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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 2017

FINANCIAL HIGHLIGHTS

	For the year ended 31 March		
	2017	2016	
	HK$'million	HK$'million	Change
Operating Results			
Revenue	**390.6**	382.8	2.0%
— *e-print segment*	**314.4**	331.0	(5.0%)
— *e-banner segment*	**76.2**	51.8	47.1%
Operating profit before other losses – net	**22.2**	29.7	(25.3%)
— *e-print segment*	**36.6**	40.1	(8.7%)
— *e-banner segment*	**(14.4)**	(10.4)	38.5%
Other losses – net	**(7.8)**	(6.6)	18.2%
— *e-print segment*	**(7.7)**	(6.8)	13.2%
— *e-banner segment*	**(0.1)**	0.2	150.0%
Operating profit	**14.4**	23.1	(37.7%)
— *e-print segment*	**28.9**	33.3	(13.2%)
— *e-banner segment*	**(14.5)**	(10.2)	42.2%

	For the year ended 31 March		
	2017	2016	
	HK$'million	HK$'million	Change
Profit for the year attributable to:			
— equity holders of the Company	**17.3**	26.1	(33.7%)
— non-controlling interests	**(8.1)**	(4.2)	92.9%
Net profit margin % (Attributable to equity holders of the Company)	**4.4%**	6.8%	
Gross profit margin %	**35.7%**	35.3%	
Basic earnings per share (HK cents)	**3.15**	4.90	(35.7%)
	As at 31 March		
	2017	2016	
	HK$'million	HK$'million	Change
Financial Position			
Total assets	**312.8**	299.2	4.5%
Total equity	**207.5**	206.8	0.3%
Cash and cash equivalents	**68.2**	90.3	(24.5%)

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 2017, together with the comparative figures for the year ended 31 March 2016, are as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2017

	Note	**2017** **HK$'000**	2016 HK$'000
Revenue	2	**390,638**	382,768
Cost of sales	5	**(251,328)**	(247,665)
Gross profit		**139,310**	135,103
Other income	3	**6,119**	13,327
Other losses – net	4	**(7,807)**	(6,617)
Selling and distribution expenses	5	**(42,769)**	(36,318)
Administrative expenses	5	**(80,507)**	(82,403)

	Note	2017 HK$'000	2016 HK$'000
Operating profit		**14,346**	23,092
Finance income	6	**466**	2,186
Finance costs	6	**(1,579)**	(1,186)
Finance (costs)/income – net	6	**(1,113)**	1,000
Share of losses of associates		**(1,746)**	(321)
Share of profit of joint venture		**1,257**	851
		(489)	530
Profit before income tax		**12,744**	24,622
Income tax expense	7	**(3,525)**	(2,815)
Profit for the year		**9,219**	21,807
Other comprehensive income:			
Item that may be reclassified to profit or loss:			
Currency translation differences		**(1,705)**	(479)
Total comprehensive income for the year		**7,514**	21,328
Profit for the year attributable to:			
Equity holders of the Company		**17,321**	26,053
Non-controlling interests		**(8,102)**	(4,246)
		9,219	21,807
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	**3.15**	4.90
Total comprehensive income for the year attributable to:			
Equity holders of the Company		**15,857**	25,574
Non-controlling interests		**(8,343)**	(4,246)
		7,514	21,328

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2017

	Note	2017 HK$'000	2016 HK$'000
Assets			
Non-current assets			
Property, plant and equipment		**157,189**	113,467
Intangible assets		**1,442**	1,872
Held-to-maturity investments		**15,000**	40,295
Financial asset at fair value through profit or loss		**12,319**	11,950
Investments in associates		**2,962**	4,196
Investment in a joint venture		**6,205**	5,655
Deferred income tax assets		**3,259**	2,311
Deposits and prepayments	10	**4,940**	4,732
		203,316	184,478
Current assets			
Inventories		**5,409**	5,191
Trade receivables	9	**4,518**	3,571
Deposits, prepayments and other receivables	10	**15,500**	7,458
Held-to-maturity investments		**10,000**	–
Current income tax recoverable		**17**	282
Amounts due from related companies		**5,849**	7,883
Cash and cash equivalents		**68,220**	90,295
		109,513	114,680
Total assets		**312,829**	299,158
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		**71,814**	68,607
		210,235	207,028
Non-controlling interests		**(2,715)**	(197)
Total equity		**207,520**	206,831

	Note	**2017** **HK$'000**	2016 HK$'000
Liabilities			
Non-current liabilities			
Obligations under finance leases		**7,045**	8,417
Deferred income tax liabilities		**9,477**	11,754
		16,522	20,171
Current liabilities			
Trade payables	11	**7,948**	15,274
Accruals and other payables	11	**28,298**	26,775
Borrowings	12	**38,343**	17,840
Obligations under finance leases		**7,013**	9,448
Amount due to a related company		**9**	15
Amounts due to directors		**245**	265
Current income tax payable		**6,931**	2,539
		88,787	72,156
Total liabilities		**105,309**	92,327
Total equity and liabilities		**312,829**	299,158

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 2016:

Amendments to HKAS 1	Disclosure initiative
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: bearer plants
Amendments to HKAS 27	Equity method in separate financial statements
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: applying consolidation exception
Amendments to HKFRS 11	Accounting for acquisitions of interests in joint operations
HKFRS 14	Regulatory deferral accounts
Annual Improvements Project	Annual improvements 2012–2014 Cycle

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 2016, and have not been applied in preparing these consolidated financial statements:

		Effective for annual periods beginning on or after
Amendments to HKAS 7	Disclosure initiative	1 January 2017
Amendments to HKAS 12	Recognition of deferred tax assets for unrealised losses	1 January 2017
Amendments to HKFRS 2	Classification and measurement of share-based payment transactions	1 January 2018
HKFRS 9	Financial instruments	1 January 2018
HKFRS 15	Revenue from contracts with customers	1 January 2018
Amendments to HKFRS 15	Classifications to HKFRS 15	1 January 2018
HKFRS 16	Leases	1 January 2019
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

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.

2. SEGMENT INFORMATION

The chief operating decision-maker has been identified as the Board of Directors of the Group. The chief operating decision-maker has determined the operating segments based on the reports reviewed by the Board of Directors of the Group, that are used to make strategic decisions and assess performance.

The chief operating decision-maker has determined the operating segments based on these reports. The Group is organised into two business segments:

(a) paper printing segment (mainly derived from the brand "e-print"); and

(b) banner printing segment (mainly derived from the brand "e-banner").

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-marker.

Management assesses the performance of the operating segments based on a measure of gross profit less distribution costs, administrative and selling expenses, and other operating expenses that are allocated to each segment. Other information provided is measured in a manner consistent with that in the financial statements.

Sales between segments are carried out at arm's length basis.

The subsidiary incorporated in the People's Republic of China (the "**PRC**") provides 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 2016 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 2017 and 2016 respectively.

	For the year ended 31 March 2017			
	Paper printing HK$'000	**Banner printing HK$'000**	**Eliminations HK$'000**	**Total HK$'000**
Segment revenue				
Revenue from external customers	**314,486**	**76,152**	**—**	**390,638**
Inter-segment revenue	**426**	**91**	**(517)**	**—**
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**
Profit before income tax				**12,744**
Income tax expense				**(3,525)**
Profit for the year				**9,219**
Depreciation of property, plant and equipment	**11,750**	**6,600**		**18,350**
Amortization of intangible assets	**—**	**430**		**430**
Impairment loss on property, plant and equipment	**—**	**699**		**699**

	For the year ended 31 March 2016			
	Paper printing HK$'000	Banner printing HK$'000	Eliminations HK$'000	Total HK$'000
Segment revenue				
Revenue from external customers	331,033	51,735	—	382,768
Inter-segment revenue	389	459	(848)	—
Total	331,422	52,194	(848)	382,768
Segment results	33,260	(10,168)		23,092
Finance income				2,186
Finance costs				(1,186)
Share of losses of associates				(321)
Share of profit of a joint venture				851
Profit before income tax				24,622
Income tax expense				(2,815)
Profit for the year				21,807
Depreciation of property, plant and equipment	11,859	4,132		15,991
Amortization of intangible assets	—	143		143

The following tables present segment assets as at 31 March 2017 and 2016 respectively.

	As at 31 March 2017		
	Paper printing HK$'000	**Banner printing HK$'000**	**Total HK$'000**
Segment assets	**175,192**	**55,253**	**230,445**

	As at 31 March 2016		
	Paper printing HK$'000	Banner printing HK$'000	Total HK$'000
Segment assets	159,616	36,899	196,515

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

	As at 31 March	
	2017	2016
	HK$'000	HK$'000
Segment assets	**230,445**	196,515
Investment in associates	**2,962**	4,196
Investment in a joint venture	**6,205**	5,655
Cash and cash equivalents	**68,220**	90,295
Other unallocated segment assets	**4,997**	2,497
Total assets	**312,829**	299,158

3. OTHER INCOME

	2017	2016
	HK$'000	HK$'000
I.T. license fee income	**228**	4,799
Scrap sales	**1,581**	3,839
Interest income from held-to-maturity investments	**3,226**	3,205
Machinery rental income	**892**	1,288
Sundry income	**192**	196
	6,119	13,327

4. OTHER LOSSES — NET

	2017	2016
	HK$'000	HK$'000
Loss on disposal of property, plant and equipment	**(6,397)**	(3,751)
Exchange gains/(losses) – net	**4**	(2,816)
Fair value gain/(loss) on financial asset at fair value through profit or loss	**369**	(50)
Loss on disposal of financial assets	**(1,803)**	—
Others	**20**	—
	(7,807)	(6,617)

5. EXPENSES BY NATURE

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

	2017	2016
	HK$'000	HK$'000
Cost of materials	**53,269**	82,921
Auditor's remuneration		
— Audit services	**1,521**	1,452
— Non-audit services	**198**	534
Employee benefits expense	**84,001**	86,892
Depreciation of property, plant and equipment	**18,350**	15,991
Amortisation of intangible assets	**430**	143
Impairment loss on property, plant and equipment	**699**	—
Outsourced customer support expenses	**19,351**	20,529
Subcontracting fee	**129,739**	90,451
Operating lease rental of premises and equipment	**23,327**	21,169
Repairs and maintenance	**4,274**	5,141
Distribution costs	**13,697**	13,562
Utility expenses	**4,281**	5,498
Provision for impairment of other receivables	**240**	—
Provision for impairment of trade receivables	**—**	34
Write off of trade receivables	**23**	—
Recovery of trade receivables previously written off	**(24)**	(24)
Others	**21,228**	22,093
Total cost of sales, selling and distribution expenses and administrative expenses	**374,604**	366,386

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

6. FINANCE (COSTS)/INCOME — NET

	2017 **HK$'000**	2016 HK$'000
Finance income		
— Interest income from bank deposits	**184**	1,850
— Unwinding of discounts on held-to-maturity investments	**282**	336
	466	2,186
Finance costs		
— Finance charges on obligations under finance lease	**(676)**	(934)
— Interest expenses on borrowings	**(903)**	(252)
	(1,579)	(1,186)
Finance (costs)/income — net	**(1,113)**	1,000

7. INCOME TAX EXPENSE

	2017 **HK$'000**	2016 HK$'000
Current income tax		
— Hong Kong profits tax	**7,989**	4,439
— PRC corporate income tax	**—**	1,182
Overprovision in prior year	**(1,239)**	(77)
	6,750	5,544
Deferred income tax	**(3,225)**	(2,729)
Income tax expense	**3,525**	2,815

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 (2016: 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 (2016: 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 2016 and 2017.

	2017	2016
Profit attributable to equity holders of the Company (HK$'000)	**17,321**	26,053
Weighted average number of ordinary shares in issue (thousands)	**550,000**	532,104
Basic earnings per share (HK cents)	**3.15**	4.90

(b) Diluted

Diluted earnings per share is the same as the basic earnings per share for the years ended 31 March 2016 and 2017 as there were no potential dilutive ordinary shares outstanding during the years.

9. TRADE RECEIVABLES

	2017 **HK$'000**	2016 HK$'000
Trade receivables	**4,533**	3,586
Less: provision for impairment of trade receivables	**(15)**	(15)
Trade receivables – net	**4,518**	3,571

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:

	2017	2016
	HK$'000	HK$'000
0–30 days	**2,983**	2,488
31–60 days	**713**	438
Over 60 days	**822**	645
	4,518	3,571

As at 31 March 2017, trade receivables of HK$1,886,000 (2016: HK$1,250,000) 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:

	2017	2016
	HK$'000	HK$'000
1–30 days	**990**	518
31–60 days	**605**	315
Over 60 days	**291**	417
	1,886	1,250

As at 31 March 2017, no trade receivable was considered to be impaired. As at 31 March 2016 trade receivables of HK$34,000 were considered to be impaired and have been fully provided for. These trade receivables were past due for over 90 days.

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

	2017	2016
	HK$'000	HK$'000
Deposits and prepayments	**16,801**	7,591
Other receivables	**1,317**	2,356
Deferred expenses	**1,102**	294
Interest receivables from held-to-maturity investments	**1,220**	1,949
	20,440	12,190
Less: non-current portion		
Deposits and prepayments	**(4,940)**	(4,732)
Deposits, prepayments and other receivables — current portion	**15,500**	7,458

11. TRADE PAYABLES, ACCRUALS AND OTHER PAYABLES

	2017	2016
	HK$'000	HK$'000
Trade payables	**7,948**	15,274
Accruals and other payables		
Accrued expenses	**15,879**	13,496
Advanced receipts from customers	**10,593**	6,578
Other payables	**1,826**	6,701
	28,298	26,775
Trade payables, accruals and other payables	**36,246**	42,049

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:

	2017	2016
	HK$'000	HK$'000
0–30 days	**5,476**	5,856
31–60 days	**2,175**	2,972
61–90 days	**277**	3,726
Over 90 days	**20**	2,720
	7,948	15,274

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

12. BORROWINGS

	2017	2016
	HK$'000	HK$'000
Current		
Trust receipt loans	**1,058**	6,655
Bank overdrafts	**8,882**	5,735
Bank loans	**5,588**	5,450
Mortgage loans	**22,815**	—
	38,343	17,840

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:

	2017	2016
	HK$'000	HK$'000
Within 1 year	**13,904**	14,335
Between 1 and 2 years	**3,437**	2,027
Between 2 and 5 years	**3,094**	1,478
Over 5 years	**17,908**	—
	38,343	17,840

The carrying amounts of borrowings are secured and denominated in Hong Kong dollars as at 31 March 2016 and 2017.

The fair values of the borrowings approximate to their carrying amounts as at 31 March 2016 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 2016 and 2017.

As at 31 March 2017, 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 HK$66,928,000 (2016: Nil).

13. DIVIDENDS

The dividends paid in 2016 was HK$32,615,000. A dividend in respect of the year ended 31 March 2017 of HK1.60 cents per share, amounting to a total dividend of HK$8,800,000, was proposed by the Board of Directors on 23 June 2017 and to be recommended to the shareholders at the forthcoming annual general meeting. These financial statements do not reflect this dividend payable.

	2017	2016
	HK$'000	HK$'000
Interim dividend paid of HK cents: nil (2016: HK2.40 cents) per ordinary share	**—**	13,200
Proposed final dividend of HK1.60 cents (2016: HK2.30 cents) per ordinary share	**8,800**	12,650
	8,800	25,850

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Board presents to its shareholders the results of the Group for the year ended 31 March 2017. The Group's revenue amounted to HK$390.6 million, an increase of 2.0% compared with that of the corresponding year ended 31 March 2016. Gross profit margin was 35.7% which was 0.4% higher than the corresponding year ended 31 March 2016. The Group's audited profit attributable to equity holders for the year ended 31 March 2017 was HK$17.3 million, representing a decrease of 33.7% as compared with that of the corresponding year ended 31 March 2016.

The decrease was mainly due to the decrease in operating profit of the two segments, decrease in finance income from fixed deposits, increase in share of losses of associates and increase in income tax expense due to the increase in taxable receipts from disposal of machinery.

As for the Group's paper printing segment, there is a drop of revenue from external customers of HK$16.6 million or 5.0% from HK$331.0 million to HK$314.4 million. The drop of revenue is mainly due to the deterioration in the Hong Kong market during the year. The cost of sales represented 63.2% and 63.7% of the revenue for the year ended 31 March 2017 and 2016 respectively. The decrease is mainly because of the Group's downsized production capacity due to more subcontracting to manufacturers in China to achieve lower average cost, while the aforesaid arrangement was transitional for the year ended 31 March 2016. Besides, the paper printing segment's operating profit decreased by HK$4.4 million, which is mainly due to the loss on disposal of financial asset during the year, the increase in loss on disposal of machines and equipment as well as the absence of one-time I.T. license fee income which was earned for the year ended 31 March 2016, offset by the decrease in net exchange loss and administrative expenses.

As for the Group's banner printing segment, there is a significant growth in revenue from external customers of 47.1% from HK$51.8 million to HK$76.2 million. The increase in revenue is mainly due to both the increase in average selling price and number of order from the Hong Kong market. Despite the growth in revenue, the banner printing segment's operating loss increased by HK$4.3 million, which is mainly due to the increase of operating loss made by its business in Malaysia by HK$2.7 million from HK$2.6 million to HK$5.3 million, the HK$2.9 million of operating loss made by its business in Australia which was newly operated in August 2016 and the HK$2.6 million of operating loss made by its App Solutions Business which was newly operated in December 2015, offset by the decrease in operating loss of its Hong Kong business by HK$2.3 million from HK$7.0 million to HK$4.7 million.

On 27 June 2016, the Group signed two respective provisional sale and purchase agreements with CTP Limited, a connected person of the Group, for the purchase of two properties. These two properties were originally rented by the Group as its retail outlets. The aggregate consideration excluding the related transaction costs was HK$62.0 million. The acquisitions of the properties were approved by the independent shareholders of the Company on 15 August 2016 and the transactions were completed on 31 October 2016. The Board considers the acquisitions provide an excellent opportunity for the Group to reduce ongoing rental payments, eliminate the potential risks to the operation of the Group in the event that the previous tenancy agreements could not be renewed upon its expiry, avoid the possible increase in rents for the properties upon the expiry of the previous tenancy agreements, and to receive rental income from the leasing of the properties when appropriate.

On 1 January 2016, e-print Trading Limited, a wholly-owned subsidiary of the Company, entered into an agreement to invest in Giant State Limited ("**Giant State**") with an independent third party. Giant State is the immediate holding company of Fitness World Group Limited ("**Fitness World**"), which is principally engaged in fitness and beauty services in the PRC. Fitness World has commenced its operation in January 2017 and has been generating revenue during the year. The Board considers that this investment enables the Group to diversify its business by utilising its reputation and system technology.

Outlook

The operating environment in Hong Kong is expected to remain challenging for the foreseeable future. Nevertheless, the Group will continue to strive for diversifying 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 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 the market share by making use of the following competitive advantages:

- Well-positioned to seize enormous online market potential
- Comprehensive information technology infrastructure and unique eprint system which is automatically operated
- Well-recognised local brand

FINANCIAL REVIEW

Revenue

Income from the provision of printing and other services increased by HK$7.8 million or 2.0% from HK$382.8 million for the year ended 31 March 2016 to HK$390.6 million for the year ended 31 March 2017. Such increase was primarily due to the increase of average monthly orders and selling price of banner printing service. 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.

	2017		2016	
	HK$'000		HK$'000	
Advertising printing	**131,854**	**33.8%**	136,845	35.8%
Bound book printing	**84,581**	**21.6%**	93,015	24.3%
Stationery printing	**85,500**	**21.9%**	89,024	23.3%
Banner printing	**68,646**	**17.6%**	49,815	13.0%
Other services	**20,057**	**5.1%**	14,069	3.6%
Total	**390,638**	**100.0%**	382,768	100.0%

The contribution to the sales mix by the banner printing category increased from 13.0% of total revenue for the year ended 31 March 2016 to 17.6% of total revenue for the year ended 31 March 2017, while advertising printing remained our primary printing service that accounted for 33.8% and 35.8% of our total revenue for year ended 31 March 2017 and 2016, respectively.

	2017		2016	
Sales Channels	**HK$'000**		HK$'000	
Stores	**96,517**	**24.7%**	109,119	28.5%
Websites	**169,930**	**43.5%**	164,555	43.0%
Others (Note)	**124,191**	**31.8%**	109,094	28.5%
Total	**390,638**	**100.0%**	382,768	100.0%

Note: "Others" refers to revenue derived from orders received over the telephone, through e-mail, e-print mobile application and "Photobook" program.

Websites sales channel contributed 43.5% of total revenue for the year ended 31 March 2017, which accounted for 3.3% increase as compared with that of the year ended 31 March 2016. Such increase was primarily due to the continuous improvement in our online self-service ordering platform. The contribution from other channels increased from 28.5% of total revenue for the year ended 31 March 2016, to 31.8% of total revenue for the year ended 31 March 2017. Such increase was primarily due to the Group's banner business relying more on sales team receiving customer orders via phone call and e-mail.

Other income

Other income primarily comprises interest income from held-to-maturity investments, sales of scrap materials, such as used zinc printing plates and paper scrap, equipment rental income and license fee income received from the Group's joint venture and associate. The decrease in amount during the year ended 31 March 2017 compared to that of the year ended 31 March 2016 was primarily due to the absence of a one-off license fee income from an associate of HK$4.6 million earned during the year ended 31 March 2016, and a decrease in sales of scrap materials of HK$2.3 million by more outsourced productions.

Other losses — net

Other losses — net primarily comprises net loss on disposal of property, plant and equipment, loss on disposal of financial assets and equipment and net foreign exchange gain or loss. The increase in amount during the year ended 31 March 2017 compared to that of the year ended 31 March 2016 was primarily due to the increase in net loss on disposal of property, plant and equipment resulting from restructuring the production facilities and the loss on a one-off disposal of financial assets during the year, offset by the decrease in net foreign exchange loss.

Selling and distribution expenses

Selling and distribution expenses primarily consist of distribution costs, handling charges for electronic payments received, and store rentals as well as advertising and marketing expenses. Selling and distribution expenses represent 10.9% and 9.5% of the revenue for the year ended 31 March 2017 and 2016, respectively. Such an increase was primarily due to the additional staff costs of the sales team and rental expenses for retail outlets from the banner business.

Administrative expenses

Administrative expenses primarily comprise directors' fees, staff costs, outsourced customer support expenses, information technology support services expenses, office rental and utilities, depreciation, internet and telephone expenses, professional expenses and other miscellaneous administrative expenses. Administrative expenses represent 20.6% and 21.5% of the total revenue for the year ended 31 March 2017 and 2016, respectively, while the amount of it decreased from HK$82.4 million for the year ended 31 March 2016 to HK$80.5 million for the year ended 31 March 2017. The decrease in administrative expenses was primarily due to the decrease in legal and profession expenses of HK$1.1 million and the outsourced customer support expenses of HK$1.2 million during the year.

Finance income

Finance income primarily consists of unwinding of discounts on held-to-maturity investments and interest income from cash and cash equivalents.

Finance costs

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

Share of profit of joint venture

Share of profit of joint venture represents the share of losses or profits of the Group's joint venture in each year using equity method of accounting. During the year ended 31 March 2017 and 2016, the Company had one jointly controlled entity in Malaysia.

Share of losses of associates

Share of losses of associates represents the share of losses of the Group's associates in each year using equity method of accounting. During the year ended 31 March 2017, the Company had three associates operating in the PRC (one of which had been disposed of on 1 August 2016).

Profit for the year attributable to equity holders of the Company

Profit decreased by HK$8.8 million or 33.7%, from HK$26.1 million for the year ended 31 March 2016 to HK$17.3 million for the year ended 31 March 2017. Net profit margin also decreased from 6.8% for the year ended 31 March 2016 to 4.4% for the year ended 31 March 2017. The decreases in net profit and net profit margin were primarily due to the one-off loss on disposal of financial asset of HK$1.8 million during the year being absent for the year ended 31 March 2016, the increase in loss on disposal of machines and equipment by HK$2.6 million, and the absence of one-time I.T. license fee income of HK$4.6 million which was earned for the year ended 31 March 2016.

Liquidity and Financial Information

As at 31 March 2017, the total amount of bank balances and cash of the Group was HK$68.2 million, a decrease of HK$22.1 million as compared with that as at 31 March 2016. The decrease was mainly arising from the purchase of property, plant and equipment. As at 31 March 2017, the financial ratios of the Group were as follows:

	As at 31 March 2017	As at 31 March 2016
Current ratio [(1)]	**1.2**	1.6
Gearing ratio [(2)]	**25.3%**	17.3%

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 had bank borrowings as at 31 March 2017 and 31 March 2016 in the sum of HK$38.3 million and HK$17.8 million, respectively. All bank borrowings were made from banks in Hong Kong and were repayable within three years, except a mortgage loan of HK$22.8 million obtained during the year for the acquisition of two properties, which 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 3.1% and 3.9% for the year ended 31 March 2017 and 31 March 2016, 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. Surplus cash will be invested to meet the Group's cash need in support of the Group's business strategies from time to time.

Capital Structure

The capital of the Company comprises ordinary shares and other reserves. The shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") since 3 December 2013. On 10 August 2015, the Company issued and allotted 50,000,000 new ordinary shares at HK$1.122 per share. As at 31 March 2017, the total number of issued ordinary shares of the Company was 550,000,000 shares.

Capital Commitments

As at 31 March 2017, the Group had capital commitments totaling HK$4.5 million for investment in an associate and purchase of computer equipment. As at 31 March 2016, the Group had capital commitments totaling HK$7.2 million for investment in an associate and purchase of computer equipment, a machine and leasehold improvement.

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 during the year ended 31 March 2017.

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 2017 and 2016, the Group pledged the plant and machinery with a carrying value of HK$23.8 million and HK$50.9 million respectively, as collaterals to secure the Group's obligations under finance leases. At 31 March 2017, the Group pledged two properties with a carrying value of HK$66.9 million as collaterals to secure the Group's mortgage loan.

Use of Proceeds

The Company's shares were listed on the Stock Exchange on 3 December 2013 and raised a net proceed from its initial public offering of HK$66.5 million. During the period between the listing date and 31 March 2017, HK$55.7 million of the net proceed from the listing was utilised in accordance with the proposed applications set out in the section headed "Future Plans and Use of Proceeds" in the prospectus of the Company dated 20 November 2013. The unused proceeds were deposited in licensed banks in Hong Kong.

Capital Expenditure

During the year, the Group invested HK$76.5 million in property, plant and equipment, represented a significant increase of 2.4 times of the capital expenditure of last year, primarily due to the acquisition of properties during the year. The respective amount for the year ended 31 March 2016 of HK$22.8 million excluded the property, plant and equipment acquired in the business combination.

EMPLOYEES AND EMOLUMENT POLICIES

At 31 March 2017, the Group had 367 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 contributions to Mandatory Provident Fund retirement benefits scheme in Hong Kong, the provision of pension funds, medical insurance, unemployment insurance and other relevant insurance for employees who are employed by the Group pursuant to the PRC rules and regulations and the prevailing regulatory requirements of the PRC, and the Employees Provident Fund and contributions to Social Security Organization for employees who are employed by the Group pursuant to the Malaysian rules and regulations and the prevailing regulatory requirements of Malaysia.

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

Neither the Company nor its subsidiary purchased, redeemed or sold any of the Company's listed securities during the year ended 31 March 2017.

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 2017, 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 2017.

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 2017.

REVIEW OF PRELIMINARY ANNOUNCEMENT

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 March 2017 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, 8 August 2017 ("**2017 AGM**") of a final dividend of HK1.60 cents per share for the year ended 31 March 2017 (2016: HK2.30 cents per share) to be paid on Tuesday, 29 August 2017 to the shareholders whose names appear on the register of members of the Company on Tuesday, 15 August 2017.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the identity of the shareholders entitled to attend and vote at the 2016 AGM, the register of members of the Company will be closed from Wednesday, 2 August 2017 to Tuesday, 8 August 2017, 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, 1 August 2017.

For determining the entitlement of the shareholders to the proposed final dividend, the register of members of the Company will be closed from Monday, 14 August 2017 to Tuesday, 15 August 2017, 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, 11 August 2017.

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

Hong Kong, 23 June 2017

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.