# 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)**

## INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 31 OCTOBER 2018

## INTERIM RESULTS

The board (the "**Board**") of directors (the "**Director(s)**") of Prosper One International Holdings Company Limited (the "**Company**") announces the unaudited condensed consolidated results of the Company and its subsidiaries (collectively the "**Group**" or "**Prosper One**") for the six months ended 31 October 2018 (the "**Review Period**") together with the relevant comparative figures as follows:

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*For the six months ended 31 October 2018*

| | | Six months ended 31 October | |
|---|---|---|---|
| | | **2018** | 2017 |
| | *Notes* | ***HK$'000*** | *HK$'000* |
| | | **(Unaudited)** | (Unaudited) |
| Revenue | *3* | **124,430** | 139,624 |
| Cost of sales | | **(72,566)** | (94,687) |
| **Gross profit** | | **51,864** | 44,937 |
| Selling and distribution costs | | **(43,946)** | (46,675) |
| Administrative expenses | | **(14,055)** | (5,828) |
| Other expense | | **(1,000)** | — |
| Finance costs | | **(127)** | (254) |

| | | Six months ended 31 October | |
|---|---|---|---|
| | | **2018** | 2017 |
| | *Notes* | ***HK$'000*** | *HK$'000* |
| | | **(Unaudited)** | (Unaudited) |
| **Loss before tax** | *4* | **(7,264)** | (7,820) |
| Income tax expense | *5* | **(1,030)** | (458) |
| **Loss for the period attributable to owners of the Company** | | **(8,294)** | (8,278) |
| Other comprehensive expense | | | |
| Item that maybe reclassified subsequently to profit or loss | | | |
| — Exchange differences arising from translation of foreign operations | | **(460)** | — |
| Total comprehensive expense for the period attributable the owners of the Company | | **(8,754)** | (8,278) |
| **Loss per share — basic and diluted (HK cents per share)** | *7* | **(1.04)** | (1.03) |
| **Dividend** | *6* | **—** | — |

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 31 October 2018*

| | Notes | 31 October 2018 HK$'000 (Unaudited) | 30 April 2018 HK$'000 (Audited) |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | | **12,532** | 6,197 |
| Rental deposits | *8* | **6,795** | 1,381 |
| Deferred tax assets | | **2,512** | 1,924 |
| | | **21,839** | 9,502 |
| **Current assets** | | | |
| Inventories | | **34,210** | 51,958 |
| Trade receivables, other receivables and prepayments | *8* | **95,661** | 99,620 |
| Tax recoverable | | **597** | 1,896 |
| Cash and cash equivalents | | **44,022** | 54,603 |
| | | **174,490** | 208,077 |
| **Total assets** | | **196,329** | 217,579 |
| **EQUITY** | | | |
| **Equity attributable to the owners of the Company** | | | |
| Share capital | *9* | **8,000** | 8,000 |
| Reserves | | **93,893** | 102,647 |
| **Total equity** | | **101,893** | 110,647 |
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Provision for other liabilities and charges | *10* | **1,040** | 793 |
| Obligations under finance leases | | **—** | 342 |
| | | **1,040** | 1,135 |
| **Current liabilities** | | | |
| Trade and other payables | *10* | **90,736** | 99,093 |
| Bank loans | *11* | **—** | 5,806 |
| Obligations under finance leases | | **80** | 485 |
| Amount due to ultimate holding company | *12* | **1,850** | — |
| Tax liabilities | | **730** | 413 |
| | | **93,396** | 105,797 |
| **Total liabilities** | | **94,436** | 106,932 |
| **Total equity and liabilities** | | **196,329** | 217,579 |

**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

*For the period ended 31 October 2018*

| | Attributable to owners of the Company | | | | | |
|---|---|---|---|---|---|---|
| | **Share capital** | **Share premium** | **Capital reserve** | **Translation reserve** | **Retained earnings** | **Total equity** |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| Balance at 1 May 2017 (Audited) | 8,000 | 118,368 | 24,094 | — | (19,550) | 130,912 |
| **Total comprehensive expense** | | | | | | |
| Loss for the period | — | — | — | — | (8,278) | (8,278) |
| Balance at 31 October 2017 (Unaudited) | 8,000 | 118,368 | 24,094 | — | (27,828) | 122,634 |
| Balance at 1 May 2018 (Audited) | 8,000 | 118,368 | 24,094 | (17) | (39,798) | 110,647 |
| **Total comprehensive expense** | | | | | | |
| Loss for the period | — | — | — | — | (8,294) | (8,294) |
| Exchange differences arising on translation of foreign operations | — | — | — | (460) | — | (460) |
| **Balance at 31 October 2018 (Unaudited)** | **8,000** | **118,368** | **24,094** | **(477)** | **(48,092)** | **101,893** |

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

*For the six months ended 31 October 2018*

## 1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 23 June 2014 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The Company's registered office is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

The Company is an investment holding company and its subsidiaries are principally engaged in the retail and wholesale of watches in Hong Kong, and sales and trading of fertilizers raw materials, fertilizers products and public consumption products.

The issued shares of the Company have been listed on the Main Board of the Stock Exchange since 12 May 2015.

In the opinion of the Directors, the ultimate holding company of the Company is Prosper One Enterprises Limited which was incorporated in British Virgin Islands and the ultimate controlling shareholder of the Company is Mr. Meng Guangyin.

These condensed consolidated interim financial statements for the Review Period (the "**Interim Financial Statements**") are presented in Hong Kong dollars ("**HK$**") unless otherwise stated.

The Interim Financial Statements were approved by the Board for issue on 28 December 2018.

The Interim Financial Statements have not been audited.

## 2. BASIS OF PREPARATION

The principal accounting policies applied in the preparation of the Interim Financial Statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

The Interim Financial Statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") and Hong Kong Accounting Standard ("**HKAS**") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") and the applicable disclosure requirement of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**").

The Interim Financial Statements have been prepared on the historical cost basis and should be read in conjunction with the annual financial statements. The accounting policies and methods of computation used in the preparation of the Interim Financial Statements are consistent with those used in the annual financial statements for the year ended 30 April 2018, except as described below.

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs, that are relevant for the preparation of the Group's condensed consolidated financial statements:

| | |
|---|---|
| HKFRS 9 | Financial instruments |
| HKFRS 15 | Revenue from contracts with customers |
| HK(IFRIC) 22 | Foreign currency transactions and advance consideration |

The impact of the adoption of HKFRS 9 and HKFRS 15 are discussed in notes 2(a) and 2(b) respectively. The application of the amendments to the other standard listed above in the current period has had no material effect on the Group's financial performance and positions for the current period and prior year and on the disclosures set out in the Group's financial statements.

The Company has not applied the new, revised and amendments to HKFRSs that have been issued but are not yet effective for the current accounting period.

**(a) Impacts of application on HKFRS 9 *Financial Instruments***

HKFRS 9, Financial Instruments replaces HKAS 39, Financial instruments: recognition and measurement and introduces changes to the classification and measurement of financial instruments as well as a new impairment loss model.

*Change to classification of financial instruments*

HKFRS 9 categories financial assets into three new classification categories: measured at amortised cost, at fair value through other comprehensive income (FVOCI) and at fair value through profit or loss (FVPL), superceding HKAS 39's categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVPL. The measurement categories for all financial liabilities remain the same.

The classification of financial assets under HKFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics.

Rental deposits, trade receivables, other receivables, bills receivables and cash and cash equivalents are held within a business model whose objective is to collect the contractual cash flows that are solely payments of principal and interest on the principal outstanding. Accordingly, these financial assets will continue to be subsequently measured at amortised cost upon the application of HKFRS 9.

*Changes to impairment loss model*

HKFRS 9 replaces the "incurred loss" model in HKAS 39 with the "expected credit loss" (ECL) model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises ECLs earlier than under the "incurred loss" accounting model in HKAS 39.

The Group applies the new ECL model to financial assets measured at amortised cost.

*Measurement of ECLs*

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

Where the effect of discounting is material, the expected cash shortfalls are discounted using the effective interest rate determined at initial recognition or an approximation thereof.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

- 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

- lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowance for trade receivables is always measured at an amount equal to lifetime ECL. ECLs are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

The Group concluded that the adoption of the ECL model under HKFRS 9 has no material impact on the Group.

**(b) Impacts of application on HKFRS 15 *Revenue from contracts with customers***

HKFRS 15 replaces HKAS 18, Revenue, which covered revenue arising from sale of goods and rendering of services, and HKAS 11, Construction contracts, which specified the accounting for construction contracts.

The initial application of HKFRS 15 has changed the recognition and measurement of revenue, the presentation of the statement of financial position and the information required to be disclosed in the notes to the financial statements, to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

Previously, revenue arising from construction contracts and provision of services was recognised over time, whereas revenue from sale of goods was generally recognised at a point in time when the risks and rewards of ownership of the goods had passed to the customers. HKFRS 15 introduces a five step approach under which all revenue is recognised when the customer obtains control of the promised good or service in the contract, either at a single point in time or over time.

Under HKFRS 15, a receivable is recognised only if the Group has an unconditional right to consideration. If the Group recognises the related revenue before receiving the consideration or being unconditionally entitled to the consideration for the promised goods and services in the contract, then the entitlement to consideration is classified as a contract asset. Similarly, a contract liability, rather than a payable, is recognised when a customer pays consideration, or is contractually required to pay consideration and the amount is already due, before the Group recognises the related revenue. For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

As a result of the adoption of HKFRS 15, "Advance receipt" will continue to be separately disclosed in Note 10.

**(c) HK(IFRIC) 22, *Foreign currency transactions and advance consideration***

This interpretation provides guidance on determining "the date of the transaction" for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) arising from a transaction in which an entity receives or pays advance consideration in a foreign currency.

The Interpretation clarifies that "the date of the transaction" is the date on initial recognition of the non-monetary asset or liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the date of the transaction for each payment or receipt should be determined in this way. The adoption of HK(IFRIC) 22 does not have any material impact on the financial position and the financial result of the Group.

## 3. SEGMENT INFORMATION

The Group is principally engaged in the retail and wholesale of watches in Hong Kong. The Group also engaged in sales and trading of high-end biological fertilizers, fertilizers raw materials and public consumption products (collectively referred to as "Trading of fertilizers and other products") since last year.

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

Specifically, the reportable 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 fertilizers and other products ("**Trading**") — trading of fertilizers, fertilizers raw materials and public consumption products

There are no significant sales or other transactions among the segments.

The executive Directors assess the performance of the operating segments based on a measure of operating profit excluding finance cost and group expenses.

**For the six months ended 31 October 2018**

| | **Retail** *HK$'000* **(Unaudited)** | **Wholesale** *HK$'000* **(Unaudited)** | **Trading** *HK$'000* **(Unaudited)** | **Elimination** *HK$'000* **(Unaudited)** | **Total** *HK$'000* **(Unaudited)** |
|---|---|---|---|---|---|
| Revenue | | | | | |
| External sales | **110,612** | **1,500** | **—** | **—** | **112,112** |
| External service income | **771** | **—** | **—** | **—** | **771** |
| External commission income | **—** | **—** | **11,547** | **—** | **11,547** |
| Inter-segment sales | **—** | **688** | **—** | **(688)** | **—** |
| | **111,383** | **2,188** | **11,547** | **(688)** | **124,430** |
| Segment (loss)/profit | **(4,138)** | **(172)** | **6,929** | **—** | **2,619** |
| Finance costs | | | | | **(127)** |
| Unallocated Group expenses | | | | | **(9,756)** |
| Loss before income tax | | | | | **(7,264)** |

**For the six months ended 31 October 2017**

| | Retail<br>*HK$'000*<br>(Unaudited) | Wholesale<br>*HK$'000*<br>(Unaudited) | Trading<br>*HK$'000*<br>(Unaudited) | Elimination<br>*HK$'000*<br>(Unaudited) | Total<br>*HK$'000*<br>(Unaudited) |
|---|---|---|---|---|---|
| Revenue | | | | | |
| External sales | 136,512 | 1,251 | — | — | 137,763 |
| External service income | 1,861 | — | — | — | 1,861 |
| Inter-segment sales | — | 1,286 | — | (1,286) | — |
| | 138,373 | 2,537 | — | (1,286) | 139,624 |
| Segment (loss)/profit | (6,307) | 375 | — | — | (5,932) |
| Finance costs | | | | | (254) |
| Unallocated Group expenses | | | | | (1,634) |
| Loss before income tax | | | | | (7,820) |

Sales between segments are carried out at 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 condensed consolidated statement of profit or loss and other comprehensive income.

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

During the Review Period, the Group's operation is mainly located in the People's Republic of China ("**PRC**") and Hong Kong. The Group's revenue by geographical location of customers are detailed below:

| | **Six months ended 31 October** | |
|---|---|---|
| | **2018**<br>***HK$'000***<br>**(Unaudited)** | 2017<br>*HK$'000*<br>(Unaudited) |
| PRC | **11,547** | — |
| Hong Kong | **112,883** | 139,624 |
| | **124,430** | 139,624 |

The Group's revenue is mainly derived from customers in PRC and Hong Kong. The non-current assets of the Group are located in PRC and Hong Kong. For the six months ended 31 October 2018 and 2017, there were no single external customers who contributed more than 10% revenue of the Group.

**Other profit and loss disclosures**

| | Six months ended 31 October | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | **2018** | | | | 2017 | | | |
| | **Retail** | **Wholesale** | **Trading** | **Total** | Retail | Wholesale | Trading | Total |
| | ***HK$'000*** | ***HK$'000*** | ***HK$'000*** | ***HK$'000*** | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| | **(Unaudited)** | **(Unaudited)** | **(Unaudited)** | **(Unaudited)** | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) |
| Depreciation of property, plant and equipment | **2,129** | **—** | **9** | **2,138** | 1,277 | — | — | 1,277 |
| Allowance/(reversal) for write-down of inventories recognised | **(2,202)** | **(6)** | **—** | **(2,208)** | 1,841 | (211) | — | 1,630 |
| Impairment of property, plant and equipment | **—** | **—** | **—** | **—** | 67 | — | — | 67 |
| Write-back for onerous operating leases | **—** | **—** | **—** | **—** | (547) | — | — | (547) |
| Loss on disposal of property, plant and equipment | **27** | **—** | **—** | **27** | — | — | — | — |

## 4. LOSS BEFORE TAX

Loss before tax has been arrived at after charging (crediting):

| | Six months ended 31 October | |
|---|---|---|
| | **2018** | 2017 |
| | ***HK$'000*** | *HK$'000* |
| | **(Unaudited)** | (Unaudited) |
| Cost of inventories sold | **74,774** | 93,057 |
| (Reversal of allowance)/allowance for slow-moving inventories | **(2,208)** | 1,630 |
| | **72,566** | 94,687 |
| Employee benefit expense | **16,792** | 14,590 |
| Depreciation of property, plant and equipment | **2,138** | 1,277 |
| Impairment of property, plant and equipment | **—** | 67 |
| Operating lease expenses | | |
| — Office premises | **1,101** | 29 |
| — Repair centres | **33** | 33 |
| — Retail outlets | **21,295** | 27,781 |
| Write-back for onerous operating leases | **—** | (547) |
| Auditors' remuneration | **500** | 300 |

## 5. INCOME TAX EXPENSE

The amount of income tax charged to the condensed consolidated statement of profit or loss and other comprehensive income represents:

| | Six months ended 31 October | |
|---|---|---|
| | **2018** | 2017 |
| | ***HK$'000*** | *HK$'000* |
| | **(Unaudited)** | (Unaudited) |
| Current taxation | | |
| Hong Kong profits tax | **10** | 180 |
| PRC Enterprise income tax | **1,607** | — |
| | **1,617** | 180 |
| Deferred taxation | **(587)** | 278 |
| | **1,030** | 458 |

Hong Kong profits tax has been provided at the rate of 16.5% (2017: 16.5%) on the estimated assessable profit for the six months ended 31 October 2018.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% in the current period.

## 6. DIVIDEND

The Board does not declare the payment of an interim dividend for the six months ended 31 October 2018 (2017: Nil).

## 7. LOSS PER SHARE

### (a) Basic

Basic loss per share is calculated by dividing the loss attributable to owners of the Company by the weighted average number of ordinary shares in issue during the Review Period.

| | Six months ended 31 October | |
|---|---|---|
| | **2018** | 2017 |
| | ***HK$'000*** | *HK$'000* |
| | **(Unaudited)** | (Unaudited) |
| Loss attributable to owners of the Company | **(8,294)** | (8,278) |
| Weighted average number of ordinary shares in issue (thousands) | **800,000** | 800,000 |
| Basic loss per share (HK cents per share) | **(1.04)** | (1.03) |

### (b) Diluted

For the six months ended 31 October 2018 and 2017, diluted loss per share equals basic loss per share as there was no dilutive potential share.

## 8. TRADE RECEIVABLES, OTHER RECEIVABLES AND PREPAYMENTS

| | 31 October 2018 HK$'000 (Unaudited) | 30 April 2018 HK$'000 (Audited) |
|---|---|---|
| Trade receivables *(Note a)* | | |
| — third parties | **641** | 4,420 |
| — a related company | **24** | 6 |
| | **665** | 4,426 |
| Rental and utilities deposits | **14,767** | 18,355 |
| Prepayments | **49,302** | 38,090 |
| Bills receivables | **37,722** | 39,980 |
| Other receivables | **—** | 150 |
| | **102,456** | 101,001 |
| Less: non-current portion | | |
| — rental deposits | **(6,795)** | (1,381) |
| | **(6,795)** | (1,381) |
| Current portion | **95,661** | 99,620 |

*Note:*

**(a) Trade receivables and an amount due from a related company**

The trade receivables and an amount due from a related company mainly comprise receivables from credit card companies for retail sales and wholesale customers. There was no specific credit terms granted to those credit card companies. The receivables due from credit card companies were usually settled within 7 days. The Group's credit terms granted to wholesale customers, including a related party customer, generally ranged from 30 to 90 days from the invoice date. As at 31 October 2018 and 30 April 2018, the ageing analysis of the trade receivables based on the invoice date is as follows:

| | 31 October 2018 HK$'000 (Unaudited) | 30 April 2018 HK$'000 (Audited) |
|---|---|---|
| Within 30 days | **395** | 4,240 |
| 31 to 60 days | **151** | 141 |
| over 61 days | **119** | 45 |
| | **665** | 4,426 |

As at 31 October 2018, none of the trade receivables was past due but not impaired (30 April 2018: Nil).

## 9. SHARE CAPITAL

| | Number of shares | Nominal value HK$'000 |
|---|---|---|
| Authorized — ordinary shares of HK$0.01 each | | |
| At 30 April 2018 (Audited) and **at 31 October 2018 (Unaudited)** | **10,000,000,000** | 100,000 |
| Issued and fully paid — ordinary shares of HK$0.01 each | | |
| At 30 April 2018 (Audited) and **at 31 October 2018 (Unaudited)** | **800,000,000** | 8,000 |

## 10. PROVISION FOR OTHER LIABILITIES AND CHARGES, TRADE AND OTHER PAYABLE

| | **31 October 2018** ***HK$'000*** **(Unaudited)** | 30 April 2018 *HK$'000* (Audited) |
|---|---|---|
| Trade payables *(Note a)* | | |
| — third parties | **9,594** | 18,858 |
| — related parties | **3** | 3 |
| | **9,597** | 18,861 |
| Rent payable | **773** | 1,269 |
| Accrued employee benefit expense | **1,772** | 3,574 |
| Provision for reinstatement costs *(Note b)* | **1,480** | 1,796 |
| Provision for onerous operating leases *(Note c)* | **2,115** | 2,115 |
| Other accruals and payables | **3,713** | 4,474 |
| Advance receipt | **72,326** | 67,797 |
| | **91,776** | 99,886 |
| Less: non-current portion | **(1,040)** | (793) |
| Current portion | **90,736** | 99,093 |

As at 31 October 2018 and 30 April 2018, the carrying amounts of trade and other payables approximated to their fair values and were mainly denominated in HK$.

*Notes:*

**(a) Trade payables and amount due to related companies**

As at 31 October 2018 and 30 April 2018, the aging analysis of the trade payables based on due date is as follows:

| | **31 October 2018** | 30 April 2018 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| | **(Unaudited)** | (Audited) |
| Within 30 days | **2,982** | 18,720 |
| 31 to 60 days | **235** | — |
| Over 61 days | **6,380** | 141 |
| | **9,597** | 18,861 |

**(b) Provision for reinstatements costs**

Movements in the Group's provision for reinstatement costs are as follows:

| | **31 October 2018** | 30 April 2018 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| | **(Unaudited)** | (Audited) |
| At beginning of the period/year | **1,796** | 1,776 |
| Additional provision during the period/year | **297** | 399 |
| Settlements | **(613)** | (379) |
| At end of the period/year | **1,480** | 1,796 |

**(c) Provision for onerous operating leases**

Movements in the Group's provision for onerous operating leases are as follows:

| | **31 October 2018** | 30 April 2018 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| | **(Unaudited)** | (Audited) |
| At beginning of the period/year | **2,115** | 8,598 |
| Provision during the period/year | **—** | 321 |
| Release of provision upon payment of rental charges | **—** | (6,804) |
| At end of the period/year | **2,115** | 2,115 |

The provision for onerous operating leases represented the anticipated unavoidable costs for fulfilling the onerous non-cancellable lease agreements. All the lease agreements will expire by the end of the year ending 30 April 2022. The provision amount would be reduced upon the payment of the remaining rental charges.

## 11. BANK LOANS

The Group fully repaid the bank loans in the current period.

As at 31 October 2018, the Group had aggregate banking facilities of HK$23.5 million (30 April 2018: HK$23.5 million), for overdrafts and loans. Unused facilities as at the same date were HK$23.5 million (30 April 2018: HK$17.7 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.

## 12. AMOUNT DUE TO ULTIMATE HOLDING COMPANY

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

## MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

The first six months of our financial year 2018/2019 was challenging although it observed increasing signs of recovery and improvement of consumption sentiments as reflected in our retail shops. During the Review Period, local consumers and visitors from the Mainland China have been the major driving forces for the market upturn. Nevertheless, increased purchasing power did not at the same time make profit margin better off in the tough watches retail business under severe competition. Due to the expiry of the franchise licences of the Group's two major watches brands, the Group's performance in this segment was on its decline track.

In the first quarter of 2018, the Group has commenced its new businesses. The new businesses continued to record profits during the Review Period, which slightly offset the downtrend impact of watches retail business. As a result of the foregoing, the turnover for the Review Period decreased by approximately 10.9% to approximately HK$124.4 million (six months ended 31 October 2017: approximately HK$139.6 million). Gross profit for the Review Period was approximately HK$51.9 million (six months ended 31 October 2017: approximately HK$44.9 million). After eliminating the effect of the commencement of new businesses, the gross profit of watches business was approximately HK$40.3 million (six months ended 31 October 2017: approximately HK$44.9 million) and there was an increase of approximately 3.5% in gross profit margin compared with the corresponding period in 2017. The loss attributable to owners of the Company was approximately HK$8.3 million for the Review Period, which remained unchanged compared with the six months ended 31 October 2017.

## FINANCIAL REVIEW

### Revenue

Our revenue decreased by approximately HK$15.2 million or 10.9% from approximately HK$139.6 million for the six months ended 31 October 2017 to approximately HK$124.4 million for the Review Period. Revenue derived from watches business decreased by approximately HK$26.7 million or 19.1% from approximately HK$139.6 million for the six months ended 31 October 2017 to approximately HK$112.9 million for the Review Period. The decrease in revenue derived from watches business was mainly due to the expiry of the franchise licences of the Group's two major watches brands and severe competition in the watches retail business throughout the Review Period. Due to the commencement of new businesses, revenue from our new businesses has slightly offset the decrease in revenue of watches retail business.

### Cost of sales

Our cost of sales primarily consists of cost of inventories sold and reversal of provision or provision for slow-moving inventories. Our cost of sales decreased by approximately HK$22.1 million or 23.3% from approximately HK$94.7 million for the six months ended 31 October 2017 to approximately HK$72.6 million for the Review Period. During the Review Period, the Group recorded a reversal of provision for slow-moving inventories of approximately HK$2.2 million (six months ended 31 October

2017: provision of approximately HK$1.6 million) to profit or loss. The provision for slow-moving inventories as at 31 October 2018 amounted to approximately HK$21.6 million (As at 30 April 2018: approximately HK$23.8 million).

After eliminating the effect of reversal of provision or provision for slow-moving inventories, cost of sales decreased by approximately HK$18.3 million or 19.7% from approximately HK$93.1 million for the six months ended 31 October 2017 to approximately HK$74.8 million for the Review Period. The decrease was mainly due to the decline in sales of watches and in line with the decrease in revenue of watches retail for the Review Period.

**Gross profit and gross profit margin**

The overall gross profit increased by approximately HK$7.0 million or 15.6% from approximately HK$44.9 million for the six months ended 31 October 2017 to approximately HK$51.9 million for the Review Period. Our gross profit of the watches business decreased by approximately HK$4.6 million or 10.2% from approximately HK$44.9 million for the six months ended 31 October 2017 to approximately HK$40.3 million for the Review Period. Our gross profit margin of the watches business increased from approximately 32.2% for the six months ended 31 October 2017 to approximately 35.7% for the Review Period. The increase was mainly attributable to the reversal of provision for slow-moving inventories during the Review Period.

After eliminating the effect of reversal of provision or provision for slow-moving inventories, the gross profit margin of the watches business increased from approximately 33.4% for the six months ended 31 October 2017 to approximately 33.7% for the Review Period.

**Selling and distribution expenses**

Our selling and distribution expenses decreased by approximately HK$2.8 million or 6.0% from approximately HK$46.7 million for the six months ended 31 October 2017 to approximately HK$43.9 million for the Review Period. The decrease was primarily attributable to the decreases of operating lease expenses of retail outlets and sales staff's salaries and allowances during the Review Period. This decrease was partially offset by the increase in depreciation, freight, repairs and maintenance and insurance expenses.

**Administrative expenses**

Our administrative expenses increased by approximately HK$8.3 million or 143.1% from approximately HK$5.8 million for the six months ended 31 October 2017 to approximately HK$14.1 million for the Review Period. The increase was primarily attributable to the increases in the operating lease expenses of office premises, consulting fee, administrative staff's salaries and allowances and Directors' emoluments during the Review Period.

### Other expense

Other expense was the break fee paid to Macquarie Bank Limited, the subscriber of the Company's convertible notes issued on 31 July 2018, for early redemption of convertible notes.

### Finance costs

Our finance costs decreased by approximately HK$0.12 million or 48.0% from approximately HK$0.25 million for the six months ended 31 October 2017 to approximately HK$0.13 million for the Review Period. The decrease was primarily attributable to a decrease in the level of borrowings during the Review Period.

### Loss before income tax and loss attributable to owners of the Company

As a result of the foregoing, our loss before income tax decreased by approximately HK$0.5 million or 6.4% from the loss before income tax of approximately HK$7.8 million for the six months ended 31 October 2017 to that of approximately HK$7.3 million for the Review Period.

The loss attributable to owners of the Company remained almost unchanged compared with the six months ended 31 October 2017, which was approximately HK$8.3 million for the Review Period.

## FINANCIAL POSITION

The Group's primary sources of funds were cash inflows from operating activities and bank borrowings.

As at 31 October 2018, the Group's total cash and cash equivalents were approximately HK$44.0 million (As at 30 April 2018: approximately HK$54.6 million), most of which were denominated in Hong Kong dollars ("**HK$**"). The current ratio (calculated by dividing current assets by current liabilities) of the Group maintained at approximately 1.9 times as at 31 October 2018 and 2.0 times as at 30 April 2018. The gearing ratio (calculated by dividing net debt by total equity) was not applicable as the Group maintained at a net cash position as at 31 October 2018 and 30 April 2018.

## USE OF NET PROCEEDS FROM INITIAL PUBLIC OFFERING (THE "IPO")

The net proceeds from the Company's IPO completed in mid-May 2015 (after deducting the underwriting fees and related expenses) amounted to approximately HK$107.5 million, which are intended to be applied in the manner as disclosed in the prospectus of the Company dated 28 April 2015.

During the period from 12 May 2015, being the date of listing of the Company's issued shares, to 31 October 2018, the Group has applied the net proceeds from the IPO as follows:

| | **Amount utilised at as 31 October 2018** | **Amount unutilised at as 31 October 2018** |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| Expand our retail and sales network | 25,170 | 12,443 |
| Improve our same-store sales growth and profit margin | 12,896 | — |
| Improve our supplier network and enhance the knowledge of our sales staff | 1,381 | 2,918 |
| Increase our marketing effort | 7,086 | 437 |
| Repay a short-term bank loan with interest | 37,613 | — |
| Use for working capital and other general corporate purposes | 6,843 | 680 |
| Total | 90,989 | 16,478 |

The unutilised net proceeds from the IPO are placed as deposits with licensed banks in Hong Kong.

## DEBTS AND CHARGE ON ASSETS

The Group had total borrowings of approximately HK$0.08 million as at 31 October 2018 while that as at 30 April 2018 was approximately HK$6.6 million. Borrowings of approximately HK$0.08 million as at 31 October 2018 was fixed at an interest rate of 2.90% (As at 30 April 2018: approximately HK0.8 million were fixed at interest rates from 2.90% to 3.09%) per annum.

The carrying amounts of the Group's borrowings were denominated in HK$ and unsecured and approximate to their fair values.

As at 31 October 2018, the Group did not have any foreign exchange contracts, interest or currency swaps or other financial derivatives.

As at 31 October 2018, the Group had aggregate banking facilities of approximately HK$23.5 million (As at 30 April 2018: approximately HK$23.5 million) for overdrafts and loans. Unused facilities as at the same date amounted to approximately HK$23.5 million (As at 30 April 2018: HK$17.7 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.

## EARLY REDEMPTION OF CONVERTIBLE NOTES

On 31 May 2018, the Company and Macquarie Bank Limited (the "**Subscriber**") entered into a conditional subscription agreement (as supplemented by an amendment agreement dated 20 June 2018 and the second amendment agreement dated 4 July 2018) (collectively, the "**Subscription Agreements**"), pursuant to which the Company had conditionally agreed to issue, and the Subscriber had conditionally agreed to subscribe for, the 0.8% convertible notes in a principal amount of up to HK$80,000,000 due 2019 (the "**Notes**") under a specific mandate granted by the shareholders of the Company (the "**Shareholders**") at an extraordinary general meeting held on 26 July 2018. The Notes comprise two tranches. Each tranche will be in an aggregate principal amount of HK$40,000,000. Based on the Floor Price of HK$0.80 (as defined in the Subscription Agreements), the maximum total number of ordinary shares of the Company to be issued pursuant to the exercise of conversion rights attached to the Notes (the "**New Shares**") shall be 100,000,000. The Floor Price is subject to adjustment.

Each Note entitles the holder of the Note to convert the Note into New Shares at any time during the Conversion Period (as defined in the Subscription Agreements) at the Conversion Price (as defined in the Subscription Agreements), provided that no Conversion Right (as defined in the Subscription Agreements) may be exercised at a Conversion Price lower than the Floor Price.

All the conditions precedent set out in the Subscription Agreements have been fulfilled and completion of issue of the first tranche of the Notes to the Subscriber in the principal amount of HK$40,000,000 took place on 31 July 2018 in accordance with the terms of the Subscription Agreements. On 19 October 2018, the Company early redeemed the first tranche of the Notes in the principal amount of HK$40,000,000, and the Notes have been fully redeemed. As at the date of redemption, the net proceeds from the issue of the first tranche of the Notes have not been utilized.

For further details, please refer to the announcements of the Company dated 31 May, 20 June, 29 June, 4 July, 26 July, 31 July and 19 October 2018 and its circular dated 11 July 2018.

## MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES

During the Review Period, there was no acquisition or disposal of subsidiaries, associated companies or joint ventures by the Company.

## FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

On 13 June 2018, the Company entered into a non-legally binding memorandum of understanding (the "**MOU**") with Lithium Chile Inc. in relation to the Equity Investment (as defined in the MOU) and the Norte Program (as defined in the MOU). Due to the less than satisfactory progress in the negotiations between the parties, the Company expects that the Equity Investment and the Norte Program may be terminated and hence the investments will not materialize.

The Group did not have any plans for material investments and capital assets.

## SIGNIFICANT INVESTMENT HELD

Except for investments in subsidiaries, the Group did not hold any significant investment in equity interest in any other company as at 31 October 2018.

## FOREIGN EXCHANGE EXPOSURES

The Group does not have a significant foreign exchange exposure and has currently not implemented any foreign currency hedging policy. The management will consider hedging against significant foreign exchange exposure should the need arise.

## CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 31 October 2018 (As at 30 April 2018: Nil).

## CAPITAL COMMITMENTS

The Group had no capital commitments as at 31 October 2018 (As at 30 April 2018: Nil).

## EMPLOYEES AND REMUNERATION POLICIES

As at 31 October 2018, the Group had a total of 112 (2017: 99) employees. The total remuneration costs incurred by the Group for the six months ended 31 October 2018 were approximately HK$16.8 million (2017: approximately HK$14.6 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, individual qualifications, relevant experience and performance. The Group arranges training sessions to develop and refresh staff's skills and knowledge relating to its businesses.

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.

## INTERIM DIVIDEND

The Board does not declare the payment of any interim dividend for the six months ended 31 October 2018 (2017: Nil).

## PROSPECTS

Due to the continuous integration of fertilizers industry and elimination of backward capacity, the fertilizer prices recovered during the Review Period. It is expected that more obsolete production capacity will be squeezed out of the market and the degree of concentration in the fertilizers industry will be further enhanced, which will result in maintaining a relatively stable growth in the fertilizer prices with the support of growing demand in agricultural and industrial usages. As the market outlook of fertilizers industry is on its improvement track, we shall strive to strengthen relationships with key customers and diversify our customer base, aiming to create new drivers for future development.

As regards the retail of watches, the expiry of the franchise licences of the Group's two major brands has led to a decrease in total turnover of the Group for the Review Period. A larger decline in sales in the second half of our financial year 2018/2019 is expected as all the above-mentioned single brand shops have either been closed or are being handed over to the brand owner in accordance to the terms of the franchise agreements.

Despite the above unfavorable factors, the Group will stay focus on opening single brand shops with other brands and have opened a brand-new concept shop by offering brands with unique design and market niche. The Group remained cautious in rationalizing our existing network of our retail outlets against the high costs of operations and we have been successful in negotiating better rental rates on our lease renewals. We have also been fine-tuning our retail outlets by closing down under-performing shops on the one hand and opening new shops at strategically prime locations on the other. With these moves, we expect to see better results in the forthcoming financial year.

The Group will continue to consolidate and develop its existing market and industry position and do its best to create better returns for the Shareholders. As usual, we shall grasp opportunities to proactively expand our businesses by seeking target-oriented acquisitions. It is believed that all of our management and staff continue to uphold the spirit of endless effort. Under the strong leadership of the Board, we can create a promising future.

## MATERIAL EVENTS AFTER REVIEW PERIOD

Save as disclosed above, no other material events occurred after the Review Period and up to the date of this announcement.

## COMPLIANCE WITH THE LISTING RULES/CODE PROVISIONS

Immediately following the resignation of Mr. Hu Jinrui as an independent non-executive Director ("**INED**") on 1 August 2018, the Company had only two INEDs, hence failing to meet the requirements of having (i) at least three INEDs on the Board under Rule 3.10(1) of the Listing Rules; (ii) INEDs who represent at least one-third of the Board under Rule 3.10A of the Listing Rules; (iii) the minimum number of non-executive Directors for the formation of the Audit Committee under Rule 3.21 of the Listing Rules; and (iv) a majority of INEDs for the Nomination Committee under code provision A.5.1 of the Corporate Governance Code contained in Appendix 14 of the Listing Rules (the "**CG Code**"). On 22 August 2018, the Company appointed Mr. Gao Jizhong ("**Mr. Gao**") as an INED and fulfilled the aforesaid requirements of the Listing Rules and the above code provision.

Immediately following the retirement of Mr. Gao as an INED on 25 October 2018, the Company had only two INEDs, hence failing to meet the requirements of having (i) at least three INEDs on the Board under Rule 3.10(1) of the Listing Rules; (ii) INEDs who represent at least one-third of the Board under Rule 3.10A of the Listing Rules; (iii) the minimum number of non-executive Directors for the formation of the Audit Committee under Rule 3.21 of the Listing Rules; and (iv) a majority of INEDs for the Nomination Committee under code provision A.5.1 of the CG Code. On 14 December 2018, the Company appointed Mr. Lee Chun Keung as an INED and fulfilled the aforesaid requirements of the Listing Rules and the above code provision.

Immediately following the resignation of Mr. Chan, Yee Ping Michael as an INED on 27 December 2018, the Company had only two INEDs, hence failing to meet the requirements of having (i) at least three INEDs on the Board under Rule 3.10(1) of the Listing Rules; (ii) INEDs who represent at least one-third of the Board under Rule 3.10A of the Listing Rules; (iii) the minimum number of non-executive Directors for the formation of the Audit Committee under Rule 3.21 of the Listing Rules; and (iv) a majority of INEDs for the Remuneration Committee under Rule 3.25 of the Listing Rules. On 27 December 2018, the Company appointed Mr. Wang Luping as an INED and has fulfilled the aforesaid requirements of the Listing Rules and the above code provision.

## 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 applied the principles and code provisions as set out in the CG Code contained in Appendix 14 to the Listing Rules. The Company complied with all the code provisions of the CG Code, except for code provision A.5.1 of the CG Code as disclosed in the section of Compliance with the Listing Rules/Code Provisions above, the following code provision A.2.1 and E.1.2 of the CG Code during the Review Period and up to the date of this announcement.

### 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 Review Period and up to the date of this announcement, Mr. Meng Guangyin acts as the chairman of the Board (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 Guangyin 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.

### Communication with Shareholders

Code provision of E.1.2 of the CG Code provides that, among others, the chairman of the board should attend the annual general meetings (the "**AGMs**"). Mr. Meng Guangyin, the Chairman, did not attend the Company's AGM held on 25 October 2018 (the "**2018 AGM**") due to other essential business engagements. In order to ensure an effective communication with the Shareholders, the Chairman authorized and the Directors attending the 2018 AGM elected Mr. Liu Guoqing, an executive Director, to chair the meeting on behalf of the Chairman. The respective chairmen and/or members of the Board's audit committee (the "**Audit Committee**"), remuneration committee and nomination committee and a representative of the independent auditor of the Company were present at the 2018 AGM to answer relevant questions. To mitigate the above, future AGMs will be scheduled earlier to avoid the timetable clashes.

## COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules 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 standards as set out in the Model Code during the Review Period.

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

During Review Period, the Company did not redeem any of its listed securities nor did the Company or any of its subsidiaries purchase or sell such securities.

## AUDIT COMMITTEE REVIEW

The Company has established an Audit Committee with written terms of reference in compliance with the Listing Rules. The Group's unaudited condensed consolidated interim results for the Review Period has been reviewed by the Audit Committee before submission to the Board for approval.

## APPRECIATION

On behalf of the Board, I would like to take this opportunity to express my gratitude to our dedicated management team and employees for their contributions that enable the Group to face the challenges during Review Period. At the same time, I wish to express my sincere thanks to our partners, customers and in particular, our Shareholders, for their continuous support and trust in the Group's strategic transformation.

## PUBLICATION OF FINANCIAL INFORMATION ON THE STOCK EXCHANGE'S WEBSITE

The Company's interim report for the Review Period containing all applicable information required by the Listing Rules will be despatched to the Shareholders and published on the Stock Exchange's website *(http://www.hkexnews.hk)* and on the Company's website *(www.prosperoneintl.com)* in due course in the manner required by the Listing Rules.

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

Hong Kong, 28 December 2018

As at the date of this announcement, the Board comprises:

| | |
|---|---|
| *Executive Directors:* | Mr. Meng Guangyin *(Chairman and Chief Executive Officer)*<br>Mr. Liu Guoqing *(Chief Financial Officer)*<br>Mr. Liu Jiaqiang |
| *Independent Non-executive Directors:* | Mr. Tian Zhiyuan<br>Mr. Lee Chun Keung<br>Mr. Wang Luping |