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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)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2017

FINANCIAL HIGHLIGHTS

- Revenue was approximately HK\$484.5 million for the Year, representing an increase of approximately 18.4% as compared with the same for the year ended 31 March 2016.
- Gross profit was approximately HK\$67.7 million for the Year, representing an increase of approximately 2.1% as compared with the same for the year ended 31 March 2016.
- Gross profit margin decreased to approximately 14.0% for the Year from 16.2% for the year ended 31 March 2016.
- Profit attributable to the owners of the Company was approximately HK\$23.9 million for the Year, representing a decrease of approximately 34.9% as compared with the year ended 31 March 2016.
- Basic earnings per share amounted to approximately HK2.69 cents for the Year, representing a decrease of approximately 39.6% as compared with the same for the year ended 31 March 2016.
- The Board does not recommend the payment of final dividend for the Year.

The board (the “Board”) of directors (the “Directors”) of Progressive Path Group Holdings Limited (the “Company”) hereby announces the consolidated financial results of the Company and its subsidiaries (collectively the “Group”) for the year ended 31 March 2017 (the “Year”) together with the comparative figures for the prior year.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2017

	<i>Notes</i>	2017 HK\$'000	2016 HK\$'000
Revenue	3	484,479	409,349
Cost of services		(416,736)	(342,995)
Gross profit		67,743	66,354
Other income	3	5,954	3,101
Administrative expenses		(34,763)	(16,878)
Finance costs	5	(7,163)	(7,571)
Profit before taxation		31,771	45,006
Income tax expenses	6	(7,841)	(8,258)
Profit and total comprehensive income for the year attributable to the owners of the Company	7	<u>23,930</u>	<u>36,748</u>
Earnings per share Basic and diluted	9	<u>2.69 cents</u>	<u>4.45 cents</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2017

	<i>Notes</i>	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		149,968	136,434
Deposit paid for acquisition of property, plant and equipment		843	1,300
		<u>150,811</u>	<u>137,734</u>
Current assets			
Trade and retention receivables	<i>10</i>	216,381	148,735
Amounts due from customers for contract work		20,711	7,059
Deposits, prepayments and other receivables		10,458	8,014
Income tax recoverable		466	–
Amount due from a controlling shareholder		–	18,654
Amount due from a related company		–	1,039
Bank balances and cash		99,342	15,065
		<u>347,358</u>	<u>198,566</u>
Current liabilities			
Trade, bills and other payables	<i>11</i>	93,401	56,703
Amounts due to customers for contract work		96	2,856
Amount due to a related company		5,354	12,740
Income tax payable		–	14,376
Bank borrowings		41,659	16,433
Obligations under finance leases – due within one year		39,118	41,872
		<u>179,628</u>	<u>144,980</u>
Net current assets		<u>167,730</u>	<u>53,586</u>
Total assets less current liabilities		<u>318,541</u>	<u>191,320</u>
Capital and reserves			
Share capital		10,375	–
Reserves		236,374	132,366
		<u>246,749</u>	<u>132,366</u>
Non-current liabilities			
Obligations under finance leases – due after one year		61,685	48,816
Deferred tax liabilities		10,107	10,138
		<u>71,792</u>	<u>58,954</u>
		<u>318,541</u>	<u>191,320</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION AND BASIS OF PRESENTATION

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 (the “SEHK”) on 8 December 2016. Its ultimate holding company and immediate holding company is Profit Gold Global Limited, a limited company incorporated in the British Virgin Islands (“BVI”). The address of the registered office and principal place of business of the Company are PO Box 1350, Clifton House, 75 Fort Street, Grand Cayman KY1-1108, Cayman Islands and 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 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 (“Prospectus”) of the Company dated 28 November 2016 (the “Reorganisation”), the Construction Machinery Rental Business of Luen Yau Construction Company (“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 company 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 two years ended 31 March 2017. 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 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 two years ended 31 March 2017.

The consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement 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 two years ended 31 March 2017 have been prepared as if the current group structure had been in existence throughout the two years ended 31 March 2017. The consolidated statement of financial position of the Group as at 31 March 2016 have been prepared to present the assets and liabilities of the companies comprising the Group as if the current group structure had been in existence as at that date.

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

In the current year, the Group has applied the following new and revised HKFRSs, which include HKFRSs, Hong Kong Accounting Standards (“HKASs”), amendments and interpretations (“Int(s)”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

Amendments to HKFRSs	Annual Improvements to HKFRSs 2012 – 2014 Cycle
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKAS 27	Equity Method in Separate Financial Statements
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations

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

New and revised HKFRSs issued but not yet effective

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKFRS 9 (2014)	Financial Instruments ²
HKFRS 15	Revenue from Contracts with Customers ²
HKFRS 16	Leases ⁴
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration ²
Amendments to HKFRSs	Annual Improvements to HKFRSs 2014 – 2016 Cycles ³
Amendments to HKAS 7	Disclosure Initiative ¹
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses ¹
Amendments to HKAS 40	Transfer of Investment Property ²
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts ²
Amendments to HKFRS 2	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 ⁵

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

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

³ Effective for annual period beginning on or after 1 January 2017 or 1 January 2018, as appropriate.

⁴ Effective for annual period beginning on or after 1 January 2019.

⁵ Effective date not yet been determined.

3. REVENUE AND OTHER INCOME

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Construction works	216,170	168,949
Construction machinery rental	268,309	240,400
	<u>484,479</u>	<u>409,349</u>

Information about Major Customers

Revenue from customers of the corresponding years contributing over 10% of the total revenue of the Group is as follows:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Customer A ¹	N/A ³	82,921
Customer B ²	N/A ³	82,561
Customer C ¹	59,141	N/A ³
Customer D ¹	51,356	N/A ³
Customer E ²	50,169	N/A ³

¹ Revenue from both construction work and construction machinery rental segments.

² Revenue from construction machinery rental segment.

³ The corresponding revenue did not contribute over 10% of the total revenue of the Group.

An Analysis of Other Income:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Sales of scrap materials	1,145	705
Insurance claim	1,238	93
Auxiliary and other service income	1,012	1,089
Reversal of impairment loss on trade receivables	1,322	–
Government subsidy (<i>Note</i>)	91	–
Gain on disposal of property, plant and equipment	84	–
Bank interest income	1	–
Machine repairment service income	124	230
Sundry income	937	984
	<u>5,954</u>	<u>3,101</u>

Note: The income is government subsidy received under the “Ex-gratia Payment Scheme for Phasing Out Pre-Euro IV Diesel Commercial Vehicles” upon disposal of certain motor vehicles during the year ended 31 March 2017 (2016: nil), which immediately recognised as other income for the year as the Group has fulfilled the relevant granting criteria.

4. 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 by reportable and operating segment.

For the year ended 31 March 2017

	Construction works HK\$'000	Construction machinery rental HK\$'000	Total HK\$'000
Segment revenue			
External revenue	216,170	268,309	484,479
Inter-segment revenue	–	113,053	113,053
	<hr/>	<hr/>	<hr/>
Segment revenue	<u>216,170</u>	<u>381,362</u>	597,532
Eliminations			<hr/> (113,053)
Group revenue			<hr/> 484,479
Segment profit	<hr/> 30,085	<hr/> 25,569	55,654
Unallocated income			4,632
Unallocated corporate expenses			(21,352)
Unallocated finance costs			<hr/> (7,163)
Profit before tax			<hr/> <u>31,771</u>

Segment revenues and results

For the year ended 31 March 2016

	Construction works <i>HK\$'000</i>	Construction machinery rental <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue			
External revenue	168,949	240,400	409,349
Inter-segment revenue	–	114,454	114,454
	<hr/>	<hr/>	<hr/>
Segment revenue	<u>168,949</u>	<u>354,854</u>	523,803
Eliminations			<hr/> (114,454)
Group revenue			<hr/> 409,349
Segment profit	<hr/> 31,579	<hr/> 25,601	57,180
Unallocated income			3,101
Unallocated corporate expenses			(7,704)
Unallocated finance costs			<hr/> (7,571)
Profit before tax			<hr/> <u>45,006</u>

The accounting policies of the operating segments are the same as the Group's accounting policies. 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.

Segment assets and liabilities

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

Segment assets

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Construction works	210,356	144,451
Construction machinery rental	<u>187,813</u>	<u>155,028</u>
Total segment assets	398,169	299,479
Corporate and other assets	<hr/> 100,000	<hr/> 36,821
Total assets	<hr/> <u>498,169</u>	<hr/> <u>336,300</u>

Segment liabilities

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Construction works	139,320	103,687
Construction machinery rental	53,432	44,060
Total segment liabilities	192,752	147,747
Corporate and other liabilities	58,668	56,187
Total liabilities	251,420	203,934

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, unallocated amounts due from a controlling shareholder and 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 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.

Other segment information

For the year ended 31 March 2017

	Construction works <i>HK\$'000</i>	Construction machinery rental <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
Amounts include in the measure of segment profit or segment assets:				
Addition to non-current assets (<i>Note</i>)	41,293	51,292	–	92,585
Depreciation of property, plant and equipment	3,617	68,742	882	73,241
Reversal of impairment losses on trade receivables	(217)	(1,105)	–	(1,322)
Impairment loss on trade receivables	196	4,483	–	4,679
Gain on disposal of property, plant and equipment	(30)	(54)	–	(84)
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss or segment assets:				
Interest income	–	–	(1)	(1)
Interest expense	–	–	7,163	7,163
Income tax expenses	–	–	7,841	7,841

Other segment information

For the year ended 31 March 2016

	Construction works <i>HK\$'000</i>	Construction machinery rental <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
Amounts include in the measure of segment profit or segment assets:				
Addition to non-current assets (<i>Note</i>)	14,667	21,107	–	35,774
Depreciation of property, plant and equipment	7,203	53,821	691	61,715
Impairment loss on trade receivables	307	2,329	–	2,636
Loss on disposal/written-off of property, plant and equipment	271	386	–	657
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss or segment assets:				
Interest expense	–	–	7,571	7,571
Income tax expenses	–	–	8,258	8,258

Note: Non-current assets excluded those relating to deposit paid for acquisition of property, plant and equipment.

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.

5. FINANCE COSTS

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Interest on:		
– Bank overdraft and borrowings	795	417
– Obligations under finance leases	6,368	7,154
	<u>7,163</u>	<u>7,571</u>

6. INCOME TAX EXPENSES

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Current tax:		
Hong Kong Profits Tax	7,983	9,292
Over-provision:		
Hong Kong Profits Tax	(111)	–
Deferred taxation	(31)	(1,034)
	<u>7,841</u>	<u>8,258</u>

Note:

- a) Pursuant to rules and regulations of the Cayman Islands and the BVI, the Group is not subject to any income tax in the Cayman Islands and the BVI.
- b) During the years ended 31 March 2017 and 2016, Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit.

7. PROFIT FOR THE YEAR

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Profit for the year has been arrived at after charging:		
Staff costs		
Salaries, wages and other benefits	110,157	112,796
Contribution to defined contribution retirement benefits scheme	4,457	5,209
	<u>114,614</u>	<u>118,005</u>
Total staff costs (excluding directors' remuneration)		
	<u>114,614</u>	118,005
Auditor's remuneration	942	80
Depreciation of property, plant and equipment	73,241	61,715
Impairment loss on trade receivables	4,679	2,636
Operating leases rental relates to office premises and storage area	1,189	356
Loss on disposal/written off of property, plant and equipment	–	657
Listing expenses	11,729	4,849
	<u>117,729</u>	<u>74,092</u>

8. DIVIDEND

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Dividend recognised as distribution during the year	<u>29,000</u>	<u>–</u>

An interim dividend was paid by a subsidiary, Luen Yau Construction, to the controlling shareholder, Mr. Wu Wing Hang, during the year ended 31 March 2017 amounted to 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:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Earnings		
Earnings for the purpose of basic and diluted earnings per share	<u>23,930</u>	<u>36,748</u>
	2017	2016
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share ('000 shares)	<u>888,596</u>	<u>825,000</u>

The weighted average number of ordinary shares for the purpose of basic earnings per share for the years ended 31 March 2017 and 2016 have been retrospectively adjusted for the effects of the issue and capitalisation of the ordinary shares of the Company as a result of reorganisation as detailed in the section headed "Share Capital" in the Prospectus.

The dilutive earnings per share is equal to the basic earnings per share as there were no dilutive potential ordinary shares outstanding during the years ended 31 March 2017 and 2016.

10. TRADE AND RETENTION RECEIVABLES

The following is an analysis of trade and retention receivables at the end of each reporting period:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Trade receivables	192,528	128,090
Less: allowance for impairment of trade receivables	<u>(6,164)</u>	<u>(2,807)</u>
	186,364	125,283
Retention receivables (<i>note</i>)	<u>30,017</u>	<u>23,452</u>
	<u>216,381</u>	<u>148,735</u>

Note: Except for the amounts of approximately HK\$18,334,000 (2016: HK\$9,995,000), which were 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.

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.

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Within 30 days	38,931	26,236
31 to 60 days	73,088	23,949
61 to 90 days	15,583	14,987
91 to 180 days	33,924	40,266
Over 180 days	24,838	19,845
	<u>186,364</u>	<u>125,283</u>

The movement in the allowance for impairment of trade receivables is set out below:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
At the beginning of the year	2,807	171
Impairment loss recognised on trade receivables	4,679	2,636
Reversal on impairment of trade receivables	(1,322)	–
	<u>6,164</u>	<u>2,807</u>

Included in the allowance for impairment of trade receivables are individually impaired trade receivables with an aggregate balances of approximately HK\$6,164,000 (2016: HK\$2,807,000) due to long outstanding and unsatisfactory repayment record.

The aged analysis of trade receivables that were past due but not impaired are as follows:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Past due but not impaired:		
Within 30 days	68,497	23,187
31 to 60 days	14,474	24,183
61 to 90 days	12,027	16,325
91 to 180 days	29,568	17,680
Over 180 days	15,476	6,054
	<u>140,042</u>	<u>87,429</u>

Included in the Group's trade receivable balances were debtors with aggregate carrying amount of approximately HK\$140,042,000 (2016: HK\$87,429,000) as at 31 March 2017 which were past due at the end of each reporting period for which the Group has not provided for impairment loss as these balances were either subsequently settled or there has not been a significant change in credit quality and there is no recent history of default, therefore the amounts are considered recoverable. The average age of these receivables as at 31 March 2017 were 102 days (2016: 130 days)

11. TRADE, BILLS AND OTHER PAYABLES

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Trade payables	70,204	37,516
Bills payables	2,494	–
Receipt in advance	2,250	–
Other payables	6,301	4,000
Accruals	12,152	15,187
	<u>93,401</u>	<u>56,703</u>

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

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Within 30 days	20,562	16,049
31 to 60 days	30,832	4,389
61 to 90 days	9,984	5,384
91 to 365 days	7,501	10,202
Over 365 days	1,325	1,492
	<u>70,204</u>	<u>37,516</u>

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.

BUSINESS AND FINANCIAL REVIEW

The Group is principally engaged in (i) construction works; and (ii) the provision of construction machinery rental. Our construction machinery rental represent the rental of construction machines and construction vehicles to our customers, and the provision of machine operators and transportation services as part of our one-stop construction machinery rental. Our construction works represent the construction projects undertaken by us, the nature of which are broadly classified as foundation and site formation works, and builder's work and general building works.

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.

As at 31 March 2017, there were ten projects on hand with total outstanding contract sum amounting to HK\$143.1 million. All projects are expected to be completed in the year ending 31 March 2018. None of them is expected to have any material interruption. Going forward, we will continue to focus on developing our business of undertaking new construction projects and rental arrangements in Hong Kong. Below set out a list of projects which contributed revenue to the Group during the Year:

Site Location	Type of Works	Status
Hong Kong International Airport	Foundation and site formation works and builder's work and general building works	Completed
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	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

Site Location	Type of Works	Status
Hong Kong International Airport	Foundation and site formation works	Work in progress
Lung Ping Road, Tai Wo Ping Bridge	Builder's work and general building works	Work in progress
HK-ZH-Macau bridge HK Link Road	Foundation and site formation works	Work in progress

Revenue

During the Year, the Group had revenue generated from construction works and construction machinery rental. Set out below is the breakdown of revenue of the Group during the Year and 2016:

	Ended 31 March	
	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Construction works	216,170	168,949
Construction machinery rental	268,309	240,400
	<u>484,479</u>	<u>409,349</u>

Revenue from construction works

During the Year, the revenue derived from our twelve projects (2016: ten projects) amounted to approximately HK\$216.2 million (2016: HK\$168.9 million), accounting for approximately 44.6% (2016: 41.3%) of our total revenue.

Revenue from construction machinery rental

During the Year, the revenue derived from our construction machinery rental amounted to approximately HK\$268.3 million (2016: HK\$240.4 million), accounting for approximately 55.4% (2016: 58.7%) of our total revenue.

Gross Profit and Gross Profit Margin

The Group's total gross profit increased by approximately HK\$1.4 million, or 2.1% while the gross profit margin decreased by approximately 2.2% as compared with previous year. The decrease in gross profit margin was mainly attributable to the decrease in the gross profit margin of our construction works, which is due to the lower gross profit derived from the new projects commenced and the increase of subcontracting cost involved during the Year. Below set out the breakdowns of the gross profit and gross profit margin of the Group:

	Ended 31 March			
	2017 HK\$000		2016 HK\$000	
	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin
Construction works	33,960	15.7%	35,365	20.9%
Construction machinery rental	33,783	12.6%	30,989	12.9%
	<u>67,743</u>	<u>14.0%</u>	<u>66,354</u>	<u>16.2%</u>

Administrative Expenses

The administrative expenses of the Group for the Year amounted to approximately HK\$34.8 million, representing an increase of approximately 106% compared with approximately HK\$16.9 million for the previous year. Such increase is mainly due to the non-recurring listing expenses incurred, increase in administrative staff costs and legal and professional fees during the Year. Listing expenses borne by the Company amounted to approximately HK\$11.7 million (2016: HK\$4.8 million).

Net Profit

The Group reported a net profit of approximately HK\$23.9 million (2016: HK\$36.7 million), representing a decrease of approximately 34.9%. Excluding the aforementioned non-recurring listing expenses, the Group's net profit would have been approximately HK\$35.6 million for the Year (2016: HK\$41.5 million), representing a decrease of approximately 14.2%. The decrease is mainly attributable to the increase in depreciation cost of the machineries and equipment and the administrative expenses.

Note: the net profit before the listing expense disregards tax effect.

Treasury Policy

It is the Group's policy to adopt a prudent approach towards its cash management policies and thus maintained a healthy liquidity position throughout the Year. To minimize the exposure to credit risk, the Group would regularly review the timeliness of receivables settlement and evaluate the financial status of its customers. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and other commitments would constantly meet its funding requirements for current and future operations.

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 new shares issued through the Listing.

As at 31 March 2017, the Group had bank balances of approximately HK\$99.3 million (2016: approximately HK\$15.1 million). The increase is mainly due to the net proceeds received from the Listing amounting to approximately HK\$102.3 million. The new bank borrowings during the Year was approximately HK\$53.0 million (2016: HK\$14.6 million). The total interest-bearing liabilities of the Group including bank loans and finance leases as at 31 March 2017 was approximately HK\$142.5 million (2016: 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 31 March 2017 was approximately 57.7% (2016: 80.9%), a decrease of approximately 28.7%.

Pledge of Assets

As at 31 March 2017, the Group's bank borrowings and finance lease liabilities were secured by the property (newly acquired during the Year) and machinery and equipment with an aggregate net carrying value of approximately HK\$113.0 million (2016: HK\$88.7 million) and insurance prepayment with an aggregate net book value of approximately HK\$9.3 million (2016: HK\$4.7 million).

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 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 Period.

Employees and Remuneration Policy

As at 31 March 2017, the Group employed 331 staff (2016: 344). Total staff costs including Directors' emoluments for the Year amounted to approximately HK\$118.7 million (2016: HK\$120.3 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 Year, 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 Expenditure and Commitments

Our capital expenditure primarily comprises purchase of property, machinery and motor vehicles. Our capital expenditure was principally funded by bank borrowings, finance leases, internal resources and proceeds from new shares offer through the Listing. The following table sets forth our Group's capital expenditure during the Year and previous year:

	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Building	9,686	–
Motor vehicles	43,276	21,550
Machinery	38,431	12,758
Others	349	166
	<hr/> 91,742 <hr/>	<hr/> 34,474 <hr/>

As at 31 March 2017, the Group had no material capital commitments.

Contingent Liabilities

As at 31 March 2017, one of the subsidiaries has been named as defendant in five (2016: four) High Court actions in respect of claim for compensation of personal injury for an amount of approximately HK\$8.8 million (2016: \$8.8 million) in aggregate. The Directors considered the claims are covered by the relevant insurance policies. No provision for potential liability has been made in the consolidated financial statements.

Events After the Year

There is no material subsequent event undertaken by the Company or by the Group after 31 March 2017 and up to the date of this announcement.

Significant Investment and Material Acquisition and Disposal of Subsidiaries and Associated Companies

During the Year, the Group had no significant investment held and did not have any material acquisition and disposal of subsidiaries, associated companies apart from the corporate reorganisation in relation to the Listing as disclosed in the prospectus of the Company dated 28 November 2016 (the "Prospectus").

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.

Purchase, Sales or Redemption of the Company's Securities

Since the date of the Listing and up to the date of this announcement, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's securities.

Proposed Final Dividend

The Board has resolved not to recommend the payment of final dividend to shareholders of the Company for the Year.

Use of Proceeds from Listing

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 recognized 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 31 March 2017, the net proceeds had been utilized as follows:

Use of net proceeds	Net proceeds from the share offer <i>HK\$ million</i>	Actual utilization up to 31 March 2017 <i>HK\$ million</i>	Unutilized amounts as at 31 March 2017 <i>HK\$ million</i>
Replacement and enhancement in our fleet of machinery	80.4	5.4	75.0
Reinforcement of our workforce	12.2	0.8	11.4
General working capital	9.7	6.0	3.7
	<u>102.3</u>	<u>12.2</u>	<u>90.1</u>

The unutilized amounts of the net proceeds will be applied in the manner consistent with that mentioned in the Prospectus. The unutilized net proceeds had been deposited into licensed bank in Hong Kong.

Prospects

In view of the Government's latest policy in increasing infrastructure development plans for both private and public sector, the Group expects a steady growth in the construction industry in Hong Kong. In order to expand the business scope, the Group is now engaged in trading of construction machinery (both new and used) so as to bringing in more revenue and returns to our shareholders.

ANNUAL GENERAL MEETING ("AGM")

The 2017 AGM will be held on Monday, 21 August 2017. The notice of the AGM will be published and distributed to the shareholders of the Company in the manner as required by the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") in due course.

Closure of Register of Members

The Hong Kong branch register of members of the Company will be closed from Wednesday, 16 August 2017 to Monday, 21 August 2017 (both dates inclusive) for the purpose of ascertaining shareholders' entitlement to attend and vote at the forthcoming AGM. No transfer of shares may be registered on those dates. In order to qualify for the shareholders' entitlement to attend and vote at the AGM, all transfer forms accompanied by the relevant share certificates should be lodged with the Company's Branch Registrar in Hong Kong, Tricor Investor Services Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Tuesday, 15 August 2017.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Directors are committed to maintaining high standards of corporate governance in performing their obligations to act in the best interests of shareholders of the Company and enhancing long term shareholder value. Save as disclosed below, no Director is aware of any information which would reasonably indicate that the Company is not, or was not at any time during the period from the date of Listing to 31 March 2017, acting in compliance with code provisions of the Corporate Governance Code and Corporate Governance Report (the "Corporate Governance Code") as set out in Appendix 14 to the Listing Rules.

Under code provision A.2.1, the roles of chairman and chief executive should be separated and should not be performed by the same individual. Since the date of the Listing and up to the date of this announcement, the role of the chairman of the Company (the "Chairman") was performed by Mr. Wu Wing Hang but the office of the chief executive officer of the Company was 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.

MODEL CODE OF CONDUCT FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), as set out in Appendix 10 to the Listing Rules, as its own securities code. All Directors have confirmed, following specific enquiries by the Company, that they have fully complied with the required standards set out in the Model Code since the date of the Listing and up to the date of this announcement.

REVIEW OF FINANCIAL INFORMATION

The audit committee of the Company (the “Audit Committee”) consists of three independent non-executive Directors, namely Mr. Lee Man Tai (Chairman), Mr. Wong Yiu Kit Ernest and Mr. Leung Ka Fai. The Company’s annual results for the Year have been reviewed by the Audit Committee, which takes the view that the applicable accounting standards and requirements have been complied with by the Company and that adequate disclosures have been made. The Audit Committee has met the external auditors of the Company, SHINEWING (HK) CPA Limited (“SHINEWING”), and reviewed the Group’s results for the Year.

REVIEW OF PRELIMINARY ANNOUNCEMENT OF RESULTS BY THE INDEPENDENT AUDITORS

The figures in respect of the Group’s consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the Year as set out in the preliminary announcement have been agreed by the Group’s auditors, SHINEWING, to the amounts set out in the Group’s audited consolidated financial statements for the Year. The work performed by SHINEWING in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently, no assurance has been expressed by SHINEWING on this announcement of results.

GENERAL

A circular containing, inter alia, the information required by the Listing Rules, together with the notice of the upcoming AGM, will be despatched to the shareholders of the Company in due course.

PUBLICATION OF INFORMATION ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

The results announcement is published on the website of the Stock Exchange at www.hkexnews.hk and the Company’s website at www.pppgh.com.hk. The annual report of the Company for the Year containing all information required by the Listing Rules will be dispatched to shareholders and published on above websites in due course.

By order of the Board
Progressive Path Group Holdings Limited
Wu Wing Hang
Chairman and Executive Director

Hong Kong, 30 June 2017

As at the date of this announcement, the executive directors are Mr. Wu Wing Hang and Mr. Chan Tak Ming; and the independent non-executive directors are Mr. Wong Yiu Kit Ernest, Mr. Lee Man Tai and Mr. Leung Ka Fai.