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PROSPER ONE INTERNATIONAL HOLDINGS COMPANY LIMITED

富一國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1470)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 31 OCTOBER 2020

INTERIM RESULTS

The board of directors of Prosper One International Holdings Company Limited (the “**Company**”, the “**Directors**” 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 2020 (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 2020

		Six months ended 31 October	
		2020	2019
	Notes	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
Revenue	3	37,384	61,248
Cost of sales		<u>(19,607)</u>	<u>(29,827)</u>
Gross profit		17,777	31,421
Other gains and losses	4	4,678	409
Selling and distribution costs		(12,298)	(28,527)
Administrative expenses		(8,707)	(12,074)
Finance costs		<u>(749)</u>	<u>(904)</u>

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME (CONTINUED)**

For the six months ended 31 October 2020

		Six months ended	
		31 October	
		2020	2019
	<i>Notes</i>	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Profit/(loss) before tax	5	701	(9,675)
Income tax expense	6	<u>(1,394)</u>	<u>(2,701)</u>
Loss for the period attributable to owners of the Company		(693)	(12,376)
Other comprehensive income/(expense)			
Item that may be reclassified subsequently to profit or loss			
— Exchange differences arising from translation of foreign operations		<u>1,265</u>	<u>(622)</u>
Total comprehensive income/(expense) for the period attributable to the owners of the Company		<u>572</u>	<u>(12,998)</u>
Loss per share — basic and diluted			
(HK cents per share)	8	<u>(0.09)</u>	<u>(1.55)</u>
Dividend	7	<u>—</u>	<u>—</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 October 2020

		31 October 2020 <i>HK\$'000</i> (Unaudited)	30 April 2020 <i>HK\$'000</i> (Audited)
	<i>Notes</i>		
Non-current assets			
Property, plant and equipment		9,459	15,281
Right-of-use assets		283	836
Rental deposits	9	1,660	3,824
Deferred tax assets		304	404
Financial asset at fair value through profit or loss		3,953	3,917
Club membership		4,000	4,000
		<u>19,659</u>	<u>28,262</u>
Current assets			
Inventories		14,675	22,842
Trade receivables, other receivables and prepayments	9	131,282	117,047
Tax recoverable		—	587
Cash and cash equivalents		19,535	22,170
		<u>165,492</u>	<u>162,646</u>
Total assets		<u><u>185,151</u></u>	<u><u>190,908</u></u>
Capital and reserves			
Share capital	10	8,000	8,000
Reserves		19,600	19,028
Total equity		<u>27,600</u>	<u>27,028</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 31 October 2020

		31 October 2020 HK\$'000 (Unaudited)	30 April 2020 HK\$'000 (Audited)
	Notes		
Non-current liabilities			
Provision for other liabilities and charges	11	536	465
Lease liabilities		<u>2,208</u>	<u>6,150</u>
		<u>2,744</u>	<u>6,615</u>
Current liabilities			
Trade and other payables	11	109,549	109,231
Lease liabilities		11,281	19,424
Amount due to ultimate holding company	12	23,320	19,070
Bank loans	13	10,279	8,332
Tax liabilities		<u>378</u>	<u>1,208</u>
		<u>154,807</u>	<u>157,265</u>
Total liabilities		<u>157,551</u>	<u>163,880</u>
Total equity and liabilities		<u>185,151</u>	<u>190,908</u>

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the period ended 31 October 2020

	Attributable to owners of the Company						
	Share capital	Share premium	Capital reserve	Statutory reserve	Translation reserve	Accumulated losses	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 1 May 2019 (Audited)	8,000	118,368	24,094	700	(170)	(64,178)	86,814
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)	(76,554)	73,816
Balance at 1 May 2020 (Audited)	8,000	118,368	24,094	1,706	(927)	(124,213)	27,028
Total comprehensive income/(expense)							
Loss for the period	—	—	—	—	—	(693)	(693)
Exchange differences arising on translation of foreign operations	—	—	—	—	1,265	—	1,265
Balance at 31 October 2020 (Unaudited)	8,000	118,368	24,094	1,706	338	(124,906)	27,600

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 31 October 2020

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 and other related products (collectively referred to as **"Trading of fertilizers and other related products"**).

The ordinary shares of the Company in issue 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 the 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 (the **"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 2020.

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 except for certain financial instruments that are measured at fair values 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 2020, except as described below.

The Group has adopted the following revised HKFRSs for the first time in the presentation of these Interim Financial Statements.

Amendments to HKFRS 3	<i>Definition of a Business</i>
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	<i>Interest Rate Benchmark Reform</i>
Amendments to HKAS 1 and HKAS 8	<i>Definition of Material</i>
Conceptual Framework for Financial Reporting 2018	<i>Revised Conceptual Framework for Financial Reporting</i>

The adoption of the above revised HKFRSs has had no significant financial effect on these Interim Financial Statements.

3. SEGMENT INFORMATION

The Group is principally engaged in the retail and wholesale of watches in Hong Kong, and acting as an agent in the Trading of fertilizers and other related products in the People's Republic of China (the "PRC").

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

- Retail business of watches ("Retail") — retail of multi brands of watches in Hong Kong
- Wholesalers business of watches ("Wholesale") — wholesale of multi brands of watches in Hong Kong
- Trading of fertilizers and other related 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 2020

	Retail HK\$'000 (Unaudited)	Wholesale HK\$'000 (Unaudited)	Trading HK\$'000 (Unaudited)	Elimination HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Revenue					
External sales	22,521	3,161	—	—	25,682
External service income	113	—	—	—	113
External commission income	—	—	11,589	—	11,589
Inter-segment sales	<u>1,428</u>	<u>385</u>	<u>—</u>	<u>(1,813)</u>	<u>—</u>
	<u>24,062</u>	<u>3,546</u>	<u>11,589</u>	<u>(1,813)</u>	<u>37,384</u>
Segment (loss)/profit	<u>(2,574)</u>	<u>1,730</u>	<u>6,541</u>	<u>—</u>	<u>5,697</u>
Finance costs					(749)
Unallocated Group expenses					<u>(4,247)</u>
Profit before income tax					<u>701</u>

For the six months ended 31 October 2019

	Retail HK\$'000 (Unaudited)	Wholesale HK\$'000 (Unaudited)	Trading HK\$'000 (Unaudited)	Elimination HK\$'000 (Unaudited)	Total HK\$'000 (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	<u>—</u>	<u>518</u>	<u>—</u>	<u>(518)</u>	<u>—</u>
	<u>49,040</u>	<u>1,544</u>	<u>11,182</u>	<u>(518)</u>	<u>61,248</u>
Segment (loss)/profit	<u>(7,744)</u>	<u>(2,381)</u>	<u>6,290</u>	<u>—</u>	<u>(3,835)</u>
Finance costs					(904)
Unallocated Group expenses					<u>(4,936)</u>
Loss before income tax					<u>(9,675)</u>

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 of the Group 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 for the purpose of 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 delivery of the watches or services is detailed below:

	Six months ended 31 October	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
PRC	11,589	11,182
Hong Kong	25,795	50,066
Total	37,384	61,248

The Group's revenue is mainly derived from customers in the PRC and Hong Kong. As at 31 October 2020, 98.9% (30 April 2020: 99.3%) and 1.1% (30 April 2020: 0.7%) of the non-current assets of the Group were located in Hong Kong and the PRC, respectively. For the six months ended 31 October 2020 and 2019, there were no single external customers who contributed more than 10% of total revenue of the Group.

Other profit and loss disclosures

	Six months ended 31 October							
	2020				2019			
	Retail HK\$'000 (Unaudited)	Wholesale HK\$'000 (Unaudited)	Trading HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)	Retail HK\$'000 (Unaudited)	Wholesale HK\$'000 (Unaudited)	Trading HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Depreciation of property, plant and equipment	1,860	—	9	1,869	2,176	1,656	9	3,841
Allowance/(reversal) for write-down of inventories recognised	(2,182)	(1,412)	—	(3,594)	(889)	152	—	(737)
Gain on disposal of property, plant and equipment	740	—	—	740	—	—	—	—

4. OTHER GAINS AND LOSSES

	Six months ended 31 October	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Rent concessions	1,297	—
Foreign exchange (loss)/gain	(29)	319
Net gain on disposal of property, plant and equipment	738	—
Interest income	19	38
Sundry income	47	16
Government grants	2,570	—
Fair value gain on financial asset at fair value through profit or loss	36	36
	<u>4,678</u>	<u>409</u>

5. PROFIT/(LOSS) BEFORE TAX

Profit/(loss) before tax has been arrived at after charging (crediting):

	Six months ended 31 October	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Cost of inventories sold	23,201	30,564
Reversal of allowance for slow-moving inventories	(3,594)	(737)
	<u>19,607</u>	<u>29,827</u>
Employee benefit expense	11,162	15,641
Depreciation of property, plant and equipment	1,869	3,841
Depreciation of right-of-use assets	553	11,418
Auditors' remuneration	<u>450</u>	<u>450</u>

6. 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	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current taxation		
Hong Kong profits tax	—	—
PRC enterprise income tax	<u>1,294</u>	<u>1,605</u>
	<u>1,294</u>	<u>1,605</u>
Deferred taxation	<u>100</u>	<u>1,096</u>
	<u>1,394</u>	<u>2,701</u>

No provision for Hong Kong profits tax had been made as there were no assessable profits arising in Hong Kong for the Review Period.

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.

7. DIVIDEND

The Board has resolved not to declare the payment of an interim dividend for the six months ended 31 October 2020 (2019: Nil).

8. 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	
	2020	2019
	(Unaudited)	(Unaudited)
Loss attributable to owners of the Company (HK\$'000)	(693)	(12,376)
Weighted average number of ordinary shares in issue (thousands)	<u>800,000</u>	<u>800,000</u>
Basic loss per share (HK cents per share)	<u>(0.09)</u>	<u>(1.55)</u>

(b) Diluted

For the six months ended 31 October 2020 and 2019, diluted loss per share equals basic loss per share as there was no dilutive potential share.

9. TRADE RECEIVABLES, OTHER RECEIVABLES AND PREPAYMENTS

	31 October 2020 HK\$'000 (Unaudited)	30 April 2020 HK\$'000 (Audited)
Trade receivables (<i>Note a</i>)		
— third parties	873	1,999
Rental and utilities deposits	8,216	8,915
Prepayments	87,233	83,348
Bills receivables	36,261	25,835
Other receivables	<u>359</u>	<u>774</u>
	132,942	120,871
Less: non-current portion		
— rental deposits	<u>(1,660)</u>	<u>(3,824)</u>
Current portion	<u><u>131,282</u></u>	<u><u>117,047</u></u>

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 2020 and 30 April 2020, the ageing analysis of the trade receivables based on the invoice date is as follows:

	31 October 2020 HK\$'000 (Unaudited)	30 April 2020 HK\$'000 (Audited)
Within 30 days	533	1,873
31 to 60 days	171	2
61 to 90 days	169	63
over 90 days	<u>—</u>	<u>61</u>
	<u><u>873</u></u>	<u><u>1,999</u></u>

As at 31 October 2020, none of the trade receivables was past due but not impaired (30 April 2020: HK\$61,000).

10. SHARE CAPITAL

	Number of shares	Nominal value HK\$'000
Authorized — ordinary shares of HK\$0.01 each		
At 30 April 2020 (Audited) and at 31 October 2020 (Unaudited)	<u>10,000,000,000</u>	<u>100,000</u>
Issued and fully paid — ordinary shares of HK\$0.01 each		
At 30 April 2020 (Audited) and at 31 October 2020 (Unaudited)	<u>800,000,000</u>	<u>8,000</u>

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

	31 October 2020 HK\$'000 (Unaudited)	30 April 2020 HK\$'000 (Audited)
Trade payables (<i>Note a</i>)	19,269	15,929
Accrued employee benefit expense	1,483	527
Provision for reinstatement costs (<i>Note b</i>)	1,136	1,136
Amount due to a director of a subsidiary	—	2,134
Other accruals and payables		
— endorsement of bills	36,261	25,287
— third parties	3,978	2,767
Deferred income	303	303
Contract liabilities	<u>47,655</u>	<u>61,613</u>
	110,085	109,696
Less: non-current portion	<u>(536)</u>	<u>(465)</u>
Current portion	<u>109,549</u>	<u>109,231</u>

As at 31 October 2020 and 30 April 2020, the carrying amounts of trade and other payables approximated to their fair values and were mainly denominated in HK\$ and Renminbi.

Notes:

(a) Trade payables

As at 31 October 2020 and 30 April 2020, the aging analysis of the trade payables based on the invoice dates is as follows:

	31 October 2020 HK\$'000 (Unaudited)	30 April 2020 HK\$'000 (Audited)
Within 30 days	18,352	463
31 to 60 days	712	445
Over 60 days	<u>205</u>	<u>15,021</u>
	<u>19,269</u>	<u>15,929</u>

(b) Provision for reinstatements costs

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

	31 October 2020 HK\$'000 (Unaudited)	30 April 2020 HK\$'000 (Audited)
At beginning of the period/year	1,136	1,206
Additional provision during the period/year	—	33
Settlements/reversals during the period/year	<u>—</u>	<u>(103)</u>
At end of the period/year	<u>1,136</u>	<u>1,136</u>

12. AMOUNT DUE TO ULTIMATE HOLDING COMPANY

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

13. BANK LOANS

	31 October 2020 HK\$'000 (Unaudited)	30 April 2020 HK\$'000 (Audited)
Revolving term loan		
— Unsecured, with effective interest rate of 3.32% (30 April 2020: 4.78%) per annum	4,000	4,000
— Secured, with effective interest rate of 3.12% (30 April 2020: 4.58%) per annum	<u>2,000</u>	<u>2,000</u>
	6,000	6,000
Account payable financing loan, secured, with effective interest rate of 2.59% (30 April 2020: 3.98%) per annum	4,279	1,673
Bank overdraft, secured, with effective interest rate of 3.75% per annum	<u>—</u>	<u>659</u>
	<u>10,279</u>	<u>8,332</u>

The carrying amounts of the Group's bank loans, which were denominated in HK\$ and containing a repayable on demand clause, approximated to their fair values. The applicable interest rates of the respective bank loans ranged from Hongkong InterBank Offered Rate plus 2.13% to 2.85% per annum.

As at 31 October 2020, the Group had aggregate banking facilities of HK\$23,520,000 (30 April 2020: HK\$24,020,000) for overdrafts and loans. Unused facilities as at the same date were HK\$13,241,000 (30 April 2020: HK\$15,688,000). 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 subsidiaries of the Company and a director of a subsidiary of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The outbreak of the novel coronavirus disease 2019 (the “**COVID-19**”) pandemic (the “**Pandemic**”) has seriously eroded the world economy beyond imagination. During the Review Period, the business environment of Hong Kong continued to be hit hard by the Pandemic, especially in the retail trade. The implementation of travel restrictions and other quarantine measures by various countries has caused a sharp decline in inbound visitors, bringing the inbound tourism to a standstill. Meanwhile, the Hong Kong government introduced gathering restrictions and social distancing measures to a varying extent in order to curb the spread of the COVID-19, which further disrupted consumption activities. Together with the rising unemployment rate, the already weakened local consumption was further deteriorated. Given the unprecedented challenges, the financial performance of watches retail business was inevitably affected.

Facing with such a difficult business environment, the Group has imposed a series of cost-saving measures, including employees’ no pay leave arrangements, a salary reduction scheme for management and the minimization of operating costs. Besides, the Group applied for the Retail Sector Subsidy Scheme and the Employment Support Scheme under the Anti-epidemic Fund of Hong Kong to alleviate the financial pressure. At the same time, the Group has proactively negotiated with landlords for rental reduction in an effort to relieve the rental pressure. The Group also focused on clearing slow-moving inventories through sales promotion activities to accelerate stock clearance. On the other hand, the Group’s trading of fertilizers business in the PRC continued to remain stable and record profits, which slightly compensated for the downtrend impact of the watches retail business. As a result of the foregoing, the turnover for the Review Period decreased by approximately 38.9% to approximately HK\$37.4 million (six months ended 31 October 2019: approximately HK\$61.2 million). Gross profit for the Review Period was approximately HK\$17.8 million (six months ended 31 October 2019: approximately HK\$31.4 million). After eliminating the effect of trading business, the gross profit of watches business for the Review Period was approximately HK\$6.2 million (six months ended 31 October 2019: approximately HK\$20.3 million) and there was a decrease of approximately 16.5% in gross profit margin compared with the corresponding period in 2019. Loss attributable to owners of the Company was approximately HK\$0.7 million for the Review Period, representing a decrease of approximately HK\$11.7 million as compared to a net loss of approximately HK\$12.4 million for the six months ended 31 October 2019.

FINANCIAL REVIEW

Revenue

Our revenue decreased by approximately HK\$23.8 million or 38.9% from approximately HK\$61.2 million for the six months ended 31 October 2019 to approximately HK\$37.4 million for the Review Period. Revenue derived from trading business increased by approximately HK\$0.5 million or 4.5% from approximately HK\$11.1 million for the six months ended 31 October 2019 to approximately HK\$11.6 million for the Review Period. Revenue derived from watches business decreased by

approximately HK\$24.3 million or 48.5% from approximately HK\$50.1 million for the six months ended 31 October 2019 to approximately HK\$25.8 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 the Pandemic. In addition, the local consumption sentiment was weakened by the gathering restrictions, social distancing measures and the rising unemployment rate.

Cost of sales

Our cost of sales primarily consists of cost of inventories sold and reversal of provision or provision for slow-moving inventories. Our cost of sales decreased by approximately HK\$10.2 million or 34.2% from approximately HK\$29.8 million for the six months ended 31 October 2019 to approximately HK\$19.6 million for the Review Period. During the Review Period, the Group recorded a reversal of provision for slow-moving inventories of approximately HK\$3.6 million (six months ended 31 October 2019: reversal of provision of approximately HK\$0.7 million) to profit or loss. Provision for slow-moving inventories as at 31 October 2020 amounted to approximately HK\$19.3 million (As at 30 April 2020: approximately HK\$22.9 million).

After eliminating the effect of reversal of provision or provision for slow-moving inventories, cost of sales decreased by approximately HK\$7.3 million or 23.9% from approximately HK\$30.5 million for the six months ended 31 October 2019 to approximately HK\$23.2 million for the Review Period. The decrease was mainly due to the decline in sales of watches.

Gross profit and gross profit margin

The overall gross profit decreased by approximately HK\$13.6 million or 43.3% from approximately HK\$31.4 million for the six months ended 31 October 2019 to approximately HK\$17.8 million for the Review Period. Our gross profit of the watches business decreased by approximately HK\$14.1 million or 69.5% from approximately HK\$20.3 million for the six months ended 31 October 2019 to approximately HK\$6.2 million for the Review Period. Our gross profit margin of the watches business decreased from approximately 40.5% for the six months ended 31 October 2019 to approximately 24.0% for the Review Period. The decrease was because the Group had temporarily adjusted its sales strategy by accepting comparatively lower profit margin to accelerate stock clearance in response to the Pandemic.

After eliminating the effect of reversal of provision or provision for slow-moving inventories, the gross profit margin of the watches business decreased from approximately 39.1% for the six months ended 31 October 2019 to approximately 10.1% for the Review Period.

Selling and distribution expenses

Our selling and distribution expenses decreased by approximately HK\$16.2 million or 56.8% from approximately HK\$28.5 million for the six months ended 31 October 2019 to approximately HK\$12.3 million for the Review Period. The decrease was primarily attributable to the decreases of depreciation of right-of-use assets, sales staff's salaries and allowances, advertising and promotions and depreciation of property, plant and equipment.

Administrative expenses

Our administrative expenses decreased by approximately HK\$3.4 million or 28.1% from approximately HK\$12.1 million for the six months ended 31 October 2019 to approximately HK\$8.7 million for the Review Period. The decrease was primarily attributable to the decreases in administrative staff's salaries and allowances and depreciation of right-of-use assets during the Review Period.

Finance costs

Our finance costs decreased by approximately HK\$0.15 million or 16.7% from approximately HK\$0.90 million for the six months ended 31 October 2019 to approximately HK\$0.75 million for the Review Period. The decrease was primarily attributable to the decrease in related finance costs on lease liabilities. This decrease was partially offset by the increase in bank loan interest as a result of the increase in the level of borrowings.

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

As a result of the foregoing, the Group recorded a profit before tax of approximately HK\$0.7 million for the Review Period, whereas loss before tax of approximately HK\$9.7 million was recorded for the six months ended 31 October 2019. The change was mainly due to (i) subsidies of approximately HK\$2.6 million from Hong Kong Government under Retail Sector Subsidy Scheme and the Employment Support Scheme; and (ii) a substantial decrease in depreciation of right-of-use assets of approximately HK\$10.9 million as a significant portion of right-of-use assets had been impaired in the previous year.

Loss attributable to owners of the Company decreased by approximately HK\$11.7 million or 94.4% from approximately HK\$12.4 million for the six months ended 31 October 2019 to that of approximately HK\$0.7 million for the Review Period.

FINANCIAL POSITION

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

As at 31 October 2020, the Group's total cash and cash equivalents were approximately HK\$19.5 million (As at 30 April 2020: approximately HK\$22.2 million), most of which were denominated in HK\$ and Renminbi. The current ratio (calculated by dividing current assets by current liabilities) of the Group maintained at approximately 1.0 time as at 31 October 2020 and 30 April 2020. The gearing ratio (calculated by dividing net debt by total equity) was 51.0% as at 31 October 2020 (As at 30 April 2020: 19.4%). Net debt was calculated as bank loans and amount due to ultimate holding company less cash and cash equivalents.

USE OF NET PROCEEDS FROM 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 2020, the Group has applied the Net Proceeds as follows:

	Amount utilized during the Review Period HK\$’000	Amount utilised as at 31 October 2020 HK\$’000	Amount unutilised as at 31 October 2020 HK\$’000	Expected timeline of full utilisation of the balance
Expand our retail and sales network	126	36,890	723	Mid of 2021
Improve our same-store sales growth and profit margin	—	12,896	—	—
Improve our supplier network and enhance the knowledge of our sales staff	1,682	3,512	787	Mid of 2021
Increase our marketing effort	66	7,448	75	Mid of 2021
Repay a short-term bank loan with interest	—	37,613	—	—
Use for working capital and other general corporate purposes	582	7,522	—	—
Total	<u>2,456</u>	<u>105,881</u>	<u>1,585</u>	

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

DEBTS AND CHARGE ON ASSETS

The Group had total bank borrowings of approximately HK\$10.3 million as at 31 October 2020 (As at 30 April 2020: approximately HK\$8.3 million).

As at 31 October 2020, the carrying amounts of the Group’s bank borrowings were denominated in HK\$ and secured and approximated to their fair values.

As at 31 October 2020, the Group did not have any foreign exchange contracts, interest or currency swaps or other financial derivatives.

As at 31 October 2020, the Group had aggregate banking facilities of approximately HK\$23.5 million (As at 30 April 2020: approximately HK\$24.0 million) for overdrafts and loans. Unused facilities as at the same date amounted to approximately HK\$13.2 million (As at 30 April 2020: HK\$15.7 million). The banking facilities were granted to the subsidiaries of the Company and were subject to an annual review and guaranteed by unlimited guarantees from certain of its subsidiaries and a director of a subsidiary of the Company.

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 2020.

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 2020 (As at 30 April 2020: Nil).

CAPITAL COMMITMENTS

The Group had no capital commitments as at 31 October 2020 (As at 30 April 2020: Nil).

EMPLOYEES AND REMUNERATION POLICIES

As at 31 October 2020, the Group had a total of 90 (As at 31 October 2019: 114) employees. The total remuneration costs incurred by the Group for the Review Period were approximately HK\$11.2 million (six months ended 31 October 2019: approximately HK\$15.6 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 has resolved not to declare the payment of any interim dividend for the Review Period (six months ended 31 October 2019: Nil).

PROSPECTS

During the Review Period, market demand in the fertilizer industry had gradually recovered as a result of the stabilization of the Pandemic in the PRC. With the strengthening supervision on safety and environmental protection in the PRC, more backward capacity will be phased out of the market. Fertilizer industry integration will accelerate under the background of elimination of backward capacity. Looking ahead, it is expected that the supply and demand of urea remain basically balanced, which would provide support to the price of fertilizer. Facing with the Pandemic and the complicated economic environment, the Group will strive to maintain stringent product quality and continuously improve our services to meet the customers' needs so as to further expand our customer base and enhance customers' loyalty.

As for the watches retail business, as inbound tourism is unlikely to show recovery in the near term, the business environment of the retail trade will continue to be very difficult. It is expected that the labour market will face greater pressure under economic recession, which will further weaken the local consumption sentiment. Given the current extremely difficult business environment, the Group will continue to carry out stringent measures to control operating costs and take inventory and cost control measures as the top priority to preserve the Group's working capital. As the rental expenses still comprise a major part of the Group's operating expenses, we shall continue to negotiate with landlords for rental relief. We have also reviewed our retail network and shall determinedly close underperforming shops.

Although the road to recovery from the watches retail business is slow, all of our management and staff will continue uniting and working together to get through this difficult time. We hope that the Pandemic can be brought under control as soon as possible so that social and economic activities can get back to normal.

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 the 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 has acted 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 16 October 2020 (the “**2020 AGM**”) due to other essential business engagements. In order to ensure an effective communication with the shareholders of the Company (the “**Shareholders**”), the Directors attending the 2020 AGM elected Mr. Liu Jiaqiang, an executive Director, to chair the meeting on behalf of the Chairman. The respective chairmen and/or members of the Board’s audit committee (the “**Audit Committee**”), remuneration committee and nomination committee and a representative of the independent auditor of the Company were present at the 2020 AGM to answer relevant questions from the Shareholders 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 2020

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