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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 2019 AND RETIREMENT OF DIRECTORS

**FINANCIAL HIGHLIGHTS**

| | For the year ended 31 March | | |
|---|---|---|---|
| | **2019** | 2018 | |
| | ***HK$'million*** | *HK$'million* | *Change* |
| **Operating Results** | | | |
| Revenue | **408.7** | 403.3 | 1.3% |
| – *e-print segment* | **314.1** | 308.8 | 1.7% |
| – *e-banner segment* | **94.6** | 94.5 | 0.1% |
| Operating profit before other losses (including impairment loss on a financial asset) – net | **20.9** | 33.8 | -38.2% |
| – *e-print segment* | **21.1** | 30.5 | -30.8% |
| – *e-banner segment* | **(0.2)** | 3.3 | -106.1% |
| Other losses (including impairment loss on a financial asset) – net | **(1.9)** | (4.9) | -61.2% |
| – *e-print segment* | **(2.5)** | (4.3) | -41.9% |
| – *e-banner segment* | **0.6** | (0.6) | -200.0% |

| | For the year ended 31 March | | |
|---|---|---|---|
| | **2019** | 2018 | |
| | ***HK$'million*** | *HK$'million* | *Change* |
| Operating profit | **19.0** | 28.8 | -34.0% |
| *– e-print segment* | **18.6** | 26.1 | -28.7% |
| *– e-banner segment* | **0.4** | 2.7 | -85.2% |
| Profit for the period attributable to | | | |
| *– equity holders of company* | **17.4** | 22.0 | -20.9% |
| *– non – controlling interests* | **(0.2)** | 1.1 | -118.2% |
| Net profit margin % (Attributable to equity holders of company) | **4.3%** | 5.5% | |
| Gross profit margin % | **32.7%** | 36.2% | |
| Basic earnings per share (HK Cents) | **3.16** | 4.01 | -21.2% |
| **Financial Position** | | | |
| Total assets | **310.7** | 311.2 | -0.2% |
| Total equity | **234.5** | 231.7 | 1.2% |
| Cash and cash equivalents | **123.7** | 89.5 | 38.2% |

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 2019, together with the comparative figures for the year ended 31 March 2018, as follows:

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**
*For the year ended 31 March 2019*

| | *Note* | **2019** **HK$'000** | 2018 HK$'000 |
|---|---|---|---|
| Revenue | *2* | **408,723** | 403,303 |
| Cost of sales | *5* | **(275,258)** | (257,216) |
| **Gross profit** | | **133,465** | 146,087 |
| Other income | *3* | **3,109** | 7,107 |
| Other losses – net | *4* | **(271)** | (4,890) |
| Selling and distribution expenses | *5* | **(34,822)** | (43,955) |
| Administrative expenses | *5* | **(80,884)** | (75,486) |
| Impairment loss on a financial asset | | **(1,595)** | – |
| **Operating profit** | | **19,002** | 28,863 |
| Finance income | | **1,510** | 488 |
| Finance costs | | **(743)** | (1,292) |
| Finance income/(costs) – net | *6* | **767** | (804) |
| Share of losses of associates | | **(2,268)** | (143) |
| Share of profit of a joint venture | | **2,494** | 777 |
| | | **226** | 634 |
| **Profit before income tax** | | **19,995** | 28,693 |
| Income tax expense | *7* | **(2,862)** | (5,599) |
| **Profit for the year** | | **17,133** | 23,094 |
| **Other comprehensive income:** | | | |
| *Item that may be reclassified to profit or loss:* | | | |
| Currency translation differences | | **(1,081)** | 2,012 |
| **Total comprehensive income for the year** | | **16,052** | 25,106 |

| | Note | **2019** <br> ***HK$'000*** | 2018 <br> *HK$'000* |
|---|---|---|---|
| **Profit for the year attributable to:** | | | |
| Equity holders of the Company | | **17,353** | 22,032 |
| Non-controlling interests | | **(220)** | 1,062 |
| | | **17,133** | 23,094 |
| **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* | **3.16** | 4.01 |
| **Total comprehensive income for the year attributable to:** | | | |
| Equity holders of the Company | | **16,338** | 23,854 |
| Non-controlling interests | | **(286)** | 1,252 |
| | | **16,052** | 25,106 |

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**
*As at 31 March 2019*

| | Note | 2019 HK$'000 | 2018 HK$'000 |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | | **121,213** | 135,671 |
| Intangible asset | | **725** | 725 |
| Other financial assets at amortised cost | | **1,100** | – |
| Investments in associates | | **1,158** | 2,977 |
| Investment in a joint venture | | **10,084** | 8,021 |
| Deferred income tax assets | | **2,313** | 2,402 |
| Deposits and prepayments | *10* | **6,093** | 4,913 |
| | | **142,686** | 154,709 |
| **Current assets** | | | |
| Inventories | | **6,032** | 6,051 |
| Trade receivables | *9* | **6,480** | 7,880 |
| Deposits, prepayments and other receivables | *10* | **10,639** | 15,036 |
| Other financial assets at amortised cost | | **8,919** | – |
| Held-to-maturity investments | | **–** | 15,000 |
| Financial assets at fair value through profit or loss | | **9,545** | 12,746 |
| Current income tax recoverable | | **–** | 20 |
| Amounts due from related companies | | **2,708** | 10,191 |
| Cash and cash equivalents | | **123,664** | 89,524 |
| | | **167,987** | 156,448 |
| **Total assets** | | **310,673** | 311,157 |
| **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 | | **90,006** | 86,868 |
| | | **228,427** | 225,289 |
| Non-controlling interests | | **6,091** | 6,377 |
| **Total equity** | | **234,518** | 231,666 |

| | Note | 2019 HK$'000 | 2018 HK$'000 |
|---|---|---|---|
| **Liabilities** | | | |
| **Non-current liabilities** | | | |
| Obligations under finance leases | | **268** | 1,935 |
| Other payables | | **1,063** | 1,186 |
| Deferred income tax liabilities | | **6,901** | 7,768 |
| | | **8,232** | 10,889 |
| **Current liabilities** | | | |
| Trade payables | *11* | **9,323** | 12,886 |
| Accruals and other payables | | **30,250** | 25,270 |
| Borrowings | *12* | **25,943** | 24,592 |
| Obligations under finance leases | | **1,868** | 5,110 |
| Amounts due to related parties | | **34** | 336 |
| Amounts due to directors | | **200** | 245 |
| Current income tax payable | | **305** | 163 |
| | | **67,923** | 68,602 |
| **Total liabilities** | | **76,155** | 79,491 |
| **Total equity and liabilities** | | **310,673** | 311,157 |

# 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 2018:

| | |
|---|---|
| Annual Improvements Projects HKFRS 1 and HKAS 28 | Annual improvements 2014 – 2016 cycle |
| HKFRS 2 (Amendments) | Classification and measurement of share-based payment transactions |
| HKFRS 4 (Amendments) | Applying HKFRS 9 financial instruments with HKFRS 4 insurance contracts |
| HKFRS 9 | Financial instruments |
| HKFRS 15 | Revenue from contracts with customers |
| HKFRS 15 (Amendments) | Clarifications to HKFRS 15 |
| HKAS 40 (Amendments) | Transfers of investment property |
| HK(IFRIC)–Int 22 | Foreign currency transactions and advance consideration |

The Group had to change its accounting policies and make certain adjustments following the adoption of HKFRS 9 and HKFRS 15 which are disclosed in Note 1.2. The adoption of other new and amended standards and interpretation did not have any material impact on the current or prior periods.

*(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 2018, and have not been applied in preparing these consolidated financial statements:

| | | **Effective for annual periods beginning on or after** |
|---|---|---|
| Annual Improvements Project (Amendments) | Annual improvements 2015-2017 cycle | 1 January 2019 |
| HKAS 19 (Amendments) | Plan amendment, curtailment or settlement | 1 January 2019 |
| HKAS 28 (Amendments) | Long-term interests in associates and joint ventures | 1 January 2019 |
| HKFRS 9 (Amendments) | Prepayment features with negative compensation | 1 January 2019 |
| HKFRS 16 | Leases | 1 January 2019 |
| HK(IFRIC)–Int 23 | Uncertainty over income tax treatments | 1 January 2019 |
| 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 |
| 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 | Note |

*Note:* To be announced by HKICPA

The Group will adopt the new and amended standards when they become effective. The Group has commenced the assessment of the expected impact of HKFRS 16 as set out below. The directors of the Group assess that the adoption of the other new standard, amendments to standards and interpretations is not expected to have any significant impact on the results and the financial position of the Group.

*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$45,449,000. Upon adoption of HKFRS 16 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. For lease commitments relate to short-term leases which will be recognised on a straight-line basis as expense in the consolidated financial statement.

The Group does not foresee any material impact on the net profit of the Group as a result of adoption of 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. Right-of-use assets for all leases will be measured on transition as if the new rules had always been applied.

### 1.2 Changes in accounting policies

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

#### *(a) Impact on financial information*

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

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

| **Consolidated statement of financial position (extract)** | **31 March 2018 as originally presented** | **Effects of the adoption of HKFRS 9** | **1 April 2018** |
|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* |
| Current assets | | | |
| Held-to-maturity investments | 15,000 | (15,000) | – |
| Other financial assets at amortised cost | – | 15,000 | 15,000 |

### *(b) HKFRS 9 Financial Instruments – Impact on adoption*

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

The adoption of HKFRS 9 Financial Instruments from 1 April 2018 resulted in changes in accounting policies.

*(i) Classification and measurement*

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

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

*(ii) Impairment of financial assets*

The Group has two types of financial assets that is subject to HKFRS 9's new expected credit loss model:

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

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

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

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

Trade receivables

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

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

Other financial assets at amortised cost

The Group applies the HKFRS 9 general approach to measure ECL which permits the uses of the lifetime expected loss allowance for all other financial assets at amortised cost. The Group assessed that the loss allowance was immaterial upon the initial adoption of the standard, but the Group recognised a loss allowance of approximately HK$1,595,000 as at 31 March 2019.

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

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

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

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

*(i) Timing difference of revenue recognition*

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

*(ii) Presentation of contract liabilities related to contract with customers*

"Advanced receipt from customers" which were previously included in accruals and other payables, amounting to HK$4,597,000 as at 1 April 2018, are now included under contract liabilities to reflect the terminology of HKFRS 15.

*(iii) Accounting for shipping service*

Management has identified certain shipping arrangements as separate performance obligation, the total consideration of sales contracts are allocated to the performance obligation identified based on stand-alone selling price.

Under HKFRS 15, certain shipping arrangements are recognised as revenue once separate performance obligations are identified. The shipping costs directly fulfilling shipping arrangements are then recognised in the consolidated profit or loss. During the year ended 31 March 2019, cost of shipping services of HK$12,677,000 was reclassified from 'selling and distribution expenses' to 'costs of sales'.

## 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 subsidiary incorporated in Malaysia 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.

Revenue for the year consists of the revenue from paper printing and banner printing. The Group derives all revenue from the sale of goods at a point in time.

During the year ended 31 March 2019 and 2018, 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 2019 and 2018 respectively.

| | For the year ended 31 March 2019 | | | |
|---|---|---|---|---|
| | **Paper printing** *HK$'000* | **Banner printing** *HK$'000* | **Eliminations** *HK$'000* | **Total** *HK$'000* |
| **Segment revenue** | | | | |
| Revenue from external customers | **314,143** | **94,580** | **–** | **408,723** |
| Inter-segment revenue | **292** | **46** | **(338)** | **–** |
| Total | **314,435** | **94,626** | **(338)** | **408,723** |
| Segment results | **18,623** | **379** | | **19,002** |
| Finance income | | | | **1,510** |
| Finance costs | | | | **(743)** |
| Share of losses of associates | | | | **(2,268)** |
| Share of profit of a joint venture | | | | **2,494** |
| Profit before income tax | | | | **19,995** |
| Income tax expense | | | | **(2,862)** |
| Profit for the year | | | | **17,133** |
| Impairment loss on a financial asset | **1,595** | **–** | | **1,595** |
| Depreciation of property, plant and equipment | **11,070** | **6,938** | | **18,008** |
| Capital expenditure | **3,621** | **1,567** | | **5,188** |

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

The following tables present segment assets as at 31 March 2019 and 2018 respectively.

| | **Paper printing** ***HK$'000*** | **Banner printing** ***HK$'000*** | **Total** ***HK$'000*** |
|---|---|---|---|
| As at 31 March 2019 | **134,958** | **40,809** | **175,767** |
| As at 31 March 2018 | 156,719 | 48,919 | 205,638 |

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

| | As at 31 March | |
|---|---|---|
| | **2019** | 2018 |
| | ***HK$'000*** | *HK$'000* |
| Segment assets | **175,767** | 205,638 |
| Investments in associates | **1,158** | 2,977 |
| Investment in a joint venture | **10,084** | 8,021 |
| Cash and cash equivalents | **123,664** | 89,524 |
| Other unallocated segment assets | **–** | 4,997 |
| Total assets | **310,673** | 311,157 |

## 3. OTHER INCOME

| | **2019** | 2018 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| I.T. license fee income | **67** | 254 |
| Sales of software | **124** | 3,461 |
| Scrap sales | **1,444** | 1,456 |
| Interest income from unlisted bond securities | **723** | 1,324 |
| Sundry income | **751** | 612 |
| | **3,109** | 7,107 |

## 4. OTHER LOSSES – NET

| | **2019** | 2018 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Losses on disposals of property, plant and equipment | **(1,350)** | (4,720) |
| Exchange gains/(losses) – net | **431** | (486) |
| Fair value gains on financial assets at fair value through profit or loss | **648** | 427 |
| Loss on partial disposal of an associate | **–** | (111) |
| | **(271)** | (4,890) |

## 5. EXPENSES BY NATURE

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

| | 2019<br>*HK$'000* | 2018<br>*HK$'000* |
|---|---|---|
| Cost of materials | **53,112** | 53,180 |
| Auditor's remuneration | | |
| – Audit services | **1,624** | 1,566 |
| – Non-audit services | **242** | 111 |
| Employee benefits expense | **86,616** | 82,292 |
| Depreciation of property, plant and equipment | **18,008** | 18,483 |
| Amortisation of intangible assets | **–** | 430 |
| Impairment loss on intangible assets | **–** | 287 |
| Outsourced customer support expenses | **20,648** | 19,491 |
| Subcontracting fee | **146,179** | 141,888 |
| Operating lease rental of premises and equipment | **21,507** | 20,430 |
| Repairs and maintenance | **3,763** | 3,386 |
| Distribution costs | **17,841** | 13,971 |
| Utility expenses | **3,697** | 3,835 |
| Write off of trade receivables | **109** | 3 |
| Recovery of trade receivables previously written off | **(24)** | (24) |
| Others | **17,642** | 17,328 |
| Total cost of sales, selling and distribution expenses and administrative expenses | **390,964** | 376,657 |

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

## 6. FINANCE INCOME/(COSTS) – NET

| | 2019<br>*HK$'000* | 2018<br>*HK$'000* |
|---|---|---|
| Finance income | | |
| – Interest income from bank deposits | 1,000 | 488 |
| – Interest income from loan receivable | 510 | – |
| | 1,510 | 488 |
| Finance costs | | |
| – Finance charges on obligations under finance lease | (174) | (375) |
| – Interest expenses on borrowings | (569) | (917) |
| | (743) | (1,292) |
| Finance income/(costs) – net | 767 | (804) |

## 7. INCOME TAX EXPENSE

| | 2019<br>*HK$'000* | 2018<br>*HK$'000* |
|---|---|---|
| Current income tax | | |
| – Hong Kong profits tax | **3,887** | 5,747 |
| – PRC corporate income tax | **371** | 150 |
| (Over)/under-provision in prior years | **(618)** | 554 |
| | **3,640** | 6,451 |
| Deferred income tax | **(778)** | (852) |
| Income tax expense | **2,862** | 5,599 |

Subsidiaries incorporated in Hong Kong are subject to Hong Kong profits tax at a rate of 8.25% (2018: 16.5%) on the estimated assessable profit up to approximately HK$2,000,000 and 16.5% on any part of the estimated assessable profit over approximately HK$2,000,000 for the year (2018: 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 (2018: 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 2019 and 2018.

| | 2019 | 2018 |
|---|---|---|
| Profit attributable to equity holders of the Company *(HK$'000)* | **17,353** | 22,032 |
| Weighted average number of ordinary shares in issue *(thousands)* | **550,000** | 550,000 |
| Basic earnings per share *(HK cents)* | **3.16** | 4.01 |

### (b) Diluted

Diluted earnings per share is the same as the basic earnings per share for the years ended 31 March 2019 and 2018 as there were no potential dilutive ordinary shares outstanding during the years.

## 9. TRADE RECEIVABLES

| | **2019** | 2018 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Trade receivables | **6,495** | 7,895 |
| Less: loss allowance | **(15)** | (15) |
| Trade receivables – net | **6,480** | 7,880 |

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:

| | **2019** | 2018 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| 0 – 30 days | **3,906** | 4,977 |
| 31 – 60 days | **1,155** | 1,530 |
| Over 60 days | **1,419** | 1,373 |
| | **6,480** | 7,880 |

As at 31 March 2019 and 2018, 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

| | **2019** | 2018 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Deposits and prepayments | **15,414** | 18,570 |
| Other receivables | **752** | 335 |
| Interest receivables from unlisted bond securities | **566** | 1,044 |
| | **16,732** | 19,949 |
| Less: non-current portion | | |
| Deposits and prepayments | **(6,093)** | (4,913) |
| Deposits, prepayments and other receivables – current portion | **10,639** | 15,036 |

## 11. TRADE PAYABLES

| | **2019** | 2018 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Trade payables | **9,323** | 12,886 |

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:

| | **2019** | 2018 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| 0 – 30 days | **5,495** | 9,720 |
| 31 – 60 days | **2,330** | 2,250 |
| 61 – 90 days | **763** | 916 |
| Over 90 days | **735** | – |
| | **9,323** | 12,886 |

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

## 12. BORROWINGS

| | **2019** | 2018 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Current | | |
| Trust receipt loans | **2,022** | 1,679 |
| Bank overdrafts | **2,998** | – |
| Bank loans | **20,923** | 22,913 |
| | **25,943** | 24,592 |

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:

| | 2019 | 2018 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| Within 1 year | **6,001** | 3,674 |
| Between 1 and 2 years | **1,003** | 981 |
| Between 2 and 5 years | **3,149** | 3,079 |
| Over 5 years | **15,790** | 16,858 |
| | **25,943** | 24,592 |

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 denominated in Hong Kong dollars as at 31 March 2019 and 2018.

The fair values of the borrowings approximate to their carrying amounts as at 31 March 2019 and 2018 as all the borrowings carry interests which are benchmarked against Hong Kong Dollar prime rate or 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 2019 and 2018.

As at 31 March 2019, the borrowings of the Group were secured by personal guarantees provided by a related party of the Group. Included in bank loans to the extent of approximately HK$20,923,000 (2018: HK$21,878,000) are mortgage loans are secured by properties of the Group of approximately HK$62,503,000 (2018: HK$64,716,000).

## 13. DIVIDENDS

The dividends paid in 2019 amounted to approximately HK$13,200,000 (2018: HK$8,800,000). A dividend in respect of the year ended 31 March 2019 of HK1.60 cents per share, amounting to a total dividend of HK$8,800,000, was proposed by the Board of Directors on 24 June 2019 and to be recommended to the shareholders at the forthcoming annual general meeting. These financial statements do not reflect this dividend payable.

| | 2019 | 2018 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| Proposed final dividend of HK1.60 cents (2018: HK2.40 cents) per ordinary share | **8,800** | 13,200 |

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review

The Board presents to its shareholders the results of the Group for the year ended 31 March 2019. In the current financial year, the Group's revenue increased by 1.3%, from HK$403.3 million to HK$408.7 million. However, the costs of sales increased in a higher degree because of the reclassification of the delivery charges and hence the gross profit margin dropped by 3.5%. The Group's audited profit attributable to equity holders for the year ended 31 March 2019 was HK$17.4 million, representing a decrease of 20.9% when compared with last year. The declined net profit was mainly attributed to the increased operating costs and the absence of the one-off income from software sales as recorded for the year ended 31 March 2018.

The revenue of the Group's paper printing segment increased by HK$5.3 million as a result of our well established reputation. The advertising printing was still the major contributor to the segment's revenue and recorded an amount of HK$128.1 million. Our bound book printing also achieved an improvement of 5.1% increase as a result of the increased market demand. The segment's gross profit margin dropped by 3.0% to 32.2%, and the major reason was that the delivery charges, which was classified as selling and distribution expenses in previous year, had been reclassified to cost of sales during the year according to the newly effective accounting standard. If the effect of the reclassification were ignored, the gross profit margin would be 35.5%, which was similar as last year's figures. In addition, the absence of the one-off income from software sales, inflating staff cost and other daily operating expenses led to the decrease of the operating profit from HK$26.1 million last year to HK$18.6 million in the current year.

For the Group's banner printing segment, we maintained a similar level of revenue since recording a significant growth last year. The gross profit margin dropped by 5.1% as the segment was also subject to above mentioned reclassification of delivery charges, in addition to the increased subcontracting cost and material cost. The gross profit margin would have decreased by 2.9% when compared with last year's figures if we ignore the effect of reclassification. The segment's operating profit was also influenced by the increased operating cost and hence resulted in a decrease of HK$2.3 million.

### Outlook

With the combined effect of the global economic uncertainty, challenges arising from digital marketing to the printing industry and increasing operating costs in Hong Kong, the management expects that the operating environment in Hong Kong will remain difficult in the coming year. Nevertheless, the Board believes that the Group can overcome these challenges and increase the shareholders value by continuously improving the customer experience; offering a wider choice of products with customization features; and implementing efficient cost management strategy. Last but not least, we are proactively looking for different business opportunities in order to fully utilize the solid financial foundation and reputation of the Group.

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:

- Strengthening the cost control to maintain the competitive pricing strategy.
- Developing the new business line and customizing products and services to meet the market demand.
- Continuously improving 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$5.4 million or 1.3% from HK$403.3 million to HK$408.7 million. The growth was mainly contributed by the increasing sales of the paper 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 years indicated.

| | **2019** | | 2018 | |
|---|---|---|---|---|
| | ***HK$'000*** | | *HK$'000* | |
| Advertising printing | **128,136** | **31.4%** | 127,123 | 31.5% |
| Bound book printing | **87,471** | **21.4%** | 83,209 | 20.6% |
| Stationery printing | **84,788** | **20.7%** | 85,148 | 21.1% |
| Banner printing | **83,084** | **20.3%** | 82,370 | 20.4% |
| Other services | **25,244** | **6.2%** | 25,453 | 6.3% |
| Total | **408,723** | **100%** | 403,303 | 100% |

The advertising printing was still the major contributor of the revenue, which accounted for 31.4% of the total revenue for the year ended 31 March 2019.

| Sales Channels | **2019**<br>***HK$'000*** | | 2018<br>*HK$'000* | |
|---|---|---|---|---|
| Stores | **93,475** | **22.9%** | 96,482 | 23.9% |
| Websites | **186,024** | **45.5%** | 164,055 | 40.7% |
| Others *(Note)* | **129,224** | **31.6%** | 142,766 | 35.4% |
| Total | **408,723** | **100%** | 403,303 | 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 the major sales channel and it contributed 45.5% of total revenue for the year ended 31 March 2019, represented an increase of 4.8% when compared with last year. The sales contributed by other channels slightly decreased from 35.4% to 31.6%. The change was caused by the increasing proportion of the revenue contributed by the paper printing segment, in which the majority of the sales orders were made on the online platform.

**Other income**

Other income mainly represented the interest income from unlisted bonds securities and sales of scrap materials. The amount decreased by HK$4.0 million as there was an absence of the one-off income from software sales as recorded for the year ended 31 March 2018, in addition to the HK$0.6 million decrease in interest income received from unlisted bond securities.

**Other losses – net**

Other losses – net mainly represented the loss incurred on the disposal of property, plant and equipment and foreign exchange difference. The net loss decreased by HK$4.6 million when compared with last year and it was caused by the significant decrease in the loss incurred on disposing property, plant and equipment during the year.

**Selling and distribution expenses**

Selling and distribution expenses mainly consisted of staff costs, handling charges for electronic payments, and rental charges. Selling and distribution expenses represented 8.5% and 10.9% of the revenue for the year ended 31 March 2019 and 2018 respectively. The decrease of HK$9.1 million was mainly due to the reclassification of delivery charges of HK$12.7 million to cost of sales in the current year according to the newly effective accounting standards. If we ignore the effect of the reclassification, the expenses would increase by HK$3.5 million, which was the combined effect of the increased staff cost and the delivery charges.

**Administrative expenses**

Administrative expenses mainly include staff costs and outsourced customer support expenses. Administrative expenses represent 19.8% and 18.7% of the total revenue for the year ended 31 March 2019 and 2018 respectively. The amount increased by HK$5.4 million from HK$75.5 million for the year ended 31 March 2018 to HK$80.9 million for the year ended 31 March 2019. The increase was the result of increased staff cost and outsourced customer support expenses.

**Impairment loss on a financial asset**

Impairment loss on a financial asset solely represents the expected credit loss of HK$1.6 million against the loan receivable. An external valuer was engaged to determine the amount of provision, in which various factors (e.g. financial information, average corporate recovery rate, economic indices and etc.) was taken into consideration during the valuation.

**Finance income**

Finance income mainly represented the interest income generated from bank deposits and the loan receivable. The income increased by HK$1.0 million as the Group allocated more funds to the bank deposits during the year, in addition to the income generated from the loan receivable.

**Finance costs**

Finance costs primarily consisted of interest expenses on bank borrowings and finance charges on obligations under finance lease. The amount was dropped by HK$0.6 million when compared with last year because of the repayment made on the borrowing and finance lease arrangement during the year.

**Share of profit of a joint venture**

The amount represented the share of result of the Group's joint venture, e-print Solutions Sdn. Bhd. The improvement of their financial performance led to the increase of the Group's share in the current year.

**Share of losses of associates**

The amount represented the share of results of the Group's associates in Hong Kong and the People's Republic of China (the "PRC"), namely Sakura Japan Property (Hong Kong) Limited and Shenzhen Yi Yun Hu Wang Tong Technology Company Limited ("Yi Yun") respectively. During the year, an impairment provision of HK$1 million was made on the investment in Yi Yun after assessing the recoverable amount of the investment.

**Profit for the year attributable to equity holders of the Company**

Profit for the year attributable to equity holders of the Company decreased by HK$4.6 million or 20.9%, from HK$22.0 million for the year ended 31 March 2018 to HK$17.4 million for the year ended 31 March 2019. Net profit margin also dropped by 1.2%. The decrease in the profit for the year attributable to equity holders of the Company was mainly due to increased operating cost during the year.

**Liquidity and financial information**

As at 31 March 2019, the Group's bank balances and cash was HK$123.7 million, represented an increase of HK$34.2 million when compared with that as at 31 March 2018. The increase was mainly due to the cash inflow generated in the operating activities. As at 31 March 2019, the financial ratios of the Group were as follows:

| | **As at 31 March 2019** | As at 31 March 2018 |
|---|---|---|
| Current ratio [(1)] | **2.5** | 2.3 |
| Gearing ratio [(2)] | **12.0%** | 13.7% |

*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' bank borrowings balance as at 31 March 2019 and 31 March 2018 were HK$25.9 million and HK$24.6 million respectively. All bank borrowings were made from banks in Hong Kong and were repayable within one year, except a mortgage loan with the carrying amount of HK$20.9 million which will be matured in 2036. 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) was 2.3% for both the year ended 31 March 2019 and 31 March 2018 respectively.

**Treasury Policies**

The Group had 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 31 March 2019, the total number of issued ordinary shares of the Company was 550,000,000 shares.

**Capital Commitments**

As at 31 March 2019 and 2018, the Group had capital commitments totaling HK$4.4 million and HK$5.7 million for investment in an associate and purchase of property, plant and 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 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 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 2019 and 2018, the Group pledged the plant and machinery with a carrying value of HK$4.4 million and HK$9.7 million respectively, as collaterals to secure the Group's obligation under finance leases. As at 31 March 2019 and 2018, the Group pledged two properties with the total carrying value of HK$62.5 million and HK$64.7 million respectively, as collaterals to secure the Group's mortgage loan.

**Capital Expenditure**

During the year, the Group invested HK$5.2 million in property, plant and equipment, represented an increase of HK$3.5 million in capital expenditure than last year.

## EMPLOYEES AND EMOLUMENT POLICIES

At 31 March 2019, the Group had 333 full time employees. There was 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 included contributions to Mandatory Provident Fund retirement benefits scheme in Hong Kong, 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.

## 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 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**") 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

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 2019, 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 2019.

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 which was revised on 25 February 2019 to comply 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 2019.

## REVIEW OF PRELIMINARY ANNOUNCEMENT

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 March 2019 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 Friday, 16 August 2019 ("**AGM**") of a final dividend of HK1.60 cents per share for the year ended 31 March 2019 (2018: HK2.40 cents per share) to be paid on Thursday, 5 September 2019 to the shareholders whose names appear on the register of members of the Company on Friday, 23 August 2019.

## CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the identity of the shareholders entitled to attend and vote at the AGM, the register of members of the Company will be closed from Monday, 12 August 2019 to Friday, 16 August 2019, 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 branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Friday, 9 August 2019.

For determining the entitlement of the shareholders to the proposed final dividend, the register of members of the Company will be closed from Thursday, 22 August 2019 to Friday, 23 August 2019, 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 Wednesday, 21 August 2019.

## RETIREMENT OF DIRECTORS

The Board also announces that:–

(1) Mr. Lam Shing Kai shall retire by rotation at the AGM pursuant to article 108(a) of the Articles of Association of the Company ("**Articles**"). Mr. Lam Shing Kai confirmed that he will not offer himself for re-election at the AGM as he would like to spend more time pursuing his own business; and

(2) Mr. Deng Xiaen elected to retire at the AGM pursuant to article 108(b) of the Articles as he would like to devote more time on his own business.

Each of Mr. Lam and Mr. Deng confirmed that he has no disagreement with the Board and there is no other matter relating to his retirement that needs to be brought to the attention of the shareholders of the Company and the Stock Exchange.

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

Hong Kong, 24 June 2019

*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.*