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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 2021

FINANCIAL HIGHLIGHTS

- Revenue was approximately HK\$435.6 million for the Year, representing an increase of approximately 39.6% as compared with the same for the year ended 31 March 2020.
- Gross profit was approximately HK\$21.9 million for the Year, representing an increase of approximately 64.4% as compared with the same for the year ended 31 March 2020.
- Gross profit margin increased to approximately 5.0% for the Year from 4.3% for the year ended 31 March 2020.
- Profit attributable to owners of the Company was approximately HK\$3.7 million for the Year as compared to loss attributable to owners of the Company of approximately HK\$15.6 million with the same for the year ended 31 March 2020.
- Earnings per share amounted to approximately 0.36 HK cent for the Year, as compared to loss per share amounted to approximately 1.5 HK cents for the year ended 31 March 2020.
- 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 2021 (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 2021

	<i>Notes</i>	2021 HK\$'000	2020 <i>HK\$'000</i> (Restated)
Revenue	3	435,594	312,074
Cost of sales		(413,677)	(298,739)
Gross profit		21,917	13,335
Other income	5	15,984	4,491
Reversal of loss allowance in trade receivables		–	6,557
Administrative expenses		(21,815)	(21,251)
Loss allowance on trade receivables		(7,746)	(10,190)
Loss allowance on contract assets		(1,366)	(1,060)
Finance costs	6	(5,322)	(6,304)
Profit (loss) before taxation	8	1,652	(14,422)
Income tax credit (expense)	7	2,086	(1,196)
Profit (loss) and total comprehensive income (expense) for the year		<u>3,738</u>	<u>(15,618)</u>
Profit (loss) and total comprehensive income (expense) for the year attributable to:			
– Owners of the Company		3,738	(15,598)
– Non-controlling interest		–	(20)
		<u>3,738</u>	<u>(15,618)</u>
EARNINGS (LOSS) PER SHARE	10		
– Basic and diluted		<u>0.36 HK cent</u>	<u>(1.50 HK cents)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2021

	<i>Notes</i>	2021 HK\$'000	2020 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		149,637	138,935
Deposits paid for acquisition of property, plant and equipment		4,655	2,249
Pledged deposits		1,789	3,946
		<hr/> 156,081 <hr/>	<hr/> 145,130 <hr/>
Current assets			
Trade receivables	11	149,503	144,120
Contract assets		50,267	39,666
Deposits, prepayments and other receivables		14,948	20,335
Income tax recoverable		–	30
Pledged deposits		2,157	–
Bank balances and cash		16,781	13,507
		<hr/> 233,656 <hr/>	<hr/> 217,658 <hr/>
Current liabilities			
Trade and other payables	12	75,883	64,291
Amount due to a related company		–	260
Bank borrowings		40,602	26,676
Income tax payable		38	–
Lease liabilities		39,389	47,026
		<hr/> 155,912 <hr/>	<hr/> 138,253 <hr/>
Net current assets		<hr/> 77,744 <hr/>	<hr/> 79,405 <hr/>
Total assets less current liabilities		<hr/> 233,825 <hr/>	<hr/> 224,535 <hr/>
Non-current liabilities			
Lease liabilities		34,275	26,591
Deferred tax liabilities		7,571	9,703
		<hr/> 41,846 <hr/>	<hr/> 36,294 <hr/>
Net assets		<hr/> 191,979 <hr/>	<hr/> 188,241 <hr/>
Capital and reserves			
Share capital		10,375	10,375
Reserves		181,620	177,882
		<hr/> 191,995 <hr/>	<hr/> 188,257 <hr/>
Equity attributable to owners of the Company		191,995	188,257
Non-controlling interest		(16)	(16)
		<hr/> 191,979 <hr/>	<hr/> 188,241 <hr/>
Total equity		<hr/> 191,979 <hr/>	<hr/> 188,241 <hr/>

NOTES

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. The immediate holding company and ultimate holding company of the Company is Profit Gold Global Limited, a limited company incorporated in the British Virgin Islands. The ultimate beneficial owner of the Company is Mr. Wu Wing Hang, 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 Group was also engaged in trading of construction machinery during the year ended 31 March 2020 which was discontinued during the year ended 31 March 2021 (note 4).

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 (“HKFRS(s)”)

In the current year, the Group has applied, for its first time, the Amendments to References to the Conceptual Framework in Hong Kong Financial Reporting Standards (“HKFRS(s)”) and the following amendments to HKFRSs, which include HKFRSs, Hong Kong Accounting Standards (“HKAS(s)”), amendments and interpretations, issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) which are effective for the Group’s financial year beginning 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 amendments to HKFRSs in the current year has had no material impact on the Group’s financial performance and position for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

New and amendments to HKFRSs issued but not yet effective

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

HKFRS 17	Insurance Contracts and Related Amendments ⁵
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ⁵
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 ⁵
Amendments to HKAS 8	Disclosure of Accounting Estimates ⁵
Amendments to HKAS 12	Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction ⁵
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use ³
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract ³
Amendments to HKFRS 3	Reference to Conceptual Framework ³
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2 ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ²
Amendments to HKFRS 16	COVID-19-Related Rent Concessions ⁴
Amendments to HKFRS 16	COVID-19-Related Rent Concessions Beyond 30 June 2021 ⁶
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018 – 2020 Cycle ³

¹ Effective for annual periods beginning on or after 1 January 2021.

² Effective for annual periods beginning on or after a date to be determined.

³ Effective for annual periods beginning on or after 1 January 2022.

⁴ Effective for annual periods beginning on or after 1 June 2020.

⁵ Effective for annual periods beginning on or after 1 January 2023.

⁶ Effective for annual periods beginning on or after 1 April 2021.

The directors of the Company anticipate that the application of the above new and 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:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<i>Revenue from contracts with customers within the scope of HKFRS 15</i>		
– Construction works	194,450	118,353
<i>Revenue from other source</i>		
– Construction machinery rental	241,144	193,721
	<u>435,594</u>	<u>312,074</u>

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<i>Timing of revenue recognition</i>		
– Over time	<u>194,450</u>	<u>118,353</u>

Transaction price allocated to the remaining performance obligations

As at 31 March 2021, the aggregate amount of transaction price allocated to the performance obligations that are unsatisfied (or partially unsatisfied) is approximately HK\$148,118,000 (2020: HK\$32,266,000). 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 18 (2020: 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

During the year ended 31 March 2021, the directors of the Company decided to terminate the trading of construction machinery business, which represents a separate line of business. As a result, the operating segment of trading of construction machinery has been ceased in this regard.

There were no profit or loss, results, assets and liabilities arising from the discontinued operation during the years ended 31 March 2021 and 2020.

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 2021

	Construction works <i>HK\$'000</i>	Construction machinery rental <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue			
External revenue	194,450	241,144	435,594
Inter-segment revenue	—	112,396	112,396
	<u>194,450</u>	<u>353,540</u>	
Segment revenue	<u>194,450</u>	<u>353,540</u>	547,990
Eliminations			<u>(112,396)</u>
Group's revenue			<u>435,594</u>
Segment (loss) profit	<u>(1,286)</u>	<u>3,018</u>	1,732
Unallocated income			15,984
Unallocated corporate expenses			(10,742)
Unallocated finance costs			<u>(5,322)</u>
Profit before taxation			<u>1,652</u>

For the year ended 31 March 2020

	Construction works <i>HK\$'000</i>	Construction machinery rental <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue			
External revenue	118,353	193,721	312,074
Inter-segment revenue	—	84,224	84,224
	<u>118,353</u>	<u>277,945</u>	
Segment revenue	<u>118,353</u>	<u>277,945</u>	396,298
Eliminations			<u>(84,224)</u>
Group's revenue			<u>312,074</u>
Segment loss	<u>(1,850)</u>	<u>(2,549)</u>	(4,399)
Unallocated income			4,491
Unallocated corporate expenses			(8,210)
Unallocated finance costs			<u>(6,304)</u>
Loss before taxation			<u>(14,422)</u>

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment (loss) profit represents the (loss from) profit earned by each segment without allocation of central administration costs, certain 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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Construction works	129,097	117,758
Construction machinery rental	<u>232,975</u>	<u>217,253</u>
Total segment assets	362,072	335,011
Corporate and other assets	<u>27,665</u>	<u>27,777</u>
Total assets	<u><u>389,737</u></u>	<u><u>362,788</u></u>

Segment liabilities

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Construction works	67,669	62,671
Construction machinery rental	<u>79,935</u>	<u>73,275</u>
Total segment liabilities	147,604	135,946
Corporate and other liabilities	<u>50,154</u>	<u>38,601</u>
Total liabilities	<u><u>197,758</u></u>	<u><u>174,547</u></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, income tax payable 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\$149,637,000 (2020: HK\$138,935,000) and HK\$73,664,000 (2020: HK\$73,617,000) respectively 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\$1,482,000 (2020: HK\$486,000) and HK\$4,090,000 (2020: HK\$4,966,000) 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 loss of construction works would be approximately HK\$2,116,000 (2020: HK\$4,823,000) and segment profit of construction machinery rental would be approximately HK\$1,240,000 (2020: segment loss of approximately HK\$4,056,000) for the year ended 31 March 2021.

Other segment information

For the year ended 31 March 2021

	Construction works HK\$'000	Construction machinery rental HK\$'000	Unallocated HK\$'000	Total HK\$'000
Amounts include in the measure of segment profit or loss or segment assets:				
Addition to non-current assets (<i>note</i>)	22,360	52,581	–	74,941
Deposits paid for acquisition of property, plant and equipment	1,652	3,003	–	4,655
Depreciation of property, plant and equipment	21,665	38,421	–	60,086
Loss allowance on trade receivables	2,265	5,481	–	7,746
Loss allowance on contract assets	1,366	–	–	1,366
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	–	–	(1,482)	(1,482)
Finance costs	–	–	5,322	5,322
Income tax credit	–	–	(2,086)	(2,086)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

For the year ended 31 March 2020

	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 loss or segment assets:				
Additions to non-current assets (<i>note</i>)	35,793	58,586	–	94,379
Deposits paid for acquisition of property, plant and equipment	853	1,396	–	2,249
Depreciation of property, plant and equipment	24,475	33,570	–	58,045
Loss allowance on trade receivables	3,865	6,325	–	10,190
Reversal of loss allowance on trade receivables	(2,487)	(4,070)	–	(6,557)
Loss allowance on contract assets	1,060	–	–	1,060
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss or segment assets:				
Bank interest income	–	–	(1)	(1)
Gain on disposal of property, plant and equipment	–	–	(486)	(486)
Finance costs	–	–	6,304	6,304
Income tax expense	–	–	1,196	1,196
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Note: Non-current assets excluded deposits paid for acquisition 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:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Customer A ¹	86,587	55,004
Customer B ²	70,940	N/A ⁵
Customer C ³	64,818	36,941
Customer D ⁴	N/A ⁵	33,887
	<u> </u>	<u> </u>

¹ Revenue from construction works and construction machinery rental segments

² Revenue from construction works segment

³ Revenue from construction machinery rental segment

⁴ Revenue from construction works segment

⁵ The corresponding revenue did not contribute over 10% of the total revenue of the Group

Geographical information

During the year ended 31 March 2021, the Group is organised into two operating segments as construction works and construction machinery rental (2020: three operating segments as construction works, construction machinery rental and trading of construction machinery) primarily in Hong Kong and all revenue, expenses, results, assets and liabilities and capital expenditures are predominantly attributable to these segments. Accordingly, no geographical information is presented.

5. OTHER INCOME

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i> (Restated)
Government grants	13,009	–
Sales of scrap materials	210	1,391
Insurance claims	414	995
Auxiliary and other service income	869	1,618
Gain on disposal of property, plant and equipment	1,482	486
Bank interest income	–	1
	<u>15,984</u>	<u>4,491</u>

6. FINANCE COSTS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Interest on:		
– bank borrowings	1,232	1,338
– lease liabilities	4,090	4,966
	<u>5,322</u>	<u>6,304</u>

7. INCOME TAX (CREDIT) EXPENSE

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Current tax:		
– Hong Kong Profits Tax	46	–
Over-provision in prior years:		
– Hong Kong Profits Tax	–	(1,114)
Deferred taxation	<u>(2,132)</u>	<u>2,310</u>
Income tax (credit) expense	<u>(2,086)</u>	<u>1,196</u>

8. PROFIT (LOSS) BEFORE TAXATION

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Profit (loss) before taxation has been arrived at after charging:		
Directors' emoluments	4,361	4,316
Other staff:		
– Salaries, wages and other benefits	140,338	108,460
– Retirement benefits scheme contributions	4,960	3,874
	<u>149,659</u>	<u>116,650</u>
Total staff costs		
	<u>149,659</u>	<u>116,650</u>
Auditor's remuneration	894	894
Depreciation of property, plant and equipment	60,086	58,045
Exchange loss	–	15
	<u>–</u>	<u>15</u>

9. DIVIDEND

No dividend was paid or proposed during the years ended 31 March 2021 and 2020, 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:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Earnings (loss)		
Earnings (loss) for the purpose of basic and diluted earnings (loss) per share, representing profit (loss) for the year attributable to owners of the Company	<u>3,738</u>	<u>(15,598)</u>
	2021	2020
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings (loss) per share (<i>'000 shares</i>)	<u>1,037,500</u>	<u>1,037,500</u>

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 2021 and 2020.

11. TRADE RECEIVABLES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade receivables, at amortised cost	174,867	161,738
Less: loss allowance on trade receivables	<u>(25,364)</u>	<u>(17,618)</u>
	<u>149,503</u>	<u>144,120</u>

As at 31 March 2021, the gross amount of trade receivables arising from contracts with customers in respect of construction works amounted to approximately HK\$22,423,000 (2020: HK\$17,844,000).

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Within 30 days	34,408	25,204
31 to 60 days	44,734	31,109
61 to 90 days	17,943	1,884
91 to 180 days	8,989	23,279
181 to 365 days	19,452	17,601
Over 365 days	<u>23,977</u>	<u>45,043</u>
	<u>149,503</u>	<u>144,120</u>

12. TRADE AND OTHER PAYABLES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade payables	38,032	32,146
Other payables	17,393	16,693
Accruals	20,458	15,452
	<u>75,883</u>	<u>64,291</u>

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Within 30 days	10,489	10,440
31 to 60 days	11,012	12,526
61 to 90 days	4,451	419
91 to 365 days	10,287	8,761
Over 365 days	1,793	–
	<u>38,032</u>	<u>32,146</u>

The average credit period granted is 30 (2020: 30) days. The Group has financial risk management in place to ensure that all payables are settled within the credit timeframe.

13. COMPARATIVE FIGURES

The comparative figures of other income of approximately HK\$6,557,000 for the year ended 31 March 2020 were classified to reversal of loss allowance on trade receivables to conform with the current's year presentation of the consolidated financial statements.

The comparative figures of administrative expenses of approximately HK\$10,190,000 and HK\$1,060,000 for the year ended 31 March 2020 were classified to loss allowance on trade receivables and contract assets respectively to conform with the current's year presentation of the consolidated financial statements.

The reclassifications have no material impact on the Group's total equity as at 31 March 2020 or the Group's profit or loss for the year ended 31 March 2020.

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.

As the Group has faced difficulties in identifying potential customers in trading of construction machinery business, the operating segment of trading of construction machinery has been discontinued and ceased during the Year.

The overall performance was greatly improved due to certain new foundation projects commenced during the Year and the improvement of the construction machinery rental business as a result of the increasing demand from some of the infrastructure and reclamation projects in Hong Kong. Moreover, 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 Year.

Going forward, we will continue to focus on developing our business by undertaking new construction projects and rental arrangements of construction machinery 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 2020:

	Year ended 31 March	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Construction works	194,450	118,353
Construction machinery rental	241,144	193,721
	<u>435,594</u>	<u>312,074</u>

Revenue from construction works

During the Year, the revenue derived from our eight projects (2020: seven projects) amounted to approximately HK\$194.5 million (2020: HK\$118.4 million), accounting for approximately 44.6% (2020: 37.9%) of our total revenue. Such increase in revenue was the results of revenue in construction works contributed by the construction projects mainly from Anderson Road Quarry Site, Kai Tak Sports Park and Temporary Quarantine Facilities at Penny's Bay during the Year. The Group had awarded two new projects and nine 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 2021, there were six projects on hand with total outstanding contract sum amounting to HK\$148.1 million. Five projects are expected to be completed in the year ending 31 March 2022, one project is expected to be completed in the year ending 31 March 2023 and none of them is expected to have any material interruption.

Below set out a list of projects during the Year:

Site Location/Project	Type of Works	Status
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	Completed
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

Site Location/Project	Type of Works	Status
Kai Tak Sports Park	Foundation and site formation works	Work in progress
Temporary Quarantine Facilities at Penny's Bay (Phase IIIA)	Foundation and site formation works	Completed
Tseung Kwan O – Lam Tin Tunnel	Foundation and site formation works	Completed

Revenue from construction machinery rental

During the Year, the revenue derived from the construction machinery rental amounted to approximately HK\$241.1 million (2020: HK\$193.7 million), accounting for approximately 55.4% (2020: 62.1%) of our total revenue. The substantial increase in construction machinery rental income of the Group was mainly the result of some of the infrastructure and reclamation projects in Hong Kong, namely Three-runway system at Chek Lap Kok Airport and Tung Chung New Town Extension, have been in progress during the Year, thus, have increasing demand on our machinery fleet on those sites.

GROSS PROFIT AND GROSS PROFIT MARGIN

The Group's total gross profit increased by approximately HK\$8.6 million, from gross profit of approximately HK\$13.3 million for the year ended 31 March 2020 to approximately HK\$21.9 million for the Year while the gross profit margin increased by approximately 0.7% as compared with previous year. The increase in gross profit margin was mainly attributable to (i) the increase in the revenue from construction machinery rental during the Year; and (ii) the increase gross profit margin with higher average rental price of our fleet of machinery; partially set-off by the adverse effect in (i) lower gross profit margin derived from the new projects undertaken by the Group due to keen competition with market competitors; and (ii) the additional construction costs were incurred in certain projects which towards the ending phase during the Year. Below set out the breakdowns of the gross profit and gross profit margin of the Group:

	Year ended 31 March			
	2021		2020	
	Gross Profit	Gross Profit	Gross Profit	Gross Profit
	Margin	Margin	Margin	Margin
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Construction works	4,374	2.2%	5,322	4.5%
Construction machinery rental	17,543	7.3%	8,013	4.1%
	<u>21,917</u>	<u>5.0%</u>	<u>13,335</u>	<u>4.3%</u>

OTHER INCOME

The other income of the Group for the Year amounted to approximately HK\$16.0 million, representing an increase of approximately 255.9% compared with approximately HK\$4.5 million for the previous year. Such increase is mainly due to the recognition of non-recurring government grants of approximately HK\$13.0 million mainly from the Anti-epidemic Fund launched by the HKSAR government during the Year, while no such income was recognised for the previous year.

ADMINISTRATIVE EXPENSES

The administrative expenses of the Group for the Year amounted to approximately HK\$21.8 million, representing an increase of approximately 2.7% compared with approximately HK\$21.3 million for the previous year. Such increase is mainly attributable to the increase in administrative staff costs.

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

	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Reversal of loss allowance on trade receivables	–	(6,557)
Loss allowance on trade receivables	7,746	10,190
Loss allowance on contract assets	1,366	1,060

The net effect of loss allowance on trade receivables and contract assets for the Year amounted to approximately HK\$9.1 million as compared to net effect of HK\$4.7 million for the previous year. The increase in the loss allowance is mainly due to the default risk has increased globally because of the outbreak of COVID-19.

NET PROFIT/(LOSS)

Profit after tax of approximately HK\$3.7 million for the Year as compared to loss of approximately HK\$15.6 million for the previous year. The turnaround from loss to profit is mainly attributable to the substantial increase in all revenue line and the recognition of non-recurring government grants during the 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 its own operating activities.

As at 31 March 2021, the Group had bank balances of approximately HK\$16.8 million (2020: HK\$13.5 million). The increase is mainly due to the government grants received during the year. The new bank borrowings during the Year was approximately HK\$90.0 million (2020: HK\$77.7 million). The total interest-bearing liabilities of the Group including bank borrowings and lease liabilities as at 31 March 2021 was approximately HK\$114.3 million (2020: 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 31 March 2021 was approximately 59.5% (2020: 53.3%).

PLEDGE OF ASSETS

As at 31 March 2021, 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\$78.2 million (2020: HK\$82.6 million), deposits and prepayments for life insurances with an aggregate net book value of approximately HK\$6.7 million (2020: HK\$10.1 million) and pledged deposits with an aggregate net book value of approximately HK\$3.9 million (2020: 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 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 2021, the Group employed 512 (2020: 386) staff. Total staff costs including Directors' emoluments for the Year amounted to approximately HK\$149.7 million (2020: HK\$116.7 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 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:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Motor vehicles	19,277	18,748
Machinery	43,321	75,625
Others	12,343	6
	74,941	94,379

CONTINGENT LIABILITIES

As at 31 March 2021, the Group did not have any significant contingent liabilities.

As at 31 March 2020, one of the subsidiaries has been named as defendant in one High Court actions in respect of claim for compensation of personal injury for an amount of approximately HK\$4.5 million in aggregate. The court case was settled during the Year.

EVENTS AFTER THE YEAR

There is no material subsequent event undertaken by the Company or by the Group after 31 March 2021 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 COVID-19 pandemic that broke out in early 2020 has brought economic uncertainty to Hong Kong and negatively affected the construction industry, including supply chain disruptions, labor shortages due to illness and preventive quarantine, and temporarily work stoppages due to government measures, however, the government still keeps up its investment in Hong Kong for both short term and sustaining long term growth. Moreover, with the introduction of the vaccine, the COVID-19 epidemic is expected to be brought under control in the future, thus boosting the atmosphere of the construction industry. The government reiterated its commitment to infrastructure in the 2020–21 Budget and announced that the annual capital works expenditure for infrastructure projects in the next few years is expected to reach an average of HK\$100 billion. It is expected that construction projects will maintain a stable level in the next few years, and the Group expects the construction industry to rebound in the future.

As to the Group, we are confident with the prospects of the Group for the next few years as we have secured several projects which could ensure sustainability of the Group. Furthermore, to maintain our competitiveness, the Group has replaced and enhanced our fleet of machinery to strengthen the market position in Hong Kong to capture more sizeable and profitable projects and construction machinery rental business in the future. Premised on those competitive edges of the Group, the Board remain confident with the future development of the Group.

ANNUAL GENERAL MEETING (“AGM”)

The 2021 AGM will be held on Tuesday, 10 August 2021. 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 Thursday, 5 August 2021 to Tuesday, 10 August 2021 (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 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong not later than 4:30 p.m. on Wednesday, 4 August 2021.

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 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 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.ppggh.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 2021

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.