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PROSPER ONE INTERNATIONAL HOLDINGS COMPANY LIMITED

富一國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1470)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 30 APRIL 2022

ANNUAL RESULTS HIGHLIGHTS

Revenue for the year ended 30 April 2022 decreased by approximately 9.7% as compared to that of the prior financial year.

The overall gross profit margin for the year ended 30 April 2022 increased to approximately 54.0% from approximately 52.9% for the prior financial year.

Loss for the year ended 30 April 2022 was approximately HK\$6.4 million, compared to a loss of approximately HK\$0.8 million for the prior financial year.

The Board does not recommend the payment of any dividend for the year ended 30 April 2022.

RESULTS

The board of directors of Prosper One International Holdings Company Limited (the “**Company**”, the “**Directors**” and the “**Board**”, respectively) announces the audited consolidated results of the Company and its subsidiaries (together, the “**Group**”) for the year ended 30 April 2022 (the “**Year**”) together with the comparative figures for the immediately preceding year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 April 2022

	<i>Notes</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Revenue	3	75,269	83,372
Cost of sales		<u>(34,647)</u>	<u>(39,303)</u>
Gross profit		40,622	44,069
Other gains and losses	5	5,413	6,091
Selling and distribution costs		(29,006)	(26,795)
Administrative expenses		(18,801)	(19,792)
Finance costs	6	<u>(525)</u>	<u>(1,229)</u>
(Loss)/profit before tax		(2,297)	2,344
Income tax expense	7	<u>(4,149)</u>	<u>(3,113)</u>
Loss for the year attributable to owners of the Company		(6,446)	(769)
Other comprehensive (expense)/income			
Item that may be reclassified subsequently to profit or loss			
— Exchange differences arising from translation of foreign operations		<u>(706)</u>	<u>2,465</u>
Total comprehensive (expense)/income for the year attributable to the owners of the Company		<u>(7,152)</u>	<u>1,696</u>
Loss per share — basic and diluted (HK cents per share)	9	<u>(0.81)</u>	<u>(0.10)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 April 2022

	<i>Notes</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		126	7,932
Right-of-use assets		—	599
Rental deposits	<i>10</i>	47	1,024
Deferred tax assets		237	379
Financial asset at fair value through profit or loss		—	3,997
Club membership		—	4,000
		410	17,931
Current assets			
Inventories		5,350	11,819
Financial asset at fair value through profit or loss		3,684	—
Trade receivables, other receivables and prepayments	<i>10</i>	71,957	142,639
Cash and cash equivalents		82,459	13,413
		163,450	167,871
Total assets		163,860	185,802
Capital and reserves			
Share capital		8,000	8,000
Reserves		13,572	20,724
Total equity		21,572	28,724
Non-current liabilities			
Provision for other liabilities and charges	<i>11</i>	74	74
Lease liabilities		135	1,896
		209	1,970
Current liabilities			
Trade and other payables	<i>11</i>	100,005	110,836
Lease liabilities		860	6,036
Amount due to ultimate holding company	<i>12</i>	35,690	27,090
Bank loans	<i>13</i>	4,000	10,194
Tax liabilities		1,524	952
		142,079	155,108
Total liabilities		142,288	157,078
Total equity and liabilities		163,860	185,802

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 April 2022

1. GENERAL INFORMATION

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

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

The Company acts as an investment holding company and the principal activities of its subsidiaries are the retail and wholesale of watches in Hong Kong, and acting as agent (for financial reporting purposes) in the sales and trading of fertilisers raw materials, fertilisers and other related products. The address of the principal place of business of the Company was Level 43, AIA Tower, 183 Electric Road, North Point, Hong Kong effective on 8 May 2020, and changed to Room 1403, 14/F., Capital Centre, 151 Gloucester Road, Wanchai, Hong Kong with effect from 1 May 2022.

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

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

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

The Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) for the first time, which are mandatorily effective for the annual period beginning on or after 1 May 2021 for the preparation of the consolidated financial statements:

Amendments to HKFRS 9, HKAS 39, HKFRS 7, *Interest Rate Benchmark Reform — Phase 2*
HKFRS 4 and HKFRS 16

Amendments to HKFRS 16 *Covid-19 Related Rent Concessions beyond 30 June 2021*

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

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

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

HKFRS 17	<i>Insurance Contracts and the Related Amendments</i> ²
Amendments to HKFRS 3	<i>Reference to the Conceptual Framework</i> ¹
Amendments to HKFRS 10 and HKAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ³
Amendments to HKAS 1	<i>Classification of Liabilities as Current or Non-Current and Related Amendments to Hong Kong Interpretation 5 (2020)</i> ²
Amendments to HKAS 1 and HKFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i> ²
Amendments to HKAS 8	<i>Definition of Accounting Estimates</i> ²
Amendments to HKAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i> ²
Amendments to HKAS 16	<i>Property, Plant and Equipment — Proceeds before Intended Use</i> ¹
Amendments to HKAS 37	<i>Onerous Contracts — Cost of Fulfilling a Contract</i> ¹
Amendments to HKFRSs	<i>Annual Improvements to HKFRSs 2018–2020</i> ¹

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

² Effective for annual periods beginning on or after 1 January 2023

³ Effective for annual periods beginning on or after a date to be determined

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

3. REVENUE

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
<i>Revenue from contracts with customers</i>		
Sales of merchandise	43,233	56,786
Service income	474	197
Commission income	<u>31,562</u>	<u>26,389</u>
	<u><u>75,269</u></u>	<u><u>83,372</u></u>

Revenue from contracts with customers

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

Sales of merchandise

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

Service income

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

Commission income

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

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

4. SEGMENT INFORMATION

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

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

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

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

Segment revenue and results

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

For the year ended 30 April 2022

	Retail <i>HK\$'000</i>	Wholesale <i>HK\$'000</i>	Trading <i>HK\$'000</i>	Elimination <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue					
External sales	41,580	1,653	—	—	43,233
External service income	474	—	—	—	474
External commission income	—	—	31,562	—	31,562
Inter-segment sales	<u>71</u>	<u>206</u>	<u>—</u>	<u>(277)</u>	<u>—</u>
	<u>42,125</u>	<u>1,859</u>	<u>31,562</u>	<u>(277)</u>	<u>75,269</u>
Segment (loss)/profit	(13,302)	807	15,832	—	3,337
Finance costs					(525)
Unallocated gain on disposal of a subsidiary					3,743
Unallocated group expenses					<u>(8,852)</u>
Loss before tax					<u>(2,297)</u>

For the year ended 30 April 2021

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

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

Inter-segment sales are charged at prevailing market rates.

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

Geographical information

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
PRC	31,562	26,389
Hong Kong	<u>43,707</u>	<u>56,983</u>
Total	<u><u>75,269</u></u>	<u><u>83,372</u></u>

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

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
PRC	122	143
Hong Kong	<u>4</u>	<u>12,388</u>
Total	<u><u>126</u></u>	<u><u>12,531</u></u>

Other disclosures

For the year ended 30 April 2022

	Retail <i>HK\$'000</i>	Wholesale <i>HK\$'000</i>	Trading <i>HK\$'000</i>	Unallocated Group expenses <i>HK\$'000</i>	Total <i>HK\$'000</i>
Depreciation of property, plant and equipment	1,130	—	19	—	1,149
Depreciation of right-of-use assets	388	—	—	—	388
Loss on disposal of property, plant and equipment	(5)	—	—	—	(5)
Rent concessions	199	—	—	—	199
Government grants	—	—	861	—	861
Allowance for write-down of inventories recognised	3,220	152	—	—	3,372
Impairment loss on right-of-use assets	<u>308</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>308</u>

For the year ended 30 April 2021

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

5. OTHER GAINS AND LOSSES

	2022 HK\$'000	2021 HK\$'000
Rent concessions (<i>note (a)</i>)	199	2,571
Net foreign exchange gain/(loss)	30	(65)
Net (loss)/gain on disposal of property, plant and equipment	(5)	804
Interest income	49	36
Sundry income	2	1
Gain on early termination of leases	847	—
Government grants (<i>note (b)</i>)	861	2,664
Fair value (loss)/gain on financial asset at FVPL	(313)	80
Gain on disposal of a subsidiary	<u>3,743</u>	<u>—</u>
	<u>5,413</u>	<u>6,091</u>

Notes:

- (a) Rent concessions represent the reductions in lease payments arising from COVID-19-related rent concession of approximately HK\$199,000 (2021: HK\$2,571,000) in respect of rental periods that fell in the financial year ended 30 April 2022.
- (b) The government grants represent financial subsidies for compensating expenses already incurred or giving immediate financial support to the Group. There are no unfulfilled conditions or contingencies in relation to the grants and the grants were determined at the sole discretion of relevant government authorities in the PRC and Hong Kong.

Government grant income recognised in the current year includes an amount of HK\$nil (2021: HK\$2,571,000) in respect of COVID-19-related subsidies, of which HK\$nil (2021: HK\$2,251,000) and HK\$nil (2021: HK\$320,000) relate to Employment Support Scheme and Retail Sector Subsidy Scheme respectively, provided by the Hong Kong government.

6. FINANCE COSTS

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Interest on bank loans	302	326
Interest on lease liabilities	<u>223</u>	<u>903</u>
Total	<u><u>525</u></u>	<u><u>1,229</u></u>

7. INCOME TAX EXPENSE

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Current taxation		
Hong Kong Profits Tax	—	—
PRC Enterprise Income Tax (the “EIT”)	<u>3,895</u>	<u>3,072</u>
	<u><u>3,895</u></u>	<u><u>3,072</u></u>
Under/(over) provision for prior years		
Hong Kong Profits Tax	—	—
PRC EIT	<u>112</u>	<u>(5)</u>
	<u><u>112</u></u>	<u><u>(5)</u></u>
Deferred taxation	<u><u>142</u></u>	<u><u>46</u></u>
	<u><u><u>4,149</u></u></u>	<u><u><u>3,113</u></u></u>

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

For the years ended 30 April 2022 and 2021, no provision for taxation in Hong Kong was made as the subsidiaries in Hong Kong incurred tax loss during the years.

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

Under the EIT Law of the PRC, withholding tax is imposed on dividends declared in respect of profits earned by the PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of taxable temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to approximately RMB33,888,000 (2021: RMB25,093,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

8. DIVIDENDS

No dividend was paid, declared or proposed for ordinary shareholders of the Company during the years ended 30 April 2022 and 2021, nor has any dividend been proposed since the end of the reporting year.

9. LOSS PER SHARE

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

	2022	2021
Loss for the year attributable to owners of the Company (HK\$'000)	<u>(6,446)</u>	<u>(769)</u>
Weighted average number of ordinary shares in issue	<u>800,000,000</u>	<u>800,000,000</u>
Basic and diluted loss per share (HK cents per share)	<u><u>(0.81)</u></u>	<u><u>(0.10)</u></u>

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

10. TRADE RECEIVABLES, OTHER RECEIVABLES AND PREPAYMENTS

	2022 HK\$'000	2021 HK\$'000
Trade receivables	1,593	1,830
Rental and utilities deposits	3,608	7,420
Other receivables	1,355	803
Bills receivables (note (a))	—	20,214
Prepayments (note (b))	65,285	113,396
Amount due from a director of a subsidiary (note (c))	<u>163</u>	<u>—</u>
	<u>72,004</u>	<u>143,663</u>
Less: non-current portion — rental deposits	<u>(47)</u>	<u>(1,024)</u>
Current portion	<u><u>71,957</u></u>	<u><u>142,639</u></u>

Notes:

- (a) As at 30 April 2022, bills receivables amounting to HK\$nil (2021: HK\$15,496,000) were endorsed to suppliers as prepayments for merchandises. As the Group has not transferred the significant risks and rewards because the bills were endorsed on a full recourse basis, the Group continued to recognise these endorsed bills under bills receivables and recognised the corresponding obligations arising from endorsement of bills included in other payables set out in note 11. These arrangements relate to the agency services activities undertaken by the Group in the trading operating segment. No aging analysis of bills receivables is provided as the bills receivables were related mainly to advance receipts from customers and the fertilisers and other related products being procured by the Group on behalf of the customers had not yet been delivered.
- (b) Prepayments as at 30 April 2022 mainly include prepayments to suppliers for procurement of fertilisers raw materials, fertilisers and other related products in China. The amounts prepaid to suppliers will be derecognised when the products are directly delivered to customers by the suppliers. 81% (2021: 90%) of the amounts prepaid to suppliers were paid to the related parties of the Group. The management considered that the credit risk in respect of the prepayments as at 30 April 2022 is low based on the records of product deliveries from the suppliers to customers and the deliveries made subsequent to 30 April 2022.
- (c) Amount due from the director of a subsidiary of the Company, Mr. Lam Man Wah (“**Mr. Lam**”), was unsecured and non-interest bearing, and fully repaid subsequent to the end of the reporting period.

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

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

	2022 <i>HK\$’000</i>	2021 <i>HK\$’000</i>
US Dollars	<u>260</u>	<u>783</u>

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

	2022 <i>HK\$’000</i>	2021 <i>HK\$’000</i>
Within 30 days	616	1,190
31 to 60 days	300	159
61 to 90 days	375	133
Over 90 days	<u>302</u>	<u>348</u>
	<u>1,593</u>	<u>1,830</u>

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

As at 30 April 2022, trade receivables that were past due but not impaired amounted to HK\$302,000 (2021: HK\$348,000).

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade payables (<i>note</i>)	24,034	14,698
Accrued employee benefit expenses	385	1,190
Provision for reinstatement costs	758	758
Other accruals and payables		
— endorsement of bills	—	15,496
— others	3,073	2,355
Contract liabilities	<u>71,829</u>	<u>76,413</u>
	100,079	110,910
Less: non-current portion	<u>(74)</u>	<u>(74)</u>
Current portion	<u><u>100,005</u></u>	<u><u>110,836</u></u>

Contract liabilities include short-term advances received from customers to arrange for the fertilisers and other related products to be provided by the suppliers to the customers (the “**Trading of Fertilisers**”) amounting to HK\$71,829,000 as at 30 April 2022 (2021: HK\$76,413,000). The amount of advances is negotiated on a case by case basis with the customers. During the year ended 30 April 2022, there was a decrease in contract liabilities of HK\$75,076,000 (2021: HK\$60,856,000) which was included in the contract liabilities as at 30 April 2021 as a result of completion of the services on arranging the Trading of Fertilisers. For the contract liabilities as at 30 April 2022, the entire balances will be derecognised within twelve months from 30 April 2022 when the products are directly delivered to the customers by suppliers.

Note:

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Within 30 days	13,993	4,139
31 to 60 days	6	786
Over 60 days	<u>10,035</u>	<u>9,773</u>
	<u><u>24,034</u></u>	<u><u>14,698</u></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

	2022 HK\$'000	2021 HK\$'000
Revolving term loan		
— Unsecured, with effective interest rate of 4.94% (2021: 2.92%) per annum as at 30 April (<i>Note 1</i>)	4,000	4,000
— Secured, with effective interest rate of 2.72% per annum as at 30 April (<i>Note 2</i>)	<u>—</u>	<u>2,000</u>
	4,000	6,000
Account payable financing loan, secured, with effective interest rate of 2.20% per annum as at 30 April (<i>Note 2</i>)	<u>—</u>	<u>4,194</u>
	<u>4,000</u>	<u>10,194</u>

The carrying amounts of the Group's bank loans, which were denominated in Hong Kong dollars and containing a repayable on demand clause, approximated to their fair values. The applicable interest rates of the respective bank loans ranged from Hongkong InterBank Offered Rate plus 2.85% (2021: 2.13% to 2.85%) per annum as at 30 April 2022.

As at 30 April 2022, the Group had aggregate banking facilities of HK\$4,120,000 (2021: HK\$23,520,000) for overdrafts and loans. Unused facilities as at the same date were HK\$120,000 (2021: HK\$13,326,000). The banking facilities were granted to the subsidiaries of the Company and were subject to an annual review.

The Group's bank borrowings were secured and guaranteed by the followings as at 30 April 2022.

Note 1:

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

Note 2:

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The COVID-19 pandemic has raged across the world for more than two years, and this period was undoubtedly the most difficult time ever for the Group's operation in Hong Kong. The Hong Kong government continued to impose stringent border control measures to contain the spread of the pandemic, which brought the inbound tourism to a standstill. Considering the number of inbound visitors to Hong Kong at a standstill, the Group turned to attract local consumption. Driven by the easing of the epidemic situation and the support of the Consumption Voucher Scheme, the local consumption sentiment enhanced in the first half of the financial year. However, with the outbreak of the fifth wave of the pandemic (the “**Fifth Wave Pandemic**”), the implementation of a series of more rigorous social distancing measures have dealt a heavy blow to the retail trade and the financial performance of the Group's watches retail business was inevitably affected. After reviewing the retail network, we determinedly closed more underperforming shops upon expiry of rental agreements.

As for the trading business, the major products sold by the Group include urea, compound fertiliser, coal, crude glycerine and glucose and the application of urea can be broadly divided into agricultural, industrial and vehicle uses. During the Year, production cost of fertilisers rose due to rising prices of raw material and increasing environmental protection costs. Coupled with the expanding market demand, the overall fertiliser prices maintained an upward trend. The overall performance of the fertiliser industry continued to revive with the support of rising prices and expanding market demand. More importantly, the Group's sales team grasped the industry development opportunities and achieved a steady growth in sales by virtue of its extensive business network. As a result, the Group's trading business still maintained a momentum of growth and its revenue recorded a decent growth during the Year.

In light of the continuation of the pandemic, the Group has adopted a series of cost-saving measures, including a job cut, the closure of underperforming shops and implementation of stringent cost control measures. At the same time, we have proactively negotiated with landlords for more favorable and flexible lease renewal terms upon expiry of rental agreements. The Group also focused on clearing slow-moving inventories through sales promotion activities to accelerate stock clearance. Due to the downsizing of the retail network in the last few years, the total number of retail shops operated by the Group further reduced to 3 as at 30 April 2022 (2021: 10). As a result of the foregoing, the Group's net loss for the Year increased by approximately HK\$5.6 million to approximately HK\$6.4 million, as compared to a net loss of approximately HK\$0.8 million for the year ended 30 April 2021 (the “**Year 2021**”).

FINANCIAL REVIEW

Revenue

The Group's revenue for the Year was approximately HK\$75.3 million, representing a decrease of approximately HK\$8.1 million or 9.7% from approximately HK\$83.4 million for the Year 2021. Revenue derived from trading business increased by approximately HK\$5.2 million or 19.7% from approximately HK\$26.4 million for the Year 2021 to approximately HK\$31.6 million for the Year. Revenue derived from watches business decreased by approximately HK\$13.3 million or 23.3% from approximately HK\$57.0 million for the Year 2021 to approximately HK\$43.7 million for the Year. The decrease in revenue derived from watches business was mainly due to the weak consumption sentiment during the Fifth Wave Pandemic and the decrease in the number of retail shops. The outbreak of the Fifth Wave Pandemic dampened consumption sentiment and thus inevitably affect the revenue derived from watches business.

Cost of sales

Our cost of sales primarily consists of cost of inventories sold and provision for slow-moving inventories. Our cost of sales decreased by approximately HK\$4.7 million or 12.0% from approximately HK\$39.3 million for the Year 2021 to approximately HK\$34.6 million for the Year. 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\$3.5 million or 7.9% from approximately HK\$44.1 million for the Year 2021 to approximately HK\$40.6 million for the Year. Our gross profit of the watches business decreased by approximately HK\$8.6 million or 48.6% from approximately HK\$17.7 million for the Year 2021 to approximately HK\$9.1 million for the Year. Our gross profit margin of the watches business decreased from approximately 31.1% for the Year 2021 to approximately 20.8% for the Year. The decrease was because the Group temporarily adjusted its sales strategy to accept lower profit margin to expedite stock clearance in response to the Fifth Wave Pandemic.

Selling and distribution costs

Our selling and distribution costs increased by approximately HK\$2.2 million or 8.2% from approximately HK\$26.8 million for the Year 2021 to approximately HK\$29.0 million for the Year. The increase was primarily attributable to the increase of lease expenses of retail shops (including rental expenses and depreciation of right-of-use assets), freight and repairs and maintenance. Upon expiry of leases, the Group renewed certain rental agreements with more flexible lease terms, which led to a significant increase in rental expenses relating to short-term leases. This increase was partially offset by the decrease in depreciation of property, plant and equipment and building management charges.

Administrative expenses

Our administrative expenses decreased by approximately HK\$1.0 million or 5.1% from approximately HK\$19.8 million for the Year 2021 to approximately HK\$18.8 million for the Year. The decrease was primarily attributable to the decreases in impairment loss on right-of-use assets.

Finance costs

Our finance costs decreased by approximately HK\$0.7 million or 58.3% from approximately HK\$1.2 million for the Year 2021 to approximately HK\$0.5 million for the Year. The decrease was primarily attributable to the decrease in related finance costs on lease liabilities.

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

As a result of the foregoing, the Group recorded a loss before tax of approximately HK\$2.3 million for the Year (2021: profit before tax of approximately HK\$2.3 million). The change was mainly due to the decrease in revenue and gross profit margin of watches retail business in Hong Kong as a result of adverse impact of the Fifth Wave Pandemic.

The loss attributable to owners of the Company increased by approximately HK\$5.6 million from approximately HK\$0.8 million for the Year 2021 to approximately HK\$6.4 million for the Year.

FINANCIAL POSITION

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

As at 30 April 2022, the Group's total cash and cash equivalents were approximately HK\$82.5 million (as at 30 April 2021: approximately HK\$13.4 million), most of which were denominated in HK\$ and Renminbi (“**RMB**”). The current ratio (calculated by dividing current assets by current liabilities) of the Group increased from approximately 1.1 time as at 30 April 2021 to approximately 1.2 time as at 30 April 2022. 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 30 April 2022 (as at 30 April 2021: 83.1%). Net debt was calculated as bank loans and amount due to ultimate holding company less cash and cash equivalents.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

On 18 February 2022, Treasure Ascent International Limited (“**Treasure Ascent**”), an indirect wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with Mr. Lam, a director of certain subsidiaries of the Company, pursuant to which Treasure Ascent had agreed to sell and Mr. Lam had agreed to purchase the entire issued share capital of Fulham Corporation Limited (“**Fulham**” and the “**Sale Share**”, respectively) and the shareholder's loan owed by Fulham to Treasure Ascent (the “**Sale Loan**”) at a consideration of HK\$14.4 million. Completion of the disposal of the Sale Share

and the Sale Loan took place on the same date and the Group recorded a gain on disposal of approximately HK\$3.7 million. For further details, please refer to the announcement of the Company dated 18 February 2022.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 April 2022, the Group had a total of 57 (2021: 82) employees, including independent non-executive Directors (the “INEDs”). The total remuneration costs incurred by the Group for the Year were approximately HK\$23.1 million (2021: approximately HK\$24.2 million). We review the performance of our employees annually and use the results of such review in our annual salary review and promotion appraisal, in order to attract and retain valuable employees. Remuneration packages are generally structured by reference to market norms as well as individual qualifications, relevant experience and performance.

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

DEBTS AND CHARGE ON ASSETS

The Group had total bank borrowings of HK\$4.0 million as at 30 April 2022 (as at 30 April 2021: approximately HK\$10.2 million).

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

As at 30 April 2022, the Group did not have any foreign exchange contracts, interest or currency swaps or other financial derivatives.

As at 30 April 2022, the Group had aggregate banking facilities of approximately HK\$4.1 million (as at 30 April 2021: approximately HK\$23.5 million) for overdrafts and loans. Unused facilities as at the same date amounted to approximately HK\$0.1 million (as at 30 April 2021: approximately HK\$13.3 million). The banking facilities were granted to the subsidiaries of the Company and were subject to an annual review and guaranteed by unlimited guarantees from certain of its subsidiaries and a director of a subsidiary of the Company.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

The Group did not have any plans for material investments and capital assets as at 30 April 2022.

SIGNIFICANT INVESTMENT HELD

The Company did not hold any significant investment in equity interest in any company other than its subsidiaries as at 30 April 2022.

CAPITAL COMMITMENTS

The Group had no capital commitments as at 30 April 2022 (as at 30 April 2021: Nil).

CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 30 April 2022 and 2021.

FINAL DIVIDEND

The Board has resolved not to recommend the payment of any final dividend for the Year (2021: Nil).

PROSPECTS

With the introduction of carbon neutrality policies, the enforcement of stricter environmental protection policies will accelerate consolidation of the fertiliser industry. Some fertiliser enterprises that do not meet the requirements of environmental protection will be phased out of the market, and the overcapacity situation will be further alleviated. Meanwhile, under the influence of high production cost, fertiliser prices are expected to remain high in the short term. However, as the Chinese government has introduced a series of policies to stabilize supply and prices, it is expected that there is little room for further increase in prices. The Group will take advantage of its marketing network to accelerate expansion into overseas markets, thereby further diversifying its customer base. At the same time, we will strive to provide customers with a full range of high-quality service so as to further enhance customers' loyalty and brand awareness. As usual, we shall grasp the pulse of the fertiliser industry development and continuously enhance our core competitiveness in an effort to gain more business opportunities.

As regards the watches retail business, given that inbound tourism is virtually frozen, the business environment of the retail trade is still facing many difficulties. However, with the relaxation of social distancing measures, the disbursement of a new round of electronic consumption vouchers and the improving employment and income conditions, retail trade should continue to revive. The Group will take advantage of the opportunity of disbursement of a new round of electronic consumption vouchers to boost sales through sales promotion activities. In view of 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. In addition, we have regularly reviewed the performance of our retail shops and shall close the underperforming shops upon the expiry of rental agreements.

Despite the lingering pandemic, all of our management and staff will continue working together to tide over this tough time. The Group will uphold the concept of developing an enterprise, grasp development opportunities of fertiliser industry and strive to achieve sustainable growth in our trading business.

ANNUAL GENERAL MEETING

The forthcoming annual general meeting of the Company (the “**2022 AGM**”) is scheduled to be held on Friday, 21 October 2022. A notice convening the 2022 AGM will be issued and dispatched to the shareholders of the Company (the “**Shareholders**”) in due course in the manner as required by the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”).

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement of the Shareholders to attend and vote at the 2022 AGM, the register of members of the Company will be closed from Tuesday, 18 October 2022 to Friday, 21 October 2022 (both days inclusive), during which period no transfer of shares will be registered. In order to qualify for attending and voting at the 2022 AGM, the non-registered Shareholders must lodge all duly completed transfer forms accompanied by the relevant share certificates with the Company’s Hong Kong branch share registrar, Boardroom Share Registrars (HK) Limited, at Room 2103B, 21/F, 148 Electric Road, North Point, Hong Kong, for registration no later than 4:30 p.m. on Monday, 17 October 2022.

EVENTS AFTER THE FINANCIAL YEAR

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

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

PUBLIC FLOAT

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

CORPORATE GOVERNANCE PRACTICES

The Board recognises the importance of incorporating elements of good corporate governance in the management structures, internal control and risk management procedures of the Group so as to achieve effective accountability. The Company has adopted and adhered to the principles as set out in the Corporate Governance Code contained in Appendix 14 of the Listing Rules (the “**CG Code**”) and has complied with all applicable code provisions as set out in the CG Code throughout the Year and up to the date of this announcement, save for code provisions A.1.1 (renumbered as code provision C.5.1 with effect from 1 January 2022), A.2.1 (renumbered as code provision C.2.1 with effect from 1 January 2022), A.2.7 (renumbered as code provision C.2.7 with effect from 1 January 2022) and E.1.2 (renumbered as code provision F.2.2 with effect from 1 January 2022) of the CG Code.

The Board

Code provision A.1.1 of the CG Code provides the Board should meet regularly and Board meetings should be held at least four times a year at approximately quarterly intervals. During the Year, two regular full Board meetings have been held and the Board has made resolutions by circulation of written resolutions for all the Directors’ execution from time to time. In view of the simplicity of the Group’s businesses, regular Board meetings have not been held about quarterly during the Year. The Group’s audited consolidated annual results for the Year 2021 and unaudited consolidated interim results for the six months ended 31 October 2021 together with all corporate transactions made during the Year have been reviewed and discussed amongst the Directors at the full Board meetings held in the Year. Together with the circulation of written materials to keep the Board informed throughout the Year, sufficient measures had been taken to ensure that there was efficient communication among the Directors, including the INEDs.

Chairman and Chief Executive

Code provision A.2.1 of the CG Code provides that the roles of the chairman and chief executive officer should be separated and should not be performed by the same individual. During the Year and up to the date of this announcement, Mr. Meng acts as the Chairman and the chief executive officer of the Company. The Board is of the opinion that it is appropriate and in the best interests of the Group to have Mr. Meng taking up both roles for effective management and business development. Therefore, the Board considers that the deviation from code provision A.2.1 of the CG Code is appropriate in such circumstances. Nevertheless, the Company will look for suitable candidates and make necessary arrangement pursuant to the requirement under code provision A.2.1 of the CG Code as and when necessary.

Meeting between Chairman and Independent Non-executive Directors

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

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

Communication with Shareholders

Code provision E.1.2 of the CG Code provides that, among others, the Chairman should attend the annual general meetings (the "AGMs"). Mr. Meng, the Chairman, did not attend the Company's AGM held on 22 October 2021 (the "2021 AGM") due to other essential business engagements. In order to ensure an effective communication with the Shareholders, the Directors attending the 2021 AGM elected Mr. Liu Jiaqiang, an executive Director, to chair the meeting on behalf of the Chairman. The respective chairmen and/or members of the Board's Audit Committee, Remuneration Committee and Nomination Committee and a representative of the independent auditor of the Company were present at the 2021 AGM to answer relevant questions from the Shareholders present thereat. To mitigate the above, future AGMs of the Company will be scheduled earlier to avoid the timetable clashes.

REVIEW OF ANNUAL RESULTS BY AUDIT COMMITTEE

The Audit Committee was established on 21 April 2015 with specific written terms of reference in compliance with Rule 3.22 of the Listing Rules and code provision C.3 (renumbered as code provision D.3 with effect from 1 January 2022) of the CG Code. The written terms of reference were revised on 1 January 2019 to conform with the requirements under the CG Code and the Listing Rules.

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

SCOPE OF WORK OF FAN, CHAN & CO. LIMITED

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the Year as set out in this preliminary announcement have been agreed by the Group's independent auditor, Fan, Chan & Co. Limited ("**Fan, Chan**"), to the amounts set out in the Group's audited consolidated financial statements for the Year. The work performed by Fan, Chan in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently, no assurance has been expressed by Fan, Chan on this preliminary announcement.

APPRECIATION

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

PUBLICATION OF FINANCIAL INFORMATION ON THE STOCK EXCHANGE'S WEBSITE

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

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

Hong Kong, 29 July 2022

As at the date of this announcement, the Board comprises Mr. Meng Guangyin (Chairman and Chief Executive Officer), Mr. Liu Guoqing (Chief Financial Officer), Mr. Liu Jiaqiang and Mr. Li Dongpo as the executive Directors; and Mr. Tian Zhiyuan, Mr. Lee Chun Keung and Mr. Wang Luping as the INEDs.