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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 2020**

**FINANCIAL HIGHLIGHTS**

	<b>For the year ended 31 March</b>		
	<b>2020</b>	<b>2019</b>	
	<b>HK\$'million</b>	<b>HK\$'million</b>	<b>Change</b>
<b>Operating Results</b>			
Revenue	<b>365.8</b>	408.7	-10.5%
– e-print segment	<b>282.3</b>	314.1	-10.1%
– e-banner segment	<b>83.5</b>	94.6	-11.7%
Operating profit before other losses (including impairment losses on financial assets) – net	<b>15.5</b>	20.9	-25.8%
– e-print segment	<b>14.5</b>	21.1	-31.3%
– e-banner segment	<b>1.0</b>	(0.2)	-600.0%
Other (losses)/gain (including impairment losses on financial assets) – net	<b>(9.6)</b>	(1.9)	405.3%
– e-print segment	<b>(9.6)</b>	(2.5)	284.0%
– e-banner segment	<b>0.0</b>	0.6	-100.0%

	For the year ended 31 March		
	2020 <i>HK\$'million</i>	2019 <i>HK\$'million</i>	Change
Operating profit	<b>5.9</b>	19.0	-68.9%
– e-print segment	<b>4.9</b>	18.6	-73.7%
– e-banner segment	<b>1.0</b>	0.4	150.0%
Profit for the period attributable to			
– equity holders of the Company	<b>5.7</b>	17.4	-67.2%
– non-controlling interests	<b>(0.2)</b>	(0.2)	0.0%
Net profit margin % (Attributable to equity holders of the Company)	<b>1.6%</b>	4.3%	
Gross profit margin %	<b>34.8%</b>	32.7%	
Basic earnings per share ( <i>HK Cents</i> )	<b>1.03</b>	3.16	-67.4%
<b>Financial Position</b>			
Total assets	<b>327.6</b>	310.7	5.4%
Total equity	<b>230.0</b>	234.5	-1.9%
Cash and cash equivalents	<b>101.5</b>	123.7	-17.9%

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 2020, together with the comparative figures for the year ended 31 March 2019, are as follows:

## **CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

*For the year ended 31 March 2020*

	<i>Note</i>	<b>2020</b> <i>HK\$'000</i>	<b>2019</b> <i>HK\$'000</i>
Revenue	2	<b>365,801</b>	408,723
Cost of sales	5	<b>(238,500)</b>	(275,258)
Gross profit		<b>127,301</b>	133,465
Other income	3	<b>2,339</b>	3,109
Other losses – net	4	<b>(8,506)</b>	(271)
Selling and distribution expenses	5	<b>(33,340)</b>	(34,822)
Administrative expenses	5	<b>(80,787)</b>	(80,884)
Impairment losses on financial assets		<b>(1,117)</b>	(1,595)
Operating profit		<b>5,890</b>	19,002
Finance income	6	<b>2,902</b>	1,510
Finance costs	6	<b>(2,090)</b>	(743)
Finance income – net	6	<b>812</b>	767
Share of profits/(losses) of associates		<b>249</b>	(2,268)
Share of profits of joint ventures		<b>1,648</b>	2,494
		<b>1,897</b>	226
Profit before income tax		<b>8,599</b>	19,995
Income tax expense	7	<b>(3,153)</b>	(2,862)
Profit for the year		<b>5,446</b>	17,133
Other comprehensive income:			
<i>Item that may be reclassified to profit or loss:</i>			
Currency translation differences		<b>(1,551)</b>	(1,081)
Total comprehensive income for the year		<b>3,895</b>	16,052

	<i>Note</i>	<b>2020</b> <b><i>HK\$'000</i></b>	2019 <i>HK\$'000</i>
Profit for the year attributable to:			
Equity holders of the Company		<b>5,688</b>	17,353
Non-controlling interests		<u>(242)</u>	<u>(220)</u>
		<b><u>5,446</u></b>	<u>17,133</u>
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	<b><u>1.03</u></b>	<u>3.16</u>
Total comprehensive income for the year attributable to:			
Equity holders of the Company		<b>4,224</b>	16,338
Non-controlling interests		<u>(329)</u>	<u>(286)</u>
		<b><u>3,895</u></b>	<u>16,052</u>

# **CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

*As at 31 March 2020*

		<b>2020</b>	<b>2019</b>
	<i>Note</i>	<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
Assets			
Non-current assets			
Property, plant and equipment		<b>108,365</b>	121,213
Right-of-use assets		<b>38,151</b>	–
Intangible assets		<b>725</b>	725
Other financial assets at amortised cost		<b>833</b>	1,100
Investments in associates		<b>2,407</b>	1,158
Investment in joint ventures		<b>11,792</b>	10,084
Deferred income tax assets		<b>2,134</b>	2,313
Deposits and prepayments	<i>10</i>	<b>2,921</b>	6,093
		<b>167,328</b>	142,686
Current assets			
Inventories		<b>6,804</b>	6,032
Trade receivables	<i>9</i>	<b>4,168</b>	6,480
Deposits, prepayments and other receivables	<i>10</i>	<b>9,184</b>	10,639
Other financial assets at amortised cost		<b>12,965</b>	8,919
Financial assets at fair value through profit or loss		<b>25,469</b>	9,545
Amounts due from related companies		<b>159</b>	2,708
Cash and cash equivalents		<b>101,525</b>	123,664
		<b>160,274</b>	167,987
Total assets		<b>327,602</b>	310,673
Equity			
Capital and reserves attributable to the equity holders of the Company			
Share capital		<b>5,500</b>	5,500
Share premium		<b>132,921</b>	132,921
Other reserves		<b>85,430</b>	90,006
		<b>223,851</b>	228,427
Non-controlling interests		<b>6,154</b>	6,091
Total equity		<b>230,005</b>	234,518

		<b>2020</b>	2019
	<i>Note</i>	<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
Liabilities			
Non-current liabilities			
Obligations under finance leases		–	268
Lease liabilities		<b>17,004</b>	–
Other payables		<b>766</b>	1,063
Deferred income tax liabilities		<b>6,348</b>	6,901
		<u><b>24,118</b></u>	<u>8,232</u>
Current liabilities			
Trade payables	11	<b>5,998</b>	9,323
Accruals and other payables		<b>24,596</b>	30,250
Borrowings	12	<b>21,157</b>	25,943
Obligations under finance leases		–	1,868
Lease liabilities		<b>20,200</b>	–
Amounts due to related parties		<b>201</b>	34
Amounts due to directors		<b>165</b>	200
Current income tax payable		<b>1,162</b>	305
		<u><b>73,479</b></u>	<u>67,923</u>
Total liabilities		<u><b>97,597</b></u>	<u>76,155</u>
Total equity and liabilities		<u><b>327,602</b></u>	<u>310,673</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 1 BASIS OF PREPARATION

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

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

#### 1.1 Changes in accounting policy and disclosures

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

The following new and amended standards have been adopted by the Group for the first time for the financial year beginning on or after 1 April 2019:

Amendments to Annual Improvement Project	Annual improvements 2015 – 2017 cycle
Amendments to HKFRS 9	Prepayment features with negative compensation
Amendments to HKAS 19	Plan amendment, curtailment or settlement
Amendments to HKAS 28	Long-term interests in associates and joint ventures
HKFRS 16	Leases
HK(IFRIC) – Int 23	Uncertainty over income tax treatments

The Group had to change its accounting policies and make certain adjustments following the adoption of HKFRS 16 which is 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 2019, and have not been applied in preparing these consolidated financial statements:

		Effective for annual periods beginning on or after
Amendments to HKFRS 3 (Revised)	Definition of a business	1 January 2020
Amendments to HKAS 1 and HKAS 8	Definition of material	1 January 2020
Conceptual Framework for Financial Reporting 2018	Revised conceptual framework for financial reporting	1 January 2020
Amendments to HKAS 39, HKFRS 7 and HKFRS 9	Hedge accounting	1 January 2020
HKFRS 17	Insurance contracts	1 January 2021
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	<i>Note</i>

*Note:* To be announced by HKICPA

The Group will adopt the new and amended standards when they become effective. The Group are in the process of assessing 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.

## **1.2 Changes in accounting policies**

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

**(a) Impact on financial information**

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

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

As at 1 April 2019, all operating leases are related to short-term lease and will be recognised on a straight-line basis as expense in profit or loss. There was no impact on the Group’s operating leases as at 1 April 2019.



The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 April 2019 was 4.2%.

For leases previously classified as finance leases the entity recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right-of-use asset and the lease liability at the date of initial application. The measurement principles of HKFRS 16 are only applied after that date. For the property, plant and equipment acquired under finance leases, they were depreciated over the underlying assets' useful life if there is reasonable certainty that the Group will obtain ownership at the end of the lease term.

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

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

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

	As at 1 April 2019 HK\$'000
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16	44,126
Reclassify from property, plant and equipment	4,448
Adjustments on rental deposits at 1 April 2019 ( <i>Note</i> )	608
	<b>49,182</b>
By class:	
Stores and premises	41,841
Machinery and office equipment	2,893
Machinery and motor vehicles under finance lease	4,448
	<b>49,182</b>

*Note:*

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

## **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 years ended 31 March 2020 and 2019, 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 2020 and 2019 respectively.

	For the year ended 31 March 2020			
	Paper printing <i>HK\$'000</i>	Banner printing <i>HK\$'000</i>	Eliminations <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue				
Revenue from external customers <sup>1</sup>	282,257	83,544	–	365,801
Inter-segment revenue	378	107	(485)	–
	<u>282,635</u>	<u>83,651</u>	<u>(485)</u>	<u>365,801</u>
Total				
Segment results	<u>4,897</u>	<u>993</u>		5,890
Finance income				2,902
Finance costs				(2,090)
Share of profits of associates				249
Share of profits of joint ventures				<u>1,648</u>
Profit before income tax				8,599
Income tax expense				<u>(3,153)</u>
Profit for the year				<u>5,446</u>
Impairment losses on financial assets	807	310		1,117
Depreciation of property, plant and equipment	10,381	3,220		13,601
Depreciation of right-of-use assets	15,485	5,653		21,138
Capital expenditure	<u>11,566</u>	<u>5,438</u>		<u>17,004</u>

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

<sup>1</sup> Included revenue of approximately HK\$10,813,000 (2019: HK\$12,677,000) are derived from shipping service.

The following tables present segment assets as at 31 March 2020 and 2019 respectively.

	Paper printing <i>HK\$'000</i>	Banner printing <i>HK\$'000</i>	Total <i>HK\$'000</i>
As at 31 March 2020	<u>172,674</u>	<u>39,204</u>	<u>211,878</u>
As at 31 March 2019	<u>134,958</u>	<u>40,809</u>	<u>175,767</u>

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

	<b>As at 31 March</b>	
	<b>2020</b>	<b>2019</b>
	<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
Segment assets	<b>211,878</b>	175,767
Investments in associates	<b>2,407</b>	1,158
Investment in joint ventures	<b>11,792</b>	10,084
Cash and cash equivalents	<b>101,525</b>	123,664
	<hr/>	<hr/>
Total assets	<b>327,602</b>	310,673
	<hr/> <hr/>	<hr/> <hr/>

### **3 OTHER INCOME**

	<b>2020</b>	<b>2019</b>
	<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
Sales of software	<b>297</b>	124
Scrap sales	<b>1,552</b>	1,444
Interest income from unlisted bond securities	<b>9</b>	723
Others	<b>481</b>	818
	<hr/>	<hr/>
	<b>2,339</b>	3,109
	<hr/> <hr/>	<hr/> <hr/>

### **4 OTHER LOSSES – NET**

	<b>2020</b>	<b>2019</b>
	<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
Losses on disposals of property, plant and equipment	<b>(1,325)</b>	(1,350)
Exchange (losses)/gains – net	<b>(267)</b>	431
Fair value (losses)/gains on financial assets at fair value through profit or loss	<b>(6,922)</b>	648
Others	<b>8</b>	–
	<hr/>	<hr/>
	<b>(8,506)</b>	(271)
	<hr/> <hr/>	<hr/> <hr/>

## 5 EXPENSES BY NATURE

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Cost of materials	54,551	53,112
Auditor's remuneration		
– Audit services	1,107	1,624
– Non-audit services	277	242
Employee benefits expense	84,226	86,616
Depreciation of property, plant and equipment	13,601	18,008
Depreciation of right-of-use assets	21,138	–
Outsourced customer support expenses	21,608	20,648
Subcontracting fee	111,288	146,179
Operating lease rental of premises and equipment	–	21,507
Operating lease for short-term and low value lease	4,345	–
Repairs and maintenance	3,177	3,763
Distribution costs	15,910	17,841
Utility expenses	3,566	3,697
Write-off of trade receivables	–	109
Recovery of trade receivables previously written off	(24)	(24)
Others	17,857	17,642
	<hr/>	<hr/>
Total cost of sales, selling and distribution expenses and administrative expenses	<u>352,627</u>	<u>390,964</u>

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

## 6 FINANCE INCOME – NET

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Finance income		
– Interest income from bank deposits	1,464	1,000
– Interest income from loan receivables	1,215	510
– Unwinding of interests on refundable rental deposits	223	–
	<hr/>	<hr/>
	2,902	1,510
	<hr/>	<hr/>
Finance costs		
– Finance charges on obligations under finance lease	–	(174)
– Interest expenses on lease liabilities	(1,544)	–
– Interest expenses on borrowings	(546)	(569)
	<hr/>	<hr/>
	(2,090)	(743)
	<hr/>	<hr/>
Finance income – net	<u>812</u>	<u>767</u>

## 7 INCOME TAX EXPENSE

	2020 HK\$'000	2019 HK\$'000
Current income tax		
– Hong Kong profits tax	3,550	3,887
– PRC corporate income tax	35	371
Over-provision in prior years	(58)	(618)
	<u>3,527</u>	<u>3,640</u>
Deferred income tax	(374)	(778)
	<u>3,153</u>	<u>2,862</u>

Subsidiaries incorporated in Hong Kong are subject to Hong Kong profits tax at a rate of 8.25% 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. Subsidiary incorporated in the PRC is subject to PRC corporate income tax based on the statutory income tax rate of 25% for the year (2019: 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 2020 and 2019.

	2020	2019
Profit attributable to equity holders of the Company (HK\$'000)	5,688	17,353
Weighted average number of ordinary shares in issue (thousands)	<u>550,000</u>	<u>550,000</u>
Basic earnings per share (HK cents)	<u>1.03</u>	<u>3.16</u>

### (b) Diluted

Diluted earnings per share is the same as the basic earnings per share for the years ended 31 March 2020 and 2019 as there were no potential dilutive ordinary shares outstanding during the years.

## 9 TRADE RECEIVABLES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade receivables	4,493	6,495
Less: loss allowance	(325)	(15)
	<hr/>	<hr/>
Trade receivables – net	<u>4,168</u>	<u>6,480</u>

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

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
0 – 30 days	1,821	3,906
31 – 60 days	560	1,155
Over 60 days	2,112	1,434
	<hr/>	<hr/>
	<u>4,493</u>	<u>6,495</u>

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Deposits and prepayments	11,763	15,414
Other receivables	342	752
Interest receivables from unlisted bond securities	–	566
	<hr/>	<hr/>
	12,105	16,732
Less: non-current portion		
Deposits and prepayments	(2,921)	(6,093)
	<hr/>	<hr/>
Deposits, prepayments and other receivables – current portion	<u>9,184</u>	<u>10,639</u>



## 11 TRADE PAYABLES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade payables	<u>5,998</u>	<u>9,323</u>

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

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
0 – 30 days	4,091	5,495
31 – 60 days	1,265	2,330
61 – 90 days	–	763
Over 90 days	<u>642</u>	<u>735</u>
	<u>5,998</u>	<u>9,323</u>

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

## 12 BORROWINGS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Current		
Trust receipt loans	1,208	2,022
Bank overdrafts	–	2,998
Bank loans	<u>19,949</u>	<u>20,923</u>
	<u>21,157</u>	<u>25,943</u>

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Within 1 year	2,212	6,001
Between 1 and 2 years	1,026	1,003
Between 2 and 5 years	3,220	3,149
Over 5 years	<u>14,699</u>	<u>15,790</u>
	<u>21,157</u>	<u>25,943</u>

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 2020 and 2019.

The fair values of the borrowings approximate to their carrying amounts as at 31 March 2020 and 2019 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 2020 and 2019.

As at 31 March 2020, 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\$19,949,000 (2019: HK\$20,923,000) are mortgage loans which are secured by properties of the Group of approximately HK\$60,290,000 (2019: HK\$62,503,000).

### 13 DIVIDENDS

The dividends paid in 2020 amounted to approximately HK\$8,800,000 (2019: HK\$13,200,000). The Board does not recommend the payment of a final dividend for the year ended 31 March 2020 at the forthcoming annual general meeting.

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Proposed final dividend (2019: HK1.60 cents) per ordinary share	—	8,800

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review

The Company is an investment holding company principally engaged in the provision of printing services to a diversified customer base in Hong Kong. The Company is also engaged in the provision of solutions on advertisement, bound books and stationeries.

The Board presents to its shareholders the results of the Group for the year ended 31 March 2020. In the current financial year, the Group's revenue decreased by 10.5%, from HK\$408.7 million to HK\$365.8 million. However the costs of sales decreased in a higher degree and hence the gross profit dropped by 4.6%. The Group's audited profit attributable to equity holders for the year ended 31 March 2020 was HK\$5.7 million, representing a decrease of 67.2% when compared with that of last year. The declining net profit was mainly attributed to (i) the fair value loss of approximately HK\$5.3 million on the listed equity investment held by the Group and (ii) the decline in sales volume of the Group due to the coronavirus outbreak and the macroeconomic downturn having adversely impacted the overall market demand.

For the years ended 31 March 2020 and 2019, the revenue of the Group's paper printing segment were approximately HK\$282.3 million and HK\$314.1 million respectively, representing a decrease of HK\$31.8 million or 10.1%. Affected by the coronavirus outbreak and the macroeconomic downturn, the market demand for the paper printing services decreased, hence the sales volume for the year ended 31 March 2020 declined as compared with that of the year ended 31 March 2019. The advertising printing was still the major contributor of the segment's revenue and recorded the amount of HK\$114.1 million, representing 31.2% to the revenue for the year. The segment's gross profit margin slightly increased from 32.1% to 34.2%, as the cost control on subcontracting fee decreased by 22.9%.

For the Group's banner printing segment, similar to paper printing segment, the revenue decreased by HK\$11.0 million or 11.7%. Similarly, due to the coronavirus outbreak and the macroeconomic downturn, there was a drop in market demand, hence the revenue decreased during the year. Nevertheless, due to the cost control, the gross profit only slightly dropped by 5.1%.

### Outlook

The Group's printing business faced challenging conditions during the reporting period, the Group's sales volume was impacted by the coronavirus outbreak and the macroeconomic downturn. With the current economic condition and coronavirus outbreak, the management of the Group expects that the operating environment in Hong Kong will remain difficult in the coming year. While external conditions are challenging, the Board believes that the Group can overcome these challenges and increase the shareholders value by developing the business strategy to make it well positioned through fast services with high quality in order to improve the customers' confidence as well as their experience. Moreover, the Company will proactively explore different business opportunities for business development through diversifying the business portfolio into new businesses.

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 customized 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 significantly decreased by HK\$42.9 million or 10.5% from HK\$408.7 million to HK\$365.8 million. The overall market demand was impacted by the macroeconomic downturn and coronavirus outbreak, and thus the sales volume of the Group decreased during the year ended 31 March 2020.

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.

	2020		2019	
	<i>HK\$'000</i>		<i>HK\$'000</i>	
Advertising printing	114,129	31.2%	128,136	31.4%
Bound book printing	80,910	22.1%	87,471	21.4%
Stationery printing	73,139	20.0%	84,788	20.7%
Banner printing	73,212	20.0%	83,084	20.3%
Other services	24,411	6.7%	25,244	6.2%
Total	<u>365,801</u>	<u>100%</u>	<u>408,723</u>	<u>100%</u>

The contribution to the sales mix remained stable. The advertising printing was still the major contributor of the revenue, which accounted for 31.2% of the total revenue for the year ended 31 March 2020.

Sales Channels	2020		2019	
	HK\$'000		HK\$'000	
Stores	61,997	16.9%	93,475	22.9%
Websites	192,257	52.6%	186,024	45.5%
Others (Note)	111,547	30.5%	129,224	31.6%
Total	365,801	100%	408,723	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 Group's major sales channel and it contributed 52.6% of total revenue for the year ended 31 March 2020, represented an increase of 7.1% when compared with last year. The sales contributed by stores decreased from 22.9% to 16.9%.

### Other income

Other income of the Group mainly consisted of sales of scrap materials and interest income from unlisted bond securities investments. The Group's other income decreased from HK\$3.1 million for the year ended 31 March 2019 to HK\$2.3 million for the year ended 31 March 2020 representing a decrease of HK\$0.8 million. Such decrease was mainly due to the material decrease in interest income received from unlisted bond securities investments by HK\$0.7 million.

### Other losses – net

For the year ended 31 March 2020, the Group recorded a net loss of HK\$8.5 million representing an increase in loss of HK\$8.2 million as compared to HK\$0.3 million for the year ended 31 March 2019. The significant increase in loss was mainly attributable to the fair value loss of HK\$5.3 million on the listed equity investment held by the Group during the year ended 31 March 2020 which was caused by significant decrease in the share price of SingAsia Holdings Limited ("SingAsia"), being a company incorporated in the Cayman Islands and the shares of which are listed on GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), recorded a daily decrease in its share of approximately 96.5% on 25 June 2019.

### 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 9.1% and 8.5% of the revenue for the years ended 31 March 2020 and 2019 respectively. The decrease of HK\$1.5 million was the result of the decreased staff cost.

## **Administrative expenses**

Administrative expenses mainly included staff costs and outsourced customer support expenses. Administrative expenses represent 22.1% and 19.8% of the total revenue for the years ended 31 March 2020 and 2019 respectively. The amount remained at same level of approximately HK\$80.8 million for the years ended 31 March 2020 and 2019.

## **Finance income**

Finance income mainly represented the interest income generated from bank deposits and the loan receivables. The income increased by HK\$1.4 million as the Group allocated more funds to the bank deposits as well as individual third party during the year ended 31 March 2020.

## **Finance costs**

Finance costs primarily consisted of interest expenses on bank borrowings, finance charges on obligations under finance lease and lease liabilities. The amount was significantly increased by HK\$1.3 million when compared with that of last year because of the effect of new accounting standard resulted in the recognition of interest expenses on lease liabilities in the amount of HK\$1.5 million for the year ended 31 March 2020. If excluding the effect of the recognition of interest expenses on lease liabilities, the finance costs would be HK\$0.6 million for the year ended 31 March 2020 (2019: HK\$0.7 million).

## **Share of profits of joint ventures**

Share of profits of joint ventures represented the share of results of the Group's joint ventures. As at 31 March 2020, the Group had two joint ventures in Malaysia and Hong Kong, namely e-print Solutions Sdn. Bhd and Top Success Investment Group Limited respectively.

## **Share of losses of associates**

Share of losses of associates represented the share of results of the Group's associates in Hong Kong and the People's Republic of China ("PRC"), which are Sakura Japan Property (Hong Kong) Limited, E-post Limited and Shenzhen Yi Yun Hu Wang Tong Technology Company Limited respectively.

## **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\$11.7 million or 67.2%, from HK\$17.4 million for the year ended 31 March 2019 to HK\$5.7 million for the year ended 31 March 2020. Net profit margin also dropped by 2.7%. The decrease in the profit for the year attributable to equity holders of the Company was mainly due to the fair value loss of approximately HK\$5.3 million on the listed equity investment held by the Group during the year ended 31 March 2020 and the decrease in the sales volume of the Group compared with that of same period of last year.

## Liquidity and Financial Information

As at 31 March 2020, the Group's bank balances and cash was HK\$101.5 million, represented a decrease of HK\$22.1 million when compared with that as at 31 March 2019. The decrease was mainly due to the cash outflow used in investing activities. As at 31 March 2020 and 31 March 2019, the financial ratios of the Group were as follows:

	As at 31 March 2020	As at 31 March 2019
Current ratio <sup>(1)</sup>	2.2	2.5
Gearing ratio <sup>(2)</sup>	25.4%	12.0%

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, obligation under finance leases and leases liabilities divided by total equity and multiplied by 100%.

## Borrowings

The Group's bank borrowings balance as at 31 March 2020 and 31 March 2019 were HK\$21.2 million and HK\$25.9 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\$19.9 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) were 2.3% for the years ended 31 March 2020 and 31 March 2019.

## 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 strategy direction 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 since 3 December 2013. As at 31 March 2020, the total number of issued ordinary shares of the Company was 550,000,000 shares.

## **Capital Commitments**

As at 31 March 2020 and 2019, the Group had capital commitments totaling HK\$4.1 million and HK\$4.4 million respectively for investment in an associate and purchase of computer equipment.

## **Significant Investments Held**

In addition to the investments in subsidiaries, joint ventures and associates, the Group also hold an equity investment of the Company listed on the Stock Exchange. As at 31 March 2020, the Group held 900,000 shares of SingAsia as listed equity investment, which was classified as financial asset at fair value through profit or loss.

## **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 as at 31 March 2020.

## **Material Acquisitions**

On 17 March 2020, a wholly-owned subsidiary of the Company (the “**Subsidiary**”) has formulated a joint venture in Top Success Investment Group Limited (“**Top Success BVI**”) with Mr. Cheng Hiu Man, Elliott. Immediately upon completion of the subscription, the Subsidiary is the beneficial owner in Top Success BVI, representing 50% of the issued shares of Top Success BVI. The formation of the joint venture provides a good opportunity for the Group to diversify the business portfolio into a new business. Save as the formation of joint venture, the Group did not have any other material acquisition or disposal of associates, joint ventures or subsidiaries for the year ended 31 March 2020.

## **Exposure to Foreign Exchange Risk**

The Group operates principally in Hong Kong and its business is supported by an information technology support services centre located in the PRC. The Group is exposed to foreign exchange risk 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 2020 and 2019, the Group pledged the plant and machinery with a carrying value of HK\$4.3 million and HK\$4.4 million respectively, as collaterals to secure the Group’s obligation under finance leases. As at 31 March 2020 and 2019, the Group pledged two properties with the total carrying value of HK\$60.3 million and HK\$62.5 million respectively, as collaterals to secure the Group’s mortgage loan.

## **Capital Expenditure**

During the year, the Group invested HK\$17.0 million (2019: HK\$5.2 million) in property, plant and equipment, which represented an increase of HK\$11.8 million in capital expenditure than last year.



## **EMPLOYEES AND EMOLUMENT POLICIES**

At 31 March 2020, the Group had 288 (2019: 333) 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, such as 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.

## **FINAL DIVIDEND**

The Board does not recommend the payment of final dividend for the year ended 31 March 2020 (2019: HK\$1.60 cents per ordinary share, totaling HK\$8,800,000).

## **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 2020.

## **THE COVID-19 PANDEMIC'S IMPACT**

An outbreak of respiratory illness caused by the COVID-19 has been expanded across the PRC and globally and the prevention and control measures to combat the disease have been continued to be implemented nationwide. So far, the Group has fully resumed to work and the operation is normal. As the COVID-19 continues, there is impact on the Group in a certain extent. The Directors will continue to closely monitor the development of the COVID-19 outbreak and assess its impact on the financial position, and operational results of the Group. Given the dynamic nature of the outbreak and the major operation of the Group is in Hong Kong, the Directors estimate the impact on the Group's operation and financial is likely immaterial as at the date of this results announcement.

## **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 2020, 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 2020.

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.

## CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the identity of the shareholders entitled to attend and vote at the forthcoming AGM, the register of members of the Company will be closed from Monday, 10 August 2020 to Friday, 14 August 2020, 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, 7 August 2020.

## AUDIT COMMITTEE

The Company established an audit committee (the “**Audit Committee**”) on 13 November 2013 with written terms of reference which was revised on 25 February 2019 to comply with the CG Code. The primary duties of the Audit Committee are to review and supervise the financial reporting system and to review the risk management and internal control systems of the Group. The Audit Committee comprises three independent non-executive Directors, namely, Mr. Ma Siu Kit (chairman), Mr. Poon Chun Wai and Mr. Fu Chung. The Audit Committee has reviewed the audited financial statements of the Group for the year ended 31 March 2020.

## REVIEW OF PRELIMINARY ANNOUNCEMENT

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 March 2020 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.

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

Hong Kong, 24 June 2020

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