

# Progressive Path Group Holdings Limited 進昇集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock code: 1581

# 2017

INTERIM  
REPORT



## Contents

<b>2</b>	Corporate Information
<b>3</b>	Management Discussion and Analysis
<b>9</b>	Condensed Consolidated Statements of Profit or Loss and Other Comprehensive Income
<b>10</b>	Condensed Consolidated Statements of Financial Position
<b>12</b>	Condensed Consolidated Statements of Changes in Equity
<b>13</b>	Condensed Consolidated Statements of Cash Flows
<b>14</b>	Notes to Condensed Consolidated Interim Financial Statements
<b>27</b>	Corporate Governance and Other Information

# Corporate Information

## BOARD OF DIRECTORS

### Executive Directors

Mr. Wu Wing Hang (*Chairman*)  
Mr. Chan Tak Ming

### Independent Non-executive Directors

Mr. Wong Yiu Kit Ernest  
Mr. Lee Man Tai  
Mr. Leung Ka Fai

### AUDIT COMMITTEE

Mr. Lee Man Tai (*Chairman*)  
Mr. Wong Yiu Kit Ernest  
Mr. Leung Ka Fai

### NOMINATION COMMITTEE

Mr. Leung Ka Fai (*Chairman*)  
Mr. Wu Wing Hang  
Mr. Wong Yiu Kit Ernest

### REMUNERATION COMMITTEE

Mr. Wong Yiu Kit Ernest (*Chairman*)  
Mr. Wu Wing Hang  
Mr. Lee Man Tai

### COMPANY SECRETARY

Ms. Lee Ying Ying

### AUTHORISED REPRESENTATIVES

Mr. Wu Wing Hang  
Ms. Lee Ying Ying

### HEADQUARTER AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 1108, 11/F.  
Tuen Mun Central Square  
No. 22 Hoi Wing Road  
Tuen Mun  
New Territories  
Hong Kong

### REGISTERED OFFICE

PO Box 1350  
Clifton House  
75 Fort Street  
Grand Cayman KYI-1108  
Cayman Islands

### PRINCIPAL SHARE REGISTER AND TRANSFER OFFICE

Estera Trust (Cayman) Limited  
PO Box 1350  
Clifton House  
75 Fort Street  
Grand Cayman KY1-1108  
Cayman Islands

### HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited  
Level 22  
Hopewell Centre  
183 Queen's Road East  
Hong Kong

### COMPLIANCE ADVISER

Ample Capital Limited  
Unit A, 14/F.  
Two Chinachem Plaza  
135 Des Voeux Road Central  
Central, Hong Kong

### PRINCIPAL BANKS

The Hongkong and Shanghai Banking Corporation Limited

### AUDITOR

SHINewing (HK) CPA Limited  
43rd Floor, Lee Garden One  
33 Hysan Avenue  
Causeway Bay  
Hong Kong

### LEGAL ADVISER AS TO HONG KONG LAW

David Fong & Co.  
Unit A., 12/F.  
China Overseas Building  
139 Hennessy Road  
Wanchai, Hong Kong

### COMPANY'S WEBSITE

[www.ppgh.com.hk](http://www.ppgh.com.hk)

### STOCK CODE

1581

# Management Discussion and Analysis

The board (the “Board”) of directors (the “Directors”) of Progressive Path Group Holdings Limited (the “Company”) is pleased to present the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively refer to as the “Group”) for the six months ended 30 September 2017 together with the unaudited comparatives figures for the corresponding period ended 30 September 2016.

## BUSINESS AND FINANCIAL REVIEW

The Group is a Hong Kong-based subcontractor engaged in (i) construction works; (ii) the provision of construction machinery rental; and (iii) trading of construction machinery. The construction works provided by us mainly include foundation and site formation works, and builder’s work and general building works. The construction machinery rental represents the rental of construction machines and construction vehicles to our customers, and the provision of machine operators and transportation services. In addition to these two services, the Group has commenced trading of new or used construction machinery since June 2017. Other than this new trading business, there has been no significant change in the business operations of the Group since the listing of the Company on 8 December 2016 (the “Listing”).

## Revenue

During the six months ended 30 September 2017, the Group generated revenue from construction works, construction machinery rental and trading of construction machinery. Set out below is the breakdown of revenue of the Group during the six months ended 30 September 2017 and 2016.

	Six months ended 30 September	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Construction works	56,379	90,912
Construction machinery rental	119,081	120,825
Trading of construction machinery	32,513	–
	<b>207,973</b>	211,737

## Management Discussion and Analysis (Continued)

### Revenue from construction works

During the six months ended 30 September 2017, the revenue derived from our construction works amounted to approximately HK\$56.4 million (six months ended 30 September 2016: HK\$90.9 million), accounting for approximately 27.1% (six months ended 30 September 2016: 42.9%) of our total revenue, contributed by eleven projects (six months ended 30 September 2016: ten projects). Such decrease in revenue was largely resulted from the completion of the five out of eleven construction projects. These completed projects had contributed relatively lower revenue at the ending phase as compared with the same period ended 30 September 2016. Besides, the Group had one new project commenced since June 2017 for this six month period. Since this project is in the early stage, it did not contribute much revenue to the Group yet. Nevertheless, the Group has already been engaged in another new project which will be commenced around December 2017. In the meanwhile, the Group has been actively participating in tenders for new public and private construction projects and expects more construction works will be commenced within the coming year.

As at 30 September 2017, there were six projects on hand with total outstanding contract sum amounting to approximately HK\$202.9 million. Four projects are expected to be completed in the year ending 31 March 2018, two projects are expected to be completed in the year ending 31 March 2019 and 31 March 2020 and none of them is expected to have any material interruption. Below set out a list of projects which contributed revenue to the Group during the six months ended 30 September 2017:

Site Location	Type of Works	Status
Hong Kong International Airport	Foundation and site formation works	Work in progress
Tseung Kwan O	Foundation and site formation works	Completed
Hong Kong Boundary Crossing Facilities	Foundation and site formation works	Work in progress
West Kowloon Terminus Station North	Builder's work and general building works	Work in progress
Tai Po	Foundation and site formation works	Completed
Tuen Mun	Builder's work and general building works	Work in progress
Liantang/Heung Yuen Wai Boundary Control Point	Builder's work and general building works	Work in progress
Hong Kong International Airport	Foundation and site formation works	Completed
Lung Ping Road, Tai Wo Ping Bridge	Builder's work and general building works	Completed
HK-ZH-Macau bridge HK Link Road	Foundation and site formation works	Completed
Anderson Road Quarry Site	Foundation and site formation works	Work in progress

## Management Discussion and Analysis (Continued)

### Revenue from construction machinery rental

During the six months ended 30 September 2017, the revenue derived from our construction machinery rental amounted to approximately HK\$119.1 million (six months ended 30 September 2016: HK\$120.8 million), accounting for approximately 57.3% (six months ended 30 September 2016: 57.1%) of our total revenue.

### Revenue from trading of construction machinery

In order to meet our customers' different needs, the Group has started to engage in the trading of construction machinery, mainly being excavators since June 2017. During the four months ended 30 September 2017, the revenue derived from our trading of construction machinery business amounted to approximately HK\$32.5 million, accounting for approximately 15.6% of our total revenue.

### Gross Profit and Gross Profit Margin

The Group's total gross profit decreased by approximately HK\$3.0 million, or approximately 10.0%, from approximately HK\$29.8 million for the six months ended 30 September 2016 to approximately HK\$26.8 million for the six months ended 30 September 2017 while our gross profit margin decreased from approximately 14.1% for the six months ended 30 September 2016 to approximately 12.9% for the six months ended 30 September 2017. The decrease in gross profit margin was mainly attributable to the decrease in the gross profit margins of construction works.

### Administrative Expenses

The administrative expenses of the Group for the six months ended 30 September 2017 amounted to approximately HK\$10.5 million, representing a decrease of approximately 13.1% as compared to approximately HK\$12.1 million for the six months ended 30 September 2016.

### Net Profit

Profit after tax decreased by approximately HK\$0.1 million to approximately HK\$12.3 million for the six months ended 30 September 2017 as compared to approximately HK\$12.4 million for the six months ended 30 September 2016.

### Liquidity, Financial Resources and Capital Structure

The Group has funded the liquidity and capital requirements primarily through capital contributions from shareholders, bank borrowings, cash inflows from operating activities and proceeds received from the Listing.

As at 30 September 2017, the Group had bank balances of approximately HK\$102.3 million (31 March 2017: approximately HK\$99.3 million). The interest-bearing liabilities of the Group as at 30 September 2017 was approximately HK\$128.9 million (31 March 2017: approximately HK\$142.5 million). The gearing ratio is calculated based on the amount of total interest-bearing liabilities divided by total equity. The gearing ratio of the Group as at 30 September 2017 was approximately 49.8% (31 March 2017: approximately 57.7%), representing a decrease of approximately 7.9%.

# Management Discussion and Analysis (Continued)

## Interim Dividend

The Board has resolved not to declare any interim dividend for the six months ended 30 September 2017.

## Prospects

Due to the prevalence of global economic uncertainty, the construction industry is foreseen to expand at a slower pace over the next few years. In fact, the industry has been facing hardship of high construction costs and insufficient labour in recent years. In spite of these challenges, the Group still looks forward to the continuous growth of the industry in the next few years as the Government of HKSAR is pressing ahead with a number of major road infrastructure projects, the on-going and new railway development, the Long-Term Housing Strategy and the implementation plans for new development areas and new town extension. The Directors are of the view that the demand for construction works are still strong and there are numerous opportunities in the construction industry yet to be captured. Possessing with a synergistic business model, experienced management team and stable resources, the Group strives to maintain the sustainable level of revenue and continue to exercise control in overall cost so that shareholders' return can be maximized.

## Pledge of Assets

The Group's machinery and equipment with an aggregate net book value of approximately HK\$91.1 million and HK\$113.0 million and insurance prepayment with an aggregate net book value of approximately HK\$9.5 million and HK\$9.3 million as at 30 September 2017 and 31 March 2017, respectively, were pledged under finance leases.

## Foreign Exchange Risk

The Group mainly operates in Hong Kong and most of the operating transactions such as revenue, expenses, monetary assets and liabilities are denominated in Hong Kong dollars ("HK\$"). The Group also has bills payables denominated in United States dollars ("US\$"). As the HK\$ is linked with the US\$, the Directors are of the view that the Group's risk in foreign exchange is insignificant and that we should have sufficient resources to meet foreign exchange requirements as and if they arise. Therefore, the Group has not engaged in any derivative contracts to hedge its exposure to foreign exchange risk during the six months ended 30 September 2017.

## Management Discussion and Analysis (Continued)

### Employees and Remuneration Policy

As at 30 September 2017, the Group employed 231 staff (30 September 2016: 389). Total staff costs including directors' emoluments for the six months ended 30 September 2017, amounted to approximately HK\$44.1 million (six months ended 30 September 2016: approximately HK\$60.3 million). The salary and benefit levels of the employees of the Group are competitive and individual performance is rewarded through the Group's salary and bonus system. The Group conducts annual review on salary increase, discretionary bonuses and promotions based on the performance of each employee.

During the six months ended 30 September 2017, the Group has not experienced any significant problems with its employees due to labour disputes nor has it experienced any difficulty in the recruitment and retention of experienced staff.

### Capital Commitments

The Group had no material capital commitments as at 30 September 2017.

### Contingent Liabilities

For the six months ended 30 September 2016, a subsidiary has been named as defendant in four (2017: nil) High Court actions in respect of claim for compensation of personal injury for an amount of approximately HK\$8.8 million (2017: nil). The Directors are visiting the claims and considered the claims are covered by the relevant insurance policies. No provision for potential liability has been made in the condensed consolidated financial statements.

### Material Acquisitions and Disposals

During the six months ended 30 September 2017, the Group did not have any material acquisitions and disposals.

### Significant Investment

During the six months ended 30 September 2017, the Group has no significant investment held.

### Future Plans for Material Investments or Capital Assets

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



## Management Discussion and Analysis (Continued)

### Use of Net Proceeds from Share Offer

The Company's shares have been listed on the Main Board of the Stock Exchange since the date of the Listing. After the exercise of the Over-allotment Option, the receipt of proceeds, after deduction of underwriting commission and other related estimated listing expenses, including both recognised in the consolidated statement of comprehensive income and deducted from the share premium ("net proceeds") from the Company's listing were approximately HK\$102.3 million. As at 30 September 2017, the net proceeds had been utilised as follows:

	<b>Net proceeds from the share offer HK\$'million</b>	<b>Actual utilisation up to 30 September 2017 HK\$'million</b>	<b>Unutilised amounts as at 30 September 2017 HK\$'million</b>
Replacement and Enhancement on our fleet of machinery	80.4	9.4	71
Reinforcement of our workforce	12.2	2.5	9.7
General working capital	9.7	7	2.7
	102.3	18.9	83.4

The unutilised amount of the net proceeds have been deposited with licensed banks in Hong Kong.

# Condensed Consolidated Statements of Profit or Loss and Other Comprehensive Income

For the six months ended 30 September 2017

	Notes	Six months ended 30 September	
		2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Revenue	3	<b>207,973</b>	211,737
Cost of services		<b>(181,147)</b>	(181,924)
Gross profit		<b>26,826</b>	29,813
Other income	4	<b>2,257</b>	2,412
Administrative expenses		<b>(10,489)</b>	(12,069)
Finance costs	5	<b>(3,408)</b>	(3,545)
Profit before taxation		<b>15,186</b>	16,611
Income tax expenses	6	<b>(2,876)</b>	(4,223)
Profit and total comprehensive income for the period attributable to the owners of the Company	7	<b>12,310</b>	12,388
Earnings per share:			
Basic and diluted	9	<b>1.19 cents</b>	1.50 cents

# Condensed Consolidated Statements of Financial Position

As at 30 September 2017

	Notes	At 30 September 2017 HK\$'000 (unaudited)	At 31 March 2017 HK\$'000 (audited)
<b>Non-current assets</b>			
Property, plant and equipment	10	128,922	149,968
Deposit paid for acquisition of property, plant and equipment		–	843
		<b>128,922</b>	150,811
<b>Current assets</b>			
Inventories		27,006	–
Trade and retention receivables	11	201,963	216,381
Amounts due from customers for contract work		20,770	20,711
Deposits, prepayment and other receivables		14,049	10,458
Income tax recoverable		–	466
Amount due from a related company		5,025	–
Bank balances and cash		102,291	99,342
		<b>371,104</b>	347,358
<b>Current liabilities</b>			
Trade, bills and other payables	12	99,468	93,401
Amounts due to customers for contract work		44	96
Income tax payables		3,057	–
Amount due to a related company		–	5,354
Bank borrowings		42,280	41,659
Obligations under finance leases – due within one year		34,798	39,118
		<b>179,647</b>	179,628
<b>Net current assets</b>		<b>191,457</b>	167,730
<b>Total assets less current liabilities</b>		<b>320,379</b>	318,541

## Condensed Consolidated Statements of Financial Position (Continued)

As at 30 September 2017

	Note	At 30 September 2017 HK\$'000 (unaudited)	At 31 March 2017 HK\$'000 (audited)
Capital and reserves			
Share capital	13	10,375	10,375
Reserves		248,684	236,374
		<b>259,059</b>	246,749
Non-current liabilities			
Obligations under finance leases – due after one year		51,859	61,685
Deferred tax liabilities		9,461	10,107
		<b>61,320</b>	71,792
		<b>320,379</b>	318,541

# Condensed Consolidated Statements of Changes in Equity

For the six months ended 30 September 2017

	Share capital HK\$'000	Share premium HK\$'000 (Note i)	Other reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 April 2017 (audited)	10,375	109,078	35,457	91,839	246,749
Profit and total comprehensive income for the period (unaudited)	-	-	-	12,310	12,310
At 30 September 2017 (unaudited)	10,375	109,078	35,457	104,149	259,059
At 1 April 2016 (audited)	-	-	35,457	96,909	132,366
Profit and total comprehensive income for the period (unaudited)	-	-	-	12,388	12,388
Interim dividend for the period (note 8)	-	-	-	(29,000)	(29,000)
At 30 September 2016 (unaudited)	-	-	35,457	80,297	115,754

Note:

- i) Other reserve represents the retained earnings in respect of the construction machinery rental business (the "Construction Machinery Rental Business") contribution from the controlling shareholder prior to the transfer of business to the Group. Since 1 April 2016, the Construction Machinery Rental Business has been transferred from the controlling shareholder to Luen Yau Construction Company Limited ("Luen Yau Construction").

# Condensed Consolidated Statements of Cash Flows

For the six months ended 30 September 2017

	Six months ended 30 September	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Net cash generated from operating activities	47,585	53,116
Net cash used in investing activities	(17,614)	(5,849)
Net cash used in financing activities	(27,022)	(49,198)
Net increase (decrease) in cash and cash equivalent	2,949	(1,931)
Cash and cash equivalents at 1 April	99,342	15,065
Cash and cash equivalents at 30 September, represented by bank balances and cash	102,291	13,134

# Notes to Condensed Consolidated Interim Financial Statements

For the six months ended 30 September 2017

## 1. GENERAL INFORMATION AND BASIS OF PREPARATION

Progressive Path Group Holdings Limited (the “Company”) was incorporated in the Cayman Islands under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands as an exempted company with limited liability on 21 April 2016 and its shares were listed on the Main Board of the Stock Exchange of Hong Kong Limited. Its ultimate holding company and immediate holding company is Profit Gold Global Limited, a limited company incorporated in British Virgin Islands (“BVI”). The addresses of the registered office and the principal place of business of the Company are Unit 1108, 11/F, Tuen Mun Central Square, 22 Hoi Wing Road, Tuen Mun, New Territories, Hong Kong.

The Company is an investment holding company while the principal subsidiaries are principally engaged in the construction works and provision of construction machinery rental.

The condensed consolidated financial statements are presented in Hong Kong dollars (“HK\$”), which is the same as the functional currency of the Company and its subsidiaries (the “Group”).

Pursuant to the reorganisation as set out in the section headed “History, Development and Group Structure” in the prospectus of the Company dated 28 November 2016 (the “Reorganisation”), the Company became the holding company now comprising the Group on 13 May 2016 and the Group has been under the control and beneficially owned by Mr. Wu Wing Hang (the “Controlling Shareholder”) throughout the six months ended 30 September 2017 and 2016. The Group comprising the Company and its subsidiaries resulting from the Reorganisation is regarded as a continuing entity. Accordingly, the condensed consolidated financial statements of the Group has been prepared on the basis as if the Company had always been the holding company of the companies comprising the Group throughout the six months ended 30 September 2016.

Accordingly, the condensed consolidated statements of profit or loss and other comprehensive income, condensed consolidated statements of changes in equity and condensed consolidated statements of cash flows include the results and cash flows of the companies now comprising the Group has been prepared as if the current group structure had been in existence throughout the six months ended 30 September 2016.

# Notes to Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 September 2017

## 2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated interim financial statements for the six months ended 30 September 2017 have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). In addition, the condensed consolidated interim financial statements have been prepared in accordance with the applicable disclosure provisions of Appendix 16 to the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The condensed consolidated interim financial statements have been prepared on the historical cost basis.

The accounting policies used in the condensed consolidated interim financial statements are consistent followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 March 2017.

In the current interim period, the Group has adopted, for the first time, new or revised standards, amendments to standards and interpretations of ("new HKFRSs") issued by the HKICPA which are effective for the Group's financial year beginning 1 April 2017.

Amendments to HKFRSs	Annual Improvements to HKFRSs 2014-2016 Cycle: Amendments to HKFRS 12
Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses

The application of the above new and revised HKFRSs in the current period had no material impact on the Group's financial performance and positions for the current period and prior year and/or on the disclosures set out in these condensed consolidated interim financial statements.



# Notes to Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 September 2017

## 3. REVENUE AND SEGMENT INFORMATION

Information reported to the directors, being the chief operating decision maker, for the purpose of resource allocation and assessment of segment performance focuses on types of services provided. No operating segments identified by the chief operating decision maker have been aggregated in arriving at the reportable segments of the Group.

Specifically, the Group's reportable segments are as follows:

- Construction works;
- Construction machinery rental; and
- Trading of construction machinery

During the six months ended 30 September 2017, the Group commenced a new reporting and operating segment, namely, trading of construction machinery segment.

### Segment revenues and results

The following is an analysis of the Group's revenue and results from continuing operations by reportable and operating segment.

#### For the six months ended 30 September 2017

	Construction works HK\$'000	Construction machinery rental HK\$'000	Trading of construction machinery HK\$'000	Total HK\$'000
Segment revenue				
External revenue	56,379	119,081	32,513	207,973
Inter-segment revenue	–	34,866	–	34,866
Segment revenue	56,379	153,947	32,513	242,839
Eliminations				(34,866)
Group revenue				207,973
Segment profit	4,103	15,581	1,984	21,668
Unallocated income				2,257
Unallocated corporate expenses				(5,331)
Unallocated finance costs				(3,408)
Profit before tax				15,186

# Notes to Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 September 2017

## 3. REVENUE AND SEGMENT INFORMATION (Continued)

### Segment revenues and results (Continued)

For the six months ended 30 September 2016

	Construction works HK\$'000	Construction machinery rental HK\$'000	Trading of construction machinery HK\$'000	Total HK\$'000
Segment revenue				
External revenue	90,912	120,825	–	211,737
Inter-segment revenue	–	58,524	–	58,524
Segment revenue	90,912	179,349	–	270,261
Eliminations				(58,524)
Group revenue				211,737
Segment profit	14,395	12,308	–	26,703
Unallocated income				2,412
Unallocated corporate expenses				(8,959)
Unallocated finance costs				(3,545)
Profit before tax				16,611

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 2. Segment profit represents the profit earned by each segment without allocation of central administration costs, directors' salaries, other income and finance costs. This is the measure reported to the directors with respect to the resource allocation and performance assessment.

Inter-segment sales are conducted with terms mutually agreed by both contract parties.

# Notes to Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 September 2017

## 3. REVENUE AND SEGMENT INFORMATION (Continued)

### Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable and operating segment:

#### Segment assets

	At 30 September 2017 HK\$'000 (unaudited)	At 31 March 2017 HK\$'000 (audited)
Construction works	152,679	210,356
Construction machinery rental	194,348	187,813
Trading of construction machinery	45,615	–
Total segment assets	392,642	398,169
Corporate and other assets	107,384	100,000
Total assets	500,026	498,169

#### Segment liabilities

	At 30 September 2017 HK\$'000 (unaudited)	At 31 March 2017 HK\$'000 (audited)
Construction works	93,861	139,320
Construction machinery rental	30,890	53,432
Trading of construction machinery	60,351	–
Total segment liabilities	185,102	192,752
Corporate and other liabilities	55,865	58,668
Total liabilities	240,967	251,420

# Notes to Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 September 2017

## 3. REVENUE AND SEGMENT INFORMATION (Continued)

### Segment assets and liabilities (Continued)

For the purposes of monitoring segment performance and allocating resources between segments:

- All assets are allocated to operating segment, other than unallocated deposit, prepayment and other receivables, income tax recoverable, amount due from a related company and bank balance and cash. Assets used jointly by reportable segments are allocated on the basis of the revenues earned by individual reportable segments; and
- All liabilities are allocated to operating segments, other than unallocated trade and other payables, amounts due to a related company, income tax payable, bank borrowings and deferred tax liabilities. Liabilities for which reportable segments are jointly liable are allocated in proportion to segment assets.

### Geographical information

The Group is organised into three operating segments as construction works, construction machinery rental and trading of construction machinery primarily in Hong Kong and all revenue, expenses, results, assets and liabilities and capital expenditures are predominantly attributable to these three segments. Accordingly, no geographical information is presented.

## 4. OTHER INCOME

	Six months ended 30 September	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Bank interest income	6	–
Sales of scrap materials	–	150
Government subsidy (Note)	–	91
Insurance claim	198	1,037
Auxiliary and other service income	603	556
Machine repairment service income	–	71
Sundry income	34	484
Gain on disposal of property, plant and equipment	1,416	23
	<b>2,257</b>	2,412

Note:

The income is government subsidy received under the “Ex-gratia Payment Scheme for Phasing Out Pre-Euro IV Diesel Commercial Vehicles” in 2016 upon disposal of certain motor vehicles.

# Notes to Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 September 2017

## 5. FINANCE COSTS

	Six months ended 30 September	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Interest on:		
bank overdraft and borrowings	844	283
obligations under finance leases	2,564	3,262
	<b>3,408</b>	3,545

## 6. INCOME TAX EXPENSES

	Six months ended 30 September	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Current tax:		
Hong Kong Profits Tax	3,522	3,962
Deferred taxation	(646)	261
	<b>2,876</b>	4,223

Note: Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit during the six months ended 30 September 2017 and 2016.

## 7. PROFIT FOR THE PERIOD

	Six months ended 30 September	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Profit for the period has been arrived at after charging:		
Depreciation of property, plant and equipment	40,635	34,254
Operating leases rental relates to office premises and storage area	61	494
Listing expenses	–	5,619
Amount of inventories recognised as an expenses	30,450	–
Exchange loss, net	15	–

# Notes to Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 September 2017

## 8. DIVIDEND

	Six months ended 30 September	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Dividend recognised as distribution during the period	–	29,000

An interim dividend paid by a subsidiary, Luen Yau Construction, to the controlling shareholder during the six months ended 30 September 2017 amounted to HK\$Nil per share (2016: HK\$29,000,000 per share).

## 9. EARNINGS PER SHARE

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

	Six months ended 30 September	
	2017 HK\$'000	2016 HK\$'000
<b>Earnings</b>		
Earnings for the purpose of basic and diluted earnings per share	<b>12,310</b>	12,388
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share ('000 shares)	<b>1,037,500</b>	825,000

The weighted average number of ordinary shares for the purpose of basic earnings per share for the six months ended 30 September 2016 assuming 825,000,000 ordinary shares were in issue during the six months ended 30 September 2016 after taking into account the ordinary shares issue pursuant to the Reorganisation as stated in note 1.

The dilutive earnings per share is equal to the basic earnings per share as there were no dilutive potential ordinary shares outstanding for both periods.

# Notes to Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 September 2017

## 10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2017, the Group spent approximately HK\$22,301,000 (six months ended 30 September 2016: approximately HK\$38,725,000) on acquisition of machinery and equipment.

During the six months ended 30 September 2017, the Group has disposed of certain machinery and equipment with an aggregate carrying values of approximately HK\$2,712,000 (six months ended 30 September 2016: approximately HK\$275,000) for cash proceeds of approximately HK\$4,128,000 (six months ended 30 September 2016: approximately HK\$298,000), resulting a gain on disposal of approximately HK\$1,416,000 (six months ended 30 September 2016: gain on disposal of approximately HK\$23,000).

During the six months ended 30 September 2017, the Group has not written-off any machinery and equipment (six months ended 30 September 2016: nil).

## 11. TRADE AND RETENTION RECEIVABLES

	<b>At 30 September 2017 HK\$'000 (unaudited)</b>	At 31 March 2017 HK\$'000 (audited)
Trade receivables	<b>181,261</b>	192,528
Less: allowance for impairment of trade receivables	<b>(6,164)</b>	(6,164)
	<b>175,097</b>	186,364
Retention receivables (note)	<b>26,866</b>	30,017
	<b>201,963</b>	216,381

Note: Except for the amount of approximately HK\$4,384,000 as at 30 September 2017 (31 March 2017: approximately HK\$18,334,000), which was expected to be recovered or settled after one year, all of the remaining balances are expected to be recovered within one year. All retention receivables are included in current assets as the Group expects to realise these within its normal operating cycle.

# Notes to Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 September 2017

## 11. TRADE AND RETENTION RECEIVABLES (Continued)

The Group does not hold any collateral over these balances.

The Group does not have a standardised and universal credit period granted to its customers, and the credit period of individual customer is considered on a case-by-case basis and stipulated in the project contract, as appropriate. The following is an aged analysis of trade receivables, net of allowance for impairment of trade receivables, presented based on the certified report or invoices which approximates revenue recognition date at the end of each reporting period.

	<b>At 30 September 2017 HK\$'000 (unaudited)</b>	At 31 March 2017 HK\$'000 (audited)
Within 30 days	<b>68,233</b>	38,931
31 to 60 days	<b>2,259</b>	73,088
61 to 90 days	<b>20,196</b>	15,583
91 to 180 days	<b>40,990</b>	33,924
Over 180 days	<b>43,419</b>	24,838
	<b>175,097</b>	186,364



## Notes to Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 September 2017

### 12. TRADE AND OTHER PAYABLES

	<b>At 30 September 2017 HK\$'000 (unaudited)</b>	At 31 March 2017 HK\$'000 (audited)
Trade payables	30,945	70,204
Bills payables	60,352	2,494
Receipt in advance	750	2,250
Other payables	451	6,301
Accruals	6,970	12,152
	<b>99,468</b>	93,401

The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period:

	<b>At 30 September 2017 HK\$'000 (unaudited)</b>	At 31 March 2017 HK\$'000 (audited)
Within 30 days	9,404	20,562
31 to 60 days	1,681	30,832
61 to 90 days	3,940	9,984
91 to 365 days	12,706	7,501
Over 365 days	3,214	1,325
	<b>30,945</b>	70,204

The average credit period granted is 30 days. The Group has financial risk management in place to ensure that all payables are settled within the credit timeframe.

# Notes to Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 September 2017

## 13. SHARE CAPITAL

	Number of shares	Share capital HK\$
<b>Authorised</b>		
Ordinary share of HK\$0.01 each		
At 31 March 2017 and 30 September 2016	<b>10,000,000,000</b>	100,000,000
<b>Issued and fully paid</b>		
At 31 March 2017 and 30 September 2016	<b>1,037,500,000</b>	10,375,000

## 14. PLEDGE OF ASSETS

At the end of the reporting period, the Group had pledged the following assets to banks and finance lease companies to secure the banking facilities and finance leases granted to the Group:

	At 30 September 2017 HK\$'000 (unaudited)	At 31 March 2017 HK\$'000 (audited)
Property, plant and equipment	<b>91,109</b>	113,021
Insurance prepayment	<b>9,460</b>	9,325
	<b>100,569</b>	122,346

## 15. SHARE-BASED PAYMENT TRANSACTIONS

### Equity-settled share option scheme of the Company

The Company's share option scheme (the "Scheme"), was adopted pursuant to written resolution of the Company passed on 15 November 2016 for the primary purpose of providing incentives to directors and eligible employees, and will expire on 7 December 2026. Under the Scheme, the board of directors of the Company may grant options to eligible employees, including directors of the Company and its subsidiaries, to subscribe for shares in the Company.

No share options have been granted since the adoption of the Scheme and during the six months ended 30 September 2017.

# Notes to Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 September 2017

## 16. RELATED PARTY TRANSACTIONS

### (a) Banking facilities

For the six months ended 30 September 2016, a director of the Company and his spouse provided unlimited personal guarantee and limited personal guarantee respectively for the grant of banking facilities to the Group and obligation under finance leases, which was released in January 2017.

### (b) Compensation of key management personnel

The remuneration of directors of the Company and other members of key management personnel during the period was as follows:

	Six months ended 30 September	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Short-term benefits	3,246	2,319
Post-employment benefits	45	35
	<b>3,291</b>	2,354

## 17. CONTINGENT LIABILITIES

For the six months ended 30 September 2016, a subsidiary has been named as defendant in four (2017: nil) High Court actions in respect of claim for compensation of personal injury for an amount of approximately HK\$8,774,000 (2017: nil). Directors of the Company are visiting the claims and considered the claims are covered by the relevant insurance policies. No provision for potential liability has been made in the condensed consolidated financial statements.

## Corporate Governance and Other Information

The Company strives to attain and maintain a high standard of corporate governance as it believes that effective corporate governance practices are fundamental to enhancing shareholders' value and safeguarding interests of shareholders and other stakeholders. Accordingly, the Board attributes a high priority to identifying and implementing appropriate corporate governance practices to ensure transparency, accountability and effective internal controls.

### Compliance with Corporate Governance Code

The Company has adopted the Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Listing Rules. During the six months ended 30 September 2017, the Company has complied with the code provisions under the CG Code, except for the deviation from code provision A.2.1 of the CG Code as explained below. The Company will continue to enhance its corporate governance practices appropriate to the operation and growth of the business of the Group. According to code provision A.2.1 of the CG Code, the role of the chairman and the chief executive officer of the Company should be separate and should not be performed by the same individual. Since the Listing Date and up to the date of this report, the role of the chairman of the Company is performed by Mr. Wu Wing Hang but the office of the chief executive officer of the Company is vacated. The daily operation and management of the Company is monitored by the executive Directors as well as the senior management. The Board is of the view that although there is no chief executive officer, the balance of power and authority is ensured by the operation of the Board, which comprises experienced individuals who would meet from time to time to discuss issues affecting operation of the Company.

### Compliance with the Model Code

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' securities transactions. In response to a specific enquiry by the Company, all Directors have confirmed, that they have complied with the required standards as set out in the Model Code during the six months ended 30 September 2017.

## Corporate Governance and Other Information (Continued)

### Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares of the Company and its Associated Corporations

As at 30 September 2017, interests and short positions in the Shares, underlying Shares of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO"), held by the Directors and chief executive of the Company which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or have been entered in the register maintained by the Company pursuant to section 352 of the SFO, or otherwise have been notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") in Appendix 10 to the Listing Rules are as follows:

#### (i) Long position in the Shares

Name of Director	Capacity/Nature of interest	Shares held	Approximate number of shareholding percentage
Mr. Wu Wing Hang (Mr. Wu)	Interest in a controlled corporation – Corporation interest (Note)	610,995,000	58.89%

Note: The 610,995,000 Shares were held by Profit Gold Global Limited ("Profit Gold") which was wholly owned by Mr. Wu Wing Hang. By virtue of the SFO, Mr. Wu Wing Hang was deemed to be interested in the 610,995,000 Shares.

#### (ii) Long position in the ordinary shares of associated corporation

Name of Director	Name of associated corporation	Capacity/Nature	Number of shares held	Percentage of shareholding
Mr. Wu Wing Hang	Profit Gold	Beneficial Interest (Note)	1	100%

Notes: Mr. Wu beneficially owns 100% of the entire issued share capital of Profit Gold, and he is deemed or taken to be interested in all the shares in Profit Gold for the purposes of the SFO. Mr. Wu is the director of Profit Gold.

Save as disclosed above, none of the Directors had any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as at 30 September 2017 as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange under the Model Code.

## Corporate Governance and Other Information (Continued)

### Substantial Shareholders' Interests and Short Positions in the Shares and Underlying Shares of the Company and its Associated Corporations

As at 30 September 2017, so far as it is known by or otherwise notified by any Director or the chief executive of the Company, the particulars of the corporations or individuals (other than a Director or chief executive of the Company) who had or were deemed or taken to have an interest or short position in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, as recorded in the register required to be kept under section 336 of the SFO were as follows:

Name	Capacity/Nature of interest	Number of Shares Held/ interested in	Percentage of Shareholding
Profit Gold	Beneficial interest (Note 1)	610,995,000	58.89%
Ms. Kwok Wai Sheung Melody ("Ms. Kwok")	Interest of Spouse (Note 2)	610,995,000	58.89%

Note:

1. 610,995,000 Shares were beneficially owned by Profit Gold, which is wholly owned by Mr. Wu.
2. Ms. Kwok, being spouse of Mr. Wu is deemed to be interested in the 610,995,000 Shares held by Mr. Wu under the SFO.

Save as disclosed above, no other persons had any interests or short positions in the Shares or underlying Shares of the Company as at 30 September 2017 as recorded in the register required to be kept under Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange.

### Share Option Scheme

The Company has adopted a share option scheme (the "Share Option Scheme") on 15 November 2016. The principal terms of the Share Option Scheme is summarised in Appendix IV to the Prospectus. The main purpose of the Share Option Scheme is to attract and retain the best available personnel, to provide incentive to employees (full-time and part-time), directors, consultants, advisers, distributors, contractors, suppliers, agents, customers, business partners or service providers of the Group and to promote the success of the business of the Group.

No share option has been granted, exercised, cancelled or lapsed under the Share Option Scheme since its adoption on 15 November 2016.

## Corporate Governance and Other Information (Continued)

### Purchase, Sales or Redemption of the Company's Securities

During the six months ended 30 September 2017, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

### Audit Committee

The audit committee of the Company (the "Audit Committee"), with its terms of reference established in compliance with the Listing Rules, comprises three independent non-executive Directors, namely Mr. Lee Man Tai (the chairman of the Audit Committee), Mr. Wong Yiu Kit Ernest and Mr. Leung Ka Fai.

The Audit Committee has reviewed the Group's unaudited condensed consolidated financial statements for the six months ended 30 September 2017. The Audit Committee was satisfied that the unaudited condensed consolidated financial statements were prepared in accordance with applicable accounting standards and requirements as well as the Listing Rules and relevant adequate disclosures have been made.

By Order of the Board  
**Progressive Path Group Holdings Limited**  
**Wu Wing Hang**  
*Chairman*

Hong Kong, 28 November 2017