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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 INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017**

#### **FINANCIAL HIGHLIGHTS**

- Revenue was approximately HK\$208.0 million for the six months ended 30 September 2017, representing an decrease of approximately 1.8% as compared with the same for the six months ended 30 September 2016.
- Gross profit was approximately HK\$26.8 million for the six months ended 30 September 2017, representing a decrease of approximately 10.0% as compared with the same for the six months ended 30 September 2016.
- Gross profit margin decreased to approximately 12.9% for the six months ended 30 September 2017 from approximately 14.1% for the six months ended 30 September 2016.
- Profit attributable to the owners of the Company was approximately HK\$12.3 million for the six months ended 30 September 2017, representing a decrease of approximately 0.6% as compared with the six months ended 30 September 2016.
- Basic earnings per share amounted to approximately HK1.2cents for the six months ended 30 September 2017, representing a decrease of approximately 20% as compared with the same for the six months ended 30 September 2016.
- The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2017.

The board (the “**Board**”) of directors (the “**Directors**”) of Progressive Path Group Holdings Limited (the “**Company**”) hereby announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively the “**Group**”) for the six months ended 30 September 2017 together with the comparative figures for corresponding period ended 30 September 2016.

**CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

*For the six months ended 30 September 2017*

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

## CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

*As at 30 September 2017*

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

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

## CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the six months ended 30 September 2017

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

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

## **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 companies now comprising the Group on 13 May 2016, the Group have 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 have 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 have been prepared as if the current group structure had been in existence throughout the six months ended 30 September 2016.

### **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.

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

### *For the six months ended 30 September 2016*

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

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.

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

#### Segment liabilities

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

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

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

*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.

## 5. FINANCE COSTS

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

## 6. INCOME TAX EXPENSES

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

*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 <i>HK\$'000</i> (unaudited)	2016 <i>HK\$'000</i> (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	–
	<u>15</u>	<u>–</u>

## 8. DIVIDEND

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

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.

## 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 certain machinery and equipment (six months ended 30 September 2016: nil).

## 11. TRADE AND RETENTION RECEIVABLES

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

*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.

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.

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

## 12. TRADE AND OTHER PAYABLES

	At 30 September 2017 <i>HK\$'000</i> (unaudited)	At 31 March 2017 <i>HK\$'000</i> (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
	<u>99,468</u>	<u>93,401</u>

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

	At 30 September 2017 <i>HK\$'000</i> (unaudited)	At 31 March 2017 <i>HK\$'000</i> (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
	<u>30,945</u>	<u>70,204</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.

### 13. SHARE CAPITAL

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

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

### 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.



## 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 <i>HK\$'000</i> (unaudited)	2016 <i>HK\$'000</i> (unaudited)
Short-term benefits	3,246	2,319
Post-employment benefits	45	35
	<u>3,291</u>	<u>2,354</u>

## 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.

## MANAGEMENT DISCUSSION AND ANALYSIS

### 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 represent 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.

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

## 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 months period. Since this project is in the early stage, it did not contribute much revenue to the Group yet. Nevertheless, the Group has already engaged with another new project which will be commenced about 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 started 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

## **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%.

## **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 views 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.

## **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.

## 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:

	Net proceeds from the share offer <i>HK\$'million</i>	Actual utilisation up to 30 September 2017 <i>HK\$'million</i>	Unutilised amounts as at 30 September 2017 <i>HK\$'million</i>
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
	<u>102.3</u>	<u>18.9</u>	<u>83.4</u>

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

## 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 announcement, 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.

## **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.

## **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.

## **PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT**

The results announcement is published on the website of Hong Kong Exchanges and Clearing Limited at [www.hkexnews.hk](http://www.hkexnews.hk) and the Company’s website at [www.ppgh.com.hk](http://www.ppgh.com.hk). The interim report of the Company for the Period containing all information required by the Listing Rules will be dispatched to shareholders and published on above websites in due course.



## **APPRECIATION**

The Board would like to express its sincere thanks to the management of the Group and all the staff for their hard work and commitment, as well as its shareholders, business partners and other professional parties for their continuous support.

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

Hong Kong, 28 November 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.*