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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 2020**

### **FINANCIAL HIGHLIGHTS**

- Revenue was approximately HK\$203.6 million for the six months ended 30 September 2020, representing an increase of approximately 63.6% as compared with the six months ended 30 September 2019.
- Gross profit was approximately HK\$11.7 million for the six months ended 30 September 2020, representing a decrease of approximately 11.0% as compared with the six months ended 30 September 2019.
- Gross profit margin decreased to approximately 5.7% for the six months ended 30 September 2020 from approximately 10.6% for the six months ended 30 September 2019.
- Profit attributable to the owners of the Company was approximately HK\$6.2 million for the six months ended 30 September 2020, representing an increase of approximately 402% as compared with the six months ended 30 September 2019.
- Basic earnings per share amounted to approximately HK0.59 cent for the six months ended 30 September 2020, representing an increase of approximately 392% as compared with the six months ended 30 September 2019.
- The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2020.

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 2020 (the “**Period**”) together with the comparative figures for corresponding period ended 30 September 2019.

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER  
COMPREHENSIVE INCOME**  
*FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020*

	<i>Notes</i>	<b>Six months ended 30 September</b>	
		<b>2020</b>	2019
		<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
		<b>(unaudited)</b>	(unaudited)
Revenue	4	<b>203,639</b>	124,445
Cost of sales		<b>(191,942)</b>	(111,309)
Gross profit		<b>11,697</b>	13,136
Other income	5	<b>7,641</b>	2,201
Administrative expenses		<b>(11,121)</b>	(10,232)
Finance costs	6	<b>(2,831)</b>	(2,902)
Profit before taxation	8	<b>5,386</b>	2,203
Income tax credit (expense)	7	<b>771</b>	(986)
Profit and total comprehensive income for the period		<b><u>6,157</u></b>	<u>1,217</u>
Profit and total comprehensive income for the period attributable to:			
– Owners of the Company		<b>6,158</b>	1,227
– Non-controlling interest		<b>(1)</b>	(10)
		<b><u>6,157</u></b>	<u>1,217</u>
<b>EARNINGS PER SHARE:</b>	10		
– Basic and diluted		<b><u>0.59 HK cent</u></b>	<u>0.12 HK cent</u>

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
*AS AT 30 SEPTEMBER 2020*

		As at <b>30 September 2020</b> <i>HK\$'000</i> <b>(unaudited)</b>	As at 31 March 2020 <i>HK\$'000</i> (audited)
Non-current assets			
Property, plant and equipment		<b>133,592</b>	138,935
Deposit paid for acquisition of property, plant and equipment		<b>2,249</b>	2,249
Pledged deposits		<b>3,946</b>	3,946
		<hr/> <b>139,787</b> <hr/>	<hr/> 145,130 <hr/>
Current assets			
Trade receivables	11	<b>171,696</b>	144,120
Contract assets		<b>46,715</b>	39,666
Deposits, prepayments and other receivables		<b>20,302</b>	20,335
Income tax recoverable		–	30
Bank balances and cash		<b>6,175</b>	13,507
		<hr/> <b>244,888</b> <hr/>	<hr/> 217,658 <hr/>
Current liabilities			
Trade and other payables	12	<b>88,268</b>	64,291
Amount due to a related company		–	260
Lease liabilities		<b>40,411</b>	47,026
Bank borrowings	13	<b>24,791</b>	26,676
		<hr/> <b>153,470</b> <hr/>	<hr/> 138,253 <hr/>
Net current assets		<hr/> <b>91,418</b> <hr/>	<hr/> 79,405 <hr/>
Total assets less current liabilities		<hr/> <b>231,205</b> <hr/>	<hr/> 224,535 <hr/>

	<b>As at 30 September 2020 HK\$'000 (unaudited)</b>	As at 31 March 2020 HK\$'000 (audited)
Non-current liabilities		
Lease liabilities	<b>27,905</b>	26,591
Deferred tax liabilities	<b>8,902</b>	9,703
	<u><b>36,807</b></u>	<u>36,294</u>
Net assets	<u><b>194,398</b></u>	<u>188,241</u>
Capital and reserves		
Share capital	<b>10,375</b>	10,375
Reserves	<b>184,040</b>	177,882
Equity attributable to owners of the Company	<b>194,415</b>	188,257
Non-controlling interest	<b>(17)</b>	(16)
Total equity	<u><b>194,398</b></u>	<u>188,241</u>

## **NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION**

### **FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020**

#### **1. GENERAL INFORMATION**

The Company is a limited company 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 and its shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 8 December 2016. Its immediate holding company and ultimate holding company is Profit Gold Global Limited, a limited company incorporated in the British Virgin Islands (the “**BVI**”). The address of the registered office and the principal place of business of the Company is Unit 1108, 11/F, Tuen Mun Central Square, No. 22 Hoi Wing Road, Tuen Mun, New Territories, Hong Kong.

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

The condensed consolidated interim financial information are presented in Hong Kong dollars (“**HK\$**”), which is also the functional currency of the Group.

#### **2. BASIS OF PREPARATION**

The condensed consolidated interim financial information of the Group for the six months ended 30 September 2020 have been prepared in accordance with the applicable disclosure provisions of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange and with Hong Kong Accounting Standard (“**HKAS**”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”).

#### **3. PRINCIPAL ACCOUNTING POLICIES**

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

The accounting policies used in the condensed consolidated interim financial information are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 March 2020 except as described below.

In the current interim period, the Group has applied, for the first time, the Amendments to References to the Conceptual Framework in Hong Kong Financial Reporting Standards (“**HKFRSs**”) and the following new and amendments to HKFRSs, including HKFRSs, HKASs and amendments issued by the HKICPA, which are effective for the Group’s financial year beginning on 1 April 2020:

Amendments to HKFRS 3	Definition of a Business
Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

The application of the Amendments to References to the Conceptual Framework in HKFRSs and the above new and amendments to HKFRSs in the current interim period has had no material effect on the Group’s financial performance and position for the current and prior periods and/or on the disclosures set out in these condensed consolidated interim financial information.

#### 4. REVENUE AND SEGMENT INFORMATION

Revenue represents revenue arising on construction works and construction machinery rental. An analysis of the Group's revenue for the period is as follows:

	<b>For the six months ended</b>	
	<b>30 September</b>	
	<b>2020</b>	2019
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by major products or services lines		
– Construction works	<b>94,995</b>	33,089
Revenue from other sources		
– Construction machinery rental	<b>108,644</b>	91,356
	<b>203,639</b>	124,445

Set out below is the disaggregation of the Group's revenue from contracts with customers by timing of recognition:

	<b>Construction works HK\$'000</b>
For the six months ended 30 September 2020 (unaudited)	
Timing of revenue recognition	
– Over time	<b>94,995</b>
	<b>Construction works HK\$'000</b>
For the six months ended 30 September 2019 (unaudited)	
Timing of revenue recognition	
– Over time	<b>33,089</b>

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 goods delivered or 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.

### Segment revenues and results

The following is an analysis of the Group's revenue and results by reportable and operating segments.

*For the six months ended 30 September 2020 (unaudited)*

	<b>Construction works <i>HK\$'000</i></b>	<b>Construction machinery rental <i>HK\$'000</i></b>	<b>Trading of construction machinery <i>HK\$'000</i></b>	<b>Total <i>HK\$'000</i></b>
<b>Segment revenue</b>				
External revenue	94,995	108,644	–	203,639
Inter-segment revenue	–	50,773	–	50,773
	<u>94,995</u>	<u>159,417</u>	<u>–</u>	<u>254,412</u>
Segment revenue				254,412
Eliminations				<u>(50,773)</u>
Group revenue				<u>203,639</u>
Segment profit	<u>314</u>	<u>4,232</u>	<u>–</u>	4,546
Unallocated income				7,641
Unallocated corporate expenses				(3,970)
Unallocated finance costs				<u>(2,831)</u>
Profit before taxation				<u>5,386</u>

*For the six months ended 30 September 2019 (unaudited)*

	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	33,089	91,356	–	124,445
Inter-segment revenue	–	37,639	–	37,639
	<u>33,089</u>	<u>128,995</u>	<u>–</u>	<u>162,084</u>
Eliminations				<u>(37,639)</u>
Group revenue				<u>124,445</u>
Segment profit	<u>1,624</u>	<u>4,856</u>	<u>–</u>	6,480
Unallocated income				2,201
Unallocated corporate expenses				(3,576)
Unallocated finance costs				<u>(2,902)</u>
Profit before taxation				<u>2,203</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 chief operating decision maker 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 segments:

*Segment assets*

	At 30 September 2020 <i>HK\$'000</i> (unaudited)	At 31 March 2020 <i>HK\$'000</i> (audited)
Construction works	145,269	117,758
Construction machinery rental	222,548	217,253
Trading of construction machinery	–	–
Total segment assets	<u>367,817</u>	335,011
Corporate and other assets	<u>16,858</u>	27,777
Total assets	<u>384,675</u>	<u>362,788</u>



### *Segment liabilities*

	At 30 September 2020 <i>HK\$'000</i> (unaudited)	At 31 March 2020 <i>HK\$'000</i> (audited)
Construction works	68,618	62,671
Construction machinery rental	86,074	73,275
Trading of construction machinery	—	—
	<hr/>	<hr/>
Total segment liabilities	154,692	135,946
Corporate and other liabilities	35,585	38,601
	<hr/>	<hr/>
Total liabilities	<u>190,277</u>	<u>174,547</u>

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

- All assets are allocated to operating segments, other than pledged deposits, deposits and prepayments for life insurances, certain other receivables, income tax recoverable and bank balances and cash. Assets used jointly by reportable segments are allocated on the basis of the revenue earned by individual reportable segment; and
- All liabilities are allocated to operating segments, other than certain other payables, amount due to a related company, bank borrowings and deferred tax liabilities. Liabilities for which reportable segments are jointly liable are allocated in proportion to segment assets.

In measuring the Group's segment assets and liabilities, lease liabilities of approximately HK\$68,316,000 (31 March 2020: HK\$73,617,000) were allocated to construction works and construction machinery rental segments. However, the relevant interest on lease liabilities of approximately HK\$2,489,000 (2019: HK\$2,330,000) were not included in the measurement of segment results for the six months ended 30 September 2020. Should the interest on lease liabilities be included in the measurement of segment results, the segment loss of construction works and segment profit of construction machinery rental for the six months ended 30 September 2020 would be approximately HK\$847,000 and HK\$2,904,000 (2019: segment profit of HK\$1,004,000 and HK\$3,146,000) respectively.

**5. OTHER INCOME**

	<b>For the six months ended 30 September</b>	
	<b>2020</b>	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>(unaudited)</b>	(unaudited)
Government grants	5,891	–
Auxiliary and other service income	591	304
Gain on disposal of property, plant and equipment	554	314
Insurance claim	498	1,582
Bank interest income	–	1
Others	107	–
	<u>7,641</u>	<u>2,201</u>

**6. FINANCE COSTS**

	<b>For the six months ended 30 September</b>	
	<b>2020</b>	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>(unaudited)</b>	(unaudited)
Interest on:		
– bank borrowings	342	572
– lease liabilities	2,489	2,330
	<u>2,831</u>	<u>2,902</u>

**7. INCOME TAX CREDIT (EXPENSE)**

	<b>For the six months ended 30 September</b>	
	<b>2020</b>	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>(unaudited)</b>	(unaudited)
Current tax:		
Hong Kong Profits Tax	(30)	–
Deferred taxation	801	(986)
Income tax credit (expense)	<u>771</u>	<u>(986)</u>

## 8. PROFIT BEFORE TAXATION

For the six months ended 30 September	
2020	2019
HK\$'000	HK\$'000
(unaudited)	(unaudited)

Profit for the period has been arrived at after charging:

Depreciation of property, plant and equipment	29,763	27,425
Loss allowance on trade receivables	1,020	–
	<u>30,783</u>	<u>27,425</u>

## 9. DIVIDEND

No dividend was paid or proposed during the six months ended 30 September 2020 and 2019, nor has any dividend been proposed since the end of the reporting period.

## 10. 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:

For the six months ended 30 September	
2020	2019
HK\$'000	HK\$'000
(unaudited)	(unaudited)

### Earnings

Earnings for the purpose of basic and diluted earnings per share, representing profit for the period attributable to owners of the Company

	6,158	1,227
	<u>6,158</u>	<u>1,227</u>

For the six months ended 30 September	
2020	2019
'000	'000
(unaudited)	(unaudited)

### Number of shares

Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share

	1,037,500	1,037,500
	<u>1,037,500</u>	<u>1,037,500</u>

The dilutive earnings per share is equal to the basic earnings per share as there were no dilutive potential ordinary shares outstanding during the six months ended 30 September 2020 and 2019.

## 11. TRADE RECEIVABLES

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

	At 30 September 2020 <i>HK\$'000</i> (unaudited)	At 31 March 2020 <i>HK\$'000</i> (audited)
Trade receivables	190,334	161,738
Less: loss allowance on trade receivables	<u>(18,638)</u>	<u>(17,618)</u>
	<u><b>171,696</b></u>	<u><b>144,120</b></u>

The following is an ageing analysis of trade receivables, net of loss allowance, presented based on the invoice date at the end of the reporting period.

	At 30 September 2020 <i>HK\$'000</i> (unaudited)	At 31 March 2020 <i>HK\$'000</i> (audited)
Within 30 days	37,524	25,204
31 to 60 days	17,429	31,109
61 to 90 days	23,923	1,884
91 to 180 days	29,409	23,279
181 to 365 days	19,622	17,601
Over 365 days	<u>43,789</u>	<u>45,043</u>
	<u><b>171,696</b></u>	<u><b>144,120</b></u>

## 12. TRADE AND OTHER PAYABLES

	At 30 September 2020 <i>HK\$'000</i> (unaudited)	At 31 March 2020 <i>HK\$'000</i> (audited)
Trade payables	51,081	32,146
Other payables	22,510	16,693
Accruals	<u>14,677</u>	<u>15,452</u>
	<u><b>88,268</b></u>	<u><b>64,291</b></u>

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

	At <b>30 September</b> 2020 <i>HK\$'000</i> (unaudited)	At 31 March 2020 <i>HK\$'000</i> (audited)
Within 30 days	24,395	10,440
31 to 60 days	1,691	12,526
61 to 90 days	7,742	419
91 to 365 days	17,253	8,761
	<u>51,081</u>	<u>32,146</u>

### 13. BANK BORROWINGS

	At <b>30 September</b> 2020 <i>HK\$'000</i> (unaudited)	At 31 March 2020 <i>HK\$'000</i> (audited)
Secured	4,705	5,040
Unsecured	20,086	21,636
	<u>24,791</u>	<u>26,676</u>

Carrying amount repayable (based on scheduled repayment dates set out in the loan agreements):

	At <b>30 September</b> 2020 <i>HK\$'000</i> (unaudited)	At 31 March 2020 <i>HK\$'000</i> (audited)
Within one year	21,357	22,702
After one year but within two years	975	1,057
After two years but within five years	1,892	2,156
After five years	567	761
	<u>24,791</u>	<u>26,676</u>

Carrying amount of bank borrowings that are not repayable within one year from the end of the reporting period but contain a repayment on demand clause (shown under current liabilities)

	3,434	3,974
Carrying amount repayable within one year	<u>21,357</u>	<u>22,702</u>
Amount shown under current liabilities	<u>24,791</u>	<u>26,676</u>

## BUSINESS AND FINANCIAL REVIEW

The Group is a Hong Kong-based subcontractor engaged in (i) construction works; (ii) the provision of construction machinery rental; and (iii) trading of construction machinery. The construction works provided by us mainly include foundation and site formation works, and builder's work and general building works. The construction machinery rental represents the rental of construction machines and construction vehicles to our customers, provision of machine operators and transportation services. The Group is also engaged in trading of new construction machinery which are mainly foundation machinery.

The overall performance was greatly improved and continue to rebound from the bottom due to certain new foundation projects commenced during the Period and the improvement of the construction machinery rental business as a result of the enhancement of the fleet of machinery.

Notwithstanding the above, the outbreak of new coronavirus disease 2019 (“**COVID-19**”) since early 2020 has paralyzed economic activities worldwide including Hong Kong. As a result, the Hong Kong Special Administrative Region (the “**HKSAR**”) government has announced some financial measures and supports for corporates to overcome the negative impact arising from the pandemic. As such, the Group has received non-recurring government grants in respect of COVID-19-related subsidies during the Period as disclosed in the relevant notes.

Going forward, the Group still remains prudently optimistic about the prospects of the foundation industry in Hong Kong. The Group will continue to exercise due care in pursuing its core business by undertaking new construction projects and rental arrangements of construction machinery in Hong Kong.

### Revenue

During the six months ended 30 September 2020, the Group generated revenue from construction works and construction machinery rental. Set out below is the breakdown of revenue of the Group during the six months ended 30 September 2020 and 2019.

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2020</b>	2019
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
Construction works	<b>94,995</b>	33,089
Construction machinery rental	<b>108,644</b>	91,356
	<b>203,639</b>	124,445

### ***Revenue from construction works***

During the six months ended 30 September 2020, the revenue derived from our construction works amounted to approximately HK\$95.0 million (six months ended 30 September 2019: HK\$33.1 million), accounting for approximately 46.6% (six months ended 30 September 2019: 26.6%) of our total revenue, and contributed by seven projects (six months ended 30 September 2019: eight projects). Such substantial increase in revenue was largely resulted from the revenue in construction works contributed by the construction projects in Anderson Road Quarry Site and Temporary Quarantine Facilities at Penny's Bay. Meanwhile, the Group had awarded one new project and seven contracts from existing projects with contract sum amounting to approximately HK\$237.5 million during the Period.

As at 30 September 2020, there were eight projects on hand with total outstanding contract sum amounting to approximately HK\$205.1 million. Six projects are expected to be completed in the year ending 31 March 2021, two projects are expected to be completed in the year ending 31 March 2022 and none of them is expected to have any material interruption.

Below set out a list of projects during the six months ended 30 September 2020:

<b>Site Location/Project</b>	<b>Type of Works</b>	<b>Status</b>
Tuen Mun	Builder's work and general building works	Completed
Anderson Road Quarry Site	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
Yau Tong	Foundation and site formation works	Work in progress
Tuen Mun – Chek Lap Kok Link – Northern Connection Sub-sea Tunnel Section	Foundation and site formation works	Work in progress
West Kowloon Drainage Improvement – Inter-reservoirs Transfer Scheme	Foundation and site formation works	Work in progress
Ap Lei Chau Inland Lot No. 136	Foundation and site formation works	Work in progress
Kai Tai Sports Park	Foundation and site formation works	Work in progress
Temporary Quarantine Facilities at Penny's Bay (Phase IIIA)	Foundation and site formation works	Work in progress

### ***Revenue from construction machinery rental***

During the six months ended 30 September 2020, the revenue derived from our construction machinery rental amounted to approximately HK\$108.6 million (six months ended 30 September 2019: HK\$91.4 million), accounting for approximately 53.4% (six months ended 30 September 2019: 73.4%) of our total revenue. The increase in revenue in construction machinery rental income of the Group was the result of the increasing demand for the construction machinery on infrastructure and reclamation projects in Hong Kong, mainly from Three-runway system at Chek Lap Kok Airport and Tung Chung New Town Extension.

### ***Revenue from trading of construction machinery***

For the six months ended 30 September 2020, there were no revenue derived from our trading of construction machinery business (six months ended 30 September 2019: nil), and thus did not contributed to our total revenue (six months ended 30 September 2019: nil). No revenue from trading of construction machinery as the Group has not identified any potential customers.

### **Gross Profit and Gross Profit Margin**

The Group's total gross profit decreased by approximately HK\$1.4 million, or approximately 11.0%, from approximately HK\$13.1 million for the six months ended 30 September 2019 to approximately HK\$11.7 million for the six months ended 30 September 2020 while our gross profit margin decreased from approximately 10.6% for the six months ended 30 September 2019 to approximately 5.7% for the six months ended 30 September 2020.

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 in certain projects; (ii) the depreciation expense of our machinery remained significant during the Period; and (iii) lower gross profit margin were expected from new projects undertaken by the Group during the Period due to keen competition with market competitors.

### **Other Income**

The Group's other income increased from approximately HK\$2.2 million during the six months ended 30 September 2019 to approximately HK\$7.6 million during the six months ended 30 September 2020. Such increase was mainly due to the recognition of non-recurring government grants of approximately HK5.9 million mainly from the Anti-epidemic Fund launched by the HKSAR Government during the Periods, while no such income was recognised during the six months ended 30 September 2019.



## **Administrative Expenses**

The administrative expenses of the Group for the six months ended 30 September 2020 amounted to approximately HK\$11.1 million, representing an increase of approximately 8.7% as compared to approximately HK\$10.2 million for the six months ended 30 September 2019. Such increase is mainly due to incur the loss allowance on trade receivables amounted to approximately HK\$1.0 million during the six months ended 30 September 2020.

## **Net Profit**

Net profit increased by approximately HK\$5.0 million to approximately HK\$6.2 million for the six months ended 30 September 2020 as compared to approximately HK\$1.2 million for the six months ended 30 September 2019. The increase in net profit is mainly attributable to the recognition of non-recurring government grants of approximately HK\$5.9 million as mentioned in “other income” section above.

## **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 30 September 2020, the Group had bank balances of approximately HK\$6.2 million (31 March 2020: approximately HK\$13.5 million). The interest-bearing liabilities of the Group as at 30 September 2020 was approximately HK\$93.1 million (31 March 2020: approximately HK\$100.3 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 2020 was approximately 47.9% (31 March 2020: approximately 53.3%), representing a decrease of approximately 5.4%.

## **Interim Dividend**

The Board has resolved not to declare any interim dividend for the six months ended 30 September 2020.

## **Prospects**

Despite the social unrest and COVID-19 pandemic seriously hit the Hong Kong's economy which have severely affected the construction industry and caused the decrease in the number of projects which are available for tender, the government still keeps up its investment in Hong Kong for sustaining a long-term growth. The government continues in increasing land supply and commitment to infrastructure investments and the Group expects a rebound in the construction industry in the long run. On the other hand, intense market competition has led to a decrease in the number of successful tenders and quotations which make us more conservative in bidding and pricing. The Group's gross profit margin is also under pressure from bidding and pricing of competitive projects. Nevertheless, the Group will continue to improve its business profitability by cost controls.

Furthermore, the Group is continuing to enhance our fleet of machinery to strengthen the market position in Hong Kong. Premised on those competitive edges of the Group, the Board remain confident with the future development of the Group.

## **Pledge of Assets**

As at 30 September 2020, the Group's bank borrowings and lease liabilities were secured by the property, plant and equipment with an aggregate net carrying value of approximately HK\$77.6 million (31 March 2020: approximately HK\$82.6 million), deposits and prepayments for life insurances with an aggregate net carrying value of approximately HK\$6.6 million (31 March 2020: approximately HK\$10.1 million) and deposits with an aggregate net carrying value of approximately HK\$3.9 million (31 March 2020: approximately HK\$3.9 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 HK\$. 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 2020.

## **Employees and Remuneration Policy**

As at 30 September 2020, the Group employed 391 staff (30 September 2019: 303). Total staff costs including directors' emoluments for the six months ended 30 September 2020, amounted to approximately HK\$70.9 million (six months ended 30 September 2019: approximately HK\$50.2 million). The salary and benefit levels of the employees of the Group are competitive and individual performance is rewarded through the Group's salary and bonus system. The Group conducts annual review on salary increase, discretionary bonuses and promotions based on the performance of each employee.

During the six months ended 30 September 2020, 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**

As at 30 September 2020, the Group had no material capital commitments (31 March 2020: nil).

## **Contingent Liabilities**

As at 30 September 2020, a subsidiary has been named as defendant in two (31 March 2020: one) High Court actions in respect of claim for compensation of personal injury for an amount of approximately HK\$10.0 million (31 March 2020: approximately HK\$4.5 million). 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 interim financial information.

## **Material Acquisitions and Disposals**

During the six months ended 30 September 2020, the Group did not have any material acquisitions and disposals.

## **Significant Investment**

During the six months ended 30 September 2020, 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.

## **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 Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”). During the six months ended 30 September 2020, 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. Throughout the six months ended 30 September 2020 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 2020.

## **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 of the Company dated 28 November 2016. 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 2020, 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 interim financial information for the six months ended 30 September 2020. The Audit Committee was satisfied that the unaudited condensed consolidated interim financial information 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 six months ended 30 September 2020 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, 27 November 2020

*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.*