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## **Progressive Path Group Holdings Limited**

### **進昇集團控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1581)**

## **ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2021**

### **FINANCIAL HIGHLIGHTS**

- Revenue was approximately HK\$262.1 million for the six months ended 30 September 2021, representing an increase of approximately 28.7% as compared with the six months ended 30 September 2020.
- Gross profit was approximately HK\$15.7 million for the six months ended 30 September 2021, representing an increase of approximately 34.1% as compared with the six months ended 30 September 2020.
- Gross profit margin increased to approximately 6.0% for the six months ended 30 September 2021 from approximately 5.7% for the six months ended 30 September 2020.
- Profit attributable to owners of the Company was approximately HK\$5.6 million for the six months ended 30 September 2021, representing a decrease of approximately 9.2% as compared with the six months ended 30 September 2020.
- Basic earnings per share amounted to approximately HK0.54 cent for the six months ended 30 September 2021, representing a decrease of approximately 8.5% as compared with the six months ended 30 September 2020.
- The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2021.

The board (the “**Board**”) of directors (the “**Directors**”) of Progressive Path Group Holdings Limited (the “**Company**”) hereby announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively the “**Group**”) for the six months ended 30 September 2021 (the “**Period**”) together with the comparative figures for corresponding period ended 30 September 2020.

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER  
COMPREHENSIVE INCOME**  
*FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2021*

	<i>Notes</i>	<b>Six months ended 30 September</b>	
		<b>2021</b>	2020
		<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
		<b>(unaudited)</b>	(unaudited)
Revenue	4	<b>262,119</b>	203,639
Cost of sales		<b>(246,433)</b>	(191,942)
Gross profit		<b>15,686</b>	11,697
Other income	5	<b>4,339</b>	7,641
Administrative expenses		<b>(10,928)</b>	(10,101)
Loss allowance on trade receivables		<b>(300)</b>	(1,020)
Loss allowance on contract assets		<b>(539)</b>	–
Finance costs	6	<b>(3,079)</b>	(2,831)
Profit before taxation	8	<b>5,179</b>	5,386
Income tax credit	7	<b>410</b>	771
Profit and total comprehensive income for the period		<b><u>5,589</u></b>	<u>6,157</u>
Profit and total comprehensive income for the period attributable to:			
– Owners of the Company		<b>5,589</b>	6,158
– Non-controlling interest		<b>–</b>	(1)
		<b><u>5,589</u></b>	<u>6,157</u>
<b>EARNINGS PER SHARE</b>	10		
– Basic and diluted		<b><u>0.54 HK cent</u></b>	<u>0.59 HK cent</u>

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
*AS AT 30 SEPTEMBER 2021*

		As at <b>30 September 2021</b> <i>HK\$'000</i> <b>(unaudited)</b>	As at 31 March 2021 <i>HK\$'000</i> (audited)
Non-current assets			
Property, plant and equipment		<b>184,353</b>	149,637
Deposits paid for acquisition of property, plant and equipment		<b>6,412</b>	4,655
Pledged deposits		<b>–</b>	1,789
		<hr/> <b>190,765</b>	<hr/> 156,081
Current assets			
Trade receivables	11	<b>151,245</b>	149,503
Contract assets		<b>46,510</b>	50,267
Deposits, prepayments and other receivables		<b>17,653</b>	14,948
Pledged deposits		<b>13,576</b>	2,157
Bank balances and cash		<b>12,417</b>	16,781
		<hr/> <b>241,401</b>	<hr/> 233,656
Current liabilities			
Trade and other payables	12	<b>82,535</b>	75,883
Bank borrowings	13	<b>50,736</b>	40,602
Lease liabilities		<b>43,574</b>	39,389
Income tax payable		<b>193</b>	38
		<hr/> <b>177,038</b>	<hr/> 155,912
Net current assets		<hr/> <b>64,363</b>	<hr/> 77,744
Total assets less current liabilities		<hr/> <b>255,128</b>	<hr/> 233,825

	<b>As at 30 September 2021 HK\$'000 (unaudited)</b>	As at 31 March 2021 HK\$'000 (audited)
Non-current liabilities		
Lease liabilities	<b>50,554</b>	34,275
Deferred tax liabilities	<b>7,006</b>	7,571
	<u><b>57,560</b></u>	<u>41,846</u>
Net assets	<u><b>197,568</b></u>	<u>191,979</u>
Capital and reserves		
Share capital	<b>10,375</b>	10,375
Reserves	<b>187,209</b>	181,620
Equity attributable to owners of the Company	<b>197,584</b>	191,995
Non-controlling interest	<b>(16)</b>	(16)
Total equity	<u><b>197,568</b></u>	<u>191,979</u>

# NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

## FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2021

### 1. GENERAL INFORMATION

The Company is a limited company incorporated in the Cayman Islands under the Companies Law (Chapter 22, Law 3 of 1961, as consolidated and revised) of the Cayman Islands as an exempted company with limited liability and its shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 8 December 2016. Its immediate holding company and ultimate holding company is Profit Gold Global Limited, a limited company incorporated in the British Virgin Islands. The address of the registered office and the principal place of business of the Company is Unit 1108, 11/F., Tuen Mun Central Square, No. 22 Hoi Wing Road, Tuen Mun, New Territories, Hong Kong.

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

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

### 2. BASIS OF PREPARATION

The condensed consolidated interim financial information of the Group for the six months ended 30 September 2021 have been prepared in accordance with the applicable disclosure provisions of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange and with Hong Kong Accounting Standard (“**HKAS**”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”).

### 3. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies used in the condensed consolidated interim financial information are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 March 2021 except as described below.

In the current interim period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards (“**HKFRS(s)**”), including HKFRSs, HKASs and amendments issued by the HKICPA, which are effective for the Group’s financial year beginning on 1 April 2021:

Amendments to HKFRS 16	COVID-19-Related Rent Concessions
Amendments to HKFRS 16	COVID-19-Related Rent Concessions Beyond 30 June 2021
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2

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

#### 4. REVENUE AND SEGMENT INFORMATION

Revenue represents revenue arising on construction works and construction machinery rental. An analysis of the Group's revenue for the six months ended 30 September 2021 is as follows:

	For the six months ended 30 September	
	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
Revenue from contracts with customers within the scope of HKFRS 15		
– Construction works	85,674	94,995
Revenue from other sources		
– Construction machinery rental	176,445	108,644
	<u>262,119</u>	<u>203,639</u>

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

	For the six months ended 30 September	
	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
Time of revenue recognition		
– Over time	85,674	94,995

Information reported to the Directors, being the chief operating decision maker, for the purpose of resource allocation and assessment of segment performance focuses on types of 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 revenue and results

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

*For the six months ended 30 September 2021 (unaudited)*

	Construction works <i>HK\$'000</i>	Construction machinery rental <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue			
External revenue	85,674	176,445	262,119
Inter-segment revenue	–	81,691	81,691
	<u>85,674</u>	<u>258,136</u>	
Segment revenue	<u>85,674</u>	<u>258,136</u>	343,810
Eliminations			<u>(81,691)</u>
Group's revenue			<u>262,119</u>
Segment profit	<u>882</u>	<u>6,556</u>	7,438
Unallocated income			4,339
Unallocated corporate expenses			(3,519)
Unallocated finance costs			<u>(3,079)</u>
Profit before taxation			<u>5,179</u>

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

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

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment profit represents the profit earned by each segment without allocation of central administration costs, directors' salaries, other income and finance costs. This is the measure reported to the chief operating decision maker with respect to the resource allocation and performance assessment.

Inter-segment sales are conducted with terms mutually agreed by both contract parties.

### Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable and operating segments:

#### Segment assets

	At 30 September 2021 HK\$'000 (unaudited)	At 31 March 2021 HK\$'000 (audited)
Construction works	135,775	129,097
Construction machinery rental	<u>260,568</u>	<u>232,975</u>
Total segment assets	396,343	362,072
Corporate and other assets	<u>35,823</u>	<u>27,665</u>
Total assets	<u><u>432,166</u></u>	<u><u>389,737</u></u>

#### Segment liabilities

	At 30 September 2021 HK\$'000 (unaudited)	At 31 March 2021 HK\$'000 (audited)
Construction works	77,592	67,669
Construction machinery rental	<u>96,921</u>	<u>79,935</u>
Total segment liabilities	174,513	147,604
Corporate and other liabilities	<u>60,085</u>	<u>50,154</u>
Total liabilities	<u><u>234,598</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\$184,353,000 and HK\$94,128,000 (31 March 2021: HK\$149,637,000 and HK\$73,664,000) 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\$2,606,000 (2020: HK\$554,000) and HK\$2,464,000 (2020: HK\$2,489,000) respectively were not included in the measurement of segment results for the six months ended 30 September 2021. 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 and construction machinery rental for the six months ended 30 September 2021 would be approximately HK\$1,034,000 (2020: segment loss of approximately HK\$589,000) and HK\$6,546,000 (2020: HK\$3,200,000) respectively.

## 5. OTHER INCOME

	For the six months ended	
	30 September	
	2021	2020
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Gain on disposal of property, plant and equipment	2,606	554
Government grants	669	5,891
Insurance claims	561	498
Auxiliary and other service income	490	591
Others	13	107
	<u>4,339</u>	<u>7,641</u>

## 6. FINANCE COSTS

	For the six months ended	
	30 September	
	2021	2020
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Interest on:		
– bank borrowings	615	342
– lease liabilities	2,464	2,489
	<u>3,079</u>	<u>2,831</u>

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

	<b>For the six months ended</b>	
	<b>30 September</b>	
	<b>2021</b>	<b>2020</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
Current tax:		
– Hong Kong Profits Tax	<b>(108)</b>	(30)
Under-provision in prior year	<b>(47)</b>	–
Deferred taxation	<b>565</b>	801
Income tax credit	<b>410</b>	771

**8. PROFIT BEFORE TAXATION**

	<b>For the six months ended</b>	
	<b>30 September</b>	
	<b>2021</b>	<b>2020</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
Profit before taxation for the period has been arrived at after charging:		
Depreciation of property, plant and equipment	<b>33,794</b>	29,763

**9. DIVIDEND**

No dividend was paid or proposed during the six months ended 30 September 2021 and 2020, 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 owners of the Company is based on the following:

	<b>For the six months ended 30 September</b>	
	<b>2021</b>	<b>2020</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
<b>Earnings</b>		
Earnings for the purpose of basic and diluted earnings per share, representing profit for the period attributable to owners of the Company	<b>5,589</b>	<b>6,158</b>
	<b>5,589</b>	<b>6,158</b>
	<b>For the six months ended 30 September</b>	
	<b>2021</b>	<b>2020</b>
	<b>'000</b>	<b>'000</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	<b>1,037,500</b>	<b>1,037,500</b>
	<b>1,037,500</b>	<b>1,037,500</b>

The dilutive earnings per share is equal to the basic earnings per share as there were no dilutive potential ordinary shares outstanding during the six months ended 30 September 2021 and 2020.

## 11. TRADE RECEIVABLES

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

	At <b>30 September</b> <b>2021</b> <i>HK\$'000</i> (unaudited)	At 31 March 2021 <i>HK\$'000</i> (audited)
Trade receivables	<b>176,909</b>	174,867
Less: loss allowance on trade receivables	<b>(25,664)</b>	(25,364)
	<b>151,245</b>	149,503

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 date, at the end of the reporting period:

	At <b>30 September</b> <b>2021</b> <i>HK\$'000</i> (unaudited)	At 31 March 2021 <i>HK\$'000</i> (audited)
Within 30 days	<b>27,651</b>	34,408
31 to 60 days	<b>29,297</b>	44,734
61 to 90 days	<b>28,548</b>	17,943
91 to 180 days	<b>26,460</b>	8,989
181 to 365 days	<b>18,818</b>	19,452
Over 365 days	<b>20,471</b>	23,977
	<b>151,245</b>	149,503

## 12. TRADE AND OTHER PAYABLES

	At 30 September 2021 <i>HK\$'000</i> (unaudited)	At 31 March 2021 <i>HK\$'000</i> (audited)
Trade payables	39,962	38,032
Other payables	22,761	17,393
Accruals	19,812	20,458
	<u>82,535</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:

	At 30 September 2021 <i>HK\$'000</i> (unaudited)	At 31 March 2021 <i>HK\$'000</i> (audited)
Within 30 days	10,245	10,489
31 to 60 days	8,954	11,012
61 to 90 days	4,892	4,451
91 to 365 days	13,286	10,287
Over 365 days	2,585	1,793
	<u>39,962</u>	<u>38,032</u>

### 13. BANK BORROWINGS

	At 30 September 2021 <i>HK\$'000</i> (unaudited)	At 31 March 2021 <i>HK\$'000</i> (audited)
Secured	15,250	4,182
Unsecured	35,486	36,420
	<u>50,736</u>	<u>40,602</u>

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

	At 30 September 2021 <i>HK\$'000</i> (unaudited)	At 31 March 2021 <i>HK\$'000</i> (audited)
Within one year	37,187	27,516
After one year but within two years	2,923	2,588
After two years but within five years	7,574	6,848
After five years	3,052	3,650
	<u>50,736</u>	<u>40,602</u>
Carrying amount of bank borrowings that is not repayable within one year from the end of the reporting period but contains a repayment on demand clause (shown under current liabilities)	13,549	13,086
Carrying amount repayable within one year	37,187	27,516
Amount shown under current liabilities	<u>50,736</u>	<u>40,602</u>

### 14. COMPARATIVE FIGURE

The comparative figure of administrative expenses of approximately HK\$1,020,000 for the six months ended 30 September 2020 were reclassified to loss allowance on trade receivables to conform with the current period's presentation.

The reclassification has no material impact on the Group's total equity as at 30 September 2020 or the Group's profit or loss for the six months ended 30 September 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 works represent the construction projects undertaken in foundation and site formation works. 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.

The Group recorded revenue of approximately HK\$262.1 million for the Period, representing an increase of 28.7% from approximately HK\$203.6 million for corresponding period ended 30 September 2020. The increase was mainly due to increase in revenue from construction machinery rental. Net profit was slightly decreased from approximately HK\$6.2 million for the six months ended 30 September 2020 to approximately HK\$5.6 million for the Period, as the effect of non-recurring government grants in respect of the Anti-epidemic Fund from the Hong Kong Special Administrative Region (the “**HKSAR**”) Government recognised in corresponding period ended 30 September 2020. Excluding the effect of the above-mentioned grants, the overall performance was improved during the Period, which was mainly attributed from our construction machinery rental business to meet the increasing demand from some infrastructure and reclamation projects in Hong Kong.

Notwithstanding the outbreak of COVID-19 since early 2020 has brought uncertainty to the economy in Hong Kong, the construction industry could somehow be affected in certain extent. Thankfully with our reputation and technical capability, the Group has not encountered or experienced any material difficulty in completion of the construction projects and any material supply chain disruptions of the suppliers due to the outbreak of COVID-19. With the announcement of some infrastructure and reclamation projects by the HKSAR Government in recent years, the Group is well prepared as we have enhanced our fleet of machinery in order to capture more market shares with the increasing demand.

Going forward, although the COVID-19 outbreak did not have any significant impact on our operation, we will maintain a prudent financial management approach to withstand the present challenging economic conditions. Furthermore, the Group still remains prudently optimistic about the prospects of the foundation industry and construction machinery rental business in Hong Kong. The Group will continue to strive to improve operational efficiency and business profitability, and will actively seek potential business opportunities that can broaden the income sources of the Group and enhance the shareholder value of the Company.

## Revenue

During the Period, the Group generated revenue from construction works and construction machinery rental. Set out below is the breakdown of revenue of the Group during the six months ended 30 September 2021 and 2020.

	Six months ended 30 September	
	2021 <i>HK\$'000</i> (unaudited)	2020 <i>HK\$'000</i> (unaudited)
Construction works	85,674	94,995
Construction machinery rental	<u>176,445</u>	<u>108,644</u>
	<u><b>262,119</b></u>	<u><b>203,639</b></u>

### *Revenue from construction works*

During the Period, the revenue derived from our construction works amounted to approximately HK\$85.7 million (six months ended 30 September 2020: HK\$95.0 million), accounting for approximately 32.7% (six months ended 30 September 2020: 46.6%) of our total revenue, and contributed by six projects (six months ended 30 September 2020: seven projects). Such decrease in revenue was mainly resulted from the completion of construction works contributed by the construction projects in Tuen Mun – Chek Lap Kok Link and Temporary Quarantine Facilities at Penny's Bay. Meanwhile, the Group had two new awarded projects with contract sum amounting to approximately HK\$14.0 million during the Period.

As at 30 September 2021, there were six projects on hand with total outstanding contract sum amounting to approximately HK\$105.9 million. Four projects are expected to be completed in the year ending 31 March 2022, two projects are 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 Period:

<b>Site Location/Project</b>	<b>Type of Works</b>	<b>Status</b>
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 Tai 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
Tung Tau – Transitional Housing Project	Foundation and site formation works	Work in progress

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

During the Period, the revenue derived from our construction machinery rental amounted to approximately HK\$176.4 million (six months ended 30 September 2020: HK\$108.6 million), accounting for approximately 67.3% (six months ended 30 September 2020: 53.4%) of our total revenue. The increase in revenue derived from construction machinery rental of the Group was the result of the higher average rental price of our fleet of machinery and also substantial increase demand for the construction machinery on infrastructure and reclamation projects in Hong Kong, mainly from Three-runway system and Hong Kong International Airport Terminal 2 Complex at Chek Lap Kok Airport and Tung Chung New Town Extension.

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

The Group's total gross profit increased by approximately HK\$4.0 million, or approximately 34.1%, from approximately HK\$11.7 million for the six months ended 30 September 2020 to approximately HK\$15.7 million for the Period while our gross profit margin slightly increased from approximately 5.7% for the six months ended 30 September 2020 to approximately 6.0% for the Period.

The increase in gross profit was mainly attributable to the increase in revenue from construction machinery rental.

The increase in gross profit margin was mainly attributable to the higher of average rental price of our fleet of machinery, the higher gross profit margin derived from the construction projects with more works were sub-contracted in order to have a better cost-control and the Group were more prudent on tendering new contracts with higher profit margin; however, it partly offset by the adverse effect on the increase in our cost of labour.

## **Other Income**

The Group's other income decreased from approximately HK\$7.6 million during the six months ended 30 September 2020 to approximately HK\$4.3 million during the Period. Such decrease was mainly due to the recognition of non-recurring government grants of approximately HK\$5.9 million mainly from the Anti-epidemic Fund launched by the HKSAR Government during the six months ended 30 September 2020.

## **Administrative Expenses**

The administrative expenses of the Group for the Period amounted to approximately HK\$10.9 million, representing an increase of approximately 8.2% as compared to approximately HK\$10.1 million for the six months ended 30 September 2020. Such increase is mainly due to increase in staff costs and insurance expense during the Period.

## **Loss allowance on trade receivables and contract assets**

The Group's overall loss allowance on trade receivables and contract assets decreased from approximately HK\$1.0 million during the six months ended 30 September 2020 to approximately HK\$0.8 million during the Period. Such decrease was mainly due to the decrease in increment of the gross amount of trade receivables during the Period.

## **Net Profit**

Net profit decreased by approximately HK\$0.6 million to approximately HK\$5.6 million for the Period as compared to approximately HK\$6.2 million for the six months ended 30 September 2020. The decrease in net profit is mainly attributable to the combined effect of decrease in recognition of other income and the increase in revenue during the Period.

## **Liquidity, Financial Resources and Capital Structure**

The Group has funded the liquidity and capital requirements primarily through capital contributions from shareholders, bank borrowings and cash inflows from operating activities.

As at 30 September 2021, the Group had bank balances of approximately HK\$12.4 million (31 March 2021: HK\$16.8 million). The interest-bearing liabilities of the Group as at 30 September 2021 was approximately HK\$144.9 million (31 March 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 30 September 2021 was approximately 73.3% (31 March 2021: 59.5%), representing an increase of approximately 13.8%.

## **Interim Dividend**

The Board has resolved not to declare any interim dividend for the Period.

## **Prospects**

The outbreak of COVID-19 pandemic since early 2020 seriously hit the Hong Kong's economy which have severely affected the construction industry, nevertheless, with the introduction of the vaccine and increasing number of people fully vaccinated, the pandemic is expected to be brought under control in the future. With the gradual recovery of the economy in Hong Kong, the Group foresees an improvement in the foundation industry and expects a steady increase in tender opportunities for the foundation construction works from both the public and private sectors. Meanwhile, the Group has replaced and enhanced our fleet of machinery to strengthen the market position in order to improve the production efficiencies and capture the opportunity in the future. However, fierce competition amongst the competitors, together with the increasing trend of direct material cost and labour wages, has added uncertain factors to our operational performance.

The Group is conservatively optimistic to the long term development of the construction market in viewing that the HKSAR Government will have HK\$100 billion annual capital expenditure in infrastructure and the provision of about 14,000 transitional housing units in the next few years mentioned in the 2021-22 Budget. Premised on those competitive edges of the Group, the Board remains confident with the future development of the Group.

## **Pledge of Assets**

As at 30 September 2021, certain of the Group's bank borrowings and lease liabilities were secured by the property, plant and equipment with an aggregate net carrying value of approximately HK\$113.9 million (31 March 2021: HK\$78.2 million), deposits and prepayments for life insurances with an aggregate carrying value of approximately HK\$9.5 million (31 March 2021: HK\$6.7 million) and deposits with an aggregate carrying value of approximately HK\$13.6 million (31 March 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 ("HK\$"). The Directors are of the view that the Group's risk in foreign exchange is insignificant and that we should have sufficient resources to meet foreign exchange requirements as and if they arise. Therefore, the Group has not engaged in any derivative contracts to hedge its exposure to foreign exchange risk during the Period.

## **Employees and Remuneration Policy**

As at 30 September 2021, the Group employed 455 staff (30 September 2020: 391). Total staff costs including directors' emoluments for the Period, amounted to approximately HK\$95.2 million (six months ended 30 September 2020: approximately HK\$70.9 million). The salary and benefit levels of the employees of the Group are competitive and individual performance is rewarded through the Group's salary and bonus system. The Group conducts annual review on salary increase, discretionary bonuses and promotions based on the performance of each employee.

During the Period, the Group has not experienced any significant problems with its employees due to labour disputes nor has it experienced any difficulty in the recruitment and retention of experienced staff.

## **Capital Commitments**

As at 30 September 2021, the Group had no material capital commitments (31 March 2021: nil).

## **Contingent Liabilities**

As at 30 September 2021, the Group had no significant contingent liabilities (31 March 2021: nil).

## **Material Acquisitions and Disposals**

During the Period, the Group did not have any material acquisitions and disposals.

## **Significant Investment**

During the Period, the Group has no significant investment held.

## **Future Plans for Material Investments or Capital Assets**

The Group did not have any plans for material investments and capital assets.

## **CORPORATE GOVERNANCE AND OTHER INFORMATION**

The Company strives to attain and maintain a high standard of corporate governance as it believes that effective corporate governance practices are fundamental to enhancing shareholders' value and safeguarding interests of shareholders and other stakeholders. Accordingly, the Board attributes a high priority to identifying and implementing appropriate corporate governance practices to ensure transparency, accountability and effective internal controls.

## **COMPLIANCE WITH CORPORATE GOVERNANCE CODE**

The Company has adopted the Corporate Governance Code (the “**CG Code**”) as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”). During the Period, the Company has complied with the code provisions under the CG Code, except for the deviation from code provision A.2.1 of the CG Code as explained below. The Company will continue to enhance its corporate governance practices appropriate to the operation and growth of the business of the Group. According to code provision A.2.1 of the CG Code, the role of the chairman and the chief executive officer of the Company should be separate and should not be performed by the same individual. Throughout the Period and up to the date of this announcement, the role of the chairman of the Company is performed by Mr. Wu Wing Hang but the office of the chief executive officer of the Company is vacated. The daily operation and management of the Company is monitored by the executive Directors as well as the senior management. The Board is of the view that although there is no chief executive officer, the balance of power and authority is ensured by the operation of the Board, which comprises experienced individuals who would meet from time to time to discuss issues affecting operation of the Company.

## **COMPLIANCE WITH THE MODEL CODE**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors’ securities transactions. In response to a specific enquiry by the Company, all Directors have confirmed, that they have complied with the required standards as set out in the Model Code during the Period.

## **SHARE OPTION SCHEME**

The Company has adopted a share option scheme (the “**Share Option Scheme**”) on 15 November 2016. The principal terms of the Share Option Scheme is summarised in Appendix IV to the prospectus of the Company dated 28 November 2016. The main purpose of the Share Option Scheme is to attract and retain the best available personnel, to provide incentive to employees (full-time and part-time), directors, consultants, advisers, distributors, contractors, suppliers, agents, customers, business partners or service providers of the Group and to promote the success of the business of the Group.

No share option has been granted, exercised, cancelled or lapsed under the Share Option Scheme since its adoption on 15 November 2016.

## **PURCHASE, SALES OR REDEMPTION OF THE COMPANY’S SECURITIES**

During the Period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities.

## **AUDIT COMMITTEE**

The audit committee of the Company (the “**Audit Committee**”), with its terms of reference established in compliance with the Listing Rules, comprises three independent non-executive Directors, namely Mr. Lee Man Tai (the chairman of the Audit Committee), Mr. Wong Yiu Kit Ernest and Mr. Leung Ka Fai.

The Audit Committee has reviewed the Group’s unaudited condensed consolidated interim financial information for the Period. The Audit Committee was satisfied that the unaudited condensed consolidated interim financial information were prepared in accordance with applicable accounting standards and requirements as well as the Listing Rules and relevant adequate disclosures have been made.

## **PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT**

The results announcement is published on the website of Hong Kong Exchanges and Clearing Limited at [www.hkexnews.hk](http://www.hkexnews.hk) and the Company’s website at [www.ppggh.com.hk](http://www.ppggh.com.hk). The interim report of the Company for the six months ended 30 September 2021 containing all information required by the Listing Rules will be dispatched to shareholders and published on above websites in due course.

## **APPRECIATION**

The Board would like to express its sincere thanks to the management of the Group and all the staff for their hard work and commitment, as well as its shareholders, business partners and other professional parties for their continuous support.

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

Hong Kong, 29 November 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.*