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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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2018

FINANCIAL HIGHLIGHTS

	For the year ended 31 March		
	2018	2017	
	HK\$'million	HK\$'million	Change
Operating Results			
Revenue	403.3	390.6	3.3%
– e-print segment	308.8	314.4	-1.8%
– e-banner segment	94.5	76.2	24.0%
Operating profit before other losses – net	35.2	22.2	58.6%
– e-print segment	32.0	36.6	-12.6%
– e-banner segment	3.2	(14.4)	122.2%
Other losses - net	(4.9)	(7.8)	-37.2%
– e-print segment	(4.4)	(7.7)	-42.9%
– e-banner segment	(0.5)	(0.1)	400.0%
Operating profit	28.8	14.4	100.0%
– e-print segment	26.1	28.9	-9.7%
– e-banner segment	2.7	(14.5)	-118.6%
Profit for the year attributable to			
– equity holders of company	22.0	17.3	27.2%
– non-controlling interests	1.1	(8.1)	-113.6%
Net profit margin % (Attributable to equity holders of company)	5.5%	4.4%	
Gross profit margin %	36.2%	35.7%	
Basic earnings per share (HK Cents)	4.01	3.15	27.3%
Financial Position			
Total assets	311.2	312.8	-0.5%
Total equity	231.7	207.5	11.7%
Cash and cash equivalents	89.5	68.2	31.2%

The board (the “**Board**”) of directors (the “**Directors**”) of eprint Group Limited (the “**Company**”) announces the consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 March 2018, together with the comparative figures for the year ended 31 March 2017, are as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2018

	<i>Note</i>	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Revenue	2	403,303	390,638
Cost of sales	5	(257,216)	(251,328)
Gross profit		146,087	139,310
Other income	3	7,107	6,119
Other losses – net	4	(4,890)	(7,807)
Selling and distribution expenses	5	(43,955)	(42,769)
Administrative expenses	5	(75,486)	(80,507)
Operating profit		28,863	14,346
Finance income	6	488	466
Finance costs	6	(1,292)	(1,579)
Finance costs – net	6	(804)	(1,113)
Share of losses of associates		(143)	(1,746)
Share of profit of a joint venture		777	1,257
		634	(489)
Profit before income tax		28,693	12,744
Income tax expense	7	(5,599)	(3,525)
Profit for the year		23,094	9,219
Other comprehensive income:			
<i>Item that may be reclassified to profit or loss:</i>			
Currency translation differences		2,012	(1,705)
Total comprehensive income for the year		25,106	7,514

	<i>Note</i>	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Profit for the year attributable to:			
Equity holders of the Company		22,032	17,321
Non-controlling interests		1,062	(8,102)
		23,094	9,219
Earnings per share for profit attributable to equity holders of the Company during the year			
Basic and diluted (expressed in HK cents per share)	8	4.01	3.15
Total comprehensive income for the year attributable to:			
Equity holders of the Company		23,854	15,857
Non-controlling interests		1,252	(8,343)
		25,106	7,514

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2018

	<i>Note</i>	2018 HK\$'000	2017 HK\$'000
Assets			
Non-current assets			
Property, plant and equipment		135,671	157,189
Intangible assets		725	1,442
Held-to-maturity investments		–	15,000
Financial asset at fair value through profit or loss		–	12,319
Investments in associates		2,977	2,962
Investment in a joint venture		8,021	6,205
Deferred income tax assets		2,402	3,259
Deposits and prepayments	<i>10</i>	4,913	4,940
		154,709	203,316
Current assets			
Inventories		6,051	5,409
Trade receivables	<i>9</i>	7,880	4,518
Deposits, prepayments and other receivables	<i>10</i>	15,036	15,500
Held-to-maturity investments		15,000	10,000
Financial asset at fair value through profit or loss		12,746	–
Current income tax recoverable		20	17
Amounts due from related companies		10,191	5,849
Cash and cash equivalents		89,524	68,220
		156,448	109,513
Total assets		311,157	312,829
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		86,868	71,814
		225,289	210,235
Non-controlling interests		6,377	(2,715)
Total equity		231,666	207,520

	<i>Note</i>	2018 HK\$'000	2017 HK\$'000
Liabilities			
Non-current liabilities			
Obligations under finance leases		1,935	7,045
Deferred income tax liabilities		7,768	9,477
Other payables		1,186	–
		<u>10,889</u>	<u>16,522</u>
Current liabilities			
Trade payables	<i>11</i>	12,886	7,948
Accruals and other payables		25,270	28,298
Borrowings	<i>12</i>	24,592	38,343
Obligations under finance leases		5,110	7,013
Amounts due to related parties		336	9
Amounts due to directors		245	245
Current income tax payable		163	6,931
		<u>68,602</u>	<u>88,787</u>
Total liabilities		<u>79,491</u>	<u>105,309</u>
Total equity and liabilities		<u>311,157</u>	<u>312,829</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The consolidated financial statements of the Company have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“**HKFRS**”) issued by Hong Kong Institute of Certified Public Accounts (“**HKICPA**”). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial asset at fair value through profit or loss, which are carried at fair value.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies.

1.1 Changes in accounting policy and disclosures

(a) *New and amended standards adopted by the Group*

The following new and amended standards have been adopted by the Group for the first time for the financial year beginning on or after 1 April 2017:

Amendments to HKFRS 12	Disclosure of interest in other entities
Amendments to HKAS 7	Statement of cash flows
Amendments to HKAS 12	Income taxes

The adoption of the above new and amended standards did not have a significant impact on the Group’s consolidated financial statements.

(b) *New and amended standards have been issued but are not effective and have not been early adopted by the Group*

The following new and amended standards are not effective for financial year beginning on 1 April 2017, and have not been applied in preparing these consolidated financial statements:

		Effective for annual periods beginning on or after
Amendments to Annual Improvements Projects HKFRS 1 and HKAS 28	Annual improvements 2014 – 2016 cycle	1 January 2018
Amendments to HKFRS 1	First time adoption of HKFRS	1 January 2018
Amendments to HKFRS 2	Classification and measurement of share-based payment transactions	1 January 2018
Amendments to HKFRS 4	Applying HKFRS 9 financial instruments with HKFRS 4 insurance contracts	1 January 2018
HKFRS 9	Financial instruments	1 January 2018
HKFRS 15	Revenue from contracts with customers	1 January 2018
Amendment to HKFRS 15	Clarification to HKFRS 15	1 January 2018
Amendments to HKAS 28	Investments in associates and joint ventures	1 January 2018

		Effective for annual periods beginning on or after
Amendments to HKAS 40	Transfers of investment property	1 January 2018
HK(IFRIC) 22	Foreign currency transactions and advance consideration	1 January 2018
Amendments to HKFRS 9	Prepayment features with negative compensation	1 January 2019
HKFRS 16	Leases	1 January 2019
HK(IFRIC)23	Uncertainty over income tax treatments	1 January 2019
HKFRS 17	Insurance contracts	1 January 2021
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	Note

Note: To be announced by HKICPA

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

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 April 2017 and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

(i) *HKFRS 9, 'Financial instruments'*

Nature of change

HKFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

Impact

The Group has reviewed its financial assets and liabilities and is expecting the following impact from the adoption of the new standard on 1 April 2018:

The financial assets held by the Group include:

- debt instruments currently classified as held-to-maturity investments and measured at amortised cost which meet the conditions for classification at amortised cost under HKFRS 9;
- equity investments currently measured at fair value through profit or loss ("FVPL") which will continue to be measured on the same basis under HKFRS 9

Accordingly, the Group does not expect the new guidance to have a significant impact on the classification and measurement of its financial assets.

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The derecognition rules have been transferred from Hong Kong Accounting Standards ("HKAS") 39 Financial Instruments: Recognition and Measurement and have not been changed.

The new hedge accounting rules will align the accounting for hedging instruments more closely with the Group's risk management practices. As a general rule, more hedge relationships might be eligible for hedge accounting, as the standard introduces a more principles-based approach. The Group does not have any hedge instrument. Therefore, the Group does not expect any impact on the new hedge accounting rules.

The new impairment model requires the recognition of impairment provisions based on expected credit losses ("ECL") rather than only incurred credit losses as is the case under HKAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at fair value through other comprehensive income, contract assets under HKFRS 15 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts. Based on the assessments undertaken to date, the Group does not expect material change to the loss allowance for trade debtors.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

Date of adoption by the Group

It is mandatory for financial years commencing on or after 1 January 2018. The Group will apply the new rules retrospectively from 1 April 2018, with the practical expedients permitted under the standard. Comparative figures for the year ended 31 March 2018 will not be restated.

(ii) *HKFRS 15, 'Revenue from contracts with customers'*

Nature of change

The HKICPA has issued a new standard for the recognition of revenue. This will replace HKAS 18 which covers contracts for goods and services and HKAS 11 which covers construction contracts and the related literature.

The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer.

The standard permits either a full retrospective or a modified retrospective approach for the adoption.

Impact

Management is currently assessing the effects of applying the new standard on the Group's financial statements and has identified the following areas that are likely to be affected:

- revenue from service – the application of HKFRS 15 may result in the identification of separate performance obligations which could affect the timing of the recognition of revenue.
- accounting for certain costs incurred in fulfilling a contract – certain costs which are currently expensed may need to be recognised as an asset under HKFRS 15; and
- rights of return HKFRS 15 requires separate presentation on the statement of financial position of the right to recover the goods from the customer and the refund obligation.

Management is in the process of quantifying the potential effects on its consolidated financial statements.

Date of adoption by Group

It is mandatory for financial years commencing on or after 1 January 2018. The Group intends to adopt the standard using the modified retrospective approach which means that the cumulative impact of the adoption will be recognised in retained earnings as of 1 April 2018 and that comparatives will not be restated.

(iii) *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\$28,081,000. Upon adoption of HKFRS16 the majority of operating lease commitments will be recognised 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.

2. 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 reviewed 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 I.T. support services within the Group. The subsidiaries incorporated in Malaysia and Australia generated immaterial external revenue during the year. 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.

Information relating to segment liabilities is not disclosed as such information is not regularly reported to the chief operating decision-maker.

During the year ended 31 March 2018 and 2017, no external customers contributed over 10% of the Group's revenue.

The following tables present revenue and segment results regarding the Group's reportable segments for the years ended 31 March 2018 and 2017 respectively.

	For the year ended 31 March 2018			
	Paper printing <i>HK\$'000</i>	Banner printing <i>HK\$'000</i>	Eliminations <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue				
Revenue from external customers	308,780	94,523	–	403,303
Inter-segment revenue	364	65	(429)	–
	<u>309,144</u>	<u>94,588</u>	<u>(429)</u>	<u>403,303</u>
Total				
	<u>309,144</u>	<u>94,588</u>	<u>(429)</u>	<u>403,303</u>
Segment results				
	<u>26,147</u>	<u>2,716</u>		28,863
Finance income				488
Finance costs				(1,292)
Share of losses of associates				(143)
Share of profit of a joint venture				777
				<u>777</u>
Profit before income tax				28,693
Income tax expense				(5,599)
				<u>(5,599)</u>
Profit for the year				<u>23,094</u>
Depreciation of property, plant and equipment	11,702	6,781		18,483
Amortisation of intangible assets	–	430		430
Impairment loss on an intangible asset	–	287		287
Capital expenditure	1,457	246		1,703
	<u>1,457</u>	<u>246</u>		<u>1,703</u>

	For the year ended 31 March 2017			
	Paper printing <i>HK\$'000</i>	Banner printing <i>HK\$'000</i>	Eliminations <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue				
Revenue from external customers	314,486	76,152	–	390,638
Inter-segment revenue	426	91	(517)	–
	<u>314,912</u>	<u>76,243</u>	<u>(517)</u>	<u>390,638</u>
Total	314,912	76,243	(517)	390,638
Segment results	28,845	(14,499)		14,346
Finance income				466
Finance costs				(1,579)
Share of losses of associates				(1,746)
Share of profit of a joint venture				1,257
				<u>12,744</u>
Profit before income tax				12,744
Income tax expense				(3,525)
				<u>9,219</u>
Profit for the year				9,219
Depreciation of property, plant and equipment	11,750	6,600		18,350
Amortisation of intangible assets	–	430		430
Impairment loss on property, plant and equipment	–	699		699
Capital expenditure	52,678	23,838		76,516
	<u>52,678</u>	<u>23,838</u>		<u>76,516</u>

The following tables present segment assets as at 31 March 2018 and 2017 respectively.

	As at 31 March 2018		
	Paper printing <i>HK\$'000</i>	Banner printing <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment assets	<u>156,719</u>	<u>48,919</u>	<u>205,638</u>
	As at 31 March 2017		
	Paper printing <i>HK\$'000</i>	Banner printing <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment assets	<u>175,192</u>	<u>55,253</u>	<u>230,445</u>

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

	As at 31 March	
	2018	2017
	HK\$'000	HK\$'000
Segment assets	205,638	230,445
Investments in associates	2,977	2,962
Investment in a joint venture	8,021	6,205
Cash and cash equivalents	89,524	68,220
Other unallocated segment assets	4,997	4,997
Total assets	311,157	312,829

3. OTHER INCOME

	2018	2017
	HK\$'000	HK\$'000
I.T. license fee income	254	228
Sales of software	3,461	–
Scrap sales	1,456	1,581
Interest income from held-to-maturity investments	1,324	3,226
Machinery rental income	–	892
Sundry income	612	192
	7,107	6,119

4. OTHER LOSSES – NET

	2018	2017
	HK\$'000	HK\$'000
Loss on disposal of property, plant and equipment	(4,720)	(6,397)
Exchange (losses)/gains-net	(486)	4
Fair value gains on financial assets at fair value through profit or loss	427	369
Loss on disposal of financial assets	–	(1,803)
Loss on partial disposal of an associate	(111)	–
Others	–	20
	(4,890)	(7,807)

5. EXPENSES BY NATURE

Expenses included in cost of sales, selling and distribution expenses and administrative expenses are analysed as follows:

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Cost of materials	53,180	53,269
Auditor's remuneration		
– Audit services	1,566	1,521
– Non-audit services	111	198
Employee benefits expense	82,292	84,001
Depreciation of property, plant and equipment	18,483	18,350
Amortisation of intangible assets	430	430
Impairment loss on property, plant and equipment	–	699
Impairment loss on intangible assets	287	–
Outsourced customer support expenses	19,491	19,351
Subcontracting fee	141,888	129,739
Operating lease rental of premises and equipment	20,430	23,237
Repairs and maintenance	3,386	4,274
Distribution costs	13,971	13,697
Utility expenses	3,835	4,281
Provision for impairment of other receivables	–	240
Write off of trade receivables	3	23
Recovery of trade receivables previously written off	(24)	(24)
Others	17,328	21,228
Total cost of sales, selling and distribution expenses and administrative expenses	376,657	374,604

Others mainly represent credit card handling charges, advertising and promotion expenses and telecommunication expenses.

6. FINANCE COSTS – NET

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Finance income		
– Interest income from bank deposits	488	184
– Unwinding of discounts on held-to-maturity investments	–	282
	488	466
Finance costs		
– Finance charges on obligations under finance lease	(375)	(676)
– Interest expenses on borrowings	(917)	(903)
	(1,292)	(1,579)
Finance costs – net	(804)	(1,113)

7. INCOME TAX EXPENSE

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Current income tax		
– Hong Kong profits tax	5,747	7,989
– PRC corporate income tax	150	–
Under/(over)-provision in prior years	554	(1,239)
	<u>6,451</u>	<u>6,750</u>
Deferred income tax	(852)	(3,225)
Income tax expense	<u>5,599</u>	<u>3,525</u>

Subsidiaries incorporated in Hong Kong are subject to Hong Kong profits tax at a rate of 16.5% on the estimated assessable profits for the year (2017: 16.5%). Subsidiary incorporated in the PRC is subject to PRC corporate income tax based on the statutory income tax rate of 25% for the year (2017: 25%) as determined in accordance with the relevant PRC income tax rules and regulations. The Company has not been subject to any taxation in the Cayman Islands as it does not have any assessable profit since its incorporation.

8. 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 years ended 31 March 2018 and 2017.

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Profit attributable to equity holders of the Company (<i>HK\$'000</i>)	<u>22,032</u>	<u>17,321</u>
Weighted average number of ordinary shares in issue (thousands)	<u>550,000</u>	<u>550,000</u>
Basic earnings per share (<i>HK cents</i>)	<u>4.01</u>	<u>3.15</u>

(b) Diluted

Diluted earnings per share is the same as the basic earnings per share for the years ended 31 March 2018 and 2017 as there were no potential dilutive ordinary shares outstanding during the years.

9. TRADE RECEIVABLES

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Trade receivables	7,895	4,533
Less: provision for impairment of trade receivables	<u>(15)</u>	<u>(15)</u>
Trade receivables – net	<u><u>7,880</u></u>	<u><u>4,518</u></u>

The directors of the Company consider that the carrying amounts of trade receivables approximate their fair values.

Payment terms granted to customers are mainly cash on delivery and on credit. The average credit period ranges from 30 days to 60 days. The ageing analysis of the trade receivables based on invoice date is as follows:

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
0 – 30 days	4,977	2,983
31 – 60 days	1,530	713
Over 60 days	<u>1,373</u>	<u>822</u>
	<u><u>7,880</u></u>	<u><u>4,518</u></u>

As at 31 March 2018, trade receivables of approximately HK\$3,609,000 (2017: HK\$1,886,000) were past due but not impaired. These relate to certain customers with no recent history of default. Based on historic low default rate, the Group believes that no impairment provision is necessary. The past due ageing analysis of these receivables is as follows:

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
0 – 30 days	2,038	990
31 – 60 days	1,167	605
Over 60 days	<u>404</u>	<u>291</u>
	<u><u>3,609</u></u>	<u><u>1,886</u></u>

As at 31 March 2018 and 2017, no trade receivable was considered to be impaired.

The maximum exposures of the Group to credit risk are the carrying value of trade receivables mentioned above.

The carrying amounts of trade receivables of the Group are mainly denominated in Hong Kong dollars.

The Group does not hold any collateral as security for trade receivables.

10. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Deposits and prepayments	18,570	16,801
Other receivables	335	1,317
Deferred expenses	–	1,102
Interest receivables from held-to-maturity investments	1,044	1,220
	<u>19,949</u>	<u>20,440</u>
Less: non-current portion Deposits and prepayments	<u>(4,913)</u>	<u>(4,940)</u>
Deposits, prepayments and other receivables – current portion	<u>15,036</u>	<u>15,500</u>

11. TRADE PAYABLES

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Trade payables	<u>12,886</u>	<u>7,948</u>

Payment terms granted by suppliers are mainly on credit. The credit period ranges from 30 to 90 days.

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

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
0 – 30 days	9,720	5,476
31 – 60 days	2,250	2,175
61 – 90 days	916	277
Over 90 days	–	20
	<u>12,886</u>	<u>7,948</u>

The carrying amounts of the Group's trade payables, accruals and other payables are mainly denominated in Hong Kong dollars.

12. BORROWINGS

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Current		
Trust receipt loans	1,679	1,058
Bank overdrafts	–	8,882
Bank loans	1,035	5,588
Mortgage loans	21,878	22,815
	<u>24,592</u>	<u>38,343</u>

The table below analyses the Group's borrowings into relevant maturity groups based on the scheduled repayment dates set out in the loan agreements and ignore the effect of any repayment on demand clause:

	2018 HK\$'000	2017 HK\$'000
Within 1 year	3,674	13,904
Between 1 and 2 years	981	3,437
Between 2 and 5 years	3,079	3,094
Over 5 years	16,858	17,908
	24,592	38,343

Bank borrowings contained a repayment on demand clause which enables the bank to exercise at its sole discretion. Accordingly, the entire balance was classified under current liabilities.

The carrying amounts of borrowings are secured and denominated in Hong Kong dollars as at 31 March 2018 and 2017.

The fair values of the borrowings approximate to their carrying amounts as at 31 March 2018 and 2017 as all the borrowings carry interests which are benchmarked against Hong Kong Dollar prime rate and Hong Kong Interbank Offered Rate ("HIBOR"), where relevant.

The borrowings of the Group are subject to financial covenants and the Group is in compliance with the financial covenants as at 31 March 2018 and 2017.

As at 31 March 2018, the borrowings of the Group were secured by personal guarantees provided by a related party of the Group. Mortgage loans are secured by properties of the Group of approximately HK\$64,716,000 (2017: HK\$66,928,000).

13. DIVIDENDS

The dividends paid in 2018 was HK\$8,800,000 (2017: HK\$12,650,000). A dividend in respect of the year ended 31 March 2018 of HK2.40 cents per share, amounting to a total dividend of HK\$13,200,000, was proposed by the Board of Directors on 29 June 2018 and to be recommended to the shareholders at the forthcoming annual general meeting. These financial statements do not reflect this dividend payable.

	2018 HK\$'000	2017 HK\$'000
Proposed final dividend of HK2.40 cents (2017: HK1.60 cents) per ordinary share	13,200	8,800

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Board presents to its shareholders the results of the Group for the year ended 31 March 2018. The Group's revenue amounted to HK\$403.3 million, representing an increase of 3.3% as compared with that of the year ended 31 March 2017. Gross profit margin increased to 36.2% (2017: 35.7%). The Group's audited profit attributable to equity holders for the year ended 31 March 2018 was HK\$22.0 million, representing an increase of 27.2% as compared with that of the year ended 31 March 2017. The increase in net profit was the result of the improving performance of banner printing segment, effective cost management and profitable investment in associate.

For the Group's paper printing segment, there was a decrease of revenue of HK\$5.6 million or 1.8% from HK\$314.4 million to HK\$308.8 million and it was the result of the continued deterioration of Hong Kong market during the year. The gross profit was also affected by the increasing material cost and hence the margin slightly decreased from 36.7% to 35.2% for the current year. Nevertheless, the operating profit of the segment only decreased by HK\$2.8 million because of the lower other net loss incurred during the year, which was contributed by the decrease in the net loss on disposal of property, plant and equipment by HK\$1.4 million.

For the Group's banner printing segment, there was a significant growth in revenue of 24.0% from HK\$76.2 million to HK\$94.5 million. The increase in revenue was the result of the expansion of its market shares in Hong Kong during the year. The segment also benefited from the improving operating efficiencies and economies of scale, which increased the gross profit margin by 8.5%. The operating profit of the segment is HK\$2.7 million for the year ended 31 March 2018 while it incurred the operating loss of HK\$14.5 million for the year ended 31 March 2017. The improvement was contributed by the improving performance of the banner printing business in Hong Kong and Malaysia, which became profitable for the year ended 31 March 2018.

On 28 March 2017, E-Boss Co. Limited, a wholly-owned subsidiary of the Group, invested in Sakura Japan Property (Hong Kong) Limited ("Sakura") with two independent investors. Sakura is principally engaged in providing Japanese real estate agency services in Hong Kong. It has commenced operation in April 2017 and was making profit for the year ended 31 March 2018. The Board considers that this investment enables the Group to diversify its business by utilising its reputation and system technology.

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 strengthening its business, including but not limited to expanding banner 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:

- Adopting the product diversification strategy by expanding the product line of the existing printing business.
- Developing the new business line of gift products to meet the increasing demand of the market.
- Continuously effort to 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

Revenue from the provision of printing and other services increased by HK\$12.7 million or 3.3% from HK\$390.6 million for the year ended 31 March 2017 to HK\$403.3 million for the year ended 31 March 2018. The growth was mainly contributed by the increasing demands on the banner printing services provided by the Group. The following table sets forth a breakdown of the revenue by service category and their respective percentage of the total revenue for the years indicated.

	2018 HK\$'000		2017 HK\$'000	
Advertising printing	127,123	31.5%	131,854	33.8%
Bound book printing	83,209	20.7%	84,581	21.6%
Stationery printing	85,148	21.1%	85,015	21.8%
Banner printing	82,370	20.4%	68,646	17.6%
Other services	25,453	6.3%	20,542	5.2%
Total	<u>403,303</u>	<u>100 %</u>	<u>390,638</u>	<u>100%</u>

The contribution to the sales mix by the banner printing increased from 17.6% for the year ended 31 March 2017 to 20.4% for the year ended 31 March 2018, while the advertising printing remained as the major sources of revenue which accounted for 31.5% and 33.8% of our total revenue for year ended 31 March 2018 and 2017, respectively.

Sales Channels	2018 HK\$'000		2017 HK\$'000	
Stores	96,482	23.9%	96,517	24.7%
Websites	164,055	40.7%	169,930	43.6%
Others (<i>Note</i>)	142,766	35.4%	124,191	31.8%
Total	403,303	100 %	390,638	100%

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 and it contributed 40.7% of total revenue for the year ended 31 March 2018, which is slightly lower when compared with that of the year ended 31 March 2017. The sales contribution from other channels increased from 31.8% for the year ended 31 March 2017 to 35.4% for the year ended 31 March 2018. The change was attributable to the increasing proportion of the revenue contributed by the banner printing, in which the majority of sales orders were received through phone call and e-mail.

Other income

Other income primarily comprised the interest income from held-to-maturity investments and sales of scrap materials and sales of software to the Group’s joint venture. There was an increase of HK\$1.0 million for the year ended 31 March 2018 when compared to that of the year ended 31 March 2017, and it was mainly contributed by the one-off sales of software of HK\$3.4 million during the year, partly offsetting by the decrease in interest income from held-to-maturity investment of HK\$1.9 million.

Other losses – net

Other losses – net primarily comprised net loss incurred by the disposal of property, plant and equipment, disposal of financial assets and net foreign exchange gain or loss. The amount decreased by HK\$2.9 million when compared to that of the year ended 31 March 2017. It was the combined result of the decrease in the net loss on disposal of plant and equipment by HK\$1.7 million, the absence of the loss on a one-off disposal of financial assets of HK\$1.8 million which incurred in the prior year, offsetting by the increase in net foreign exchange loss for the year ended 31 March 2018.

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 represented 10.9% and 11.0% of the revenue for the year ended 31 March 2018 and 2017 respectively. The increase of the expenses was mainly due to the additional staff costs spent by the banner printing segment for the purpose of expanding its operation and market shares during the year.

Administrative expenses

Administrative expenses primarily comprised directors' remunerations, staff costs and outsourced customer support expenses. Administrative expenses represent 18.7% and 20.6% of the total revenue for the year ended 31 March 2018 and 2017 respectively. The amount decreased by HK\$5.0 million from HK\$80.5 million for the year ended 31 March 2017 to HK\$75.5 million for the year ended 31 March 2018. The decrease in expenses was the result of staff reassignment to sales team of banner printing segment in the current year.

Finance income

Finance income represented the interest income generated from bank deposits.

Finance costs

Finance costs primarily consisted 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. As at 31 March 2018, the Group had one joint venture in Malaysia.

Share of losses of associates

Share of losses of associates represented the share of results of the Group's associates. As at 31 March 2018, the Company had two associates operating in the PRC and Hong Kong respectively.

Profit for the year attributable to equity holders of the Company

Profit for the year attributable to equity holders of the Company increased by HK\$4.7 million or 27.2%, from HK\$17.3 million for the year ended 31 March 2017 to HK\$22.0 million for the year ended 31 March 2018. Net profit margin also increased from 4.4% for the year ended 31 March 2017 to 5.5% for the year ended 31 March 2018. The increase in the profit for the year attributable to equity holders of the Company was mainly due to banner printing segment was profitable for the year ended 31 March 2018.

Liquidity and Financial Information

As at 31 March 2018, the total amount of cash and cash equivalents of the Group was HK\$89.5 million, an increase of HK\$21.3 million as compared with that as at 31 March 2017. The increase was mainly arising from the cash inflow generated in the operating activities as well as the redemption of held-to-maturity investments during the year. As at 31 March 2018, the financial ratios of the Group were as follows:

	As at 31 March 2018 HK\$'000	As at 31 March 2017 HK\$'000
Current ratio ⁽¹⁾	2.3	1.2
Gearing ratio ⁽²⁾	13.7%	25.3%

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's bank borrowings as at 31 March 2018 and 2017 were HK\$24.6 million and HK\$38.3 million respectively. All bank borrowings were made from banks in Hong Kong and were repayable within three years, except a mortgage loan of HK\$21.9 million that was repayable within twenty years. 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 3.1% for the year ended 31 March 2018 and 31 March 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 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 of Hong Kong Limited (the “**Stock Exchange**”) since 3 December 2013. As at 31 March 2018, the total number of issued ordinary shares of the Company was 550,000,000 shares.

Capital Commitments

As at 31 March 2018 and 2017, the Group respectively had capital commitments totaling HK\$5.7 million and HK\$4.5 million for investment in an associate and purchase of computer equipment, respectively.

Significant Investments Held

Except for the investments in subsidiaries, joint venture and associates, the Group did not hold any significant investment in equity interest in any other company during the year.

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

The Group did not have any material acquisition or disposal of associates, joint ventures or subsidiaries for the year ended 31 March 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 mainly arising from the exposure of Renminbi against Hong Kong dollars. The Group does not hedge its foreign exchange risk as its exposure to foreign exchange risk is low as the Group’s cash flows mainly denominated in Hong Kong dollars.

Charge of Assets

At 31 March 2018 and 2017, the Group pledged the plant and machinery with a carrying value of HK\$9.7 million and HK\$23.8 million respectively, as collaterals to secure the Group’s obligation under finance leases. As at 31 March 2018 and 2017, the Group pledged two properties with the total carrying value of HK\$64.7 million and HK\$66.9 million respectively, as collaterals to secure the Group’s mortgage loan.

Capital Expenditure

During the year, the Group invested HK\$1.7 million in property, plant and equipment, represented a reduction of 97.8% in capital expenditure of last year.

EMPLOYEES AND EMOLUMENT POLICIES

At 31 March 2018, the Group had 342 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 Organisation for employees who are employed by the Group pursuant to the Malaysian rules and regulations and the prevailing regulatory requirements of Malaysia.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year ended 31 March 2018.

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**") set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (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 standard set out in the Model Code throughout the year.

CODE ON CORPORATE GOVERNANCE PRACTICES

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

During the year ended 31 March 2018, the Company was in compliance with the 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.

Save as the aforesaid and in the opinion of the Directors, the Company had met all code provisions set out in the CG Code during the year ended 31 March 2018.

The Board will continue to review and further improve the Company's corporate governance practices and standards, so as to ensure its business activities and decision-making processes are regulated in a proper and prudent manner.

AUDIT COMMITTEE

The Company established the Audit Committee on 13 November 2013 with written terms of reference in compliance with the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules. 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 audited financial statements of the Group for the year ended 31 March 2018.

REVIEW OF PRELIMINARY ANNOUNCEMENT

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 March 2018 have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

FINAL DIVIDEND

The Board resolved to recommend to the shareholders of the Company at the forthcoming annual general meeting of the Company to be held on Tuesday, 14 August 2018 ("**2018 AGM**") of a final dividend of HK2.40 cents per share for the year ended 31 March 2018 (2017: HK1.60 cents per share) to be paid on Wednesday, 5 September 2018 to the shareholders whose names appear on the register of members of the Company on Tuesday, 21 August 2018.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the identity of the shareholders entitled to attend and vote at the 2018 AGM, the register of members of the Company will be closed from Wednesday, 8 August 2018 to Tuesday, 14 August 2018, both days inclusive, during which period no transfer of shares will be registered. All transfer of shares accompanied by the relevant certificates must be lodged with the Company's transfer office and share registrar in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 7 August 2018.

For determining the entitlement of the shareholders to the proposed final dividend, the register of members of the Company will be closed from Monday, 20 August 2018 to Tuesday, 21 August 2018, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend, all transfer of shares accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited for registration not later than 4:30 p.m. on Friday, 17 August 2018.

By Order of the Board
eprint Group Limited
She Siu Kee William
Chairman and Chief Executive Officer

Hong Kong, 29 June 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.