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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 2018

FINANCIAL HIGHLIGHTS

- Revenue was approximately HK\$381.8 million for the Year, representing a decrease of approximately 21.2% as compared with the same for the year ended 31 March 2017.
- Gross profit was approximately HK\$36.6 million for the Year, representing a decrease of approximately 45.9% as compared with the same for the year ended 31 March 2017.
- Gross profit margin decreased to approximately 9.6% for the Year from 14.0% for the year ended 31 March 2017.
- Profit attributable to the owners of the Company was approximately HK\$5.7 million for the Year, representing a decrease of approximately 76.1% as compared with the year ended 31 March 2017.
- Basic earnings per share amounted to approximately HK\$0.55 cents for the Year, representing a decrease of approximately 79.6% as compared with the same for the year ended 31 March 2017.
- 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 2018 (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 2018

	<i>Notes</i>	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Revenue	3	381,816	484,479
Cost of sales		<u>(345,198)</u>	<u>(416,736)</u>
Gross profit		36,618	67,743
Other income	3	8,176	5,954
Administrative expenses		(30,300)	(34,763)
Finance costs	5	<u>(6,533)</u>	<u>(7,163)</u>
Profit before taxation		7,961	31,771
Income tax expenses	6	<u>(2,248)</u>	<u>(7,841)</u>
Profit and total comprehensive income for the year attributable to the owners of the Company	7	<u>5,713</u>	<u>23,930</u>
Earnings per share:			
Basic and diluted	9	<u>0.55 cents</u>	<u>2.69 cents</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2018

	<i>Notes</i>	2018 HK\$'000	2017 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		112,358	149,968
Deposit paid for acquisition of property, plant and equipment		1,565	843
		113,923	150,811
Current assets			
Inventories		6,211	–
Trade and retention receivables	10	212,373	216,381
Amounts due from customers for contract work		17,073	20,711
Deposits, prepayments and other receivables		14,363	10,458
Income tax recoverable		464	466
Bank balances and cash		77,441	99,342
		327,925	347,358
Current liabilities			
Trade, bills and other payables	11	46,463	93,401
Amounts due to customers for contract work		264	96
Amount due to a related company		86	5,354
Bank borrowings		45,452	41,659
Obligations under finance leases – due within one year		38,027	39,118
		130,292	179,628
Net current assets		197,633	167,730
Total assets less current liabilities		311,556	318,541
Capital and reserves			
Share capital		10,375	10,375
Reserves		242,087	236,374
		252,462	246,749
Non-current liabilities			
Obligations under finance leases – due after one year		51,820	61,685
Deferred tax liabilities		7,274	10,107
		59,094	71,792
		311,556	318,541

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION AND BASIS OF PREPARATION

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 disclosed in the corporate information section of the annual report.

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

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 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 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 year 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 year 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 year ended 31 March 2017 have been prepared as if the current group structure had been in existence throughout the year ended 31 March 2017.

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 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

Except as described below, 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.

Amendments to HKAS 7 Disclosure Initiative

The amendments require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The amendments do not prescribe a specific method to fulfil the new disclosure requirements. However, the amendments indicate that one way is to provide a reconciliation between the opening and closing balances for liabilities arising from financing activities.

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 ¹
HKFRS 15	Revenue from Contracts with Customers ¹
HKFRS 16	Leases ²
HKFRS 17	Insurance contracts ³
Amendments to HKFRSs	Annual Improvements to HKFRSs 2014–2016 Cycle ¹
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle ²
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions ¹
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts ¹
Amendments to HKFRS 9	Prepayment Features with Negative Compensation 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 HKAS 19	Plan Amendment, Curtailment and Settlement ²
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures ²
Amendments to HKAS 40	Transfer of Investment Property ¹
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration ¹
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments ²

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

² Effective for annual period beginning on or after 1 January 2019.

³ Effective for annual period beginning on or after 1 January 2021.

⁴ Effective date not yet been determined.

3. REVENUE AND OTHER INCOME

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Construction works	133,595	216,170
Construction machinery rental	196,794	268,309
Trading of construction machinery	51,427	–
	<u>381,816</u>	<u>484,479</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:

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Customer A ¹	81,125	N/A ⁴
Customer B ²	48,800	50,169
Customer C ³	39,462	N/A ⁴
Customer D ¹	N/A ⁴	59,141
Customer E ¹	N/A ⁴	51,356

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

² Revenue from construction machinery rental segment.

³ Revenue from trading of construction machinery segment.

⁴ The corresponding revenue did not contribute over 10% of the total revenue of the Group.

An Analysis of Other Income:

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Sales of scrap materials	294	1,145
Insurance claim	674	1,238
Auxiliary and other service income	486	1,012
Reversal of impairment loss on trade receivables	4,311	1,322
Government subsidy (<i>Note</i>)	–	91
Gain on disposal of property, plant and equipment	2,360	84
Bank interest income	9	1
Machine repairment service income	4	124
Sundry income	38	937
	<u>8,176</u>	<u>5,954</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, 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;
- Construction machinery rental; and
- Trading of construction machinery

During the year ended 31 March 2018, 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 by reportable and operating segment.

For the year ended 31 March 2018

	Construction works HK\$'000	Construction machinery rental HK\$'000	Trading of construction machinery HK\$'000	Total HK\$'000
Segment revenue				
External revenue	133,595	196,794	51,427	381,816
Inter-segment revenue	–	69,999	–	69,999
	<hr/>	<hr/>	<hr/>	<hr/>
Segment revenue	133,595	266,793	51,427	451,815
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	
Eliminations				<hr/> (69,999)
Group revenue				<hr/> 381,816
Segment profit	<hr/> 7,999	<hr/> 10,899	<hr/> 2,753	21,651
Unallocated income				3,865
Unallocated corporate expenses				(11,022)
Unallocated finance costs				<hr/> (6,533)
Profit before tax				<hr/> 7,961 <hr/> <hr/>

Segment revenues and results

For the year ended 31 March 2017

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

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Construction works	147,949	210,356
Construction machinery rental	178,833	187,813
Trading of construction machinery	36,977	–
	<hr/>	<hr/>
Total segment assets	363,759	398,169
Corporate and other assets	78,089	100,000
	<hr/>	<hr/>
Total assets	441,848	498,169

Segment liabilities

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Construction works	109,832	139,320
Construction machinery rental	24,350	53,432
Trading of construction machinery	–	–
	<hr/>	<hr/>
Total segment liabilities	134,182	192,752
Corporate and other liabilities	55,204	58,668
	<hr/>	<hr/>
Total liabilities	189,386	251,420

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

- All assets are allocated to operating segment, other than unallocated deposits, prepayments and other receivables, income tax recoverable 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 2018

	Construction works <i>HK\$'000</i>	Construction machinery rental <i>HK\$'000</i>	Trading of construction machinery <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 (Note)	16,515	24,364	–	–	40,879
Depreciation of machinery and equipment	7,849	64,473	–	1,436	73,758
Reversal of impairment loss on trade receivables	–	(4,311)	–	–	(4,311)
Impairment loss on trade receivables	–	5,194	–	–	5,194
Gain on disposal of property, plant and equipment	(954)	(1,406)	–	–	(2,360)
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	–	–	–	(9)	(9)
Interest expense	–	–	–	6,533	6,533
Income tax expense	–	–	–	2,248	2,248

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 loss 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
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

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

5. FINANCE COSTS

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Interest on:		
– Bank borrowings	1,274	795
– Obligations under finance leases	5,259	6,368
	<u> </u>	<u> </u>
	<u>6,533</u>	<u>7,163</u>

6. INCOME TAX EXPENSES

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Current tax:		
Hong Kong Profits Tax	5,081	7,983
Over-provision:		
Hong Kong Profits Tax	–	(111)
Deferred taxation	<u>(2,833)</u>	<u>(31)</u>
	<u><u>2,248</u></u>	<u><u>7,841</u></u>

Notes:

- (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 2018 and 2017, Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit.

7. PROFIT FOR THE YEAR

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Profit for the year has been arrived at after charging:		
Staff costs		
Salaries, wages and other benefits	79,487	110,157
Retirement benefits scheme contribution	<u>3,266</u>	<u>4,457</u>
Total staff costs (excluding directors' remuneration)	<u>82,753</u>	<u>114,614</u>
Auditor's remuneration	942	942
Depreciation of property, plant and equipment	73,758	73,241
Impairment loss on trade receivable	5,194	4,679
Operating leases rental relates to office premises and storage area	463	1,189
Amount of inventories recognised as an expense	46,778	–
Listing expenses	<u>–</u>	<u>11,729</u>

8. DIVIDEND

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Dividend recognised as distribution during the year	<u>–</u>	<u>29,000</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.

No dividend was paid or proposed during the year ended 31 March 2018, nor has any dividend been proposed since the end of the reporting period.

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:

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Earnings		
Earnings for the purpose of basic and diluted earnings per share	<u>5,713</u>	<u>23,930</u>
	2018	2017
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share (<i>'000 shares</i>)	<u>1,037,500</u>	<u>888,596</u>

The weighted average number of ordinary shares in issue during the year ended 31 March 2018 represents 1,037,500,000 ordinary shares in issue during the year ended 31 March 2018.

The weighted average number of ordinary shares for the purpose of basic earnings per share for the year ended 31 March 2017 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 2018 and 2017.

10. TRADE AND RETENTION RECEIVABLES

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

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Trade receivables	195,203	192,528
Less: allowance for impairment of trade receivables	<u>(7,047)</u>	<u>(6,164)</u>
	188,156	186,364
Retention receivables (<i>note</i>)	<u>24,217</u>	<u>30,017</u>
	<u>212,373</u>	<u>216,381</u>

Note: Except for the amounts of approximately HK\$8,356,000 (2017: HK\$18,334,000), 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.

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Within 30 days	29,930	38,931
31 to 60 days	25,697	73,088
61 to 90 days	7,315	15,583
91 to 180 days	14,373	33,924
Over 181 days	<u>110,841</u>	<u>24,838</u>
	<u>188,156</u>	<u>186,364</u>

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

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
At the beginning of the year	6,164	2,807
Impairment loss recognised on trade receivables	5,194	4,679
Reversal on impairment of trade receivables	<u>(4,311)</u>	<u>(1,322)</u>
At the end of the year	<u>7,047</u>	<u>6,164</u>

Included in the allowance for impairment of trade receivables are individually impaired trade receivables with an aggregate balances of approximately HK\$7,047,000 (2017: HK\$6,164,000) due to long outstanding and unsatisfactory repayment record.

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

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Past due but not impaired:		
Within 30 days	25,562	68,497
31 to 60 days	7,424	14,474
61 to 90 days	410	12,027
91 to 180 days	35,169	29,568
Over 181 days	89,379	15,476
	157,944	140,042

Included in the Group's trade receivable balances were debtors with aggregate carrying amount of approximately HK\$157,944,000 (2017: HK\$140,042,000) as at 31 March 2018 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 2018 were 200 days (2017: 102 days).

11. TRADE, BILLS AND OTHER PAYABLES

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Trade payables	25,221	70,204
Bills payables	–	2,494
Receipt in advance	79	2,250
Other payables	10,292	6,301
Accruals	10,871	12,152
	46,463	93,401

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

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Within 30 days	14,635	20,562
31 to 60 days	3,148	30,832
61 to 90 days	777	9,984
91 to 365 days	5,838	7,501
Over 365 days	823	1,325
	25,221	70,204

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

BUSINESS AND FINANCIAL REVIEW

The Group is principally engaged in (i) construction works; (ii) the provision of construction machinery rental; and (iii) trading of construction machinery. Our construction machinery rental represents 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 service. 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.

In order to meet our customers' different need, the Group has commenced trading of new construction machinery since June 2017. We sourced these new construction machinery from the construction machinery manufacturer in Korea.

Going forward, we will continue to focus on developing our business by undertaking new construction projects, rental arrangements and trading of construction machinery in Hong Kong.

REVENUE

As mentioned above, during the Year, the business segment of the trading of construction machinery is considered as a new business segment of the Group. As such, the trading income from this new business segment is regarded as revenue of the Group in the current year. During the Year, the Group had revenue generated from construction works, construction machinery rental and trading of construction machinery. Set out below is the breakdown of revenue of the Group during the Year and 2017:

	Ended 31 March	
	2018	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
Construction works	133,595	216,170
Construction machinery rental	196,794	268,309
Trading of construction machinery	51,427	–
	381,816	484,479

Revenue from construction works

During the Year, the revenue derived from our eleven projects (2017: twelve projects) amounted to approximately HK\$133.6 million (2017: HK\$216.2 million), accounting for approximately 35.0% (2017: 44.6%) of our total revenue. Such decrease in revenue was the results of the completion of five out of these eleven construction projects, where generally a relatively lower revenue was derived from projects at their ending phase. At the meanwhile, the Group has engaged in three new projects during the Year, (2017: five projects); nevertheless, two of them only commenced since December 2017 and did not contribute much revenue to the Group yet during the Year. The Group has been actively participating in tenders for new public and private construction projects.

As at 31 March 2018, there were eight projects on hand with total outstanding contract sum amounting to HK\$162.1 million. Six projects are expected to be completed in the year ending 31 March 2019, two projects are expected to be completed in the year ending 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 Year:

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

Site Location	Type of Works	Status
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
Hong Kong International Airport North Commercial District	Foundation and site formation works	Work in progress
HK-ZH-Macau bridge Hong Kong Boundary Crossing Facilities – Vehicle Clearance Plazas and Ancillary Buildings and Facilities	Foundation and site formation works	Work in progress

Revenue from construction machinery rental

During the Year, the revenue derived from the construction machinery rental amounted to approximately HK\$196.8 million (2017: HK\$268.3 million), accounting for approximately 51.5% (2017: 55.4%) of our total revenue. The substantial decline in construction machinery rental income of the Group was mainly the result of the decrease in demand slow-down for machinery rental business accordingly upon the completion of some of the mega public projects in Hong Kong during the year.

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 Year, the revenue derived from our trading of construction machinery business amounted to approximately HK\$51.4 million, accounting for approximately 13.5% of our total revenue.

GROSS PROFIT AND GROSS PROFIT MARGIN

The Group's total gross profit decreased by approximately HK\$31.1 million, or approximately 45.9%, from approximately HK\$67.7 million for the year ended 31 March 2017 to approximately HK\$36.6 million for the year ended 31 March 2018 while our gross profit margin decreased from approximately 14.0% for the year ended 31 March 2017 to approximately 9.6% for the year ended 31 March 2018. The decrease in gross profit margin was mainly attributable to (i) the lower gross profit derived from the construction projects with additional construction costs were incurred towards the completion stage of certain

projects and (ii) the depreciation cost of recently purchased machinery remained significant during the Year. Below set out the breakdowns of the gross profit and gross profit margin of the Group:

	Ended 31 March			
	2018		2017	
	<i>HK\$'000</i>		<i>HK\$'000</i>	
	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin
Construction works	14,324	10.7%	33,960	15.7%
Construction machinery rental	17,888	9.1%	33,783	12.6%
Trading of construction machinery	4,406	8.6%	–	–
	<u>36,618</u>	<u>9.6%</u>	<u>67,743</u>	<u>14.0%</u>

ADMINISTRATIVE EXPENSES

The administrative expenses of the Group for the Year amounted to approximately HK\$30.3 million, representing a decrease of approximately 12.8% compared with approximately HK\$34.8 million for the previous year. Such decrease is mainly due to the non-recurring listing expenses borne by the Company amounted to approximately HK\$11.7 million incurred during the year ended 31 March 2017. The overall decrease in administrative expenses was partially offset by (i) the increase in employee benefits expense of arising from increase in bonuses and salary increments; and (ii) the increase in the general operational costs and administrative expenses of the Group.

NET PROFIT

The Group reported a net profit of approximately HK\$5.7 million (2017: HK\$23.9 million), representing a decrease of approximately 76.1%. Excluding the aforementioned non-recurring listing expenses incurred in previous year, the Group's net profit would have been approximately HK\$35.7 million for the year ended 31 March 2017, representing a decrease of approximately 84.0%. The decrease is mainly attributable to the substantial decline in revenue and the drop in gross profit margin.

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.

As at 31 March 2018, the Group had bank balances of approximately HK\$77.4 million (2017: HK\$99.3 million). The decrease is mainly due to the acquisition of new fleets of machineries during the Year. The new bank borrowings during the Year was approximately HK\$55.2 million (2017: HK\$53.0 million). The total interest-bearing liabilities of the Group including bank loans and finance leases as at 31 March 2018 was approximately HK\$135.3 million (2017: 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 31 March 2018 was approximately 53.6% (2017: 57.7%).

PLEDGE OF ASSETS

As at 31 March 2018, the Group's bank borrowings and finance lease liabilities were secured by the property and machinery and equipment with an aggregate net carrying value of approximately HK\$67.1 million (2017: HK\$113.0 million) and insurance prepayment with an aggregate net book value of approximately HK\$9.6 million (2017: HK\$9.3 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 2018, the Group employed 279 staff (2017: 331). Total staff costs including Directors' emoluments for the Year amounted to approximately HK\$86.9 million (2017: HK\$118.7 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 qualification and 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:

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Buildings	–	9,686
Motor vehicles	9,766	43,276
Machinery	30,485	38,431
Others	628	349
	<hr/> 40,879 <hr/>	<hr/> 91,742 <hr/>

As at 31 March 2018, the Group had no material capital commitments.

CONTINGENT LIABILITIES

As at 31 March 2018, one of the subsidiaries has been named as defendant in four (2017: five) High Court actions in respect of claim for compensation of personal injury for an amount of approximately HK\$6.8 million (2017: HK\$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 2018 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 and associated companies.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed in this announcement, the Group did not have other plans for material investments and capital assets during the Year and as at the date of this announcement.

PURCHASE, SALES OR REDEMPTION OF THE COMPANY'S SECURITIES

During the Year 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.

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 8 December 2016. 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 31 March 2018, the net proceeds had been utilised as follows:

Use of net proceeds	Net proceeds from the share offer	Actual utilisation up to 31 March 2018	Unutilised amounts as at 31 March 2018
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
Replacement and enhancement of our fleet of machinery	80.4	17.2	63.2
Reinforcement of our workforce	12.2	4.5	7.7
General working capital	9.7	9	0.7
	<u>102.3</u>	<u>30.7</u>	<u>71.6</u>

The unutilised amounts of the net proceeds will be applied in the manner consistent with that mentioned in the prospectus of the Company dated 28 November 2016. The unutilised net proceeds had been deposited into licensed bank in Hong Kong.

PROSPECTS

In view of the growth prospects for both public and private development projects, the Group continue to replace and enhance our fleet of machinery to strengthen the market position in Hong Kong to capture more sizeable and profitable projects, 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 so as to bringing in more revenue and returns to our shareholders.

ANNUAL GENERAL MEETING (“AGM”)

The 2018 AGM will be held on Monday, 13 August 2018. 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, 8 August 2018 to Monday, 13 August 2018 (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, 7 August 2018.

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 year ended 31 March 2018, 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 of the Corporate Governance Code, the roles of chairman and chief executive should be separated and should not be performed by the same individual. During the Year 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 during the Year 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.ppgh.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, 28 June 2018

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.