

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

Interim Report
2016

Contents

2	Corporate Information
3	Management Discussion and Analysis
8	Condensed Consolidated Statements of Profit or Loss and Other Comprehensive Income
9	Condensed Consolidated Statements of Financial Position
11	Condensed Consolidated Statements of Changes in Equity
12	Condensed Consolidated Statements of Cash Flows
13	Notes to Condensed Consolidated Interim Financial Statements
27	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

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Cayman Islands

PRINCIPAL SHARE REGISTER AND TRANSFER OFFICE

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COMPLIANCE ADVISER

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PRINCIPAL BANKS

The Hongkong and Shanghai Banking Corporation Limited

AUDITOR

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STOCK CODE

1581

Management Discussion and Analysis

BUSINESS AND FINANCIAL REVIEW

The Company and its subsidiaries (collectively, the “Group”) is a Hong Kong-based subcontractor engaged in (i) construction works; and (ii) the provision of construction machinery rental services. The construction works services provided by us mainly include foundation and site formation works, and builder’s work and general building works. The construction machinery rental services represent the rental of construction machines and construction vehicles to our customers, and the provision of machine operators and transportation services. Since the listing of the Company on 8 December 2016 (the “Listing”), there has been no significant change in the business operations of the Group.

Revenue

During the six months ended 30 September 2016, the Group generated revenue from construction works and construction machinery rental services. Set out below is the breakdown of revenue of the Group during the six months ended 30 September 2016 and 2015.

	Six months ended 30 September	
	2016	2015
	HK\$000	HK\$000
	(unaudited)	(unaudited)
Construction works	90,912	76,608
Construction machinery rental	120,825	103,390
	211,737	179,998

Revenue from construction works

During the six months ended 30 September 2016, the revenue derived from our construction work services amounted to approximately HK\$90.9 million (six months ended 30 September 2015: HK\$76.6 million), accounting for approximately 42.9% (six months ended 30 September 2015: 42.6%) of our total revenue, contributed by ten projects (six months ended 30 September 2015: eight projects).

Management Discussion and Analysis (Continued)

As at 30 September 2016, there were ten projects on hand with total outstanding contract sum amounting to approximately HK\$164.7 million. Eight projects are expected to be completed in the year ending 31 March 2017, two projects are expected to be completed in the year ending 31 March 2018 and none of them is expected to have any material interruption. Below sets out a list of projects which are still in progress as at 30 September 2016:

Site Location	Type of Works	Status
Hong Kong International Airport	Foundation and site formation works and builder's work and general building works	Work in progress
Hong Kong International Airport	Foundation and site formation works	Work in progress
Tseung Kwan O	Foundation and site formation works	Work in progress
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	Work in progress
Siu A Chau	Foundation and site formation works	Work in progress
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	Work in progress

Revenue from construction machinery rental

During the six months ended 30 September 2016, the revenue derived from our construction machinery rental amounted to approximately HK\$120.8 million (six months ended 30 September 2015: HK\$103.4 million), accounting for approximately 57.1% (six months ended 30 September 2015: 57.4%) of our total revenue.

Gross Profit and Gross Profit Margin

The Group's total gross profit increased by approximately HK\$2.8 million, or 10.5%, from approximately HK\$27.0 million for the six months ended 30 September 2015 to approximately HK\$29.8 million for the six months ended 30 September 2016 while our gross profit margin decreased from approximately 15.0% for the six months ended 30 September 2015 to approximately 14.1% for the six months ended 30 September 2016. The decrease in gross profit margin was mainly attributable to the decrease in the gross profit margins of both of our construction works services and construction machinery rental services.

Management Discussion and Analysis (Continued)

Administrative Expenses

The administrative expenses of the Group for the six months ended 30 September 2016 amounted to approximately HK\$12.1 million, representing an increase of approximately 260.3% compared to approximately HK\$3.4 million for the six months ended 30 September 2015. Such increase is mainly due to the non-recurring listing expenses incurred, and increase in staff costs during the six months ended 30 September 2016. Listing expenses borne by the Company amounted to approximately HK\$20.9 million, of which HK\$5.6 million were charged to the profit or loss of the Group during the six months ended 30 September 2016. Profit after tax decreased by approximately HK\$2.2 million to approximately HK\$12.4 million compared to approximately HK\$14.6 million for the six months ended 30 September 2015. Excluding the aforementioned non-recurring listing expenses, the Group's profit after tax would have been approximately HK\$18.0 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 2016, the Group had bank balances of approximately HK\$13.1 million (31 March 2016: approximately HK\$15.1 million). The decrease is mainly due to payment of interim dividend amounting to HK\$29 million by Luen Yau Construction Company Limited to its shareholder. The interest-bearing liabilities of the Group as at 30 September 2016 was approximately HK\$118.3 million (31 March 2016: approximately HK\$107.1 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 2016 was approximately 102.2% (31 March 2016: approximately 80.9%), the increase in gearing ratio was due to the decrease in total equity resulted from payment of dividend.

Interim Dividend

The board of directors of the Company (the "Board") has resolved not to declare any interim dividend for the six months ended 30 September 2016.

Prospects

The Group is confident about the opportunities for the growth in the construction market in Hong Kong. In April 2016, the construction of three-runway system in Chek Lap Kok Airport was approved and the total estimated construction cost is approximately HK\$141.5 billion.

We believe that we have several business strengths and competitive advantages that enable the Group to grow continuously and enhance the profitability. Such strengths and competitive advantages included (1) provision of a vast number and a comprehensive range of construction machinery for rental; (2) synergistic business model which benefits both our operating segments; (3) experienced and dedicated management team and (4) long term relationships with major customers.

Management Discussion and Analysis (Continued)

Pledge of Assets

The Group's machinery and equipment with an aggregate net book value of approximately HK\$98.8 million and HK\$88.7 million and insurance prepayment with an aggregate net book value of approximately HK\$4.9 million and HK\$4.7 million as at 30 September 2016 and 31 March 2016, 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. As such, the directors of the Company (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 2016.

Employees and Remuneration Policy

As at 30 September 2016, the Group employed 389 staff. Total staff costs including directors' emoluments for the six months ended 30 September 2016, amounted to approximately HK\$60.3 million (six months ended 30 September 2015: approximately HK\$60.2 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 2016, 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

Save as disclosed in the prospectus of the Company dated 28 November 2016 (the "Prospectus"), the Group had no material capital commitments as at 30 September 2016.

Contingent Liabilities

As at 30 September 2016, one of the subsidiaries has been named as one of the defendants in four High Court actions in respect of claim for compensation of personal injury for an amount of approximately HK\$8.8 million. The Directors are visiting the claims and consider the claims are covered by the relevant insurance policies. No provision for potential liability has been made in the consolidated financial information.

Management Discussion and Analysis (Continued)

Material Acquisitions and Disposals of Subsidiaries and Associated Companies

During the six months ended 30 September 2016, the Group did not have any material acquisitions and disposals of subsidiaries, associated companies apart from the corporate reorganisation in relation to the Listing as disclosed in the Prospectus.

Significant Investment

During the six months ended 30 September 2016, save as disclosed in the Prospectus, the Group has no significant investment held.

Future Plans for Material Investments or Capital Assets

Save as disclosed in the Prospectus, the Group did not have other plans for material investments and capital assets.

Use of Proceeds from Share Offer

The net proceeds of the share offer received by the Company in relation to the Listing were approximately HK\$83.7 million, after deduction of underwriting fees and commissions and all related expenses. As at 23 December 2016 (the "Latest Practicable Date"), assuming that the Over-allotment Option (as defined under the Prospectus, and as detailed in the section headed "Structure and conditions of the Share Offer – Over-allotment Option" of the Prospectus) is not exercised at all, the Directors consider that these proceeds are intended to be applied in accordance with the proposed application set out in the paragraph headed "Future plans and use of proceeds" in the Prospectus. The table below sets out the proposed applications of the net proceeds and usage up to the Latest Practicable Date, assuming that the Over-allotment Option is not exercised at all:

	Planned use of proceeds HK\$'million	Actual usage up to the Latest Practicable Date, assuming that the Over- allotment Option is not exercised at all HK\$'million	Unutilised amount as at the Latest Practicable Date, assuming that the Over- allotment Option is not exercised at all HK\$'million
Replacement and Enhancement our fleet of machinery	65.8	4.2	61.6
Reinforcement of our workforce	10.0	–	10.0
General working capital	7.9	4.0	3.9
	83.7	8.2	75.5

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 2016

	Notes	Six months ended 30 September	
		2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
Revenue	3	211,737	179,998
Cost of services		(181,924)	(153,030)
Gross profit		29,813	26,968
Other income	4	2,412	908
Administrative expenses		(12,069)	(3,350)
Finance costs	5	(3,545)	(3,923)
Profit before taxation		16,611	20,603
Income tax expenses	6	(4,223)	(5,993)
Profit and total comprehensive income for the period attributable to the owners of the Company	7	12,388	14,610
Earnings per share:			
Basic and diluted	9	N/A	N/A

Condensed Consolidated Statements of Financial Position

As at 30 September 2016

	Notes	At 30 September 2016 HK\$'000 (Unaudited)	At 31 March 2016 HK\$'000 (Audited)
Non-current assets			
Machinery and equipment	10	140,631	136,434
Deposit paid for acquisition of machinery and equipment		3,804	1,300
		144,435	137,734
Current assets			
Trade and retention receivables	11	155,354	148,735
Amounts due from customers for contract work		20,927	7,059
Deposits, prepayment and other receivables		8,744	8,014
Amount due from a controlling shareholder		–	18,654
Amount due from a related company		–	1,039
Bank balances and cash		13,134	15,065
		198,159	198,566
Current liabilities			
Trade and other payables	12	75,797	56,703
Amounts due to customers for contract work		2,852	2,856
Amount due to a controlling shareholder		1,325	–
Amount due to a related company		–	12,740
Income tax payable		18,155	14,376
Bank borrowings		16,527	16,433
Obligations under finance leases – due within one year		42,891	41,872
		157,547	144,980
Net current assets		40,612	53,586
		185,047	191,320

Condensed Consolidated Statements of Financial Position (Continued)

As at 30 September 2016

	Notes	At 30 September 2016 HK\$'000 (Unaudited)	At 31 March 2016 HK\$'000 (Audited)
Capital and reserves			
Share capital	13	–	–
Reserves		115,754	132,366
		115,754	132,366
Non-current liabilities			
Obligations under finance leases – due within one year		58,894	48,816
Deferred tax liabilities		10,399	10,138
		69,293	58,954
		185,047	191,320

* The share capital shown in the condensed consolidated statement of financial position as zero is due to rounding to the nearest thousand and the share capital is less than HK\$1,000.

Condensed Consolidated Statements of Changes in Equity

For the six months ended 30 September 2016

	Share capital HK\$'000 (Note i)	Other reserve HK\$'000 (Note ii)	Retained profits HK\$'000	Total HK\$'000
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)
Reorganisation (note 13)	–	–	–	–
At 30 September 2016 (unaudited)	–	35,457	80,297	115,754
At 1 April 2015 (audited)	–	–	95,618	95,618
Contribution from controlling equity holder in respect of transfer of Construction Machinery Rental Business	–	35,457	(35,457)	–
Profit and total comprehensive income for the period	–	–	14,610	14,610
At 30 September 2015 (unaudited)	–	35,457	74,771	110,228

Note:

- i) The amount of share capital shown as zero is due to rounding to the nearest thousand and the share capital is less than HK\$1,000 for the six months ended 30 September 2016 and 2015.
- ii) Other reserve represents the retained earnings in respect of the construction machinery rental business (the “Construction Machinery Rental Business”) contribution from the controlling equity holder prior to the transfer of business to the Group. Since 1 April 2015, the Construction Machinery Rental Business has been transferred from the controlling equity holder to Luen Yau Construction Company Limited (“Luen Yau Construction”).

Condensed Consolidated Statements of Cash Flows

For the six months ended 30 September 2016

	Six months ended 30 September	
	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
Net cash generated from (used in) operating activities	53,116	(3,591)
Net cash used in investing activities	(5,849)	(12,762)
Net cash (used in) generated from financing activities	(49,198)	13,687
Net decrease in cash and cash equivalent	(1,931)	(2,666)
Cash and cash equivalents at 1 April	15,065	8,169
Cash and cash equivalents at 30 September, represented by bank balances and cash	13,134	5,503

Notes to Condensed Consolidated Interim Financial Statements

For the six months ended 30 September 2016

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 detailed in the Corporate Information of this report.

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 Construction Machinery Rental Business of Luen Yau Company, a sole proprietorship established by Mr. Wu Wing Hang (the “Controlling Shareholder”), have been transferred to the Group on 1 April 2015 and the Company became the holding companies now comprising the Group on 13 May 2016, the Group and the Construction Machinery Rental Business have been under the control and beneficially owned by the Controlling Shareholder throughout the six months ended 30 September 2016. The Group comprising the Company and its subsidiaries and the Construction Machinery Rental Business resulting from the Reorganisation is regarded as a continuing entity. Accordingly, the condensed consolidated financial statements of the Group have been prepared on the basis as if the Company had always been the holding company of the companies comprising the Group and the Construction Machinery Rental Business throughout the six months ended 30 September 2015.

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 and the results of the Construction Machinery Rental Business for the six months ended 30 September 2016 and 2015 have been prepared as if the current group structure had been in existence throughout the six months ended 30 September 2016 and 2015.

Notes to Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 September 2016

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated interim financial statements for the six months ended 30 September 2016 and 2015 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”) and the applicable disclosure requirements of the Appendix 16 to Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

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

The condensed consolidated interim financial statements should be read in conjunction with the accountants’ report included in the Prospectus of the Company dated 28 November 2016 (the “Accountants’ Report”).

The accounting policies used in the condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group’s Accountants’ Report for the three years ended 31 March 2016 and two months ended 31 May 2016.

The following new standards and amendments, which have been published but are not yet effective, have not been early adopted in the condensed consolidated interim financial information. These are effective for the Group’s accounting periods beginning on or after 1 April 2017.

HKAS 7	Disclosure Initiative ¹
HKFRS 9 (2014)	Financial Instruments ²
HKFRS 15	Revenue from Contracts with Customers ²
HKFRS 16	Leases ³
Amendments to HKFRS 2	Clarification the classification and measurement of share-based payment transactions ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and Its Associate or Joint Venture ⁴
Amendments to HKFRS 15	Clarifications to HKFRS 15 ²
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses ¹

1 Effective for annual period beginning on or after 1 January 2017.

2 Effective for annual periods beginning on or after 1 January 2018.

3 Effective for annual period beginning on or after 1 January 2019.

4 Effective date not yet been determined.

Notes to Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 September 2016

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; and
- Construction machinery rental.

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 2016

	Construction works HK\$'000	Construction machinery rental 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

Notes to Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 September 2016

3. REVENUE AND SEGMENT INFORMATION (Continued)

Segment revenues and results (Continued)

For the six months ended 30 September 2015

	Construction works HK\$'000	Construction machinery rental HK\$'000	Total HK\$'000
Segment revenue			
External revenue	76,608	103,390	179,998
Inter-segment revenue	–	58,293	58,293
Segment revenue	76,608	161,683	238,291
Eliminations			(58,293)
Group revenue			179,998
Segment profit	14,302	9,904	24,206
Unallocated income			908
Unallocated corporate expenses			(588)
Unallocated finance costs			(3,923)
Profit before tax			20,603

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 2016

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 2016 HK\$'000 (unaudited)	At 31 March 2016 HK\$'000 (audited)
Construction works	125,549	144,451
Construction machinery rental	201,244	155,028
Total segment assets	326,793	299,479
Corporate and other assets	15,801	36,821
Total assets	342,594	336,300

Segment liabilities

	At 30 September 2016 HK\$'000 (unaudited)	At 31 March 2016 HK\$'000 (audited)
Construction works	123,440	103,687
Construction machinery rental	53,993	44,060
Total segment liabilities	177,433	147,747
Corporate and other liabilities	49,407	56,187
Total liabilities	226,840	203,934

Notes to Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 September 2016

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 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 controlling shareholder, income tax payable, secured bank borrowings, bank overdraft 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 a two operating segments as construction works and construction machinery rental primarily in Hong Kong and all revenue, expenses, results, assets and liabilities and capital expenditures are predominantly attributable to these two segments. Accordingly, no geographical information is presented.

4. OTHER INCOME

	Six months ended 30 September	
	2016	2015
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Sales of scrap materials	150	4
Government subsidy (Note)	91	–
Insurance claim	1,037	–
Auxiliary and other service income	556	368
Machine repairment service income	71	115
Sundry income	484	421
Gain on disposal	23	–
	2,412	908

Note:

The income is government subsidy received under the "Ex-gratia Payment Scheme for Phasing Out Pre-Euro IV Diesel Commercial Vehicles" in 2015 upon disposal of certain motor vehicles.

Notes to Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 September 2016

5. FINANCE COSTS

	Six months ended 30 September	
	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
Interest on:		
bank borrowings	283	146
obligations under finance leases	3,262	3,777
	3,545	3,923

6. INCOME TAX EXPENSES

	Six months ended 30 September	
	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
Current tax:		
Hong Kong Profits Tax	3,962	6,388
Deferred taxation	261	(395)
	4,223	5,993

Note: Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit during the six months ended 30 September 2016 and 2015.

Notes to Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 September 2016

7. PROFIT FOR THE PERIOD

	Six months ended 30 September	
	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
Profit for the period has been arrived at after charging:		
Depreciation of machinery and equipment	34,254	29,928
Operating leases rental relates to office premises and storage area	494	162
Loss on disposal/written off of machinery and equipment	–	680
Listing expenses	5,619	–

8. DIVIDEND

	Six months ended 30 September	
	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
Dividend recognised as distribution during the period	29,000	–

An interim dividend is paid by one of the subsidiaries, Luen Yau Construction, to the controlling shareholder during the six months ended 30 September 2016 amounting to HK\$29,000,000 per share (six months ended 30 September 2015: nil).

9. EARNINGS PER SHARE

Earnings per share information is not presented as its inclusion, for the purpose of the condensed consolidated financial statements, is not considered meaningful.

Notes to Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 September 2016

10. MACHINERY AND EQUIPMENT

During the six months ended 30 September 2016, the Group spent approximately HK\$38,725,000 (six months ended 30 September 2015: approximately HK\$18,772,000) on acquisition of machinery and equipment.

During the six months ended 30 September 2016, the Group has disposed of certain machinery and equipment with an aggregate carrying values of approximately HK\$275,000 (six months ended 30 September 2015: approximately HK\$1,557,000) for cash proceeds of approximately HK\$298,000 (six months ended 30 September 2015: approximately HK\$1,304,000), resulting a gain on disposal of approximately HK\$23,000 (six months ended 30 September 2015: loss on disposal of approximately HK\$253,000).

During the six months ended 30 September 2016, the Group has not written-off any machinery and equipment (six months ended 30 September 2015: the certain machinery and equipment with an aggregate carrying values of approximately HK\$427,000 has been written off by the Group).

11. TRADE AND RETENTION RECEIVABLES

	At 30 September 2016 HK\$'000 (unaudited)	At 31 March 2016 HK\$'000 (audited)
Trade receivables	133,394	125,283
Less: allowance for trade receivables	(2,807)	–
	130,587	125,283
Retention receivables (note)	24,767	23,452
	155,354	148,735

Note: Except for the amount of approximately HK\$6,407,000 as at 30 September 2016 (31 March 2016: HK\$9,995,000), 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 2016

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 aging 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.

	At 30 September 2016 HK\$'000 (unaudited)	At 31 March 2016 HK\$'000 (audited)
Within 30 days	38,691	26,236
31 to 60 days	10,504	23,949
61 to 90 days	25,292	14,987
91 to 180 days	40,526	40,266
Over 181 days	15,574	19,845
	130,587	125,283

Notes to Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 September 2016

12. TRADE AND OTHER PAYABLES

	At 30 September 2016 HK\$'000 (unaudited)	At 31 March 2016 HK\$'000 (audited)
Trade payables	52,004	37,516
Other payables	10,298	4,000
Accruals	13,495	15,187
	75,797	56,703

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

	At 30 September 2016 HK\$'000 (unaudited)	At 31 March 2016 HK\$'000 (audited)
Within 30 days	17,416	16,049
31 to 60 days	10,111	4,389
61 to 90 days	4,076	5,384
91 to 180 days	12,917	10,202
Over 181 days	7,484	1,492
	52,004	37,516

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 2016

13. SHARE CAPITAL

The share capital as at 31 March 2016 represented the sum of share capital of the companies then comprising the Group. The share capital as at 31 May 2016 represented the share capital of the Company.

	Number of shares	Share capital HK\$
<hr/>		
Authorised		
Ordinary share of HK\$0.01 each at the date of incorporation (Note a)	38,000,000	380,000
	<hr/>	<hr/>
	38,000,000	380,000
<hr/>		
Issued and fully paid		
Ordinary share of HK\$0.01 each at the date of incorporation (Note a)	1	–
Issue in consideration for the acquisition of the issued share capital of Neotime Global Limited ("Neotime Global") (Note b)	1	–
Issue in consideration for the acquisition of the issued share capital of Lufa Global Investment Limited ("Lufa Global") (Note c)	1	–
Issue in consideration for the acquisition of the issued share capital of Luen Yau Holdings Limited ("Luen Yau Holdings") (Note d)	1	–
	<hr/>	<hr/>
At 30 September 2016 (unaudited)	4	–
<hr/>		

Notes:

- a) On 21 April 2016, the Company was incorporated in the Cayman Islands with an authorised share capital of HK\$380,000 divided into 38,000,000 ordinary shares of HK\$0.01 each. At the date of incorporation, one nil-paid share of HK\$0.01 was allotted and issued.
- b) On 28 April 2016, the Company acquired the entire issued share capital of Neotime Global by allotting and issuing one share of HK\$0.01 each as consideration to the Company.
- c) On 28 April 2016, the Company acquired the entire issued share capital of Lufa Global by allotting and issuing one share of HK\$0.01 each as consideration to the Company.
- d) On 13 May 2016, the Company acquired the entire issued share capital of Luen Yau Holdings by allotting and issuing one share of HK\$0.01 each as consideration to its then shareholder, Profit Gold Global Limited.

Notes to Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 September 2016

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 2016 HK\$'000 (unaudited)	At 31 March 2016 HK\$'000 (audited)
Machinery and equipment	98,826	88,737
Insurance prepayment	4,862	4,746
	103,688	93,483

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 2016.

16. RELATED PARTY TRANSACTIONS

- (a) Save as disclosed elsewhere in the condensed consolidated financial statements, the Group entered into transactions with related party as follows:

Related party	Nature of transaction	Six months ended 30 September	
		2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
中聯機械工程有限公司 ("中聯機械")	Machines rental income	-	781
	Other income	-	27

Notes to Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 September 2016

16. RELATED PARTY TRANSACTIONS (Continued)

(a) (Continued)

The above transaction was conducted at terms determined on a basis mutually agreed between the Group and the related party. The director of the Company, Mr. Wu Wing Hang, has beneficial interest in the above mentioned related party.

Note: Mr. Wu Wing Hang has disposed of all entire shares of 中聯機械 on 19 April 2016.

(b) Banking facilities

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 as at 30 September 2016 and were subsequently released and replaced by guarantees of the Company upon listing of the Company.

(c) 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	
	2016	2015
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Short-term benefits	2,319	432
Post-employment benefits	35	11
	2,354	443

17. CONTINGENT LIABILITIES

At 30 September 2016, a subsidiary has been named as one of the defendants in four (at 30 September 2015: four) High Court actions in respect of claim for compensation of personal injury for an amount of approximately HK\$8,774,000 (at 30 September 2015: HK\$8,774,000). Directors of the Company are visiting the claims and consider 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

Compliance with Corporate Governance Code

The code provisions of the Corporate Governance Code (the “CG Code”) as set out in Appendix 14 to the Listing Rules were not applicable to the Company for the six months ended 30 September 2016 as the shares of the Company (the “Shares”) were only listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 8 December 2016 (the “Listing Date”). Upon the Listing, the Company has complied with the code provisions of the CG Code with the exception of code provision A.2.1, which requires the roles of chairman and chief executive 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 (the “Chairman”) 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 Model Code

The “Model Code for Securities Transactions by Directors of Listed Issuers” as set out in Appendix 10 of the Listing Rules (the “Model Code”) was not applicable to the Company during the Period as the Shares were only listed on the Stock Exchange on 8 December 2016. The Company has adopted the Model Code as the code of conduct regarding securities transactions of the Directors upon the Listing. In response to a specific enquiry by the Company, all Directors confirmed that they complied with the Model Code at all applicable times since the Listing Date to the date of this report.

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

Since the Shares were listed on the Stock Exchange on 8 December 2016, the Company was not required to keep any register under Part XV of the Securities and Futures Ordinance, Chapter 571 of the laws of Hong Kong (the “SFO”) as at 30 September 2016. As at the Latest Practicable Date, assuming that the Over-allotment Option is not exercised at all, the interests or short positions of the Company’s Directors and the chief executives in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) required: (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); (b) pursuant to section 352 of the SFO, to be recorded in the register referred to therein; or (c) to be notified to the Company and the Stock Exchange under the Model Code are as follows:

Corporate Governance and Other Information (Continued)

(i) Interest and short position in the Shares

Name of Director	Capacity/Nature	Total number of Shares	Percentage of Shares in issued
Mr. Wu Wing Hang	Interest in a controlled corporation (Note)	750,000,000 (L) 37,500,000 (S)	75% (L) 3.75% (S)

(L) Long position

(S) Short position

Note: The 750,000,000 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 750,000,000 Shares.

(ii) Interest of the shares of the Company's associated corporation

Name of Director	Name of associated corporation	Capacity/Nature	Total number of shares	Percentage of shares in issued
Mr. Wu Wing Hang	Profit Gold	Beneficial Interest	1	100%

Save as disclosed above, as at the Latest Practicable Date, assuming that the Over-allotment Option is not exercised at all, none of the Directors nor chief executives 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 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.

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

As at 30 September 2016, the Shares were not listed on the Stock Exchange. The respective Divisions 2 and 3 of Part XV of the SFO and Section 336 of the SFO were not applicable to the Group as at 30 September 2016.

Corporate Governance and Other Information (Continued)

As at the Latest Practicable Date, assuming that the Over-allotment Option is not exercised at all, so far as known by the Directors, the following persons (not being a Director or chief executive of the Company) had interest or short position in Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provision of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Name	Capacity/Nature	Total number of Shares	Percentage of Shares in issued
Profit Gold	Beneficial interest	750,000,000 (L) 37,500,000 (S)	75% (L) 3.75% (S)
Ms. Kwok Wai Sheung Melody	Interest of Spouse (Note)	750,000,000 (L) 37,500,000 (S)	75% (L) 3.75% (S)

(L) Long position

(S) Short position

Note: Ms. Kwok Wai Sheung Melody is the spouse of Mr. Wu Wing Hang and is deemed or taken to be interested in all the Shares in which Mr. Wu has, or is deemed to have, an interest for the purposes of the SFO.

Save as disclosed above, as at the Latest Practicable Date, assuming that the Over-allotment Option is not exercised at all, no other persons had any interests or short positions in the shares or underlying shares of the Company 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

The Shares were listed on the Stock Exchange on 8 December 2016. Since the Listing Date and up to the Latest Practicable Date, assuming that the Over-allotment Option is not exercised at all, 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 2016. 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, 30 December 2016