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 2019

INTERIM RESULTS

The board of directors of Prosper One International Holdings Company Limited (the "**Company**", the "**Director(s)**" and the "**Board**", respectively) announces the unaudited condensed consolidated results of the Company and its subsidiaries (collectively the "**Group**") for the six months ended 31 October 2019 (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 2019

		Six months ended 31 October	
		2019	2018
	Notes	***HK$'000***	*HK$'000*
		(Unaudited)	(Unaudited)
Revenue	*3*	**61,248**	124,430
Cost of sales		**(29,827)**	(72,566)
Gross profit		**31,421**	51,864
Other income		**409**	—
Selling and distribution costs		**(28,527)**	(43,946)
Administrative expenses		**(12,074)**	(14,055)
Other expense		**—**	(1,000)
Finance costs		**(904)**	(127)

	Notes	Six months ended 31 October **2019** *HK$'000* **(Unaudited)**	2018 *HK$'000* (Unaudited)
Loss before tax	*4*	**(9,675)**	(7,264)
Income tax expense	*5*	**(2,701)**	(1,030)
Loss for the period attributable to owners of the Company		**(12,376)**	(8,294)
Other comprehensive expense			
Item that may be reclassified subsequently to profit or loss			
— Exchange differences arising from translation of foreign operations		**(622)**	(460)
Total comprehensive expense for the period attributable to the owners of the Company		**(12,998)**	(8,754)
Loss per share — basic and diluted (HK cents per share)	*7*	**(1.55)**	(1.04)
Dividend	*6*	**—**	—

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 October 2019

	Notes	**31 October 2019** *HK$'000* **(Unaudited)**	30 April 2019 *HK$'000* (Audited)
Non-current assets			
Property, plant and equipment		**19,867**	23,536
Right-of-use assets		**17,141**	—
Rental deposits	*8*	**8,225**	7,513
Deferred tax assets		**—**	142
Financial asset at fair value through profit or loss		**3,892**	3,856
Club membership		**4,000**	4,000
		53,125	39,047
Current assets			
Right-of-use assets		**7,809**	—
Inventories		**34,853**	35,283
Trade receivables, other receivables and prepayments	*8*	**121,921**	137,615
Tax recoverable		**587**	587
Cash and cash equivalents		**19,799**	22,483
		184,969	195,968
Total assets		**238,094**	235,015
Capital and reserves			
Share capital	*9*	**8,000**	8,000
Reserves		**64,790**	77,788
Total equity		**72,790**	85,788

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
As at 31 October 2019

	Notes	**31 October 2019 *HK$'000* (Unaudited)**	30 April 2019 *HK$'000* (Audited)
Non-current liabilities			
Provision for other liabilities and charges	*10*	**1,030**	2,068
Lease liabilities		**20,976**	—
Deferred tax liabilities		**954**	—
		22,960	2,068
Current liabilities			
Trade and other payables	*10*	**115,923**	137,808
Lease liabilities		**8,596**	—
Amount due to ultimate holding company	*12*	**13,870**	8,620
Bank loans	*11*	**3,369**	—
Tax liabilities		**586**	731
		142,344	147,159
Total liabilities		**165,304**	149,227
Total equity and liabilities		**238,094**	235,015

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the period ended 31 October 2019

	Attributable to owners of the Company						
	Share capital	**Share premium**	**Capital reserve**	**Statutory reserve**	**Translation reserve**	**Retained earnings**	**Total equity**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
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
Balance at 1 May 2019 (Audited)	8,000	118,368	24,094	700	(170)	(65,204)	85,788
Total comprehensive expense							
Loss for the period	—	—	—	—	—	(12,376)	(12,376)
Exchange differences arising on translation of foreign operations	—	—	—	—	(622)	—	(622)
Balance at 31 October 2019 (Unaudited)	**8,000**	**118,368**	**24,094**	**700**	**(792)**	**(77,580)**	**72,790**

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 31 October 2019

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 acting as an agent (for financial reporting purpose) in the 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, a company incorporated in British Virgin Islands with limited liability and the ultimate controlling shareholder of the Company is Mr. Meng Guangyin ("**Mr. Meng**") who is also an executive Director, the chairman of the Board ("**Chairman**") and the chief executive officer of the Company.

These condensed consolidated interim financial statements of the Group 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 30 December 2019.

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 (the "**HKFRSs**") and Hong Kong Accounting Standard ("**HKAS**") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants 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 2019, 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 interim financial statements:

Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*
HKFRS 16	*Leases*
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*
Annual Improvements 2015–2017 Cycle	*Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23*

Other than as explained below regarding the impact of HKFRS 16 *Leases*, the new and revised standards are not relevant to the preparation of the Group's condensed consolidated interim financial statements. The nature and impact of HKFRS 16 are described below:

HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases — Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. Therefore, HKFRS 16 did not have any financial impact on leases where the Group is the lessor.

The Group adopted HKFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 May 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initial adoption as an adjustment to the opening balance of accumulated losses at 1 May 2019, and the comparative information for 30 April 2019 was not restated and continues to be reported under HKAS 17.

New definition of a lease

Under HKFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from the use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 May 2019.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their standard-alone prices. A practical expedient is available to a lessee, which the Group has adopted, not to separate non-lease components and to account for the lease and the associated non-lease components (e.g., property management services for leases of properties) as a single lease component.

As a lessee — Leases previously classified as operating leases

Nature of the effect of adoption of HKFRS 16

The Group has lease contracts for offices and retail shops. As a lessee, the Group previously classified leases as operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low value assets (elected on a lease by lease basis) and short-term leases (elected by class of underlying asset). The Group has elected not to recognise right-of-use assets and lease liabilities for leases that, at the commencement date, have a lease term of 12 months or less. Instead, the Group recognises the lease payments associated with those leases as an expense on a straight-line basis over the lease term.

Impacts on transition

Lease liabilities at 1 May 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 May 2019.

The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the condensed consolidated statement of financial position immediately before 1 May 2019. All these assets were assessed for any impairment based on HKAS 36 on that date. The Group elected to present the right-of-use assets separately in the condensed consolidated statement of financial position.

The Group has used the following elective practical expedients when applying HKFRS 16 at 1 May 2019:

- Applied the short-term exemptions to leases with a lease term that ends within 12 months from the date of initial application;
- Used hindsight in determining the lease term where the contract contains options to extend or terminate the lease;
- Applied a single discount rate to a portfolio of leases with reasonably similar characteristics;
- Relied on the entity's assessment of whether leases were onerous by applying HKAS 37 immediately before 1 May 2019 as an alternative to performing an impairment review; and
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application.

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

	Increase/ (decrease) *HK$'000* (unaudited)
Assets	
Increase in right-of-use assets	36,368
Decrease in prepayments	(1,870)
Increase in total assets	34,498
Liabilities	
Increase in lease liabilities	40,085
Decrease in other payables	(5,587)
Increase in total liabilities	34,498

3. SEGMENT INFORMATION

The Group is principally engaged in the retail and wholesale of watches in Hong Kong. The Group has also engaged in agency activities in relation to sales and trading of fertilizers raw materials, fertilizers products and public consumption products (collectively referred to as "**Trading of fertilizers and other products**") in the People's Republic of China (the "**PRC**" or "**China**") since 2018.

Information reported to the Company'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, 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**") — provision of agency services in relation to Trading in the PRC

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 periods.

For the six months ended 31 October 2019

	Retail	**Wholesale**	**Trading**	**Elimination**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
	(Unaudited)	**(Unaudited)**	**(Unaudited)**	**(Unaudited)**	**(Unaudited)**
Revenue					
External sales	**48,761**	**1,025**	**—**	**—**	**49,786**
External service income	**279**	**1**	**—**	**—**	**280**
External commission income	**—**	**—**	**11,182**	**—**	**11,182**
Inter-segment sales	**—**	**518**	**—**	**(518)**	**—**
	49,040	**1,544**	**11,182**	**(518)**	**61,248**
Segment (loss)/profit	**(7,744)**	**(2,381)**	**6,290**	**—**	**(3,835)**
Finance costs					**(904)**
Unallocated Group expenses					**(4,936)**
Loss before income tax					**(9,675)**

For the six months ended 31 October 2018

	Retail	Wholesale	Trading	Elimination	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(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)

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 CODM 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 was mainly located in the PRC and Hong Kong. The Group's revenue by geographical location of customers, based on location of deliver of the watches or services is detailed below:

	Six months ended 31 October	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
PRC	**11,182**	11,547
Hong Kong	**50,066**	112,883
	61,248	124,430

The Group's revenue is mainly derived from customers in the PRC and Hong Kong. 99.7% (30 April 2019: 99.5%) and 0.3% (30 April 2019: 0.5%) of the non-current assets of the Group are located in Hong Kong and the PRC, respectively. For the six months ended 31 October 2019 and 2018, 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							
	2019				2018			
	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	**2,176**	**1,656**	**9**	**3,841**	2,129	—	9	2,138
Allowance/(reversal) for write-down of inventories recognised	**(889)**	**152**	**—**	**(737)**	(2,202)	(6)	—	(2,208)
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	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Cost of inventories sold	**30,564**	74,774
Reversal of allowance for slow-moving inventories	**(737)**	(2,208)
	29,827	72,566
Employee benefit expense	**15,641**	16,792
Depreciation of property, plant and equipment	**3,841**	2,138
Depreciation of right-of-use assets	**11,418**	—
Auditors' remuneration	**450**	500

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	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Current taxation		
Hong Kong profits tax	**—**	10
PRC Enterprise income tax	**1,605**	1,607
	1,605	1,617
Deferred taxation	**1,096**	(587)
	2,701	1,030

No provision for Hong Kong profits tax had been made as there were no assessable profits arising in Hong Kong for the six months ended 31 October 2019.

Under the Law of the PRC 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 has resolved not to declare the payment of an interim dividend for the six months ended 31 October 2019 (2018: 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	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Loss attributable to owners of the Company	**(12,376)**	(8,294)
Weighted average number of ordinary shares in issue (thousands)	**800,000**	800,000
Basic loss per share (HK cents per share)	**(1.55)**	(1.04)

(b) Diluted

For the six months ended 31 October 2019 and 2018, 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 2019	30 April 2019
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Trade receivables *(Note a)*		
— third parties	**505**	2,947
Rental and utilities deposits	**9,188**	10,020
Prepayments	**88,011**	89,280
Bills receivables	**31,757**	42,152
Other receivables		
— third parties	**685**	613
— a related company	**—**	116
	130,146	145,128
Less: non-current portion		
— rental deposits	**(8,225)**	(7,513)
Current portion	**121,921**	137,615

Note:

(a) Trade receivables

The trade receivables 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 generally ranged from 30 to 90 days from the invoice date. As at 31 October 2019 and 30 April 2019, the ageing analysis of the trade receivables based on the invoice date is as follows:

	31 October 2019	30 April 2019
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Within 30 days	**356**	2,843
31 to 60 days	**96**	73
over 60 days	**53**	31
	505	2,947

As at 31 October 2019, none of the trade receivables was past due but not impaired (30 April 2019: Nil).

9. SHARE CAPITAL

	Number of shares	Nominal value *HK$'000*
Authorized — ordinary shares of HK$0.01 each		
At 30 April 2019 (Audited) and **at 31 October 2019 (Unaudited)**	**10,000,000,000**	100,000
Issued and fully paid — ordinary shares of HK$0.01 each		
At 30 April 2019 (Audited) and **at 31 October 2019 (Unaudited)**	**800,000,000**	8,000

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

	31 October 2019 ***HK$'000*** **(Unaudited)**	30 April 2019 *HK$'000* (Audited)
Trade payables *(Note a)*	**18,440**	17,600
Accrued employee benefit expense	**1,924**	699
Provision for reinstatement costs *(Note b)*	**1,239**	1,206
Provision for onerous operating leases *(Note c)*	**—**	4,561
Amount due to a director of a subsidiary	**2,134**	2,134
Other accruals and payables		
— endorsement of bills	**30,647**	42,060
— third parties	**3,816**	3,533
— a related company	**—**	5,554
Contract liabilities	**58,753**	62,529
	116,953	139,876
Less: non-current portion	**(1,030)**	(2,068)
Current portion	**115,923**	137,808

As at 31 October 2019 and 30 April 2019, 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 2019 and 30 April 2019, the aging analysis of the trade payables based on due date is as follows:

	31 October 2019 HK$'000 (Unaudited)	30 April 2019 HK$'000 (Audited)
Within 30 days	**4,247**	3,506
31 to 60 days	**4,626**	1,212
Over 60 days	**9,567**	12,882
	18,440	17,600

(b) Provision for reinstatements costs

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

	31 October 2019 HK$'000 (Unaudited)	30 April 2019 HK$'000 (Audited)
At beginning of the period/year	**1,206**	1,796
Additional provision during the period/year	**33**	408
Settlements/reversals during the period/year	**—**	(998)
At end of the period/year	**1,239**	1,206

(c) Provision for onerous operating leases

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

	31 October 2019 HK$'000 (Unaudited)	30 April 2019 HK$'000 (Audited)
At end of last year	**4,561**	2,115
Adjustment to the right-of-use assets upon the adoption of HKFRS 16	**(4,561)**	—
At beginning of the period/year	**—**	2,115
Provision during the period/year	**—**	4,561
Release of provision upon payment of rental charges	**—**	(2,115)
At end of the period/year	**—**	4,561

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

	31 October 2019 *HK$'000*	30 April 2019 *HK$'000*
Bank loan, repayable within one year and containing a repayable on demand clause, secured, with an effective interest rate of 4.69% (30 April 2019: Nil) per annum	**3,369**	—

The carrying amounts of the Group's bank loans were denominated in HK$ and secured and approximated to their fair values. The applicable interest rates of the respective bank loans range from Hong Kong InterBank Offered Rate (HIBOR) plus 2.13% to 2.65%.

The Group

As at 31 October 2019, the Group had aggregate banking facilities of HK$24,020,000 (30 April 2019: HK$24,020,000) for overdrafts and loans. Unused facilities as at the same date were HK$20,651,000 (30 April 2019: HK$24,020,000). The banking facilities were granted to the subsidiaries of the Company and were subject to annual review and guaranteed by unlimited guarantees from the Company, certain subsidiaries of the Company and one of the directors of the 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 2019/2020 was challenging for all businesses, especially for retail sales business. Hong Kong has been beset by local social unrest since late June, which led to a substantial decrease in revenue of the Group from its watches retail business resulting from a sharp decline in inbound visitors. In addition, the depreciation of Renminbi has brought down the purchasing power of the tourists from the Mainland China and the consumer sentiment has been affected by the trade tensions between China and the United States and the local social unrest. Moreover, our retail shops had to be temporarily shut down or shortened their business hours for safety concerns during the anti-government protests, further adversely affecting the performance of watches retail business.

During the Review Period, the Group carefully managed its expenses and the trading of fertilizers and other products businesses in the PRC continued to record profits, 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 50.8% to approximately HK$61.2 million (six months ended 31 October 2018: approximately HK$124.4 million). Gross profit for the Review Period was approximately HK$31.4 million (six months ended 31 October 2018: approximately HK$51.9 million). After eliminating the effect of trading businesses, the gross profit of watches business was approximately HK$20.3 million (six months ended 31 October 2018: approximately HK$40.3 million) and there was an increase of approximately 4.8% in gross profit margin compared with the corresponding period in 2018. The loss attributable to owners of the Company was approximately HK$12.4 million for the Review Period, representing an increase of approximately HK$4.1 million as compared to a net loss of approximately HK$8.3 million for the six months ended 31 October 2018.

FINANCIAL REVIEW

Revenue

Our revenue decreased by approximately HK$63.2 million or 50.8% from approximately HK$124.4 million for the six months ended 31 October 2018 to approximately HK$61.2 million for the Review Period. Revenue derived from watches business decreased by approximately HK$62.8 million or 55.6% from approximately HK$112.9 million for the six months ended 31 October 2018 to approximately HK$50.1 million for the Review Period. The decrease in revenue derived from watches business was mainly due to a sharp decline in inbound visitors as a result of local social unrest. In addition, the depreciation of Renminbi and weakened consumer sentiment adversely affected the performance of this segment.

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$42.8 million or 59.0% from approximately HK$72.6 million for the six months ended 31 October 2018 to approximately HK$29.8 million for the Review Period. During the Review Period, the Group recorded a reversal of provision for slow-moving inventories of approximately HK$0.7 million (six months ended 31 October 2018: reversal of provision of approximately HK$2.2 million) to profit or loss. The provision for slow-moving inventories as at 31 October 2019 amounted to approximately HK$17.1 million (As at 30 April 2019: approximately HK$17.8 million).

After eliminating the effect of reversal of provision or provision for slow-moving inventories, cost of sales decreased by approximately HK$44.3 million or 59.2% from approximately HK$74.8 million for the six months ended 31 October 2018 to approximately HK$30.5 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 decreased by approximately HK$20.5 million or 39.5% from approximately HK$51.9 million for the six months ended 31 October 2018 to approximately HK$31.4 million for the Review Period. Our gross profit of the watches business decreased by approximately HK$20.0 million or 49.6% from approximately HK$40.3 million for the six months ended 31 October 2018 to approximately HK$20.3 million for the Review Period. Our gross profit margin of the watches business increased from approximately 35.7% for the six months ended 31 October 2018 to approximately 40.5% for the Review Period. The increase was mainly attributable to the reversal of provision for slow-moving inventories during the Review Period and the higher gross profit margin of the new single brand shops opened.

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 33.7% for the six months ended 31 October 2018 to approximately 39.1% for the Review Period.

Selling and distribution expenses

Our selling and distribution expenses decreased by approximately HK$15.4 million or 35.1% from approximately HK$43.9 million for the six months ended 31 October 2018 to approximately HK$28.5 million for the Review Period. The decrease was primarily attributable to the decreases of lease expenses (including rental expenses and depreciation of right-of-use assets), sales staff's salaries and allowances, bank charges, insurance premiums and repairs and maintenance. The decrease in lease expenses was mainly related to better rental rates negotiated on our lease renewals and the decrease in the number of retails outlets. This decrease was partially offset by the increase in depreciation of property, plant and equipment.

Administrative expenses

Our administrative expenses decreased by approximately HK$2.0 million or 14.2% from approximately HK$14.1 million for the six months ended 31 October 2018 to approximately HK$12.1 million for the Review Period. The decrease was primarily attributable to the decreases in consulting fee, Directors' emoluments and legal and professional expenses during the Review Period. This decrease was partially offset by the increase in administrative staff's salaries and allowances.

Finance costs

Our finance costs increased by approximately HK$0.77 million or 592.3% from approximately HK$0.13 million for the six months ended 31 October 2018 to approximately HK$0.90 million for the Review Period. The increase was primarily attributable to the increase in related finance costs on lease liabilities for the adoption of new accounting policy HKFRS 16 Leases in 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 increased by approximately HK$2.4 million or 32.9% from the loss before income tax of approximately HK$7.3 million for the six months ended 31 October 2018 to approximately HK$9.7 million for the Review Period.

The loss attributable to owners of the Company increased by approximately HK$4.1 million or 49.4% from approximately HK$8.3 million for the six months ended 31 October 2018 to that of approximately HK$12.4 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 2019, the Group's total cash and cash equivalents were approximately HK$19.8 million (As at 30 April 2019: approximately HK$22.5 million), most of which were denominated in HK$. The current ratio (calculated by dividing current assets by current liabilities) of the Group maintained at approximately 1.3 times as at 31 October 2019 and 30 April 2019. The gearing ratio (calculated by dividing net debt by total equity) was not applicable as the Group maintained a net cash position as at 31 October 2019 and 30 April 2019.

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

The net proceeds from the Company's IPO (the "**Net Proceeds**") 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 2019, the Group has applied the Net Proceeds as follows:

	Amount utilized during the Review Period	Amount utilised at as 31 October 2019	Amount unutilised at as 31 October 2019
	HK$'000	*HK$'000*	*HK$'000*
Expand our retail and sales network	1,001	34,641	2,972
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	118	7,345	178
Repay a short-term bank loan with interest	—	37,613	—
Use for working capital and other general corporate purposes	—	6,940	582
Total	1,119	100,816	6,650

The unutilised Net Proceeds are placed as deposits with licensed banks in Hong Kong.

DEBTS AND CHARGE ON ASSETS

The Group had total borrowings of approximately HK$3.4 million as at 31 October 2019 whereas the Group had no borrowings as at 30 April 2019.

As at 31 October 2019, the carrying amounts of the Group's borrowings were denominated in HK$ and secured and approximated to their fair values.

As at 31 October 2019, the Group did not have any foreign exchange contracts, interest or currency swaps or other financial derivatives.

As at 31 October 2019, the Group had aggregate banking facilities of approximately HK$24.0 million (As at 30 April 2019: approximately HK$24.0 million) for overdrafts and loans. Unused facilities as at the same date amounted to approximately HK$20.6 million (As at 30 April 2019: HK$24.0 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.

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

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 2019.

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 2019 (As at 30 April 2019: Nil).

CAPITAL COMMITMENTS

The Group had no capital commitments as at 31 October 2019 (As at 30 April 2019: Nil).

EMPLOYEES AND REMUNERATION POLICIES

As at 31 October 2019, the Group had a total of 114 (2018: 112) employees. The total remuneration costs incurred by the Group for the Review Period were approximately HK$15.6 million (six months ended 31 October 2018: approximately HK$16.8 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 Review Period (six months ended 31 October 2018: Nil).

PROSPECTS

During the Review Period, as the domestic supervision on safety and environmental protection continued to be strengthened in the PRC, the demand for fertilizers in industrial usages decreased and the price declined. The fertilizer industry will continue to accelerate its integration and upgrading in the stage of elimination of backward capacity. It is expected that the demand for fertilizers will see further slight decline and thus the price. The Group will dedicate to the promotion of product diversification and the improvements on our services, so as to elevate the Group's competitiveness in the market.

As regards the retail of watches, the hardship is likely to persist in the remaining of this financial year. In this difficult business environment, the Group will focus on clearing slow-moving inventories in order to improve its financial conditions and remain cautious in controlling its expenses so as to better prepare for the possible headwinds moving forward. On the other hand, the Group will take initiative move to stimulate consumer sentiment by placing advertisements on major social media platforms such as Facebook and Wechat.

Looking forward, the Group will continue to strengthen the relationship with our key customers and diversify our customer base so as to increase our market share. Meanwhile, we shall seek to establish strategic relationships with our business partners and look for development opportunities to proactively expand our business. As usual, the Group will leverage its core competitiveness to enhance its brand awareness, aiming to achieve sustainable growth and create better returns for the shareholders of the Company (the "**Shareholders**") in the long run.

MATERIAL EVENTS AFTER REVIEW PERIOD

No other material events have occurred after the Review Period and up to the date of this announcement.

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 Corporate Governance Code contained in Appendix 14 to the Listing Rules (the "**CG Code**"). The Company complied with all the code provisions of the CG Code, except for the following code provisions 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 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.

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, the Chairman, did not attend the Company's AGM held on 18 October 2019 (the "**2019 AGM**") due to other essential business engagements. In order to ensure an effective communication with the Shareholders, the Directors attending the 2019 AGM elected Mr. Liu Guoqing, an executive Director and the Company's Chief Financial Officer, 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 2019 AGM to answer relevant questions from the Shareholders thereat. To mitigate the above, future AGMs of the Company 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 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 standards as set out in the Model Code during the Review Period.

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

During the 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 have been reviewed by the Audit Committee before submission to the Board for approval.

APPRECIATION

On behalf of the Board, I would like to express my sincere gratitude to our 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, customers and other business partners for their ongoing trust and support.

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, 30 December 2019

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

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