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Prosper One International Holdings Company Limited

富一國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1470)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 30 APRIL 2021

ANNUAL RESULTS HIGHLIGHTS

Revenue for the year ended 30 April 2021 decreased by approximately 11.5% as compared to that of the prior financial year.

The overall gross profit margin for the year ended 30 April 2021 increased to approximately 52.9% from approximately 47.1% in the prior financial year.

The loss attributable to owners of the Company decreased by approximately 98.6% as compared to that of the prior financial year.

The Board does not recommend the payment of any dividend for the year ended 30 April 2021.

RESULTS

The board of directors of Prosper One International Holdings Company Limited (the “**Company**”, the “**Directors**” and the “**Board**”, respectively) announces the audited consolidated results of the Company and its subsidiaries (together, the “**Group**”) for the year ended 30 April 2021 (the “**Year**”) together with the comparative figures for the immediately preceding year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 April 2021

		Year Ended 30/4/2021	Year Ended 30/4/2020
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	3	83,372	94,193
Cost of sales		<u>(39,303)</u>	<u>(49,816)</u>
Gross profit		44,069	44,377
Other gains and losses	5	6,091	3,764
Selling and distribution costs		(26,795)	(74,702)
Administrative expenses		(19,792)	(27,292)
Finance costs	6	<u>(1,229)</u>	<u>(2,326)</u>
Profit/(loss) before tax		2,344	(56,179)
Income tax expense	7	<u>(3,113)</u>	<u>(2,826)</u>
Loss for the year attributable to owners of the Company		(769)	(59,005)
Other comprehensive income/(expense)			
Item that may be reclassified subsequently to profit or loss			
— Exchange differences arising from translation of foreign operations		<u>2,465</u>	<u>(781)</u>
Total comprehensive income/(expense) for the year attributable to the owners of the Company		<u>1,696</u>	<u>(59,786)</u>
Loss per share — basic and diluted (HK cents per share)	9	<u>(0.10)</u>	<u>(7.38)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 April 2021

	<i>Notes</i>	30/4/2021 HK\$'000	30/4/2020 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		7,932	15,281
Right-of-use assets		599	836
Rental deposits	<i>10</i>	1,024	3,824
Deferred tax assets		379	404
Financial asset at fair value through profit or loss		3,997	3,917
Club membership		4,000	4,000
		<u>17,931</u>	<u>28,262</u>
Current assets			
Inventories		11,819	22,842
Trade receivables, other receivables and prepayments	<i>10</i>	142,639	117,047
Tax recoverable		—	587
Cash and cash equivalents		13,413	22,170
		<u>167,871</u>	<u>162,646</u>
Total assets		<u><u>185,802</u></u>	<u><u>190,908</u></u>
Capital and reserves			
Share capital		8,000	8,000
Reserves		20,724	19,028
Total equity		<u>28,724</u>	<u>27,028</u>
Non-current liabilities			
Provision for other liabilities and charges	<i>11</i>	74	465
Lease liabilities		1,896	6,150
		<u>1,970</u>	<u>6,615</u>
Current liabilities			
Trade and other payables	<i>11</i>	110,836	109,231
Lease liabilities		6,036	19,424
Amount due to ultimate holding company	<i>12</i>	27,090	19,070
Bank loans	<i>13</i>	10,194	8,332
Tax liabilities		952	1,208
		<u>155,108</u>	<u>157,265</u>
Total liabilities		<u>157,078</u>	<u>163,880</u>
Total equity and liabilities		<u><u>185,802</u></u>	<u><u>190,908</u></u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 April 2021

1. GENERAL INFORMATION

The Company is a public limited company incorporated in the Cayman Islands and its issued shares are listed on the Stock Exchange. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

In the opinion of the Directors, the immediate and ultimate holding company of the Company is Prosper One Enterprises Limited and its ultimate controlling party is Mr. Meng Guangyin (“**Mr. Meng**”), who is also the chairman of the Board (the “**Chairman**”) and the chief executive officer of the Company.

The Company acts as an investment holding company and the principal activities of its subsidiaries are the retail and wholesale of watches in Hong Kong, and acting as agent (for financial reporting purposes) in the sales and trading of fertilisers raw materials, fertilisers and other related products. The address of the principal place of business of the Company is Level 43, AIA Tower, 183 Electric Road, North Point, Hong Kong effective on 8 May 2020.

The consolidated financial statements are presented in Hong Kong dollars (“**HK\$**”), which is also the functional currency of the Company.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“**HKFRSs**”)

a. Amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the *Amendments to References to the Conceptual Framework in HKFRS Standards* and the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) for the first time, which are mandatorily effective for the annual period beginning on or after 1 May 2020 for the preparation of the consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	<i>Definition of Material</i>
Amendments to HKFRS 3	<i>Definition of a Business</i>
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	<i>Interest Rate Benchmark Reform</i>

The application of the *Amendments to References to the Conceptual Framework in HKFRS Standards* and the amendments to HKFRSs in the current year has had no material impact on the Group’s financial performance and positions for the current year and prior years and/or on the disclosures set out in these consolidated financial statements.

b. Amended HKFRSs that have been issued and early adopted

Amendment to HKFRS 16 — COVID-19-Related Rent Concessions

Amendment to HKFRS 16 — COVID-19-Related Rent Concessions introduces a new practical expedient for lessees to elect not to assess whether a rent concession occurring as a direct consequence of the COVID-19 pandemic is a lease modification. Such practical expedient applies only to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all of the following conditions are met:

- The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than the consideration for the lease immediately preceding the change;
- Any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- There is no substantive change to other terms and conditions of the lease.

The Group has early adopted the amendment on 1 May 2019 and elected not to apply lease modification accounting for all rent concessions granted by the lessors, which occurred as a direct consequence of the COVID-19 pandemic during the years ended 30 April 2021 and 30 April 2020. The rent concessions amounted to HK\$2,571,000 (2020: HK\$2,422,000) have been credited to “Other gains and losses” in the consolidated statement of profit or loss and other comprehensive income for the Year.

c. New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective, in these consolidated financial statements.

HKFRS 17	Insurance Contracts and the Related Amendments ³
Amendments to HKFRS 3	Reference to the Conceptual Framework ²
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2 ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴
Amendments to HKAS 1	Classification of Liabilities as Current or Non-Current and Related Amendments to Hong Kong Interpretation 5 (2020) ³
Amendments to HKAS 16	Property, Plant and Equipment — Proceeds before Intended Use ²
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract ²
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020 ²

¹ Effective for annual periods beginning on or after 1 January 2021

² Effective for annual periods beginning on or after 1 January 2022

³ Effective for annual periods beginning on or after 1 January 2023

⁴ Effective for annual periods beginning on or after a date to be determined

The Directors anticipate that the application of all new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

3. REVENUE

An analysis of the Group's revenue, all of which were recognised from contracts with customers within the scope of HKFRS 15, for the Year is as follows:

	Year Ended 30/4/2021 <i>HK\$'000</i>	Year Ended 30/4/2020 <i>HK\$'000</i>
<i>Revenue from contracts with customers</i>		
Sales of merchandise	56,786	70,262
Service income	197	150
Commission income	26,389	23,781
	83,372	94,193

Revenue from contracts with customers

Information about the Group's performance obligations is summarised below:

Sales of merchandise

The performance obligation is recognised at a point in time when control of the products is transferred to the customer, being at the point the customer purchases the goods at the store or on delivery of the merchandise for wholesale segment. Payment of the transaction price is due immediately and within 90 days at the point the customer purchases the products under the retail and wholesale segments, respectively.

Service income

The Group provides services on repairing watches to customers. The performance obligation is satisfied at a point in time when the service is completed and advance payments are normally required before rendering the services. The Group's enforceable right to the payment is subject to the completion of the whole services. The services are for periods less than one year.

Commission income

The performance obligation is completed at a point in time when the services on arranging trading of fertiliser and other related products are completed. Payment is generally in advance from the customers before the agency services are provided.

As at the end of the reporting periods, the Group did not have significant amount of unrecognised revenue related to performance obligations which were unsatisfied.

4. SEGMENT INFORMATION

Information reported to the Group’s executive directors, who are the chief operating decision makers (the “**CODM**”) of the Group, for the purposes of resource allocation and assessment of performance, are focused on three main operations of the Group identified in accordance with the business nature and the size of the operations.

Specifically, the reportable and operating segments of the Group under HKFRS 8 are as follows:

- Retail business of watches (“**Retail**”) — retail of multi brands of watches in Hong Kong
- Wholesalers business of watches (“**Wholesale**”) — wholesale of multi brands of watches in Hong Kong
- Trading of fertilisers and other related products (“**Trading**”) — provision of agency services in relation to trading of fertilisers and other related products

There are no significant sales or other transactions among the segments, except as disclosed below.

Segment revenue and results

The following is an analysis of the Group’s revenue and results by operating and reportable segment for the two years:

For the year ended 30 April 2021

	Retail <i>HK\$’000</i>	Wholesale <i>HK\$’000</i>	Trading <i>HK\$’000</i>	Elimination <i>HK\$’000</i>	Total <i>HK\$’000</i>
Revenue					
External sales	51,928	4,858	—	—	56,786
External service income	197	—	—	—	197
External commission income	—	—	26,389	—	26,389
Inter-segment sales	<u>1,013</u>	<u>628</u>	<u>—</u>	<u>(1,641)</u>	<u>—</u>
	<u>53,138</u>	<u>5,486</u>	<u>26,389</u>	<u>(1,641)</u>	<u>83,372</u>
Segment (loss)/profit	(3,737)	1,205	14,029	—	11,497
Finance costs					(1,229)
Unallocated group expenses					<u>(7,924)</u>
Profit before tax					<u>2,344</u>

For the year ended 30 April 2020

	Retail <i>HK\$'000</i>	Wholesale <i>HK\$'000</i>	Trading <i>HK\$'000</i>	Elimination <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue					
External sales	67,897	2,365	—	—	70,262
External service income	149	1	—	—	150
External commission income	—	—	23,781	—	23,781
Inter-segment sales	<u>238</u>	<u>812</u>	<u>—</u>	<u>(1,050)</u>	<u>—</u>
	<u>68,284</u>	<u>3,178</u>	<u>23,781</u>	<u>(1,050)</u>	<u>94,193</u>
Segment (loss)/profit	(54,964)	(1,881)	12,565	—	(44,280)
Finance costs					(2,326)
Unallocated group expenses					<u>(9,573)</u>
Loss before tax					<u>(56,179)</u>

Sales between segments are carried out on terms mutually agreed between the parties involved in the transactions. The revenue from external parties reported to the executive directors is measured in a manner consistent with that in the consolidated statement of profit or loss and other comprehensive income.

Inter-segment sales are charged at prevailing market rates.

No segment assets and liabilities information is provided as no such information is regularly provided to the CODM of the Group for the purpose of making decision for resources allocation and performance assessment.

Geographical information

During the Year, the Group's operation is mainly located in the People's Republic of China (the "PRC" or "China") and Hong Kong. The Group's revenue by geographical location of customers, based on location of delivery of the watches or services, is detailed below:

	Year Ended 30/4/2021 <i>HK\$'000</i>	Year Ended 30/4/2020 <i>HK\$'000</i>
PRC	26,389	23,781
Hong Kong	<u>56,983</u>	<u>70,412</u>
Total	<u>83,372</u>	<u>94,193</u>

The Group's revenue is mainly derived from customers in the PRC and Hong Kong. There are no single external customers who contributed more than 10% of total revenue of the Group for both years.

The information of the Group's non-current assets excluding deferred tax assets and financial assets by geographical location is detailed below:

	30/4/2021	30/4/2020
	HK\$'000	HK\$'000
PRC	143	148
Hong Kong	12,388	19,969
Total	12,531	20,117

Other disclosures

For the year ended 30 April 2021

	Retail	Wholesale	Trading	Unallocated Group expenses	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Addition to non-current assets	4	—	—	—	4
Depreciation of property, plant and equipment	3,451	—	18	—	3,469
Depreciation of right-of-use assets	982	—	—	—	982
Gain on disposal of property, plant and equipment	804	—	—	—	804
Gain on rental concessions	2,571	—	—	—	2,571
Government grants	2,109	108	93	354	2,664
Allowance for write-down of inventories recognised	2,491	290	—	—	2,781
Impairment loss on right-of-use assets	<u>1,355</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,355</u>

For the year ended 30 April 2020

	Retail	Wholesale	Trading	Unallocated Group expenses	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Addition to non-current assets	242	—	—	—	242
Depreciation of property, plant and equipment	7,707	279	34	—	8,020
Depreciation of right-of-use assets	23,693	—	243	—	23,936
Impairment loss on property, plant and equipment (reversed)/recognised	(94)	557	—	—	463
Loss on disposal of property, plant and equipment	3	—	—	—	3
Gain on rental concessions	2,422	—	—	—	2,422
Government grants	640	—	66	—	706
Allowance for write-down of inventories recognised	4,876	238	—	—	5,114
Impairment loss on right-of-use assets	<u>18,343</u>	<u>—</u>	<u>40</u>	<u>—</u>	<u>18,383</u>

5. OTHER GAINS AND LOSSES

	Year Ended 30/4/2021 HK\$'000	Year Ended 30/4/2020 HK\$'000
Rent concessions (<i>note (a)</i>)	2,571	2,422
Net foreign exchange (loss)/gain	(65)	210
Net gain/(loss) on disposal of property, plant and equipment	804	(3)
Interest income	36	67
Sundry income	1	34
Government grants (<i>note (b)</i>)	2,664	706
Promotion income	—	267
Fair value gain on financial asset at fair value through profit or loss	80	61
	<u>6,091</u>	<u>3,764</u>

Notes:

- (a) Rent concessions represent the reductions in lease payments arising from COVID-19-related rent concession of approximately HK\$2,571,000 (2020: HK\$2,422,000) in respect of rental periods that fell in the financial year ended 30 April 2021.
- (b) The government grants represent financial subsidies for compensating expenses already incurred or giving immediate financial support to the Group. There are no unfulfilled conditions or contingencies in relation to the grants and the grants were determined at the sole discretion of relevant government authorities in the PRC and Hong Kong.

Government grant income recognised in the current year includes an amount of HK\$2,571,000 in respect of COVID-19-related subsidies, of which HK\$2,251,000 and HK\$320,000 relate to Employment Support Scheme and Retail Sector Subsidy Scheme respectively, provided by the Hong Kong government.

6. FINANCE COSTS

	Year Ended 30/4/2021 HK\$'000	Year Ended 30/4/2020 HK\$'000
Interest on bank loans	326	152
Interest on lease liabilities	903	2,174
Total	<u>1,229</u>	<u>2,326</u>

7. INCOME TAX EXPENSE

	Year Ended 30/4/2021 HK\$'000	Year Ended 30/4/2020 HK\$'000
Current taxation		
Hong Kong Profits Tax	—	—
PRC Enterprise Income Tax (the “EIT”)	<u>3,072</u>	<u>2,964</u>
	<u>3,072</u>	<u>2,964</u>
(Over)/under provision for prior years		
Hong Kong Profits Tax	—	—
PRC EIT	<u>(5)</u>	<u>124</u>
	<u>(5)</u>	<u>124</u>
Deferred taxation	<u>46</u>	<u>(262)</u>
	<u>3,113</u>	<u>2,826</u>

Under the two-tiered profits tax rates regime, the first HK\$2 million taxable profit of the qualifying corporation of the Group is taxed at 8.25%, and taxable profits above HK\$2 million will be taxed at 16.5%. The Directors considered the amount involved from the application of the two-tiered profits tax rates as insignificant to the consolidated financial statements. Other subsidiaries in Hong Kong is subject to Hong Kong Profits Tax at the rate of 16.5%.

For the Year, no provision for taxation in Hong Kong was made as the subsidiaries in Hong Kong incurred tax loss during the Year. For the year ended 30 April 2020, no provision for taxation in Hong Kong was made as a subsidiary had sufficient unused tax loss brought forward to offset against the estimated assessable profit for the year and the other subsidiaries in Hong Kong incurred tax loss during the year.

Under the Law of the PRC on EIT (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries was 25% for both years.

Under the EIT Law of the PRC, withholding tax is imposed on dividends declared in respect of profits earned by the PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of taxable temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to approximately RMB25,093,000 (2020: RMB16,255,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

8. DIVIDENDS

No dividend was paid, declared or proposed for ordinary shareholders of the Company during the years ended 30 April 2021 and 2020, nor has any dividend been proposed since the end of the reporting year.

9. LOSS PER SHARE

The calculation of the basic and diluted loss per share attributable to the owners of the Company is based on the following data:

	Year Ended 30/4/2021	Year Ended 30/4/2020
Loss for the year attributable to owners of the Company (HK\$'000)	<u>(769)</u>	<u>(59,005)</u>
Weighted average number of ordinary shares in issue	<u>800,000,000</u>	<u>800,000,000</u>
Basic and diluted loss per share (HK cents per share)	<u><u>(0.10)</u></u>	<u><u>(7.38)</u></u>

No adjustments have been made in calculating diluted earnings per share for both years as there were no potential ordinary shares in issue for both years.

10. TRADE RECEIVABLES, OTHER RECEIVABLES AND PREPAYMENTS

	30/4/2021 HK\$'000	30/4/2020 HK\$'000
Trade receivables	1,830	1,999
Rental and utilities deposits	7,420	8,915
Other receivables	803	774
Bills receivables (<i>note (a)</i>)	20,214	25,835
Prepayments (<i>note (b)</i>)	<u>113,396</u>	<u>83,348</u>
Total trade receivables, other receivables and prepayments	<u>143,663</u>	<u>120,871</u>
Less: non-current portion — rental deposits	<u>(1,024)</u>	<u>(3,824)</u>
	<u><u>142,639</u></u>	<u><u>117,047</u></u>

Notes:

- (a) As at 30 April 2021, bills receivables amounting to HK\$15,496,000 (2020: HK\$25,287,000) were endorsed to suppliers as prepayments for merchandises. As the Group has not transferred the significant risks and rewards because the bills were endorsed on a full recourse basis, the Group continued to recognise these endorsed bills under bills receivables and recognise corresponding obligations arising from endorsement of bills included in other payables set out in note 11. These arrangements relate to the agency services activities undertaken by the Group in the trading operating segment. No aging analysis of bills receivables is provided as the bills receivables were related mainly to advance receipts from customers and the fertilisers and other related products being procured by the Group on behalf of the customers have not yet been delivered.
- (b) Prepayments as at 30 April 2021 mainly include prepayments to suppliers for procurement of fertilisers raw materials, fertilisers and other related products in China. The amounts prepaid to suppliers will be derecognised when the products are directly delivered to customers by the suppliers. 90% (2020: 91%) of the amounts prepaid

to suppliers were paid to the related parties of the Group. The management considered that the credit risk in respect of the prepayments as at 30 April 2021 is low based on the records of product deliveries from the suppliers to customers and the deliveries made subsequent to 30 April 2021.

The trade receivables mainly comprise receivables from credit card companies and department stores for retail sales and from trading customers. There were no specific credit terms granted to credit card companies and department stores. The receivables due from credit card companies and department store were usually settled from 7 to 120 days. The Group's credit terms granted to trading customers generally ranged from 30 to 60 days from the invoice date.

Trade and other receivables that are denominated in currencies other than the functional currencies of the relevant Group entities are set out below:

	30/4/2021	30/4/2020
	HK\$'000	HK\$'000
US Dollars	<u>783</u>	<u>2,478</u>

The following is an aging analysis of trade receivables presented based on the invoice dates.

	30/4/2021	30/4/2020
	HK\$'000	HK\$'000
Within 30 days	1,190	1,873
31 to 60 days	159	2
61 to 90 days	133	63
Over 90 days	<u>348</u>	<u>61</u>
	<u>1,830</u>	<u>1,999</u>

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

As at 30 April 2021, trade receivables that were past due but not impaired amounted to HK\$348,000 (2020: HK\$61,000).

11. PROVISION FOR OTHER LIABILITIES AND CHARGES, TRADE AND OTHER PAYABLES

	30/4/2021 <i>HK\$'000</i>	30/4/2020 <i>HK\$'000</i>
Trade payables	14,698	15,929
Accrued employee benefit expenses	1,190	527
Provision for reinstatement costs	758	1,136
Other accruals and payables		
— endorsement of bills	15,496	25,287
— others	2,355	2,767
Deferred income	—	303
Amount due to a director of a subsidiary	—	2,134
Contract liabilities	<u>76,413</u>	<u>61,613</u>
	110,910	109,696
Less: non-current portion	<u>(74)</u>	<u>(465)</u>
Current portion	<u>110,836</u>	<u>109,231</u>

Contract liabilities include short-term advances received from customers to arrange for the fertilisers and other related products to be provided by the suppliers to the customers (the “**Trading of fertilisers**”) amounting of HK\$76,413,000 as at 30 April 2021 (2020: HK\$61,613,000). The amount of advances is negotiated on a case by case basis with the customers. During the Year, there was a decrease in contract liabilities of HK\$60,856,000 which was included in the contract liabilities as at 30 April 2020 as a result of completion of the services on arranging the Trading of fertilisers. For the contract liabilities as at 30 April 2021, the entire balances will be derecognised within twelve months from 30 April 2021 when the products are directly delivered to the customers by suppliers.

The following is an aging analysis of trade payables presented based on the invoice dates.

	30/4/2021 <i>HK\$'000</i>	30/4/2020 <i>HK\$'000</i>
Within 30 days	4,139	463
31 to 60 days	786	445
Over 60 days	<u>9,773</u>	<u>15,021</u>
	<u>14,698</u>	<u>15,929</u>

12. AMOUNT DUE TO ULTIMATE HOLDING COMPANY

Amount due to ultimate holding company is unsecured, non-interest bearing and repayable on demand.

13. BANK LOANS

	30/4/2021 HK\$'000	30/4/2020 HK\$'000
Revolving term loan		
— Unsecured, with effective interest rate of 2.92% (2020: 4.78%) per annum as at 30 April (<i>Note 1</i>)	4,000	4,000
— Secured, with effective interest rate of 2.72% (2020: 4.58%) per annum as at 30 April (<i>Note 2</i>)	<u>2,000</u>	<u>2,000</u>
	6,000	6,000
Account payable financing loan, secured, with effective interest rate of 2.20% (2020: 3.98%) per annum as at 30 April (<i>Note 2</i>)	4,194	1,673
Bank overdraft, secured, with effective interest rate of nil% (2020: 3.75%) per annum as at 30 April (<i>Note 2</i>)	<u>—</u>	<u>659</u>
	<u>10,194</u>	<u>8,332</u>

The carrying amounts of the Group's bank loans, which were denominated in Hong Kong dollars and containing a repayable on demand clause, approximated to their fair values. The applicable interest rates of the respective bank loans ranged from Hongkong InterBank Offered Rate (“**HIBOR**”) plus 2.13% to 2.85% (2020: 2.13% to 2.85%) per annum as at 30 April 2021.

As at 30 April 2021, the Group had aggregate banking facilities of HK\$23,520,000 (2020: HK\$24,020,000) for overdrafts and loans. Unused facilities as at the same date were HK\$13,326,000 (2020: HK\$15,688,000). The banking facilities were granted to the subsidiaries of the Company and were subject to an annual review.

The Group's bank borrowings were secured and guaranteed by the followings as at 30 April 2021:

Note 1:

- a. Unlimited personal guarantees given by a director of a subsidiary of the Company; and
- b. Unlimited cross guarantees given by the subsidiaries of Company as borrowers;

Note 2:

- a. HK\$15,500,000 plus interest and other charges of personal guarantees given by a director of a subsidiary of the Company; and
- b. Assignment of life insurance policy of a director of a subsidiary of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The novel coronavirus disease 2019 (the “**COVID-19**”) pandemic was a disaster for the retail trade, especially for watches retail business. The implementation of travel restrictions and other quarantine measures by various countries has caused a sharp decline in inbound visitors and brought the inbound tourism to a standstill, which have dealt a heavy blow to the retail trade. Meanwhile, the Hong Kong government introduced gathering restrictions and social distancing measures to a varying extent in order to contain the spread of the pandemic, which further weakened consumer sentiment. Fortunately, the Hong Kong community has been working together to keep the pandemic under control. With the COVID-19 vaccination programme launched, we hope that the worst time of the pandemic has already passed. Given the unprecedented challenges the Group encountered, the financial performance of watches retail business was inevitably affected.

As for the trading business, the major products sold by the Group include urea, compound fertiliser, coal, crude glycerine and glucose and the application of urea can be broadly divided into agricultural, industrial and vehicle uses. In the first half of the financial year, affected by many factors such as the COVID-19 pandemic and the continued China-US trade friction, the prices of fertilisers showed a downward trend, which led to fluctuation in fertiliser industry. However, the situation changed in the second half of the financial year. Under the influence of rising prices of raw materials and expanding market demand, the fertiliser industry revived with the support of continuous increase in prices. More importantly, since the Group actively expanded its operation into new markets, the Group’s trading business as a whole still maintained a momentum of growth during the Year.

Facing with such a difficult business environment, the Group has implemented a series of cost-saving measures, including employees’ no pay leave arrangements, a salary reduction scheme for management, a job cut and the minimization of operating costs. Besides, the Group applied for the Retail Sector Subsidy Scheme and the Employment Support Scheme under the Anti-epidemic Fund of Hong Kong to alleviate the financial pressure. To tackle the challenges brought by pandemic, the Group strived to build a lean and efficient operating cost structure by closing under-performed shops and streamlining its administrative structure. Therefore, as at 30 April 2021, the total number of retail shops operated by the Group reduced to 10 (2020: 11). At the same time, the Group has proactively negotiated with landlords for rental reduction in an effort to relieve the rental pressure. The Group also focused on clearing slow-moving inventories through sales promotion activities to accelerate stock clearance. As a result of the foregoing, the Group’s net loss for the Year decreased by approximately HK\$58.2 million to approximately HK\$0.8 million, as compared to a net loss of approximately HK\$59.0 million for the year ended 30 April 2020 (the “**Year 2020**”).

FINANCIAL REVIEW

Revenue

The Group's revenue for the Year was approximately HK\$83.4 million, representing a decrease of approximately HK\$10.8 million or 11.5% from approximately HK\$94.2 million for the Year 2020. Revenue derived from trading business increased by approximately HK\$2.6 million or 10.9% from approximately HK\$23.8 million for the Year 2020 to approximately HK\$26.4 million for the Year. Revenue derived from watches business decreased by approximately HK\$13.4 million or 19.0% from approximately HK\$70.4 million for the Year 2020 to approximately HK\$57.0 million for the Year. The decrease in revenue derived from watches business was mainly due to a sharp decline in inbound visitors as a result of the pandemic. In addition, the local consumption sentiment was weakened by the gathering restrictions, social distancing measures and the rising unemployment rate.

Cost of sales

Our cost of sales primarily consists of cost of inventories sold and provision for slow-moving inventories. Our cost of sales decreased by approximately HK\$10.5 million or 21.1% from approximately HK\$49.8 million for the Year 2020 to approximately HK\$39.3 million for the Year. The decrease was mainly due to the decline in sales of watches and in line with the decrease in revenue of the watches business.

Gross profit and gross profit margin

The overall gross profit decreased by approximately HK\$0.3 million or 0.7% from approximately HK\$44.4 million for the Year 2020 to approximately HK\$44.1 million for the Year. Our gross profit of the watches business decreased by approximately HK\$2.9 million or 14.1% from approximately HK\$20.6 million for the Year 2020 to approximately HK\$17.7 million for the Year. Our gross profit margin of the watches business increased from approximately 29.3% for the Year 2020 to approximately 31.1% for the Year. The increase was mainly attributable to a decrease in provision for slow-moving inventories during the Year.

Selling and distribution costs

Our selling and distribution costs decreased by approximately HK\$47.9 million or 64.1% from approximately HK\$74.7 million for the Year 2020 to approximately HK\$26.8 million for the Year. The decrease was primarily attributable to the decreases of lease expenses of retail outlets (including rental expenses and depreciation of right-of-use assets), sales staff's salaries and allowances, depreciation of property, plant and equipment, advertising and promotions and impairment loss on right-of-use assets. This decrease was partially offset by the increases in freight.

Administrative expenses

Our administrative expenses decreased by approximately HK\$7.5 million or 27.5% from approximately HK\$27.3 million for the Year 2020 to approximately HK\$19.8 million for the Year. The decrease was primarily attributable to the decreases in administrative staff's salaries and allowances, depreciation of right-of-use assets and depreciation of property, plant and equipment, which was partially offset by the increase in impairment loss on right-of-use assets.

Finance costs

Our finance costs decreased by approximately HK\$1.1 million from approximately HK\$2.3 million for the Year 2020 to approximately HK\$1.2 million for the Year. The decrease was primarily attributable to the decrease in related finance costs on lease liabilities. This decrease was partially offset by the increase in bank loan interest as a result of the increase in the level of borrowings.

Profit/(loss) before tax and loss attributable to owners of the Company

As a result of the foregoing, the Group recorded a profit before tax of approximately HK\$2.3 million for the Year (2020: loss before tax of approximately HK\$56.2 million). The change was mainly due to (i) subsidies of approximately HK\$2.6 million from Hong Kong Government under Retail Sector Subsidy Scheme and the Employment Support Scheme; (ii) a substantial decrease in depreciation of right-of-use assets and impairment loss on right-of-use assets of a total of approximately HK\$40.0 million as a significant portion of right-of-use assets had been impaired in the previous year; (iii) a decrease in depreciation of property, plant and equipment of approximately 4.6 million; and (iv) the stringent cost control measures.

The loss attributable to owners of the Company decreased by approximately HK\$58.2 million or 98.6% from approximately HK\$59.0 million for the Year 2020 to approximately HK\$0.8 million for the Year.

FINANCIAL POSITION

The Group's primary source of funds were cash inflows from operating activities, bank borrowings and loans from the ultimate holding company.

As at 30 April 2021, the Group's total cash and cash equivalents were approximately HK\$13.4 million (as at 30 April 2020: approximately HK\$22.2 million), most of which were denominated in HK\$ and Renminbi ("RMB"). The current ratio (calculated by dividing current assets by current liabilities) of the Group maintained at approximately 1.0 time as at 30 April 2021 and 30 April 2020. The gearing ratio (calculated by dividing net debt by total equity) was 83.1% as at 30 April 2021 (as at 30 April 2020: 19.4%). Net debt was calculated as bank loans and amount due to ultimate holding company less cash and cash equivalents.

USE OF NET PROCEEDS FROM THE LISTING

The net proceeds from the listing of the Company's shares (the "Shares") on the Stock Exchange on 12 May 2015 (the "Listing Date" and the "Net Proceeds", respectively) (after deducting the underwriting fees and related expenses) amounted to approximately HK\$107.5 million, which have been intended to be applied in the manner as disclosed in the prospectus of the Company dated 28 April 2015.

During the period from the Listing Date to 30 April 2021, the Group has applied the Net Proceeds as follows:

	Amount utilised during the Year HK\$'000	Amount utilised as at 30 April 2021 HK\$'000	Amount unutilised as at 30 April 2021 HK\$'000
Expand our retail and sales network	849	37,613	—
Improve our same-store sales growth and profit margin	—	12,896	—
Improve our supplier network and enhance the knowledge of our sales staff	2,469	4,299	—
Increase our marketing effort	141	7,523	—
Repay a short-term bank loan with interest	—	37,613	—
Working capital and other general corporate purposes	582	7,522	—
Total	<u>4,041</u>	<u>107,466</u>	<u>—</u>

As at 30 April 2021, all the Net Proceeds have been utilised according to the intended use as disclosed above. There are no remaining Net Proceeds.

MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES, ASSOCIATES COMPANIES AND JOINT VENTURE COMPANIES

During the Year, there was no material acquisition or disposal of subsidiaries, associates and joint venture companies by the Company.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 April 2021, the Group had a total of 82 (2020: 96) employees, including independent non-executive Directors (the "INEDs"). The total remuneration costs incurred by the Group for the Year were approximately HK\$24.2 million (2020: approximately HK\$31.6 million). We review the performance of our employees annually and use the results of such review in our annual salary review

and promotion appraisal, in order to attract and retain valuable employees. Remuneration packages are generally structured by reference to market norms as well as individual qualifications, relevant experience and performance.

The Company has adopted a share option scheme (the “**Share Option Scheme**”) to enable the Board to grant share options to eligible participants with an opportunity to have a personnel stake in the Company. As at the date of this announcement, there was no outstanding share option granted under the Share Option Scheme.

DEBTS AND CHARGE ON ASSETS

The Group had total bank borrowings of approximately HK\$10.2 million as at 30 April 2021 (As at 30 April 2020: approximately HK\$8.3 million).

The carrying amounts of the Group’s bank borrowings were denominated in HK\$ and secured and approximated to their fair values.

As at 30 April 2021, the Group did not have any foreign exchange contracts, interest or currency swaps or other financial derivatives.

As at 30 April 2021, the Group had aggregate banking facilities of approximately HK\$23.5 million (as at 30 April 2020: approximately HK\$24.0 million) for overdrafts and loans. Unused facilities as at the same date amounted to approximately HK\$13.3 million (as at 30 April 2020: approximately HK\$15.7 million). The banking facilities were granted to the subsidiaries of the Company and were subject to an annual review and guaranteed by unlimited guarantees from certain of its subsidiaries and a director of a subsidiary of the Company.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

The Group did not have any plans for material investments and capital assets as at 30 April 2021.

SIGNIFICANT INVESTMENT HELD

The Company did not hold any significant investment in equity interest in any company other than its subsidiaries as at 30 April 2021.

CAPITAL COMMITMENTS

The Group had no capital commitments as at 30 April 2021 (as at 30 April 2020: Nil).

CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 30 April 2021 and 2020.

FINAL DIVIDEND

The Board has resolved not to recommend the payment of any final dividend for the Year (2020: Nil).

PROSPECTS

Affected by the COVID-19 pandemic, expanding market demand and rising prices of raw materials, the prices of fertilisers still remain high in the short term. However, under the background of the Chinese government efforts to stabilize supply and prices, it is expected that there is little room for the further increase in prices. Looking ahead, as China further tightens environmental protection policies, fertiliser industry integration and reshuffle will be accelerated. Some small-scale and heavy-polluting production enterprises will be phased out of the market, and the overcapacity situation will be further alleviated, which will provide support to the fertiliser industry. Facing with the pandemic and the complicated economic environment, the Group will strive to maintain stringent product quality and continuously improve our services to meet the customers' needs so as to further expand our customer base and enhance customers' loyalty. Moreover, the Group will further expand its operations into huge market, strengthening marketing efforts to diversify its customer base.

As regards the watches retail business, as inbound tourism will take time to recover amid travel restrictions worldwide, the business environment of the retail trade will continue to be very difficult. To stimulate local consumer sentiment and support Hong Kong economy, the Hong Kong government will launch the consumption voucher scheme soon. We hope that this scheme will boost the battered retail trade and thus create favourable conditions for the revival of retail trade. Given the current extremely difficult business environment, the Group will continue to carry out stringent measures to control operating costs and take inventory and cost control measures as the top priority to preserve the Group's working capital. We have reviewed our retail network and shall determinedly close more underperforming shops upon expiry of rental agreements. Through these initiatives, we hope that the Group will overcome difficulties and maintain its strategic operations.

Despite the challenging business environment, all of our management and staff will continue uniting and working together to get through this difficult time. As the pace of Hong Kong's economic recovery depends on when travel restrictions can be relaxed, it is important for the community to actively get vaccinated in order to keep the pandemic under control. We believe that the pandemic will eventually pass, and social and economic activities can get back to normal.

ANNUAL GENERAL MEETING

The forthcoming annual general meeting of the Company (the “**2021 AGM**”) is scheduled to be held on Friday, 22 October 2021. A notice convening the 2021 AGM will be issued and dispatched to the shareholders of the Company (the “**Shareholders**”) in due course in the manner as required by the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”).

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement of the Shareholders to attend and vote at the 2021 AGM, the register of members of the Company will be closed from Tuesday, 19 October 2021 to Friday, 22 October 2021 (both days inclusive), during which period no transfer of Shares will be registered. In order to qualify for attending and voting at the 2021 AGM, the non-registered Shareholders must lodge all duly

completed transfer forms accompanied by the relevant share certificates with the Company's Hong Kong branch share registrar, Boardroom Share Registrars (HK) Limited, at Room 2103B, 21/F, 148 Electric Road, North Point, Hong Kong, for registration no later than 4:30 p.m. on Monday, 18 October 2021.

EVENTS AFTER THE FINANCIAL YEAR

The Group did not have any other material subsequent event after the reporting year and up to the date of this announcement.

EXTRACT OF INDEPENDENT AUDITOR'S REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

The following is the extract of the independent auditor's report from the external auditor of the Company:

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 30 April 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

MATERIAL UNCERTAINTY RELATED TO THE GOING CONCERN

We draw attention to note 33b to the consolidated financial statements which states that the Group incurred a net loss of HK\$769,000 for the year ended 30 April 2021 and as of that date, had accumulated losses of HK\$126,043,000. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the “**Model Code**”) as its own code of conduct governing the Directors' transactions of the listed securities of the Company. Following a specific enquiry made by the Company with each of the Directors, all Directors confirmed that they had complied with the Model Code during the Year.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the Year, the Company did not redeem any of its securities listed on the Stock Exchange nor did the Company or any of its subsidiaries purchase or sell any of such securities.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, during the Year and thereafter up to the date of this announcement, the Company has maintained a sufficient public float (i.e. as least 25% of the issued Shares in public hands) for the issued Shares as required under the Listing Rules.

CORPORATE GOVERNANCE PRACTICES

The Board recognises the importance of incorporating elements of good corporate governance in the management structures, internal control and risk management procedures of the Group so as to achieve effective accountability. The Company has adopted and adhered to the principles as set out in the Corporate Governance Code contained in Appendix 14 of the Listing Rules (the “**CG Code**”) and has complied with all applicable code provisions as set out in the CG Code throughout the Year and up to the date of this announcement, save for code provisions A.1.1, A.2.1, A.2.7 and E.1.2 of the CG Code.

The Board

Code provision of A.1.1 of the CG Code provides the Board should meet regularly and Board meetings should be held at least four times a year at approximately quarterly intervals. During the Year, two regular full Board meetings have been held and the Board has made resolutions by circulation of written resolutions for all the Directors’ execution from time to time. In view of the simplicity of the Group’s businesses, regular Board meetings have not been held about quarterly during the Year. The Group’s audited consolidated annual results for the Year 2020 and unaudited consolidated interim results for the six months ended 31 October 2020 together with all corporate transactions made during the Year have been reviewed and discussed amongst the Directors at the full Board meetings held in the Year. Together with the circulation of written materials to keep the Board informed throughout the Year, sufficient measures had been taken to ensure that there was efficient communication among the Directors, including the INEDs.

Chairman and Chief Executive

Code provision of 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. During the Year and up to the date of this announcement, Mr. Meng acts as the Chairman and the chief executive officer of the Company. The Board is of the opinion that it is appropriate and in the best interests of the Group to have Mr. Meng taking up both roles for effective management and business development. Therefore, the Board considers that the deviation from code provision A.2.1 of the CG Code is appropriate in such circumstances. Nevertheless, the Company will look for suitable candidates and make necessary arrangement pursuant to the requirement under A.2.1 of the CG Code as and when necessary.

Meeting between Chairman and Independent Non-executive Directors

Code provision of A.2.7 of the CG code provides that the chairman should at least annually hold meetings with the INEDs without the presence of other directors.

During the year under review, no meeting was held between Mr. Meng, the Chairman, and the INEDs without the presence of other directors due to business engagements. The INEDs have communicated and discussed with the Chairman directly from time to time to share their view on the Company's affairs. Therefore, the Company considers that there were sufficient channels and communication for discussion of the Company's affairs between the Chairman and INEDs.

Communication with Shareholders

Code provision of E.1.2 of the CG Code provides that, among others, the Chairman should attend the annual general meetings (the "AGMs"). Mr. Meng, the Chairman, did not attend the Company's AGM held on 16 October 2020 (the "2020 AGM") due to other essential business engagements. In order to ensure an effective communication with the Shareholders, the Directors attending the 2020 AGM elected Mr. Liu Jiaqiang, an executive Director, to chair the meeting on behalf of the Chairman. The respective chairmen and/or members of the Board's Audit Committee, Remuneration Committee and Nomination Committee and a representative of the independent auditor of the Company were present at the 2020 AGM to answer relevant questions from the Shareholders present thereat. To mitigate the above, future AGMs of the Company will be scheduled earlier to avoid the timetable clashes.

REVIEW OF ANNUAL RESULTS BY AUDIT COMMITTEE

The Audit Committee was established on 21 April 2015 with specific written terms of reference in compliance with Rule 3.22 of the Listing Rules and code provision C.3 of the CG Code. The written terms of reference were revised on 1 January 2019 to conform with the requirements under the CG Code and the Listing Rules.

The Audit Committee has reviewed the Group's audited consolidated financial statements and annual results for the Year. The Audit Committee is of the view that such financial statements have been prepared in accordance with the applicable accounting standards and in compliance with the Listing Rules and relevant statutory provisions, and is satisfied that sufficient disclosure has been made.

SCOPE OF WORK OF FAN, CHAN & CO. LIMITED

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the Year as set out in this preliminary announcement have been agreed by the Group's independent auditor, Fan, Chan & Co. Limited ("Fan, Chan"), to the amounts set out in the Group's audited consolidated financial statements for the Year. The work performed by Fan, Chan 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 HKICPA and consequently, no assurance has been expressed by Fan, Chan on this preliminary announcement.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to express my sincere gratitude to the Board members, management and employees for their hard work and dedication that enable the Group to face the challenges and uncertainties in the current unfavorable environment. Last but not least, I wish to express my sincere thanks to our Shareholders, suppliers, customers and other business partners for their ongoing trust and support.

PUBLICATION OF FINANCIAL INFORMATION ON THE STOCK EXCHANGE'S WEBSITE

The Company's annual report for the Year containing all applicable information required by the Listing Rules will be despatched to the Shareholders and published on the respective websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (www.prosperoneintl.com) in the manner as required by the Listing Rules in due course.

By order of the Board of
Prosper One International Holdings Company Limited
Meng Guangyin
Chairman, Chief Executive Officer and Executive Director

Hong Kong, 30 July 2021

As at the date of this announcement, the Board comprises Mr. Meng Guangyin (chairman and chief executive officer), Mr. Liu Guoqing (chief financial officer) and Mr. Liu Jiaqiang as the executive Directors; and Mr. Tian Zhiyuan, Mr. Lee Chun Keung and Mr. Wang Luping as the INEDs.