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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 2023

FINANCIAL HIGHLIGHTS

- Revenue was approximately HK\$511.0 million for the Year, representing a decrease of approximately 1.0% as compared with the same for the year ended 31 March 2022.
- Gross profit was approximately HK\$3.7 million for the Year, representing a decrease of approximately 89.1% as compared with the same for the year ended 31 March 2022.
- Gross profit margin decreased to approximately 0.7% for the Year from 6.5% for the year ended 31 March 2022.
- Loss attributable to owners of the Company was approximately HK\$22.0 million for the Year as compared to profit attributable to owners of the Company of approximately HK\$12.1 million with the same for the year ended 31 March 2022.
- Loss per share amounted to approximately 6.76 HK cents for the Year, as compared to earnings per share amounted to approximately 5.41 HK cents (restated) for the year ended 31 March 2022.
- 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 2023 (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 2023

	<i>Notes</i>	2023 HK\$'000	2022 <i>HK\$'000</i>
Revenue	3	511,016	515,948
Cost of sales		<u>(507,338)</u>	<u>(482,309)</u>
Gross profit		3,678	33,639
Other income	5	18,929	7,537
Administrative expenses		(23,882)	(23,581)
(Provision for) reversal of loss allowance on trade receivables, net		(8,796)	2,284
Provision for loss allowance on contract assets, net		(1,147)	(684)
Finance costs	6	<u>(10,565)</u>	<u>(6,477)</u>
(Loss) profit before taxation		(21,783)	12,718
Income tax expense	7	<u>(176)</u>	<u>(587)</u>
(Loss) profit and total comprehensive (expense) income for the year	8	<u>(21,959)</u>	<u>12,131</u>
(Loss) profit and total comprehensive (expense) income for the year attributable to:			
– Owners of the Company		(21,959)	12,131
– Non-controlling interest		<u>–</u>	<u>–</u>
		<u>(21,959)</u>	<u>12,131</u>
			(restated)
(LOSS) EARNINGS PER SHARE	10		
– Basic and diluted		<u>(6.76) HK cents</u>	<u>5.41 HK cents</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2023

	<i>Notes</i>	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		280,280	214,779
Deposits paid for acquisition of property, plant and equipment		1,920	3,596
Pledged rental deposits		799	799
		<hr/> 282,999 <hr/>	<hr/> 219,174 <hr/>
Current assets			
Trade receivables	11	177,609	162,514
Contract assets		53,137	48,510
Deposits, prepayments and other receivables		21,215	20,126
Pledged bank deposits		4,846	3,477
Bank balances and cash		27,307	17,256
		<hr/> 284,114 <hr/>	<hr/> 251,883 <hr/>
Current liabilities			
Trade and other payables	12	111,700	76,794
Bank borrowings		77,647	78,837
Income tax payable		56	3
Lease liabilities		68,681	41,407
		<hr/> 258,084 <hr/>	<hr/> 197,041 <hr/>
Net current assets		<hr/> 26,030 <hr/>	<hr/> 54,842 <hr/>
Total assets less current liabilities		<hr/> 309,029 <hr/>	<hr/> 274,016 <hr/>
Non-current liabilities			
Lease liabilities		66,674	61,919
Deferred tax liabilities		7,966	7,987
		<hr/> 74,640 <hr/>	<hr/> 69,906 <hr/>
Net assets		<hr/> 234,389 <hr/>	<hr/> 204,110 <hr/>
Capital and reserves			
Share capital	13	20,750	10,375
Reserves		213,655	193,751
Equity attributable to owners of the Company		<hr/> 234,405 <hr/>	<hr/> 204,126 <hr/>
Non-controlling interest		(16)	(16)
Total equity		<hr/> 234,389 <hr/>	<hr/> 204,110 <hr/>

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”)

In the current year, the Group has applied, for its first time, the following amendments to HKASs issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) which are effective for the Group’s financial year beginning 1 April 2022:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to Hong Kong Accounting Standard (“HKAS”) 16	Property, Plant and Equipment: Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020 Cycle

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 (including the October 2020 and February 2022 amendments to HKFRS 17)	Insurance Contracts ¹
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback ²
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	Non-current Liabilities with Covenants ²
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ¹
Amendments to HKAS 8	Definition of Accounting Estimates ¹
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ¹

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

² Effective for annual periods beginning on or after 1 January 2024.

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:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
<i>Revenue from contracts with customers within the scope of HKFRS 15</i>		
– Construction works	200,578	177,087
<i>Revenue from provision of machinery rental within the scope of HKFRS 16</i>		
– Construction machinery rental	<u>310,438</u>	<u>338,861</u>
	<u>511,016</u>	<u>515,948</u>

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
<i>Timing of revenue recognition</i>		
– Over time	<u>200,578</u>	<u>177,087</u>

Transaction price allocated to the remaining performance obligations

As at 31 March 2023, the aggregate amount of transaction price allocated to the performance obligations that are unsatisfied (or partially unsatisfied) is approximately HK\$180,764,000 (2022: HK\$121,178,000). 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 (2022: 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 2023

	Construction works HK\$'000	Construction machinery rental HK\$'000	Total HK\$'000
Revenue			
External revenue	200,578	310,438	511,016
Inter-segment revenue	–	149,032	149,032
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>

For the year ended 31 March 2022

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Construction works	171,836	141,214
Construction machinery rental	347,226	296,170
Total segment assets	<u>519,062</u>	437,384
Corporate and other assets	48,051	33,673
Total assets	<u>567,113</u>	<u>471,057</u>

Segment liabilities

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Construction works	113,881	77,515
Construction machinery rental	131,162	100,653
Total segment liabilities	245,043	178,168
Corporate and other liabilities	87,681	88,779
Total liabilities	332,724	266,947

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\$280,280,000 (2022: HK\$214,779,000) and HK\$135,355,000 (2022: HK\$103,326,000) 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\$649,000 (2022: HK\$3,300,000) and HK\$6,895,000 (2022: HK\$4,790,000) 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\$983,000 (2022: segment profit of approximately HK\$6,401,000) and segment loss of construction machinery rental would be approximately HK\$24,089,000 (2022: segment profit of approximately HK\$14,122,000) for the year ended 31 March 2023.

Other segment information

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:				
Additions 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>

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 loss or segment assets:				
Additions 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, net	(594)	(1,690)	–	(2,284)
Provision for loss allowance on contract assets, net	684	–	–	684
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	–	–	(3,300)	(3,300)
Finance costs	–	–	6,477	6,477
Income tax expense	–	–	587	587
	<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:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Customer A ¹	80,886	94,849
Customer B ¹	N/A ³	66,243
Customer C ²	N/A ³	53,054
	<u>80,886</u>	<u>214,146</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 2023 and 2022, 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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Government grants	10,278	1,280
Sales of scrap materials	3,678	89
Interest income from life insurances	519	63
Insurance claims	169	1,287
Rental income	2,640	–
Auxiliary and other service income	999	1,518
Gain on disposal of property, plant and equipment	649	3,300
	<u>18,929</u>	<u>7,537</u>

6. FINANCE COSTS

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Interest on:		
– bank borrowings	3,670	1,687
– lease liabilities	6,895	4,790
	<u>10,565</u>	<u>6,477</u>

7. INCOME TAX EXPENSE

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Current tax:		
– Hong Kong Profits Tax	170	115
Under-provision in prior years:		
– Hong Kong Profits Tax	27	56
Deferred taxation	<u>(21)</u>	<u>416</u>
Income tax expense	<u><u>176</u></u>	<u><u>587</u></u>

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
(Loss) profit and total comprehensive (expense) income for the year has been arrived at after charging:		
Directors' emoluments	4,361	4,361
Other staff:		
– Salaries, wages, allowances and other benefits	183,580	183,530
– Retirement benefits scheme contributions	<u>5,482</u>	<u>5,686</u>
Total staff costs	<u>193,423</u>	<u>193,577</u>
Auditor's remuneration	880	894
Depreciation of property, plant and equipment	98,165	71,662
Exchange loss	<u>63</u>	<u>46</u>

9. DIVIDEND

No dividend was paid or proposed during the years ended 31 March 2023 and 2022, nor has any dividend been proposed since the end of the reporting period.

10. (LOSS) EARNINGS PER SHARE

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
(Loss) earnings		
(Loss) earnings for the purpose of basic and diluted earnings per share, representing (loss) profit for the year attributable to owners of the Company	<u><u>(21,959)</u></u>	<u><u>12,131</u></u>

2023

2022

Number of shares

Weighted average number of ordinary shares for the purpose of basic and diluted (loss) earnings per share (*'000 shares*)

325,007

224,027

The weighted average number of ordinary shares for the purpose of earnings per share for the year ended 31 March 2022 has been adjusted and restated for the effect of share consolidation and rights issue. Details as set out in note 13 of these notes to the consolidated financial statements.

The diluted (loss) earnings per share is equal to the basic (loss) earnings per share as there were no dilutive potential ordinary shares outstanding during the years ended 31 March 2023 and 2022.

11. TRADE RECEIVABLES

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Trade receivables, at amortised cost	209,485	185,594
Less: loss allowance on trade receivables	<u>(31,876)</u>	<u>(23,080)</u>
	<u>177,609</u>	<u>162,514</u>

As at 31 March 2023, the gross amount of trade receivables arising from contracts with customers in respect of construction works amounted to approximately HK\$7,506,000 (2022: HK\$14,338,000).

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.

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Within 30 days	38,453	29,583
31 to 60 days	24,481	48,054
61 to 90 days	14,687	13,016
91 to 180 days	43,860	26,241
181 to 365 days	45,477	29,819
Over 365 days	<u>10,651</u>	<u>15,801</u>
	<u>177,609</u>	<u>162,514</u>

12. TRADE AND OTHER PAYABLES

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Trade payables	49,830	37,919
Other payables	28,917	19,276
Consideration payables for acquisition of property, plant and equipment	13,463	–
Accruals	<u>19,490</u>	<u>19,599</u>
	<u>111,700</u>	<u>76,794</u>

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

	2023 HK\$'000	2022 HK\$'000
Within 30 days	22,587	5,995
31 to 60 days	4,889	7,001
61 to 90 days	2,841	3,816
91 to 365 days	10,622	19,584
Over 365 days	8,891	1,523
	<u>49,830</u>	<u>37,919</u>

The average credit period granted is 30 (2022: 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 HK\$'000
Ordinary shares of HK\$0.01 each (before share consolidation) and HK\$0.05 each (after share consolidation)		
Authorised		
As at 1 April 2021, 31 March 2022 and 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	<u>2,000,000,000</u>	<u>100,000</u>
Issued and fully paid		
As at 1 April 2021, 31 March 2022 and 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	<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, 9 June 2022 and 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, 22 September 2022, circular dated 20 July 2022 and 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 loss attributable to owners of the Company is approximately HK\$22.0 million for the Year as compared to a profit of approximately HK\$12.1 million for the year ended 31 March 2022. Such change from profit to loss during the Year were mainly attributable to the increase in depreciation cost of property, plant and equipment; increase in finance costs and increase in provision for loss allowance on trade receivable during the Year.

During the Year, the land formation and reclamation work of third runway of the Three-Runway System ("3RS") of the Hong Kong International Airport was substantially completed. Nevertheless, the development on the 3RS do not come to the end and while with the expansion of Terminal 2, construction of T2 Concourse, a new baggage handling system and automated people mover system are scheduled, the construction work within the 3RS is entering into another golden stage. In addition, the development in Central Kowloon Route is still in progress, the Group has continued to provide various types of construction machinery and vehicles for the associated projects.

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 2022:

	Year ended 31 March	
	2023	2022
	HK\$'000	HK\$'000
Construction works	200,578	177,087
Construction machinery rental	310,438	338,861
	<u>511,016</u>	<u>515,948</u>

Revenue from construction works

During the Year, the revenue derived from our fourteen projects (2022: nine projects) amounted to approximately HK\$200.6 million (2022: HK\$177.1 million), accounting for approximately 39.3% (2022: 34.3%) of our total revenue. Such increase in revenue was the results of the increase in number of newly awards projects in the second half of the Year and increase in revenue in construction works contributed by the construction projects in Kai Tak, Central Kowloon Route and Tung Chung Area 100 Development during the Year, despite the revenue from Anderson Road Quarry Site project decreased as the peak period was over. The Group had awarded six 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 2023, there were twelve projects on hand with total outstanding contract sum amounting to HK\$180.8 million. Ten projects are expected to be completed in the year ending 31 March 2024, two projects are expected to be completed in the year ending 31 March 2025 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
West Kowloon Drainage Improvement – Inter-reservoirs Transfer Scheme	Foundation and site formation works	Completed
Ap Lei Chau Inland Lot No. 136	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	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
Tung Tau – Transitional Housing Project	Foundation and site formation works	Completed

Site location/Project	Type of works	Status
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	Not yet commenced

Revenue from construction machinery rental

During the Year, the revenue derived from the construction machinery rental amounted to approximately HK\$310.4 million (2022: HK\$338.9 million), accounting for approximately 60.7% (2022: 65.7%) of our total revenue. The decrease in construction machinery rental revenue of the Group was mainly due to the decrease in demand on construction machinery rental as the land formation and reclamation of third runway of the 3RS of the Hong Kong International Airport was substantially completed and reduction on constructing of temporary quarantine facilities for anti-epidemic during the Year.

GROSS PROFIT AND GROSS PROFIT MARGIN

The Group’s total gross profit decreased by approximately HK\$30.0 million, from gross profit of approximately HK\$33.6 million for the year ended 31 March 2022 to approximately HK\$3.7 million for the Year while the gross profit margin decreased by approximately 5.8% as compared with previous year. The decrease in gross profit was mainly attributable to (i) decrease in revenue of construction machinery rental service, while the depreciation cost of property, plant and equipment substantially increased for the Year; (ii) increase in project

costs due to the unexpected changes in on-site arrangements and works schedules of certain projects and (iii) increase in cost of fuels during the Year. Below set out the breakdowns of the gross profit and gross profit margin of the Group:

	2023		2022	
	Gross Profit (Loss) <i>HK\$'000</i>	Gross Profit (Loss) Margin	Gross Profit <i>HK\$'000</i>	Gross Profit Margin
Construction works	6,633	3.3%	8,471	4.8%
Construction machinery rental	(2,955)	(1.0%)	25,168	7.4%
	<u>3,678</u>	<u>0.7%</u>	<u>33,639</u>	<u>6.5%</u>

OTHER INCOME

The other income of the Group for the Year amounted to approximately HK\$18.9 million, representing an increase of approximately 151.1% compared with approximately HK\$7.5 million for the previous year. Such increase is mainly due to the recognition of non-recurring government grants from the 2022 Employment Support Scheme under the Anti-epidemic Fund launched by the HKSAR government for the Year, while no such income was recognized for the previous year.

ADMINISTRATIVE EXPENSES

The administrative expenses of the Group for the Year amounted to approximately HK\$23.9 million, representing an increase of approximately 1.3%, which is comparable to the administrative expenses of approximately HK\$23.6 million for the previous year.

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

	Year ended 31 March	
	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Provision for (reversal of) loss allowance on trade receivables, net	8,796	(2,284)
Provision for loss allowance on contract assets, net	<u>1,147</u>	<u>684</u>

The provision for loss allowance on trade receivables and contract assets for the Year amounted to approximately HK\$9.9 million as compared to net effect of reversal of loss allowance of HK\$1.6 million for the previous year. The increase in provision is mainly attributable to increase in expected credit loss provision made under individual assessment for some customers working for projects on the third runway of Hong Kong International Airport.

FINANCE COSTS

The Group's finance costs increased by 63.1% from approximately HK\$6.5 million for the previous year to approximately HK\$10.6 million for the Year. Such increase is mainly due to the increase in amount and interest rate of the interest-bearing liabilities.

NET (LOSS) PROFIT

As a result of the abovementioned, the Group reported a net loss of approximately HK\$22.0 million for the Year as compared to net profit of approximately HK\$12.1 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, bank borrowings and net proceeds raised from the Rights Issue (as defined below).

As at 31 March 2023, the Group had bank balances of approximately HK\$27.3 million (2022: HK\$17.3 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\$188.0 million (2022: HK\$123.4 million). The total interest-bearing liabilities of the Group including bank borrowings and lease liabilities as at 31 March 2023 was approximately HK\$213.0 million (2022: HK\$182.2 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 2023 was approximately 90.9% (2022: 89.2%).

Share Consolidation

On 24 May 2022, the Company announced a proposed share consolidation on the basis that every five existing shares in the issued and unissued share capital of the Company be consolidated into one consolidated share (the “Share Consolidation”). On 12 August 2022, the Share Consolidation became effective and every five issued and unissued existing shares of HK\$0.01 each in the share capital of the Company was consolidated into one consolidated share of HK\$0.05 each. Details of the Share Consolidation were set out in the Company’s announcements dated 24 May 2022, 7 June 2022, 9 June 2022 and circular dated 20 July 2022.

Rights Issue

On 24 May 2022, the Company announced a proposed rights issue on the basis of one rights share (the “Rights Share”) for every one consolidated share in issue at a subscription price of HK\$0.26 per Rights Share (the “Rights Issue”) to raise approximately HK\$54.0 million by issuing 207,500,000 Rights Shares to the qualifying shareholders.

On 23 September 2022, the Company completed the Rights Issue and issued 207,500,000 Rights Shares with par value of HK\$0.05 each at a subscription price of HK\$0.26 per Rights Shares determined with reference to, among others, the market price of the shares under the prevailing market conditions. The theoretical closing price was HK\$0.450 per share (after taking into account the effect of the Share Consolidation) based on the closing price of HK\$0.090 per share as quoted on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 24 May 2022, being the last trading day). The net proceeds from the Rights Issue (after deducting the estimated expenses) were approximately HK\$52.0 million, representing a net price of approximately HK\$0.25 per Rights Share, which were used as to (i) approximately HK\$37.3 million, for the acquisition of air compressors in order to enhance the machinery fleet for rental; and (ii) approximately HK\$14.7 million for general working capital of the Group.

Upon the completion of the Rights Issue in September 2022, the number of shares in issue became 415,000,000 of par value HK\$0.05 each thereafter. 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, 22 September 2022, circular dated 20 July 2022 and prospectus dated 24 August 2022.

As at 31 March 2023, the actual use of the net proceeds of the Rights Issue was as follows:

	Planned use of net proceeds as stated in the prospectus dated 24 August 2022	Actual use of proceeds up to 31 March 2023	Unutilised net proceeds up to 31 March 2023
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
Acquisition of air compressors	37.3	37.3	–
General working capital	14.7	14.7	–
	<hr/>	<hr/>	<hr/>
Total	<u>52.0</u>	<u>52.0</u>	<u>–</u>

The net proceeds of the Rights Issue raised by the Group have been fully utilised as at 31 March 2023 in the manner consistent with that mentioned in the prospectus of the Company dated 24 August 2022.

PLEDGE OF ASSETS

As at 31 March 2023, 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\$169.5 million (2022: HK\$120.9 million), deposits and prepayments for life insurances with an aggregate net book value of approximately HK\$14.6 million (2022: HK\$11.9 million) and pledged deposits with an aggregate net book value of approximately HK\$5.6 million (2022: HK\$4.3 million).

FOREIGN EXCHANGE RISK

The Group mainly operates in Hong Kong and most of the operating transactions such as revenue, expenses, monetary assets and liabilities are denominated in Hong Kong dollars. As such, the Directors are of the view that the Group's risk in foreign exchange is insignificant and that we should have sufficient resources to meet foreign exchange requirements as and if they arise. Therefore, the Group has not engaged in any derivative contracts to hedge its exposure to foreign exchange risk during the Year.

EMPLOYEES AND REMUNERATION POLICY

As at 31 March 2023, the Group employed 505 (2022: 508) staffs. Total staff costs including Directors' emoluments for the Year amounted to approximately HK\$193.4 million (2022: HK\$193.6 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, net proceeds raised from the Rights Issue and internal resources. The following table sets forth our Group's capital expenditure during the Year and previous year:

	Year ended 31 March	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Motor vehicles	35,009	52,141
Machinery	129,040	88,220
Others	63	183
	164,112	140,544

As at 31 March 2023, the Group had no material capital commitments.

CONTINGENT LIABILITIES

As at 31 March 2023, one of the subsidiaries of the Group was involved in an ongoing personal injury claim (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 director of the Company considered that the possibility of any outflow in settling the legal claim 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

There is no material subsequent event undertaken by the Company or by the Group after 31 March 2023 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

Over the past three years, the global economic landscape, including Hong Kong, has been deeply affected by the COVID-19 epidemic, and the construction industry is no exception. In view of the current relaxation of stringent COVID-19 pandemic policies and the opening of borders during the first quarter of 2023, undoubtedly, the overall economy has been greatly improved.

The HKSAR government continue its support to lift the economy, especially on the construction industry. The latest policy address guarantees that increasing the supply of public and private housing units is still one of the main tasks of the government. At the same time, the policy address also mentions large-scale infrastructure projects such as the "Northern Metropolis Development Strategy" and "Kau Yi Chau Artificial Islands Development", which are expected to a rise in sizable construction projects in long-run. Thus, it is expected that construction projects will maintain a stable level in the next few years, and the Group are confident with the prospects of the construction industry in the future.

ANNUAL GENERAL MEETING ("AGM")

The 2023 AGM will be held on Friday, 11 August 2023. 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 Tuesday, 8 August 2023 to Friday, 11 August 2023 (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 Monday, 7 August 2023.

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.

According to code provision C.1.6 of the CG code, independent non-executive Directors and other non-executive Directors should attend general meetings to gain and develop a balanced understanding of the views of shareholders. Mr. Leung Ka Fai, an independent non-executive Director was unable to attend the extraordinary general meeting and annual general meeting of the Company held on 10 August 2022 and 1 September 2022 respectively, due to other business arrangements.

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 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 2023

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.