represented the share of results of the Group's joint ventures. As at 30 September 2020, the Group had two joint ventures in Malaysia and Hong Kong, namely e-print Solutions Sdn. Bhd. and Top Success Investment Group Limited respectively.

## Share of losses of associates

Share of losses of associates represented the share of results of the Group's associates. As at 30 September 2020, the Company had three 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 decreased by HK\$0.8 million or 13.1%, from HK\$6.0 million for the six months ended 30 September 2019 to HK\$5.2 million for the six months ended 30 September 2020. Net profit margin increased from 2.9% for the six months ended 30 September 2019 to 4.0% for the six months ended 30 September 2020. The decrease in the profit for the period attributable to equity holders of the Company was mainly caused by the reduced orders from customers.

## Liquidity and Financial Information

As at 30 September 2020, the Group's bank balances and cash was HK\$93.3 million, represented a decrease of HK\$8.2 million when compared with that as at 31 March 2020. The decrease was mainly caused by the addition of other financial assets at amortised costs. As at 30 September 2020 and 30 September 2019, the financial ratios of the Group were as follows:

	<b>As at 30 September 2020</b>	As at 30 September 2019
Current ratio <sup>(1)</sup>	<b>1.9</b>	2.0
Gearing ratio <sup>(2)</sup>	<b><u>21.0%</u></b>	<b><u>28.1%</u></b>

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\$20.1 million and HK\$21.2 million as at 30 September 2020 and 31 March 2020 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\$19.5 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 2.3% and 2.1% for the six months ended 30 September 2020 and 30 September 2019, 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.

## **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 2020, the total number of issued ordinary shares of the Company was 550,000,000 shares.

## **Capital commitments**

As at 30 September 2020 and 31 March 2020, the Group has capital commitments of HK\$4.4 million and HK\$4.1 million for investment in an associate and purchase of computer equipments, 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 2020.

## **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 2020 and 31 March 2020, the Group pledged the plant and machinery with a carrying value of HK\$3.5 million and HK\$4.3 million respectively, as collaterals to secure the Group's lease liabilities. As at 30 September 2020 and 31 March 2020, the Group pledged two properties with a carrying value of HK\$59.2 million and HK\$60.3 million respectively, as collaterals to secure the Group's mortgage loan.

## **Capital expenditure**

During the period under review, the Group invested HK\$1.8 million in property, plant and equipment, represented an decrease of HK\$1.7 million when compared with the same period of last year.

## **EMPLOYEES AND EMOLUMENT POLICIES**

As at 30 September 2020, the Group had 316 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 2020 (2019: 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 for the six months ended 30 September 2020.

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers 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 2020.

## 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 2020, 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 2020.

## INTERIM REPORT

The interim report of the Company for the six months ended 30 September 2020 will be published and dispatched to the equity holders of the Company in mid-December 2020.

## RESIGNATION OF NON-EXECUTIVE DIRECTOR AND APPOINTMENT OF NON-EXECUTIVE DIRECTOR

The Board hereby announces that:–

- (1) Mr. Cai Qiang (“**Mr. Cai**”) has tendered his resignation as a non-executive Director as he would like to spend more time pursuing his own business; and
- (2) Mr. Li Lu (“**Mr. Li**”) was appointed as a non-executive Director to fill the vacancy occasioned by the resignation of Mr. Cai,

all with effect from 19 November 2020.

Mr. Cai has confirmed to the Board that he has no disagreement with the Board or the Company and that there is no other matter in respect of his resignation that needs to be brought to the attention of the shareholders of the Company and the Stock Exchange.

The biographical details of Mr. Li are set out below: –

**Mr. Li**, aged 38, obtained a bachelor's degree in management from Shanghai Jiao Tong University in July 2005 and a master's degree in economics from Fudan University in June 2008 and passed the Chinese sponsor representative exam. He is currently the assistant vice president of the investment department of Shantou Dongfeng Printing Co., Ltd. (stock code: 601515; a company listed on the main board of the Shanghai Stock Exchange and a substantial shareholder of the Company (as defined in the Listing Rules). Mr. Li had worked in CITIC Securities South China Company Limited (formerly known as Guangzhou Securities Company Limited), China Industrial Securities Co., Ltd. (stock code: 601377; a company listed on the Shanghai Stock Exchange), ZZ Capital Co., Ltd. and Guangdong Kaijin New Energy Technology Co., Ltd.

Save as disclosed above, Mr. Li does not hold any other position within the Group and did not hold any directorship in any other listed company in Hong Kong or overseas in the last three years and he does not have any relationship with any other Directors, senior management of the Company, or substantial or controlling shareholders (as defined in the Listing Rules) of the Company. As at the date of this announcement, he does not have any interests in shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

Mr. Li has signed a letter of appointment issued by the Company on 19 November 2020 for a term of three years commencing from 19 November 2020 unless terminated by not less than three months' notice in writing served by either party on the other. He will be subject to re-election at the first general meeting of the Company after his appointment and thereafter subject to retirement by rotation and re-election at least once every three years in accordance with the Articles of Association of the Company. He is not entitled to any director's fee.

Save as disclosed above, there is no further information to be disclosed pursuant to the requirements of Rule 13.51(2)(h) to (v) of the Listing Rules and there are no other matters relating to the appointment of Mr. Li that need to be brought to the attention of the shareholders of the Company.

The Board would like to extend its appreciation to Mr. Cai for his valuable contribution during his tenure of office in the Company, and welcome Mr. Li for joining the Board.

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

Hong Kong, 19 November 2020

*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. Li Lu; and the independent non-executive Directors are Mr. Poon Chun Wai, Mr. Fu Chung and Mr. Ma Siu Kit.*