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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 2022

FINANCIAL HIGHLIGHTS

- Revenue was approximately HK\$515.9 million for the Year, representing an increase of approximately 18.4% as compared with the same for the year ended 31 March 2021.
- Gross profit was approximately HK\$33.6 million for the Year, representing an increase of approximately 53.5% as compared with the same for the year ended 31 March 2021.
- Gross profit margin increased to approximately 6.5% for the Year from 5.0% for the year ended 31 March 2021.
- Profit attributable to owners of the Company was approximately HK\$12.1 million for the Year as compared to profit attributable to owners of the Company of approximately HK\$3.7 million with the same for the year ended 31 March 2021.
- Earnings per share amounted to approximately 1.17 HK cents for the Year, as compared to earnings per share amounted to approximately 0.36 HK cent for the year ended 31 March 2021.
- 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 2022 (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 2022

	<i>Notes</i>	2022 HK\$'000	2021 HK\$'000
Revenue	3	515,948	435,594
Cost of sales		(482,309)	(413,677)
Gross profit		33,639	21,917
Other income	5	7,537	15,984
Administrative expenses		(23,581)	(21,815)
Reversal of (provision for) loss allowance on trade receivables		2,284	(7,746)
Provision for loss allowance on contract assets		(684)	(1,366)
Finance costs	6	(6,477)	(5,322)
Profit before taxation	8	12,718	1,652
Income tax (expense) credit	7	(587)	2,086
Profit and total comprehensive income for the year		12,131	3,738
Profit and total comprehensive income for the year attributable to:			
– Owners of the Company		12,131	3,738
– Non-controlling interest		–	–
		12,131	3,738
EARNINGS PER SHARE	10		
– Basic and diluted		1.17 HK cents	0.36 HK cent

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2022

	<i>Notes</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		214,779	149,637
Deposits paid for acquisition of property, plant and equipment		3,596	4,655
Pledged deposits		799	1,789
		<u>219,174</u>	<u>156,081</u>
Current assets			
Trade receivables	11	162,514	149,503
Contract assets		48,510	50,267
Deposits, prepayments and other receivables		20,126	14,948
Pledged deposits		3,477	2,157
Bank balances and cash		17,256	16,781
		<u>251,883</u>	<u>233,656</u>
Current liabilities			
Trade and other payables	12	76,794	75,883
Bank borrowings		78,837	40,602
Income tax payable		3	38
Lease liabilities		41,407	39,389
		<u>197,041</u>	<u>155,912</u>
Net current assets		<u>54,842</u>	<u>77,744</u>
Total assets less current liabilities		<u>274,016</u>	<u>233,825</u>
Non-current liabilities			
Lease liabilities		61,919	34,275
Deferred tax liabilities		7,987	7,571
		<u>69,906</u>	<u>41,846</u>
Net assets		<u>204,110</u>	<u>191,979</u>
Capital and reserves			
Share capital		10,375	10,375
Reserves		193,751	181,620
Equity attributable to owners of the Company		204,126	191,995
Non-controlling interest		(16)	(16)
Total equity		<u>204,110</u>	<u>191,979</u>

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 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 following amendments to Hong Kong Financial Reporting Standards (“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 2021:

Amendments to HKFRS 16	Covid-19-Related Rent Concessions
Amendments to HKFRS 9, Hong Kong Accounting Standard (“HKAS”) 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2
Amendments to HKFRS 16	Covid-19-Related Rent Concessions, beyond 30 June 2021

The application of the 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 the 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 ²
Initial Application of HKFRS 17 and HKFRS 9	Comparative Information (Amendment to HKFRS 17) ²
Amendments to HKFRS 3	Reference to the Conceptual Framework ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
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 ²

Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ²
Amendments to HKAS 8	Definition of Accounting Estimates ²
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ²
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use ¹
Amendments to HKAS 37	Onerous Contracts: Cost of Fulfilling a Contract ¹
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020 Cycle ¹

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

² Effective for annual periods beginning on or after 1 January 2023.

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 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:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
<i>Revenue from contracts with customers within the scope of HKFRS 15</i>		
– Construction works	177,087	194,450
<i>Revenue from provision of machinery rental within the scope of HKFRS 16</i>		
– Construction machinery rental	338,861	241,144
	<u>515,948</u>	<u>435,594</u>

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
<i>Timing of revenue recognition</i>		
– Over time	177,087	194,450

Transaction price allocated to the remaining performance obligations

As at 31 March 2022, the aggregate amount of transaction price allocated to the performance obligations that are unsatisfied (or partially unsatisfied) is approximately HK\$121,178,000 (2021: HK\$148,118,000). 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 (2021: 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 resolved 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 year ended 31 March 2021.

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 2022

	Construction works HK\$'000	Construction machinery rental HK\$'000	Total HK\$'000
Revenue			
External revenue	177,087	338,861	515,948
Inter-segment revenue	–	165,409	165,409
	<hr/>	<hr/>	<hr/>
Segment revenue	177,087	504,270	681,357
	<hr/> <hr/>	<hr/> <hr/>	
Eliminations			(165,409)
			<hr/>
Group's revenue			515,948
			<hr/> <hr/>
Segment profit	6,788	15,226	22,014
	<hr/> <hr/>	<hr/> <hr/>	
Unallocated income			7,537
Unallocated corporate expenses			(10,356)
Unallocated finance costs			(6,477)
			<hr/>
Profit before taxation			12,718
			<hr/> <hr/>

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>

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, certain 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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Construction works	141,214	129,097
Construction machinery rental	296,170	232,975
	<u>437,384</u>	<u>362,072</u>
Total segment assets	437,384	362,072
Corporate and other assets	33,673	27,665
	<u>471,057</u>	<u>389,737</u>
Total assets	<u>471,057</u>	<u>389,737</u>

Segment liabilities

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Construction works	77,515	67,669
Construction machinery rental	<u>100,653</u>	<u>79,935</u>
Total segment liabilities	178,168	147,604
Corporate and other liabilities	<u>88,779</u>	<u>50,154</u>
Total liabilities	<u><u>266,947</u></u>	<u><u>197,758</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 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 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\$214,779,000 (2021: HK\$149,637,000) and HK\$103,326,000 (2021: HK\$73,664,000) 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\$3,300,000 (2021: HK\$1,482,000) and HK\$4,790,000 (2021: HK\$4,090,000) 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\$6,401,000 (2021: segment loss of approximately HK\$2,116,000) and segment profit of construction machinery rental would be approximately HK\$14,122,000 (2021: HK\$1,240,000) for the year ended 31 March 2022.

Other segment information

For the year ended 31 March 2022

	Construction works HK\$'000	Construction machinery rental HK\$'000	Unallocated HK\$'000	Total HK\$'000
Amounts included in the measure of segment profit or segment assets:				
Addition to non-current assets (<i>note</i>)	48,359	92,185	–	140,544
Deposits paid for acquisition of property, plant and equipment	1,234	2,362	–	3,596
Depreciation of property, plant and equipment	24,597	47,065	–	71,662
Reversal of loss allowance on trade receivables	(594)	(1,690)	–	(2,284)
Provision for loss allowance on contract assets	684	–	–	684
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or segment assets:				
Gain on disposal of property, plant and equipment	–	–	(3,300)	(3,300)
Finance costs	–	–	6,477	6,477
Income tax expense	–	–	587	587
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

For the year ended 31 March 2021

	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:				
Additions 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
Provision for loss allowance on trade receivables	2,265	5,481	–	7,746
Provision for 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>

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:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Customer A ¹	94,849	70,940
Customer B ²	67,999	N/A ³
Customer C ¹	66,243	86,587
Customer D ²	53,054	64,818
	<u>53,054</u>	<u>64,818</u>

¹ Revenue from construction works and construction machinery rental segments

² Revenue from construction machinery rental segment

³ The corresponding revenue did not contribute over 10% of the total revenue of the Group

Geographical information

During the year ended 31 March 2022, the Group is organised into two operating segments as construction works and construction machinery rental (2021: 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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Government grants	1,280	13,009
Sales of scrap materials	89	210
Insurance claims	1,350	414
Auxiliary and other service income	1,518	869
Gain on disposal of property, plant and equipment	3,300	1,482
	<u>7,537</u>	<u>15,984</u>

6. FINANCE COSTS

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Interest on:		
– bank borrowings	1,687	1,232
– lease liabilities	4,790	4,090
	<u>6,477</u>	<u>5,322</u>

7. INCOME TAX EXPENSE (CREDIT)

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Current tax:		
– Hong Kong Profits Tax	115	46
Under-provision in prior years:		
– Hong Kong Profits Tax	56	–
Deferred taxation	<u>416</u>	<u>(2,132)</u>
Income tax expense (credit)	<u><u>587</u></u>	<u><u>(2,086)</u></u>

8. PROFIT BEFORE TAXATION

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Profit before taxation has been arrived at after charging:		
Directors' emoluments	4,361	4,361
Other staff:		
– Salaries, wages, allowances and other benefits	183,530	140,338
– Retirement benefits scheme contributions	<u>5,686</u>	<u>4,960</u>
Total staff costs	<u>193,577</u>	<u>149,659</u>
Auditor's remuneration	894	894
Depreciation of property, plant and equipment	71,662	60,086
Exchange loss	<u>46</u>	<u>–</u>

9. DIVIDEND

No dividend was paid or proposed during the years ended 31 March 2022 and 2021, 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:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Earnings		
Earnings for the purpose of basic and diluted earnings per share, representing profit for the year attributable to owners of the Company	<u><u>12,131</u></u>	<u><u>3,738</u></u>

	2022	2021
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share (<i>'000 shares</i>)	<u>1,037,500</u>	<u>1,037,500</u>

The diluted earnings per share is equal to the basic earnings per share as there were no dilutive potential ordinary shares outstanding during the years ended 31 March 2022 and 2021.

11. TRADE RECEIVABLES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade receivables, at amortised cost	185,594	174,867
Less: loss allowance on trade receivables	<u>(23,080)</u>	<u>(25,364)</u>
	<u>162,514</u>	<u>149,503</u>

As at 31 March 2022 the gross amount of trade receivables arising from contracts with customers in respect of construction works amounted to approximately HK\$14,338,000 (2021: HK\$22,423,000).

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.

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Within 30 days	29,583	34,408
31 to 60 days	48,054	44,734
61 to 90 days	13,016	17,943
91 to 180 days	26,241	8,989
181 to 365 days	29,819	19,452
Over 365 days	<u>15,801</u>	<u>23,977</u>
	<u>162,514</u>	<u>149,503</u>

12. TRADE AND OTHER PAYABLES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade payables	37,919	38,032
Other payables	19,276	17,393
Accruals	<u>19,599</u>	<u>20,458</u>
	<u>76,794</u>	<u>75,883</u>

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

	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 30 days	5,995	10,489
31 to 60 days	7,001	11,012
61 to 90 days	3,816	4,451
91 to 365 days	19,584	10,287
Over 365 days	1,523	1,793
	37,919	38,032

The average credit period granted is 30 (2021: 30) days. The Group has financial risk management in place to ensure that all payables are settling within the credit timeframe.

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 overall performance was improved due to better cost control on our construction projects 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.

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 2021:

	Year ended 31 March	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Construction works	177,087	194,450
Construction machinery rental	338,861	241,144
	515,948	435,594

Revenue from construction works

During the Year, the revenue derived from our nine projects (2021: eight projects) amounted to approximately HK\$177.1 million (2021: HK\$194.5 million), accounting for approximately 34.3% (2021: 44.6%) of our total revenue. Such decrease in revenue was the results of revenue in construction works contributed by the construction projects mainly from the construction peak time has passed in Anderson Road Quarry Site, substantial completion in Ap Lei Chau and completion of project in Tuen Mun – Chek Lap Kok Link during the Year. The Group had awarded five new projects and two 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 2022, there were nine projects on hand with total outstanding contract sum amounting to HK\$121.2 million. Eight projects are expected to be completed in the year ending 31 March 2023, one project is expected to be completed in the year ending 31 March 2024 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
Anderson Road Quarry Site	Foundation and site formation works	Work in progress
Yau Tong	Foundation and site formation works	Completed
Tuen Mun – Chek Lap Kok Link – Northern Connection Sub-sea Tunnel Section	Foundation and site formation works	Completed
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 Tak Sports Park	Foundation and site formation works	Work in progress
Temporary Quarantine Facilities at Penny’s Bay	Foundation and site formation works	Completed
Hong Kong International Airport – automatic people mover (APM) and baggage handling system (BHS)	Foundation and site formation works	Work in progress
Tung Tau – Transitional Housing Project	Foundation and site formation works	Work in progress
Kai Tak Development Area – NKIL No. 6591	Foundation and site formation works	Work in progress
Kai Tak Development Area – NKIL No. 6554	Builder’s work and general building works	Not yet commenced
Kai Tak Development Area – NKIL No. 6577	Builder’s work and general building works	Not yet commenced

Revenue from construction machinery rental

During the Year, the revenue derived from the construction machinery rental amounted to approximately HK\$338.9 million (2021: HK\$241.1 million), accounting for approximately 65.7% (2021: 55.4%) of our total revenue. The substantial increase in construction machinery rental revenue of the Group was mainly the result of some of the infrastructure and reclamation projects in Hong Kong, namely Three-runway system and Terminal 2 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. In addition, the construction of community isolation and treatment facilities were further increased the demand for our machinery fleet.

GROSS PROFIT AND GROSS PROFIT MARGIN

The Group's total gross profit increased by approximately HK\$11.7 million, from gross profit of approximately HK\$21.9 million for the year ended 31 March 2021 to approximately HK\$33.6 million for the Year while the gross profit margin increased by approximately 1.5% as compared with previous year. The increase in gross profit was mainly attributable two (i) the increase in the revenue from construction machinery rental during the Year due to the increasing demand and higher average rental price of our machinery fleet; and (ii) the improvement in gross profit margin on construction works as more use of sub-contractors to perform over the construction works to achieve better cost control and new projects with higher gross profit margin were undertaken by the Group during the Year; as partially set-off by the adverse effect of the increase in the labour cost during the Year. Below set out the breakdowns of the gross profit and gross profit margin of the Group:

	2022		2021	
	Gross Profit	Gross Profit	Gross Profit	Gross Profit
	HK\$'000	Margin	HK\$'000	Margin
Construction works	8,471	4.8%	4,374	2.2%
Construction machinery rental	25,168	7.4%	17,543	7.3%
	<u>33,639</u>	<u>6.5%</u>	<u>21,917</u>	<u>5.0%</u>

OTHER INCOME

The other income of the Group for the Year amounted to approximately HK\$7.5 million, representing a decrease of approximately 52.8% compared with approximately HK\$16.0 million for the previous year. Such decrease 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 for the previous year, while the government grants from Construction Innovation and Technology Fund of approximately HK\$1.3 million was recognised during the Year.

ADMINISTRATIVE EXPENSES

The administrative expenses of the Group for the Year amounted to approximately HK\$23.6 million, representing an increase of approximately 8.1% compared with approximately HK\$21.8 million for the previous year. Such increase is mainly attributable to the increase in business volume and insurance costs.

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

	Year ended 31 March	
	2022	2021
	HK\$'000	HK\$'000
(Reversal of) provision for loss allowance on trade receivables, net	(2,284)	7,746
Provision for loss allowance on contract assets	<u>684</u>	<u>1,366</u>

The net effect of reversal of loss allowance on trade receivables and contract assets for the Year amounted to approximately HK\$1.6 million as compared to net effect of loss allowance of HK\$9.1 million for the previous year. The reversal of the loss allowance is mainly due to the recovery of credit impaired debts.

NET PROFIT

The Group reported a net profit of approximately HK\$12.1 million (2021: HK\$3.7 million), representing an increase of approximately 224.5%. The increase is mainly attributable to the substantial increase in revenue generated from the construction machinery rental and the improvement of gross profit margin 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 and bank borrowings.

As at 31 March 2022, the Group had bank balances of approximately HK\$17.3 million (2021: HK\$16.8 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\$123.4 million (2021: HK\$90.0 million). The total interest-bearing liabilities of the Group including bank borrowings and lease liabilities as at 31 March 2022 was approximately HK\$182.2 million (2021: HK\$114.3 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 2022 was approximately 89.2% (2021: 59.5%).

PLEDGE OF ASSETS

As at 31 March 2022, 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\$120.9 million (2021: HK\$78.2 million), deposits and prepayments for life insurances with an aggregate net book value of approximately HK\$11.9 million (2021: HK\$6.7 million) and pledged deposits with an aggregate net book value of approximately HK\$4.3 million (2021: 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 2022, the Group employed 508 (2021: 512) staffs. Total staff costs including Directors' emoluments for the Year amounted to approximately HK\$193.6 million (2021: HK\$149.7 million). The increase in staff costs mainly due to more overtime allowance and subsidies were given to our staff for urgent projects together with the increase in business volume. 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	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Motor vehicles	52,141	19,277
Machinery	88,220	43,321
Others	183	12,343
	140,544	74,941

As at 31 March 2022, the Group had no material capital commitments.

CONTINGENT LIABILITIES

As at 31 March 2022, one of the subsidiaries of the Group was involved in an ongoing employees' compensation claim; whereas another subsidiary of the Group was involved in an ongoing personal injury claim. The Directors considered that the possibility of any outflow in settling the legal claims was remote as these claims were well covered by insurance and subcontractors' indemnity. Accordingly, no provision for the contingent liabilities in respect of the litigations is necessary, after due consideration of each case.

EVENTS AFTER THE YEAR

Proposed share consolidation, change in board lot size and rights issue

According to the announcements of the Company dated 24 May 2022 and 7 June 2022, the Company proposed to implement the followings:

- 1) a share Consolidation (the “Share Consolidation”) on the basis that every five (5) existing shares of HK\$0.01 each (the “Existing Share(s)”) in the issued and unissued share capital of the Company be consolidated into one (1) consolidated share of HK\$0.05 each (the “Consolidated Share(s)”). Upon the Share Consolidation becoming effective, the authorised share capital of the Company will become HK\$100,000,000 divided into 2,000,000,000 Consolidated Shares of HK\$0.05 each, of which 207,500,000 Consolidated Shares (which are fully paid or credited as fully paid) will be in issue;
- 2) a change in board lot size (the “Change in Board Lot Size”) for trading on the Stock Exchange from 5,000 Existing Shares to 10,000 Consolidated Shares upon the Share Consolidation becoming effective; and
- 3) a rights issue (the “Rights Issue”) on the basis of one (1) rights share (the “Rights Share(s)”) for every one (1) Consolidated Share held on the date for determining entitlements of the shareholders of the Company to participate in the Rights Issue at the subscription price of HK\$0.26 per Rights Share. The maximum net proceeds from the Rights Issue, after deducting all relevant expenses, are estimated to be approximately HK\$52.0 million. The Company intends to apply the net proceeds from the Rights Issue as to (i) approximately 71.8% (or approximately HK\$37.3 million), for the acquisition of air compressors in order to enhance the machinery fleet for rental; and (ii) approximately 28.2% (or approximately HK\$14.7 million) for general working capital of the Group.

The proposed Share Consolidation, the Change in Board Lot Size and the Rights Issue have not been completed as at 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 outbreak of COVID-19 pandemic has posed significant impacts on global economy and business environment, as well as the construction industry. Since the beginning of 2022, the Omicron variants have started to spread out rapidly, so that some countries have imposed lockdown measures again in an effort to contain the spread of the pandemic, which cast shadows on the initial recovery of the economy. Such inbound travel restrictions have also affected certain parts of the construction related supply chains, including the supply of construction materials and the mobility of labour force. With more than 80% Hong Kong population has injected at least two doses of COVID-19 Vaccine, the pandemic was under control and the economy has gradually recovered from the impact of COVID-19 pandemic, local construction industry has gradually returned to normal, and the revenue from of the Group has also improved.

Moreover, the government reiterated its commitment to continue investing in infrastructure to enhance Hong Kong's competitiveness. In response to the impact of the epidemic on our economy, the government will also position infrastructure investment as a major counter-cyclic measure in stimulating the economy. The government continued its effort on both public and private sector housing, as well as the transitional housing. As mentioned in the Policy Address in 2021, it is expected that the annual capital works expenditure will exceed HK\$100 billion in the coming years. 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. 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. However, the Group will closely monitor the negative effect from fierce competition amongst the competitors, together with the increasing direct material cost and labour wages, as well as the possibility of the outbreak of COVID-19 variants in the future.

ANNUAL GENERAL MEETING (“AGM”)

The 2022 AGM will be held on Thursday, 1 September 2022. 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 Monday, 29 August 2022 to Thursday, 1 September 2022 (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 Friday, 26 August 2022.

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 14 to the Listing Rules.

Under code provision A.2.1 (which has been re-numbered as C.2.1 since 1 January 2022) of the CG 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.ppgh.com.hk. The annual report of the Company for the Year containing all information required by the Listing Rules will be dispatched to shareholders and published on above websites in due course.

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

Hong Kong, 28 June 2022

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.