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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 2024

FINANCIAL HIGHLIGHTS

- Revenue was approximately HK\$728.5 million for the Year, representing an increase of approximately 42.6% as compared with the same for the year ended 31 March 2023.
- Gross profit was approximately HK\$57.8 million for the Year, representing an increase of approximately HK\$54.1 million, as compared to gross profit of approximately HK\$3.7 million for the year ended 31 March 2023.
- Gross profit margin increased to approximately 7.9% for the Year from 0.7% for the year ended 31 March 2023.
- Profit attributable to owners of the Company was approximately HK\$22.2 million for the Year as compared to loss attributable to owners of the Company of approximately HK\$22.0 million for the year ended 31 March 2023.
- Earnings per share amounted to approximately 5.36 HK cents for the Year, as compared to loss per share amounted to approximately 6.76 HK cents for the year ended 31 March 2023.
- 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 2024 (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 2024

	<i>Notes</i>	2024 HK\$'000	2023 HK\$'000
Revenue	3	728,528	511,016
Cost of sales		(670,757)	(507,338)
Gross profit		57,771	3,678
Other income	5	4,528	18,929
Administrative expenses		(22,226)	(23,882)
Provision for loss allowance on trade receivables, net		(1,562)	(8,796)
Reversal of (provision for) loss allowance on contract assets, net		35	(1,147)
Finance costs	6	(14,654)	(10,565)
Profit (loss) before taxation		23,892	(21,783)
Income tax expense	7	(1,669)	(176)
Profit (loss) and total comprehensive income (expense) for the year	8	<u>22,223</u>	<u>(21,959)</u>
Profit (loss) and total comprehensive income (expense) for the year attributable to:			
– Owners of the Company		22,224	(21,959)
– Non-controlling interest		(1)	–
		<u>22,223</u>	<u>(21,959)</u>
EARNINGS (LOSS) PER SHARE	10		
– Basic and diluted		<u>5.36 HK cents</u>	<u>(6.76) HK cents</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2024

	<i>Notes</i>	2024 HK\$'000	2023 HK\$'000
Non-current assets			
Property, plant and equipment		233,264	280,280
Deposits paid for acquisition of property, plant and equipment		1,996	1,920
Pledged rental deposits		–	799
		<u>235,260</u>	<u>282,999</u>
Current assets			
Trade receivables	11	252,459	177,609
Contract assets		47,420	53,137
Deposits, prepayments and other receivables		27,842	21,215
Pledged rental deposits		799	–
Pledged bank deposits		5,027	4,846
Bank balances and cash		28,459	27,307
		<u>362,006</u>	<u>284,114</u>
Current liabilities			
Trade and other payables	12	144,492	111,700
Bank borrowings		74,788	77,647
Income tax payable		184	56
Lease liabilities		58,819	68,681
		<u>278,283</u>	<u>258,084</u>
Net current assets		<u>83,723</u>	<u>26,030</u>
Total assets less current liabilities		<u>318,983</u>	<u>309,029</u>
Non-current liabilities			
Lease liabilities		53,051	66,674
Deferred tax liabilities		9,320	7,966
		<u>62,371</u>	<u>74,640</u>
Net assets		<u>256,612</u>	<u>234,389</u>
Capital and reserves			
Share capital	13	20,750	20,750
Reserves		235,879	213,655
Equity attributable to owners of the Company		<u>256,629</u>	<u>234,405</u>
Non-controlling interest		<u>(17)</u>	<u>(16)</u>
Total equity		<u>256,612</u>	<u>234,389</u>

NOTES

1. GENERAL INFORMATION

Progressive Path Group Holdings Limited (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. The immediate holding company and ultimate holding company of the Company is Profit Gold Global Limited (“Profit Gold”), a limited company incorporated in the British Virgin Islands (the “BVI”). The ultimate beneficial owner of the Company is Mr. Wu Wing Hang (“Mr. Wu”), the executive director of the Company. The address of the registered office and principal place of business of the Company are Windward 3, Regatta Office Park, PO Box 1350, Grand Cayman KY1-1108, Cayman Islands and Unit 1108, 11/F., Tuen Mun Central Square, 22 Hoi Wing Road, Tuen Mun, New Territories, Hong Kong, respectively.

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

The consolidated financial statements are presented in Hong Kong dollars (“HK\$”), which is also the functional currency of the Company and its subsidiaries (collectively referred to as the “Group”).

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) AND CHANGES IN OTHER ACCOUNTING POLICIES

In the current year, the Group has applied, for its first time, the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) which are effective for the Group’s financial year beginning 1 April 2023:

HKFRS 17 (including the October 2020 and February 2022 amendments to HKFRS 17)	Insurance Contracts
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform – Pillar Two Model Rules

Except as described below, the application of the new and amendments to HKFRSs in the current year has had no material effect on the Group’s financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Impact on application of Amendments to HKAS 1 and HKFRS Practice Statement 2 – *Disclosure of Accounting Policies*

The amendments to HKAS 1 and HKFRS Practice Statement 2 Making Materiality Judgements provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their ‘significant’ accounting policies with a requirement to disclose their ‘material’ accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The application of the amendments has had no material impact on the Group’s financial performance and positions, but has affected the disclosures of accounting policies.

Impact on application of Amendments to HKAS 8 – Definition of Accounting Estimates

The amendments to HKAS 8 clarify the distinction between changes in accounting estimates, and changes in accounting policies and the correction of errors. They also clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments had no impact on the consolidated financial statements of the Group.

Impact on application of Amendments to HKAS 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments to HKAS 12 narrow the scope of the initial recognition exemption of deferred tax liabilities and deferred tax assets so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences, such as leases and decommissioning liabilities. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The amendments shall be applied to transactions related to leases and decommissioning obligations at the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to the opening balance of retained profits at that date. For all other transactions, the amendments are applied to those transactions that occur after the beginning of the earliest period presented.

The amendments had no material impact on the consolidated financial statements of the Group.

Change in accounting policy

New HKICPA guidance on the accounting implications of the abolition of the mandatory provident fund (“MPF”) – long service payment (“LSP”) offsetting mechanism

In June 2022, the Hong Kong SAR Government (the “Government”) gazetted the Hong Kong Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (the “Amendment Ordinance”), which will come into effect from 1 May 2025 (the “Transition Date”). Once the Amendment Ordinance takes effect, an employer can no longer use any of the accrued benefits derived from its mandatory contributions to MPF scheme to reduce the LSP in respect of an employee’s service from the Transition Date (the abolition of the “offsetting mechanism”). In addition, the LSP in respect of the service before the Transition Date will be calculated based on the employee’s monthly salary immediately before the Transition Date and the years of service up to that date.

In July 2023, the HKICPA published “Accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong” that provides accounting guidance relating to the offsetting mechanism and the abolition of the mechanism.

The Group has considered the accrued benefits derived from mandatory MPF contributions that are expected to be used to reduce the LSP payable to an employee as deemed contributions by that employee towards the LSP. Historically, the Group accounted for the offsetting mechanism by applying the practical expedient in HKAS 19.93(b). Based on the HKICPA guidance, upon the enactment of the Amendment Ordinance in June 2022, these deemed contributions should be attributed to periods of service in the same manner as the gross LSP benefit applying HKAS 19.93(a).

There is no material impact on the Group’s results and financial position for the current or prior years.

Amendments to HKFRSs issued but not yet effective

The Group has not early applied the following amendments to HKFRSs that have been issued but are not yet effective:

Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback ¹
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and the related amendments to Hong Kong Interpretation 5 (2020) Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause ¹
Amendments to HKAS 1	Non-current Liabilities with Covenants ¹
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements ¹
Amendments to HKAS 21	Lack of Exchangeability ²

¹ Effective for annual periods beginning on or after 1 January 2024

² Effective for annual periods beginning on or after 1 January 2025

³ Effective for annual periods beginning on or after a date to be determined.

The directors of the Company anticipate that the application of the above amendments to HKFRSs will have no material impact on the consolidated results and the consolidated financial position of the Group.

3. REVENUE

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

	2024	2023
	HK\$'000	HK\$'000
<i>Revenue from contracts with customers within the scope of HKFRS 15</i>		
– Construction works	408,405	200,578
<i>Revenue from provision of machinery rental within the scope of HKFRS 16</i>		
– Construction machinery rental	320,123	310,438
	728,528	511,016

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

	2024	2023
	HK\$'000	HK\$'000
<i>Timing of revenue recognition</i>		
– Over time	408,405	200,578

Transaction price allocated to the remaining performance obligations

As at 31 March 2024, the aggregate amount of transaction price allocated to the performance obligations that are unsatisfied (or partially unsatisfied) is approximately HK\$143,046,000 (2023: HK\$180,764,000). The amount represents revenue expected to be recognised in the future from construction contracts. The Group will recognise this revenue as the service is completed, which is expected to occur over the next 27 (2023: 18) months.

4. SEGMENT INFORMATION

Information reported to the directors of the Company, being the chief operating decision maker, for the purpose of resource allocation and assessment of segment performance focuses on types of services provided. No operating segments identified by the chief operating decision maker have been aggregated in arriving at the reportable segments of the Group.

Specifically, the Group's reportable segments are as follows:

- Construction works; and
- Construction machinery rental

Segment revenues and results

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

For the year ended 31 March 2024

	Construction works HK\$'000	Construction machinery rental HK\$'000	Total HK\$'000
Revenue			
External revenue	408,405	320,123	728,528
Inter-segment revenue	–	133,111	133,111
	<hr/>	<hr/>	<hr/>
Segment revenue	408,405	453,234	861,639
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Eliminations			(133,111)
			<hr/>
Group's revenue			728,528
			<hr/> <hr/>
Segment profit	27,968	16,382	44,350
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Unallocated income			4,528
Unallocated corporate expenses			(10,332)
Unallocated finance costs			(14,654)
			<hr/>
Profit before taxation			23,892
			<hr/> <hr/>

For the year ended 31 March 2023

	Construction works <i>HK\$'000</i>	Construction machinery rental <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue			
External revenue	200,578	310,438	511,016
Inter-segment revenue	–	149,032	149,032
	<u>200,578</u>	<u>459,470</u>	<u>660,048</u>
Segment revenue	<u>200,578</u>	<u>459,470</u>	660,048
Eliminations			<u>(149,032)</u>
Group's revenue			<u>511,016</u>
Segment profit (loss)	<u>889</u>	<u>(19,715)</u>	(18,826)
Unallocated income			18,929
Unallocated corporate expenses			(11,321)
Unallocated finance costs			<u>(10,565)</u>
Loss before taxation			<u>(21,783)</u>

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment profit (loss) represents the profit earned by (loss from) 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 charged at prevailing market rates and 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

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Construction works	199,689	171,836
Construction machinery rental	344,319	347,226
	<u>544,008</u>	<u>519,062</u>
Total segment assets	544,008	519,062
Corporate and other assets	53,258	48,051
	<u>597,266</u>	<u>567,113</u>
Total assets	597,266	567,113

Segment liabilities

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Construction works	134,469	113,881
Construction machinery rental	119,871	131,162
Total segment liabilities	254,340	245,043
Corporate and other liabilities	86,314	87,681
Total liabilities	340,654	332,724

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 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, bank borrowings, income tax payable, long service payment liabilities 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, property, plant and equipment and lease liabilities of approximately HK\$233,264,000 (2023: HK\$280,280,000) and HK\$111,870,000 (2023: HK\$135,355,000) were allocated to construction works and construction machinery rental segments. However, the relevant gain on disposal of property, plant and equipment and interest on lease liabilities of approximately HK\$508,000 (2023: HK\$649,000) and HK\$8,837,000 (2023: HK\$6,895,000) respectively were not included in the measurement of segment results. Should the gain on disposal of property, plant and equipment and interest on lease liabilities be included in the measurement of segment results, the segment profit of construction works would be approximately HK\$24,020,000 (2023: segment loss of approximately HK\$983,000) and segment profit of construction machinery rental would be approximately HK\$12,001,000 (2023: segment loss of approximately HK\$24,089,000) for the year ended 31 March 2024.

Other segment information

For the year ended 31 March 2024

	Construction works HK\$'000	Construction machinery rental HK\$'000	Unallocated HK\$'000	Total HK\$'000
Amounts included in the measure of segment profit or loss or segment assets:				
Addition to non-current assets (<i>note</i>)	31,563	24,729	–	56,292
Deposits paid for acquisition of property, plant and equipment	1,119	877	–	1,996
Depreciation of property, plant and equipment	57,314	44,925	–	102,239
Provision for loss allowance on trade receivables, net	740	822	–	1,562
Reversal of loss allowance on contract assets, net	(35)	–	–	(35)
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss or segment assets:				
Gain on disposal of property, plant and equipment	–	–	(508)	(508)
Finance costs	–	–	14,654	14,654
Income tax expense	–	–	1,669	1,669
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

For the year ended 31 March 2023

	Construction works HK\$'000	Construction machinery rental HK\$'000	Unallocated HK\$'000	Total HK\$'000
Amounts included in the measure of segment profit or loss or segment assets:				
Addition to non-current assets (<i>note</i>)	64,415	99,697	–	164,112
Deposits paid for acquisition of property, plant and equipment	754	1,166	–	1,920
Depreciation of property, plant and equipment	38,531	59,634	–	98,165
Provision for loss allowance on trade receivables, net	2,637	6,159	–	8,796
Provision for loss allowance on contract assets, net	1,147	–	–	1,147
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss or segment assets:				
Gain on disposal of property, plant and equipment	–	–	(649)	(649)
Finance costs	–	–	10,565	10,565
Income tax expense	–	–	176	176
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Note: Non-current assets excluded deposits paid for acquisition of property, plant and equipment and pledged deposits.

Information about major customers

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

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Customer A ¹	135,369	N/A ²
Customer B ¹	<u>118,850</u>	<u>80,886</u>

¹ Revenue from construction works and construction machinery rental segments

² The corresponding revenue did not contribute over 10% of the total revenue of the Group

Geographical information

During the years ended 31 March 2024 and 2023, the Group is organised into two operating segments as construction works and construction machinery rental primarily in Hong Kong and all revenue, expenses, results, assets and liabilities and capital expenditures are predominantly attributable to these segments. Accordingly, no geographical information is presented.

5. OTHER INCOME

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Government grants	224	10,278
Sales of scrap materials	115	3,678
Interest income from life insurance	388	516
Insurance claims	783	169
Rental income	2,260	2,640
Auxiliary and other service income	250	999
Gain on disposal of property, plant and equipment	<u>508</u>	<u>649</u>
	<u>4,528</u>	<u>18,929</u>

6. FINANCE COSTS

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Interest on:		
– bank borrowings	5,817	3,670
– lease liabilities	<u>8,837</u>	<u>6,895</u>
	<u>14,654</u>	<u>10,565</u>

7. INCOME TAX EXPENSE

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Current tax:		
– Hong Kong Profits Tax	315	170
Under-provision in prior years:		
– Hong Kong Profits Tax	–	27
Deferred taxation	<u>1,354</u>	<u>(21)</u>
Income tax expense	<u><u>1,669</u></u>	<u><u>176</u></u>

8. PROFIT (LOSS) AND TOTAL COMPREHENSIVE INCOME (EXPENSE) FOR THE YEAR

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Profit (loss) and total comprehensive income (expense) for the year has been arrived at after charging:		
Directors' emoluments	4,362	4,361
Other staff:		
– Salaries, wages, allowances and other benefits	211,715	183,580
– Retirement benefits scheme contributions	<u>5,820</u>	<u>5,482</u>
Total staff costs	<u>221,897</u>	<u>193,423</u>
Auditor's remuneration	880	880
Depreciation of property, plant and equipment	102,239	98,165
Exchange loss	<u>11</u>	<u>63</u>

9. DIVIDEND

No dividend was paid or proposed during the years ended 31 March 2024 and 2023, nor has any dividend been proposed since the end of the reporting period.

10. EARNINGS (LOSS) PER SHARE

The calculation of the basic and diluted earnings (loss) per share attributable to the owners of the Company is based on the following:

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Earnings (loss)		
Earnings (loss) for the purpose of basic and diluted earnings per share, representing profit (loss) for the year attributable to owners of the Company	<u><u>22,224</u></u>	<u><u>(21,959)</u></u>

	2024	2023
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings (loss) per share (<i>'000 shares</i>)	415,000	325,007

The diluted earnings (loss) per share is equal to the basic earnings (loss) per share as there were no dilutive potential ordinary shares outstanding during the years ended 31 March 2024 and 2023.

11. TRADE RECEIVABLES

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Trade receivables, at amortised cost	285,897	209,485
Less: loss allowance on trade receivables	(33,438)	(31,876)
	252,459	177,609

As at 31 March 2024 the gross amount of trade receivables arising from contracts with customers in respect of construction works amounted to approximately HK\$57,426,000 (2023: HK\$15,518,000).

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

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Within 30 days	78,635	38,453
31 to 60 days	30,262	24,481
61 to 90 days	24,722	14,687
91 to 180 days	35,968	43,860
181 to 365 days	53,633	45,477
Over 365 days	29,239	10,651
	252,459	177,609

12. TRADE AND OTHER PAYABLES

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Trade payables	84,803	49,830
Other payables	24,037	28,917
Consideration payables for acquisition of property, plant and equipment	12,551	13,463
Accruals	23,101	19,490
	144,492	111,700

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

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Within 30 days	37,074	22,587
31 to 60 days	22,451	4,889
61 to 90 days	2,640	2,841
91 to 365 days	16,004	10,622
Over 365 days	6,634	8,891
	<u>84,803</u>	<u>49,830</u>

The average credit period granted is 30 (2023: 30) days. The Group has financial risk management in place to ensure that all payables are settling within the credit timeframe.

13. SHARE CAPITAL

	Number of shares	Share capital <i>HK\$'000</i>
Ordinary shares of <i>HK\$0.01</i> each (before share consolidation) and <i>HK\$0.05</i> each (after share consolidation)		
Authorised		
As at 1 April 2022	10,000,000,000	100,000
Share consolidation (<i>note a</i>)	<u>(8,000,000,000)</u>	<u>-</u>
As at 31 March 2023 and 2024	<u>2,000,000,000</u>	<u>100,000</u>
Issued and fully paid		
As at 1 April 2022	1,037,500,000	10,375
Share consolidation (<i>note a</i>)	<u>(830,000,000)</u>	<u>-</u>
Rights issue of shares (<i>note b</i>)	<u>207,500,000</u>	<u>10,375</u>
As at 31 March 2023 and 2024	<u>415,000,000</u>	<u>20,750</u>

Notes:

- a. On 12 August 2022, the authorised and issued shares of the Company were consolidated on the basis that every five issued and unissued ordinary shares of HK\$0.01 each in the share capital of the Company into one consolidated share of HK\$0.05 each (the “Share Consolidation”). Details of the Share Consolidation were set out in the Company’s announcements dated 24 May 2022, 7 June 2022 and 9 June 2022, and the circular dated 20 July 2022.
- b. During the year ended 31 March 2023, the Company issued an aggregate of 207,500,000 ordinary shares (the “Rights Shares”) upon completion of (i) the issue and allotment of 148,533,670 Rights Shares to the valid applicant pursuant to the rights issue on the basis of one Rights Share for one existing ordinary share held by the qualifying shareholders of the Company on 23 August 2022 at a subscription price of HK\$0.26 per Rights Share and (ii) the placing of 58,966,330 unsubscribed Right Shares to the independent placees. The rights issue and placing became unconditional on 19 September 2022 and were completed on 23 September 2022. The gross proceeds from the rights issue and placing were approximately HK\$53,950,000 and the net proceeds were approximately HK\$52,238,000 after deducting the related expenses. Details of the Rights Issue were set out in the Company’s announcements dated 24 May 2022, 7 June 2022, 9 June 2022, 13 September 2022 and 22 September 2022, the circular dated 20 July 2022, and the prospectus dated 24 August 2022. These Right Shares issued rank pari passu with the existing shares in all respects.

BUSINESS AND FINANCIAL REVIEW

The Group is principally engaged in (i) construction works; and (ii) the provision of construction machinery rental services. Our construction machinery rental services represent the rental of construction machines and construction vehicles to our customers, and the provision of machine operators and transportation services as part of our one-stop construction machinery rental services. 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.

The Group's profit attributable to owners of the Company is approximately HK\$22.2 million for the Year as compared to a loss of approximately HK\$22.0 million for the year ended 31 March 2023. Such turnaround from loss to profit position is mainly attributable to (i) a substantial increase in revenue as a result of more new contracts and variation orders from existing projects undertaken by the Group and (ii) the improvement on gross profit margin resulted from the enhancement of costs control.

During the Year, the development of the three-runway system ("3RS") is entering into another golden stage after the completion of land formation and reclamation work of third runway. The expansion of Terminal 2, construction of T2 Concourse, a new baggage handling system and automated people mover system are scheduled, the construction works on 3RS are in full swing. In addition, the development in Kai Tak Sports Park and Central Kowloon Route is still in progress, the Group has continued to contribute various types of construction machinery and vehicles for the associated projects.

In the future, our emphasis will remain on expanding our business through the undertaking of new construction projects and the providing of rental service for various construction machines and construction vehicles in Hong Kong.

REVENUE

During the Year, the Group had revenue generated from construction works and construction machinery rental. Set out below is the breakdown of revenue of the Group during the Year and the year ended 31 March 2023:

	Year ended 31 March	
	2024	2023
	HK\$'000	HK\$'000
Construction works	408,405	200,578
Construction machinery rental	320,123	310,438
	728,528	511,016

Revenue from construction works

During the Year, the revenue derived from our seventeen projects (2023: fourteen projects) amounted to approximately HK\$408.4 million (2023: HK\$200.6 million), accounting for approximately 56.1% (2023: 39.3%) of our total revenue. Such increase in revenue was the results of more new contracts and variation orders from existing projects and newly awarded contracts undertaken by the Group during the Year and increase in revenue in construction works contributed by the construction projects in Kai Tak Sports Peak, Sze Mei Street and 3RS during the Year, despite the revenue from Tung Chung Area 100 project decreased as the peak period was over. The Group had awarded four new projects and ten contracts from existing projects during the Year. The Group has been actively participating in tenders for new public and private construction projects.

As at 31 March 2024, there were sixteen projects on hand with total outstanding contract sum amounting to HK\$143.0 million. Fourteen projects are expected to be completed in the year ending 31 March 2025, one project is expected to be completed in the year ending 31 March 2026, one project is expected to be completed in the year ending 31 March 2027 and none of them is expected to have any material interruption.

Subsequent to 31 March 2024, the Group has been awarded a contract from a new project and two contracts from an existing project with contract sum of approximately HK\$105.1 million.

Below set out a list of projects during the Year:

Site location/Project	Type of works	Status
Anderson Road Quarry Site	Foundation and site formation works	Work in progress
West Kowloon Drainage Improvement – Inter-reservoirs Transfer Scheme	Foundation and site formation works	Completed
Kai Tak Sports Park	Foundation and site formation works	Work in progress
Hong Kong International Airport Automatic people mover (APM) and baggage handling system (BHS)	Foundation and site formation works	Work in progress
North Runway Modification Works – Airfield Pavement Works (Asphalt Pavement)	Builder's work and general building works	Work in progress

Site location/Project	Type of works	Status
North Runway Modification Works – Airfield Pavement Works (CASB and CABC and Subgrade Preparation)	Builder’s work and general building works	Work in progress
North Runway Modification Works – Eastern Vehicular Tunnel	Foundation and site formation works	Work in progress
Kai Tak Development Area – NKIL No. 6591	Foundation and site formation works	Work in progress
– NKIL No. 6554	Builder’s work and general building works	Work in progress
– NKIL No. 6577	Builder’s work and general building works	Work in progress
Central Kowloon Route – Kai Tak West Section	Foundation and site formation works	Work in progress
Tung Chung Area 100	Foundation and site formation works	Work in progress
District open space, sports centre cum public vehicle park at Sze Mei Street	Foundation and site formation works	Work in progress
Fire Station-cum-ambulance depot at Tseung Kwan O	Builder’s work and general building works	Work in progress
AIA Urban Campus Redevelopment	Foundation and site formation works	Work in progress
Tung Chung Line Extension	Foundation and site formation works	Work in progress
Public Housing Development at Pik Wan Road	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\$320.1 million (2023: HK\$310.4 million), accounting for approximately 43.9% (2023: 60.7%) of our total revenue. The increase in construction machinery rental revenue of the Group was mainly due to the increase in demand on construction machinery rental on the construction work of the 3RS of the Hong Kong International Airport during the Year.

GROSS PROFIT AND GROSS PROFIT MARGIN

The Group's total gross profit increased by approximately HK\$54.1 million, from gross profit of approximately HK\$3.7 million for the year ended 31 March 2023 to approximately HK\$57.8 million for the Year while the gross profit margin increased by approximately 7.2% as compared with previous year. The increase in gross profit was mainly attributable to (i) substantial increase in revenue of construction work, while the depreciation cost of property, plant and equipment substantially remains relatively stable for the Year; (ii) improvement on rental price of construction machinery; and (iii) enhancement of costs control during the Year. Below set out the breakdowns of the gross profit and gross profit margin of the Group:

	Year ended 31 March			
	2024		2023	
	Gross Profit <i>HK\$'000</i>	Gross Profit Margin	Gross Profit (Loss) <i>HK\$'000</i>	Gross Profit (Loss) Margin
Construction works	31,400	7.7%	6,633	3.3%
Construction machinery rental	26,371	8.2%	(2,955)	(1.0%)
	<u>57,771</u>	<u>7.9%</u>	<u>3,678</u>	<u>0.7%</u>

OTHER INCOME

The other income of the Group for the Year amounted to approximately HK\$4.5 million, representing a decrease of approximately 76.1% compared with approximately HK\$18.9 million for the previous year. Such decrease is mainly due to the one-off recognition of non-recurring government grants from the 2022 Employment Support Scheme under the Anti-epidemic Fund launched by the HKSAR government for the previous year, while no such income was recognized for the Year.

ADMINISTRATIVE EXPENSES

The administrative expenses of the Group for the Year amounted to approximately HK\$22.2 million, representing a decrease of approximately 6.9%, compared with approximately HK\$23.9 million for the previous year. Such decrease is mainly attributable to the effective cost control.

PROVISION FOR (REVERSAL OF) LOSS ALLOWANCE ON TRADE RECEIVABLES AND CONTRACT ASSETS

	Year ended 31 March	
	2024	2023
	HK\$'000	HK\$'000
Provision for loss allowance on trade receivables, net	1,562	8,796
(Reversal of) provision for loss allowance on contract assets, net	<u>(35)</u>	<u>1,147</u>

The net provision for loss allowance on trade receivables and contract assets for the Year amounted to approximately HK\$1.5 million as compared to net provision of loss allowance of HK\$9.9 million for the previous year. The decrease in provision is mainly attributable to expected credit loss provision made under individual assessment for some customers working for projects on the 3RS of Hong Kong International Airport in previous year.

FINANCE COSTS

The Group's finance costs increased by 38.7% from approximately HK\$10.6 million for the previous year to approximately HK\$14.7 million for the Year. Such increase is mainly due to the increase in interest rate of the interest-bearing liabilities.

NET PROFIT (LOSS)

As a result of the abovementioned, the Group reported a turnaround from loss to profit position for net profit of approximately HK\$22.2 million for the Year as compared to net loss of approximately HK\$22.0 million for the previous year.

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 cash generated from the operations and borrowings.

As at 31 March 2024, the Group had bank balances of approximately HK\$28.5 million (2023: HK\$27.3 million). The increase is mainly due to the cash generated from operations during the Year. The new bank borrowings during the Year were approximately HK\$240.5 million (2023: HK\$188.0 million). The total interest-bearing liabilities of the Group including bank borrowings and lease liabilities as at 31 March 2024 was approximately HK\$186.7 million (2023: HK\$213.0 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 2024 was approximately 72.7% (2023: 90.9%).

PLEDGE OF ASSETS

As at 31 March 2024, the Group's bank borrowings and lease liabilities were secured by the ownership interest in leasehold land and building and machinery and equipment with an aggregate net carrying value of approximately HK\$169.4 million (2023: HK\$169.5 million), deposits and prepayments for life insurances with an aggregate net book value of approximately HK\$19.6 million (2023: HK\$14.6 million) and pledged deposits with an aggregate net book value of approximately HK\$5.8 million (2023: HK\$5.6 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 Year.

EMPLOYEES AND REMUNERATION POLICY

As at 31 March 2024, the Group employed 500 (2023: 505) staffs. Total staff costs including Directors' emoluments for the Year amounted to approximately HK\$221.9 million (2023: HK\$193.4 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 machinery and motor vehicles. Our capital expenditure was principally funded by bank borrowings, leases and internal resources. The following table sets forth our Group's capital expenditure during the Year and previous year:

	Year ended 31 March	
	2024	2023
	HK\$'000	HK\$'000
Motor vehicles	30,035	35,009
Machinery	26,243	129,040
Others	14	63
	<u>56,292</u>	<u>164,112</u>

As at 31 March 2024, the Group had no material capital commitments.

CONTINGENT LIABILITIES

As at 31 March 2024, the Group was not involved in any ongoing employees' compensation and personal injury claim (2023: one of the subsidiaries of the Group was involved in an ongoing personal injury claim). Accordingly, no provision for the contingent liabilities in respect of the litigations is necessary.

EVENTS AFTER THE YEAR

There is no material subsequent event undertaken by the Company or by the Group after 31 March 2024 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.

PROSPECTS

The prospects of Hong Kong's construction industry are influenced by a variety of factors ranging from economic conditions to regulatory changes and technological advancements. Historically, construction industry is a robust sector contributing significantly to Hong Kong's economy.

One of the key drivers for the construction industry in Hong Kong is infrastructure development. The HKSAR government's commitment to major projects such as the Hong Kong International Airport expansion, various rail expansions including the East Kowloon Line and Kai Tak rapid transit, and the ongoing development of Lantau Tomorrow Vision and Northern Metropolis are pivotal. These projects not only boost employment within the construction sector but also stimulate related industries such as architecture, engineering, and materials supply.

Moreover, Hong Kong's strategic position within the Greater Bay Area initiative enhances its role as a hub for trade, finance, and logistics. This integration provides additional opportunities for infrastructure development, including bridges, tunnels, and other connectivity projects that strengthen economic ties between Hong Kong and neighboring cities.

Looking ahead, the Group remains cautiously optimistic about the prospects of the construction industry in Hong Kong, driven by long-term land and housing development. We will actively explore new opportunities in our core businesses and seek diversification to balance risks and opportunities, ensuring satisfactory long-term returns for our shareholders.

ANNUAL GENERAL MEETING (“AGM”)

The 2024 AGM will be held on Monday, 12 August 2024. 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 in due course.

Closure of Register of Members

The Hong Kong branch register of members of the Company will be closed from Wednesday, 7 August 2024 to Monday, 12 August 2024 (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, 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on Tuesday, 6 August 2024.

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, acting in compliance with code provisions of the Corporate Governance Code (the “CG Code”) as set out in Appendix C1 to the Listing Rules.

According to code provision C.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 Year 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.

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 C3 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 Ms. Tong Sze Sze Cecilia. 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 discussed with the independent auditor of the Company, SHINEWING (HK) CPA Limited (“SHINEWING”), and reviewed the Group’s results for the Year.

REVIEW OF ANNOUNCEMENT OF ANNUAL RESULTS BY THE INDEPENDENT AUDITOR

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 announcement of annual results have been agreed by the Company’s auditor, 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 annual 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, 27 June 2024

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 Ms. Tong Sze Sze Cecilia.