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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 2020

FINANCIAL HIGHLIGHTS

- Revenue was approximately HK\$312.1 million for the Year, representing an increase of approximately 41.0% as compared with the same for the year ended 31 March 2019.
- Gross profit was approximately HK\$13.3 million for the Year, as compared to gross loss of approximately HK\$19.3 million with the same for the year ended 31 March 2019.
- Gross profit margin for the Year was approximately 4.3%, as compared to gross loss margin of approximately 8.7% with the same for the year ended 31 March 2019.
- Loss attributable to owners of the Company was decreased by approximately 65.7% to approximately HK\$15.6 million, compared to loss attributable to owners of the Company of approximately HK\$45.5 million with the same for the year ended 31 March 2019.
- Loss per share was decreased by approximately 65.8% to approximately HK\$1.50 cents, compared to loss per share of approximately HK\$4.39 cents with the same for the year ended 31 March 2019.
- 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 2020 (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 2020

	<i>Notes</i>	2020 HK\$'000	2019 <i>HK\$'000</i>
Revenue	3	312,074	221,338
Cost of sales		<u>(298,739)</u>	<u>(240,653)</u>
Gross profit (loss)		13,335	(19,315)
Other income	5	11,048	7,769
Administrative expenses		(32,501)	(27,914)
Finance costs	6	<u>(6,304)</u>	<u>(5,265)</u>
Loss before taxation	8	(14,422)	(44,725)
Income tax expenses	7	<u>(1,196)</u>	<u>(774)</u>
Loss and total comprehensive expense for the year		<u>(15,618)</u>	<u>(45,499)</u>
Loss and total comprehensive expense for the year attributable to:			
– Owners of the Company		(15,598)	(45,499)
– Non-controlling interest		<u>(20)</u>	<u>–</u>
		<u>(15,618)</u>	<u>(45,499)</u>
LOSS PER SHARE			
– Basic and diluted	10	<u>(1.50 HK cents)</u>	<u>(4.39 HK cents)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2020

	<i>Notes</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		138,935	107,371
Deposits paid for acquisition of property, plant and equipment		2,249	4,038
Pledged deposits		3,946	2,157
		145,130	113,566
Current assets			
Trade receivables	11	144,120	138,714
Contract assets		39,666	37,132
Deposits, prepayments and other receivables		20,335	16,919
Income tax recoverable		30	2,288
Bank balances and cash		13,507	42,655
		217,658	237,708
Current liabilities			
Trade and other payables	12	64,291	35,219
Amount due to a related company		260	–
Bank and other borrowings		26,676	36,813
Obligations under finance leases		–	30,078
Lease liabilities		47,026	–
		138,253	102,110
Net current assets		79,405	135,598
Total assets less current liabilities		224,535	249,164
Non-current liabilities			
Bank and other borrowings		–	11,353
Obligations under finance leases		–	26,563
Lease liabilities		26,591	–
Deferred tax liabilities		9,703	7,393
		36,294	45,309
		188,241	203,855
Capital and reserves			
Share capital		10,375	10,375
Reserves		177,882	193,480
Equity attributable to owners of the Company		188,257	203,855
Non-controlling interest		(16)	–
		188,241	203,855

NOTES

1. GENERAL INFORMATION AND BASIS OF PREPARATION

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, a limited company incorporated in the British Virgin Islands (the “BVI”). The address of the registered office and principal place of business of the Company are PO Box 1350, Clifton House, 75 Fort Street, 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, provision of construction machinery rental and trading of construction machinery.

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 new and amendments to HKFRSs, which include HKFRSs, Hong Kong Accounting Standards (“HKASs”), amendments and interpretations (“Int(s)”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

HKFRS 16	Leases
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle

The adoption of HKFRS 16 resulted in the changes in the Group’s accounting policies and adjustments to the amounts recognised in the consolidated financial statements as summarised below.

The application of other new and amendments to HKFRSs in the current year has had no material impact on the Group’s financial performance and position for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Impacts on adoption of HKFRS 16 *Leases*

HKFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to the lessee accounting by removing the distinction between operating lease and finance lease and requiring the recognition of right-of-use asset and a lease liability for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. The Group has applied HKFRS 16 *Leases* retrospectively with the cumulative effect of initial application as an adjustment to the opening balance of equity, where appropriate, at 1 April 2019. Comparative information has not been restated and continues to be reported under HKAS 17 *Leases*.

On transition to HKFRS 16 *Leases*, the Group elected to apply the practical expedient to grandfather the assessment of which arrangements are, or contain, leases. It applied HKFRS 16 *Leases* only to contracts that were previously identified as leases. Contracts that were not identified as leases under HKAS 17 *Leases* and HK(IFRIC) – Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 *Leases* has been applied only to contracts entered into or changed on or after 1 April 2019.

The Group as lessee

On adoption of HKFRS 16 *Leases*, the Group recognised a lease liability in relation to a lease which had previously been classified as “operating lease” under the principles of HKAS 17 *Leases* (except for lease of low value assets and lease with remaining lease term of twelve months or less). This liability was measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate as of 1 April 2019. The lessee’s incremental borrowing rate applied to the lease liability on 1 April 2019 was 2.63%.

The Group recognises a right-of-use asset and measures it at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments to the lease. There is no impact on the opening balances of equity.

The Group leases a number of items of motor vehicles and machinery included in property, plant and equipment. These leases were classified as finance leases under HKAS 17 *Leases*. For these finance leases, the carrying amount of the right-of-use asset and the lease liability at 1 April 2019 was determined at the carrying amount of the lease asset and lease liability under HKAS 17 *Leases* immediately before that date. Accordingly, the obligations under finance leases and other borrowings previously included in bank and other borrowings are now included within lease liabilities, and the carrying amount of the corresponding lease asset is identified as a right-of-use asset. There is no impact on the opening balance of equity.

The Group as lessor

The Group leases certain motor vehicles and machinery in related to revenue generating from construction machinery rental. The accounting policies applicable to the Group as lessor remain substantially unchanged from those under HKAS 17 *Leases*.

The following table summarises the impact of transition to HKFRS 16 *Leases* at 1 April 2019. Line items that were not affected by the adjustments have not been included.

	<i>Notes</i>	Carrying amount previously reported at 31 March 2019 <i>HK\$'000</i>	Impact on adoption of HKFRS 16 <i>HK\$'000</i>	Carrying amount as restated at 1 April 2019 <i>HK\$'000</i>
Property, plant and equipment	(a), (b) and (c)	107,371	1,380	108,751
Bank and other borrowings – current portion	(a)	36,813	(5,125)	31,688
Bank and other borrowings – non-current portion	(a)	11,353	(11,353)	–
Obligations under finance leases – current portion	(b)	30,078	(30,078)	–
Obligations under finance leases – non-current portion	(b)	26,563	(26,563)	–
Lease liabilities – current portion	(a), (b) and (c)	–	36,384	36,384
Lease liabilities – non-current portion	(a), (b) and (c)	–	38,115	38,115

Notes:

- (a) Included in bank and other borrowings as at 31 March 2019 was approximately HK\$16,478,000 which related to the purchase of machinery under sale and leaseback arrangement which in substance classified as finance leases are now included within lease liabilities under HKFRS 16 *Leases*. The carrying amount of the related assets of approximately HK\$19,459,000 has been reclassified from machinery included in property, plant and equipment to right-of-use assets included in property, plant and equipment.
- (b) The obligations under finance leases as at 31 March 2019 of approximately HK\$56,641,000 are now included within lease liabilities under HKFRS 16 *Leases*. The carrying amounts of the machinery and motor vehicles under finance leases and included in property, plant and equipment of approximately HK\$17,442,000 and HK\$23,446,000 are reclassified to right-of-use assets included in property, plant and equipment.
- (c) In addition to notes (a) and (b) above, as at 1 April 2019, right-of-use asset of approximately HK\$1,380,000 was recognised and measured at the same amount of the lease liability.

In the consolidated statement of cash flows, the Group as a lessee is required to split rentals paid under capitalised leases into their capital element and interest element. These elements are classified as financing cash outflows, similar to how leases previously classified as finance leases under HKAS 17 *Leases* were treated, rather than as operating cash outflows, as was the case for operating leases under HKAS 17 *Leases*. The total cash flows are unaffected. The adoption of HKFRS 16 *Leases* has not resulted in a significant change in presentation of cash flows within the consolidated statement of cash flows.

Differences between operating lease commitments as at 31 March 2019, the date immediately preceding the date of initial application, discounted using the incremental borrowing rate, and the lease liability recognised as at 1 April 2019 are as follows:

	<i>HK\$'000</i>
Operating lease commitments disclosed as at 31 March 2019	1,470
Less: Short-term leases with remaining lease term ended on or before 31 March 2020	(70)
	1,400
Discounting using the incremental borrowing rate at 1 April 2019	(20)
	1,380
Lease liability as at 1 April 2019	1,380
Analysed as:	
– Current portion	1,181
– Non-current portion	199
	1,380
	1,380

Practical expedients applied

On the date of initial application of HKFRS 16 *Leases*, the Group has also used the following practical expedients permitted by the standard:

- the accounting for operating lease with a remaining lease term of less than 12 months as at 1 April 2019 as short-term lease.

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 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 HKFRS 3	Definition of a Business ⁴
Amendments to HKAS 1 and HKAS 8	Definition of Material ¹
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform ¹
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting ¹
Amendments to HKFRS 16	Covid-19-Related Rent Concessions ⁵

¹ Effective for annual periods beginning on or after 1 January 2020

² Effective for annual periods beginning on or after 1 January 2021

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

⁴ Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020

⁵ Effective for annual periods beginning on or after 1 June 2020

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, construction machinery rental and trading of construction machinery. An analysis of the Group's revenue for the year is as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by major products or services lines		
– Construction works	118,353	82,772
– Trading of construction machinery	–	6,530
	<u>118,353</u>	<u>89,302</u>
Revenue from other sources		
– Construction machinery rental	193,721	132,036
	<u>312,074</u>	<u>221,338</u>

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

	Construction works <i>HK\$'000</i>	Trading of construction machinery <i>HK\$'000</i>	Total <i>HK\$'000</i>
For the year ended 31 March 2020			
Timing of revenue recognition			
– Over time	<u>118,353</u>	–	<u>118,353</u>
	Construction works <i>HK\$'000</i>	Trading of construction machinery <i>HK\$'000</i>	Total <i>HK\$'000</i>
For the year ended 31 March 2019			
Timing of revenue recognition			
– At a point in time	–	6,530	6,530
– Over time	<u>82,772</u>	–	<u>82,772</u>
	<u>82,772</u>	<u>6,530</u>	<u>89,302</u>

Transaction price allocated to the remaining performance obligations

As at 31 March 2020, the aggregate amount of transaction price allocated to the performance obligations that are unsatisfied (or partially unsatisfied) is approximately HK\$32,266,000 (2019: HK\$70,351,000). 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 (2019: 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 goods or services delivered or 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;
- Construction machinery rental; and
- Trading of construction machinery.

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 2020

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

For the year ended 31 March 2019

	Construction works <i>HK\$'000</i>	Construction machinery rental <i>HK\$'000</i>	Trading of construction machinery <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue				
External revenue	82,772	132,036	6,530	221,338
Inter-segment revenue	–	72,257	–	72,257
	<u>82,772</u>	<u>204,293</u>	<u>6,530</u>	<u>293,595</u>
Segment revenue				
				<u>(72,257)</u>
Eliminations				
Group revenue				<u>221,338</u>
Segment (loss) profit	<u>(12,659)</u>	<u>(26,434)</u>	<u>851</u>	(38,242)
Unallocated income				7,769
Unallocated corporate expenses				(8,987)
Unallocated finance costs				<u>(5,265)</u>
Loss before taxation				<u>(44,725)</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 makers 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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Construction works	117,758	138,438
Construction machinery rental	217,253	161,601
Trading of construction machinery	–	3,943
	<u>335,011</u>	<u>303,982</u>
Total segment assets		
Corporate and other assets	<u>27,777</u>	<u>47,292</u>
Total assets	<u>362,788</u>	<u>351,274</u>

Segment liabilities

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Construction works	62,671	74,826
Construction machinery rental	73,275	15,074
Trading of construction machinery	–	–
Total segment liabilities	<u>135,946</u>	89,900
Corporate and other liabilities	<u>38,601</u>	<u>57,519</u>
Total liabilities	<u><u>174,547</u></u>	<u><u>147,419</u></u>

For the purposes of monitoring segment performance and allocating resources between segments:

- All assets are allocated to operating segments, other than pledged deposits, deposits and prepayments for life insurances, certain other receivables, income tax recoverable and bank balances and cash. Assets used jointly by reportable segments are allocated on the basis of the revenue earned by individual reportable segment; and
- All liabilities are allocated to operating segments, other than certain other payables, amount due to a related company, bank and other borrowings 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, lease liabilities of approximately HK\$73,617,000 (2019: obligations under finance leases of approximately HK\$56,641,000) were allocated to construction works and construction machinery rental segments. However, the relevant interests on lease liabilities of approximately HK\$4,966,000 (2019: interests on obligations under finance leases of approximately HK\$3,901,000) were not included in the measurement of segment results. Should the interests on lease liabilities (2019: interests on obligations under finance leases) be included in the measurement of segment profit, the segment loss of construction works and construction machinery rental for the year ended 31 March 2020 would be approximately HK\$4,823,000 and HK\$4,542,000 respectively (2019: HK\$16,464,000 and HK\$26,530,000).

Other segment information

For the year ended 31 March 2020

	Construction works <i>HK\$'000</i>	Construction machinery rental <i>HK\$'000</i>	Trading of construction machinery <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
Amounts include in the measure of segment profit (loss) or segment assets:					
Addition to non-current assets (<i>note</i>)	35,793	58,586	-	-	94,379
Deposits paid for acquisition of property, plant and equipment	853	1,396	-	-	2,249
Depreciation of property, plant and equipment	24,475	33,570	-	-	58,045
Loss allowance on trade receivables	3,865	6,325	-	-	10,190
Reversal of loss allowance on trade receivables	(2,487)	(4,070)	-	-	(6,557)
Loss allowance on contract assets	1,060	-	-	-	1,060
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss:					
Bank interest income	-	-	-	(1)	(1)
Gain on disposal of property, plant and equipment	-	-	-	(486)	(486)
Finance costs	-	-	-	6,304	6,304
Income tax expenses	-	-	-	1,196	1,196
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

For the year ended 31 March 2019

	Construction works HK\$'000	Construction machinery rental HK\$'000	Trading of construction machinery HK\$'000	Unallocated HK\$'000	Total HK\$'000
Amounts include in the measure of segment profit (loss) or segment assets:					
Additions to non-current assets (<i>note</i>)	20,776	33,188	–	–	53,964
Deposits paid for acquisition of property, plant and equipment	1,556	2,482	–	–	4,038
Depreciation of property, plant and equipment	7,849	42,623	–	729	51,201
Loss allowance on trade receivables	1,605	6,078	–	–	7,683
Loss allowance on contract assets	97	–	–	–	97

Amounts regularly provided to the chief
operating decision maker but not
included in the measure of segment
profit or loss:

Bank interest income	–	–	–	(3)	(3)
Gain on disposal of property, plant and equipment	–	–	–	(5,936)	(5,936)
Finance costs	–	–	–	5,265	5,265
Income tax expenses	–	–	–	774	774

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:

	2020 HK\$'000	2019 HK\$'000
Customer A ¹	55,004	77,384
Customer B ²	36,941	N/A ⁴
Customer C ³	33,887	N/A ⁴

¹ Revenue from construction works and construction machinery rental segments (2019: revenue from construction works, construction machinery rental and trading of construction machinery segments).

² Revenue from construction machinery rental segment.

³ Revenue from construction works segment.

⁴ The corresponding revenue did not contribute over 10% of the total revenue of the Group.

Geographical information

During the years ended 31 March 2020 and 2019, the Group is organised into three operating segments as construction works, construction machinery rental and trading of construction machinery primarily in Hong Kong and all revenue, expenses, results, assets and liabilities and capital expenditures are predominantly attributable to these segments. Accordingly, no geographical information is presented.

5. OTHER INCOME

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Sales of scrap materials	1,391	234
Insurance claims	995	352
Auxiliary and other service income	1,618	1,238
Gain on disposal of property, plant and equipment	486	5,936
Reversal of loss allowance of trade receivables	6,557	–
Bank interest income	1	3
Sundry income	–	6
	<u>11,048</u>	<u>7,769</u>

6. FINANCE COSTS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Interests on:		
– bank and other borrowings	1,338	1,364
– obligations under finance leases	–	3,901
– lease liabilities	4,966	–
	<u>6,304</u>	<u>5,265</u>

7. INCOME TAX EXPENSES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Current tax:		
– Hong Kong Profits Tax	–	41
Over-provision in prior years:		
– Hong Kong Profits Tax	(1,114)	–
Deferred taxation	2,310	733
Income tax expenses	<u>1,196</u>	<u>774</u>

Notes:

- (a) Pursuant to rules and regulations of the Cayman Islands and the BVI, the Group is not subject to any income tax in the Cayman Islands and the BVI.
- (b) On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the “Bill”) which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of qualifying corporation will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. For the years ended 31 March 2020 and 2019, Hong Kong profits tax of the qualified entities of the Group is calculated in accordance with the two-tiered profits tax rates regime. The profits of other entities of the Group in Hong Kong not qualifying for the two-tiered profits tax rates regime will continue to be taxed at the flat rate of 16.5%.

8. LOSS BEFORE TAXATION

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Loss for the year has been arrived at after charging:		
Staff costs		
– Salaries, wages and other benefits	108,460	81,812
– Retirement benefits scheme contributions	3,874	3,049
Total staff costs (excluding directors' emoluments)	<u>112,334</u>	<u>84,861</u>
Auditor's remuneration	894	894
Bad debt expenses	–	381
Depreciation of property, plant and equipment	58,045	51,201
Loss allowance on trade receivables	10,190	7,683
Loss allowance on contract assets	1,060	97
Operating lease rentals related to office premises, storage area and staff quarters	N/A	838
Amount of inventories recognised as an expense	–	5,362
Exchange loss	15	27
	<u>15</u>	<u>27</u>

9. DIVIDEND

No dividend was paid or proposed during the years ended 31 March 2020 and 2019, nor has any dividend been proposed since the end of the reporting period.

10. LOSS PER SHARE

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Loss		
Loss for the purpose of basic and diluted loss per share, representing loss for the year attributable to owners of the Company	<u>(15,598)</u>	<u>(45,499)</u>
	2020	2019
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share (<i>'000 shares</i>)	<u>1,037,500</u>	<u>1,037,500</u>

The diluted loss per share is equal to the basic loss per share as there were no dilutive potential ordinary shares outstanding during the years ended 31 March 2020 and 2019.

11. TRADE RECEIVABLES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade receivables, at amortised cost	161,738	157,166
Less: loss allowance on trade receivables	<u>(17,618)</u>	<u>(18,452)</u>
	<u>144,120</u>	<u>138,714</u>

As at 31 March 2020, the gross amount of trade receivables arising from contracts with customers in respect of construction works amounted to approximately HK\$17,844,000 (2019: HK\$57,036,000).

The Group does not hold any collateral over these balances.

The Group does not have a standardised and universal credit period granted to its customers, and the credit period of individual customer is considered on a case-by-case basis and stipulated in the project contract, as appropriate. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management of the Group. In view of this and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk.

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Within 30 days	25,204	19,928
31 to 60 days	31,109	23,166
61 to 90 days	1,884	4,492
91 to 180 days	23,279	9,847
181 to 365 days	17,601	11,797
Over 365 days	<u>45,043</u>	<u>69,484</u>
	<u>144,120</u>	<u>138,714</u>

12. TRADE AND OTHER PAYABLES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade payables	32,146	14,911
Receipts in advance	–	584
Other payables	16,693	10,081
Accruals	<u>15,452</u>	<u>9,643</u>
	<u>64,291</u>	<u>35,219</u>

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

	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 30 days	10,440	3,097
31 to 60 days	12,526	4,334
61 to 90 days	419	2,120
91 to 365 days	8,761	4,416
Over 365 days	–	944
	<hr/>	<hr/>
	<u>32,146</u>	<u>14,911</u>

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

BUSINESS AND FINANCIAL REVIEW

The Group is principally engaged in (i) construction works; (ii) the provision of construction machinery rental services; and (iii) trading of construction machinery. 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.

In order to broaden its revenue base, the Group is developing the provision of aluminum system formwork rental services in Hong Kong. During the Year, the Group has established a subsidiary, namely Full King (International) Aluminum System Formwork Technology Limited ("Full King"), with an independent third party in Hong Kong and subscribed for 51% of the issued shares of Full King at HK\$5,100. Up to the date of this announcement, Full King has not yet commenced any business.

In addition, during first half of the Year, the Group has invested in an associate, Shenzhen Huaxie Smart Operation Management Company Limited* 深圳市華協智慧運營管理有限公司 ("深圳華協"), for the purpose of subletting the aluminum system formwork from the People's Republic of China (the "PRC") to Hong Kong. During the Year, the Group has not contributed any capital to 深圳華協. Due to changing of subletting business environment for aluminum system formwork in the PRC, the Group disposed of all the equity interest in 深圳華協 to an independent third party in the second half of the Year.

The overall performance was greatly improved and rebounded from the bottom due to certain new foundation projects commenced during the Year and the improvement of the construction machinery rental business as a result of the enhancement of the fleet of machinery.

Notwithstanding the above, the outbreak of the new coronavirus disease 2019 ("COVID-19") since early 2020 has paralyzed economic activities worldwide including Hong Kong and inevitable affected the Group's operation in certain extent. In response to the epidemic, the Group has suspended few projects for a short period of time. However, the operations has gradually resumed since March 2020.

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.

* *for identification purposes only*

REVENUE

During the Year, the Group had revenue generated from construction works and construction machinery rental. No revenue were generated from trading of construction machinery during the Year. Set out below is the breakdown of revenue of the Group during the Year and the year ended 31 March 2019:

	Year ended 31 March	
	2020	2019
	HK\$'000	HK\$'000
Construction works	118,353	82,772
Construction machinery rental	193,721	132,036
Trading of construction machinery	–	6,530
	<u>312,074</u>	<u>221,338</u>

Revenue from construction works

During the Year, the revenue derived from our seven projects (2019: ten projects) amounted to approximately HK\$118.4 million (2019: HK\$82.8 million), accounting for approximately 37.9% (2019: 37.4%) of our total revenue. Such increase in revenue was the results of revenue in new construction works contributed by the construction projects in Ap Lei Chau Inland and Kai Tak Sports Park which have been started during the Year. At the meanwhile, the Group has engaged in three new projects during the Year (2019: two projects); The Group has been actively participating in tenders for new public and private construction projects.

As at 31 March 2020, there were eight projects on hand with total outstanding contract sum amounting to HK\$32.3 million. Six projects are expected to be completed in the year ending 31 March 2021, two projects are expected to be completed in the year ending 31 March 2022 and none of them is expected to have any material interruption.

Below set out a list of projects which contributed revenue to the Group during the Year:

Site Location	Type of Works	Status
Tuen Mun	Builder's work and general building works	Work in progress
Liantang/Heung Yuen Wai Boundary Control Point	Builder's work and general building works	Completed
Anderson Road Quarry Site	Foundation and site formation works	Work in progress

Site Location	Type of Works	Status
Hong Kong International Airport North Commercial District	Foundation and site formation works	Completed
HK-ZH-Macau bridge Hong Kong Boundary Crossing Facilities – Vehicle Clearance Plazas and Ancillary Buildings and Facilities	Foundation and site formation works	Work in progress
Yau Tong	Foundation and site formation works	Work in progress
Tuen Mun – Chek Lap Kok Link – Northern Connection Sub-sea Tunnel Section	Foundation and site formation works	Work in progress
West Kowloon Drainage Improvement – Inter-reservoirs Transfer Scheme	Foundation and site formation works	Work in progress
Ap Lei Chau Inland	Foundation and site formation works	Work in progress
Kai Tak Sports Park	Foundation and site formation works	Work in progress

Revenue from construction machinery rental

During the Year, the revenue derived from the construction machinery rental amounted to approximately HK\$193.7 million (2019: HK\$132.0 million), accounting for approximately 62.1% (2019: 59.6%) of our total revenue. The substantial increase in construction machinery rental income of the Group was mainly the result of some of the infrastructure and reclamation projects in Hong Kong, namely Three-runway system at Chek Lap Kok Airport and Tung Chung New Town Extension, have been started during the Year, the demand in the market for our construction machinery increased.

Revenue from trading of construction machinery

During the Year, there were no revenue derived from our trading of construction machinery business (2019: HK\$6.5 million), and thus did not contributed to our total revenue (2019: 3.0%). The substantial decrease in revenue from trading of construction machinery as the Group has not identified any potential customers.

GROSS PROFIT/(LOSS) AND GROSS PROFIT/(LOSS) MARGIN

The Group's total gross profit increased by approximately HK\$32.6 million, from gross loss of approximately HK\$19.3 million for the year ended 31 March 2019 to gross profit of approximately HK\$13.3 million for the Year while our gross profit margin increased from gross loss margin of approximately 8.7% for the year ended 31 March 2019 to gross profit margin of approximately 4.3% for the Year. The increase in gross profit margin was mainly attributable to (i) the increase in the construction works during the Year and the gross profit margins for certain new foundation projects commenced during Year are generally higher than those in the corresponding year in 2019; (ii) the increase in the revenue from construction machinery rental during the Year and the gross profit margins with higher utilization rate of our fleets; partially set-off by the adverse effect in (i) increase in costs resulting from temporarily suspension of certain projects because of the outbreak of COVID-19; and (ii) the depreciation expenses of machinery remained significant. Below set out the breakdowns of the gross profit/(loss) and gross profit/(loss) margin of the Group:

	Year ended 31 March			
	Gross Profit HK\$'000	Gross Profit Margin	Gross (Loss)/ Profit HK\$'000	Gross (Loss)/ Profit Margin
Construction works	5,322	4.5%	(6,550)	(7.9%)
Construction machinery rental	8,013	4.1%	(13,933)	(10.6%)
Trading of construction machinery	—	—	1,168	17.9%
	<u>13,335</u>	<u>4.3%</u>	<u>(19,315)</u>	<u>(8.7%)</u>

ADMINISTRATIVE EXPENSES

The administrative expenses of the Group for the Year amounted to approximately HK\$32.5 million, representing an increase of approximately 16.4% compared with approximately HK\$27.9 million for the previous year. Such increase is mainly due to the increase in the loss allowance on trade receivables and contract assets of approximately HK\$3.5 million and the increase in general operational costs incurred of the Group.

NET LOSS

Loss after tax of approximately HK\$15.6 million for the Year as compared to loss of approximately HK\$45.5 million for the previous year. The decrease in loss is mainly attributable to the substantial increase in all revenue line and the improvement in gross profit margin.

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 capital contributions from shareholders, bank borrowings, cash inflows from operating activities.

As at 31 March 2020, the Group had bank balances of approximately HK\$13.5 million (2019: HK\$42.7 million). The decrease is mainly due to the acquisition of new fleets of machinery during the Year. The new bank borrowings during the Year was approximately HK\$77.7 million (2019: HK\$94.9 million). The total interest-bearing liabilities of the Group including bank borrowings and lease liabilities as at 31 March 2020 was approximately HK\$100.3 million (2019: HK\$104.8 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 2020 was approximately 53.3% (2019: 51.4%).

PLEDGE OF ASSETS

As at 31 March 2020, 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\$82.6 million (2019: HK\$69.2 million), deposits and prepayments for life insurance with an aggregate net book value of approximately HK\$10.1 million (2019: HK\$9.8 million) and deposits with an aggregate net book value of approximately HK\$3.9 million (2019: HK\$2.2 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 2020, the Group employed 386 (2019: 263) staff. Total staff costs including Directors' emoluments for the Year amounted to approximately HK\$116.7 million (2019: HK\$89.0 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, finance leases, internal resources and proceeds from new shares offer through the listing of the shares of the Company on the Stock Exchange on 8 December 2016 (the "Listing"). The following table sets forth our Group's capital expenditure during the Year and previous year:

	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Motor vehicles	18,748	2,716
Machinery	75,625	51,240
Others	6	8
	<u>94,379</u>	<u>53,964</u>

As at 31 March 2020, the Group had no material capital commitments.

CONTINGENT LIABILITIES

As at 31 March 2020, one of the subsidiaries has been named as defendant in one (2019: two) High Court actions in respect of claim for compensation of personal injury for an amount of approximately HK\$4.5 million (2019: HK\$7.7 million) in aggregate. The Directors considered the claims are covered by the relevant insurance policies. No provision for potential liability has been made in the consolidated financial statements.

EVENTS AFTER THE YEAR

There is no material subsequent event undertaken by the Company or by the Group after 31 March 2020 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.

USE OF PROCEEDS FROM LISTING

The Company's shares have been listed on the Main Board of the Stock Exchange since 8 December 2016. After the exercise of the Over-allotment Option, the receipt of proceeds, after deduction of underwriting commission and other related estimated listing expenses, including both recognized in the consolidated statement of comprehensive income and deducted from the share premium ("net proceeds") from the Listing were approximately HK\$102.3 million.

The net proceeds raised by the Group have been fully utilized as at 31 March 2020 in the manner consistent with the proposed allocation as stated in the Company's prospectus dated 28 November 2016.

PROSPECTS

Despite the commencement of social unrest in the second half of 2019 and the outbreak of COVID-19 since early 2020, cause deteriorating economic conditions in Hong Kong which have severely affected the construction industry and caused the decrease in the number of projects which are available for tender, the government still keeps up its investment in Hong Kong for sustaining a long-term growth, the Government continue in increasing land supply and commitment to infrastructure investments, the Group expects a rebound in the construction industry in the long run. Subsequent to 31 March 2020, the Group has been awarded a foundation contract from existing project with contract sum of approximately HK\$89.7 million. As such the outstanding contract sum of the project on hand is amounting to approximately HK\$122.0 million. Consequently, a certain amount of revenue from construction works of the Group are secured in the coming year.

Furthermore, to maintain our competitiveness, the Group has replaced and enhanced our fleet of machinery to strengthen the market position in Hong Kong to capture more sizeable and profitable projects and construction machinery rental business in the future.

Premised on those competitive edges of the Group, the Board remain confident with the future development of the Group. Nevertheless, we believe that we have touched the bottom and an improvement of our business is expected in the future.

ANNUAL GENERAL MEETING (“AGM”)

The 2020 AGM will be held on Tuesday, 18 August 2020. The notice of the AGM will be published and distributed to the shareholders of the Company in the manner as required by the Rules Governing the Listing of Securities (the “Listing Rules”) on the Stock Exchange in due course.

Closure of Register of Members

The Hong Kong branch register of members of the Company will be closed from Thursday, 13 August 2020 to Tuesday, 18 August 2020 (both dates inclusive) for the purpose of ascertaining shareholders’ entitlement to attend and vote at the forthcoming AGM. No transfer of shares may be registered on those dates. In order to qualify for the shareholders’ entitlement to attend and vote at the AGM, all transfer forms accompanied by the relevant share certificates should be lodged with the Company’s Branch Registrar in Hong Kong, Tricor Investor Services Limited, Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong not later than 4:30 p.m. on Wednesday, 12 August 2020.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Directors are committed to maintaining high standards of corporate governance in performing their obligations to act in the best interests of shareholders of the Company and enhancing long term shareholder value. Save as disclosed below, no Director is aware of any information which would reasonably indicate that the Company is not, or was not at any time during the Year, acting in compliance with code provisions of the Corporate Governance Code and Corporate Governance Report (the “Corporate Governance Code”) as set out in Appendix 14 to the Listing Rules.

Under code provision A.2.1 of the Corporate Governance Code, the roles of chairman and chief executive should be separated and should not be performed by the same individual. During the Year and up to the date of this announcement, the role of the chairman of the Company (the “Chairman”) was performed by Mr. Wu Wing Hang but the office of the chief executive officer of the Company was vacated. The daily operation and management of the Company is monitored by the executive Directors as well as the senior management. The Board is of the view that although there is no chief executive officer, the balance of power and authority is ensured by the operation of the Board, which comprises experienced individuals who would meet from time to time to discuss issues affecting operation of the Company.

MODEL CODE OF CONDUCT FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”), as set out in Appendix 10 to the Listing Rules, as its own securities code. All Directors have confirmed, following specific enquiries by the Company, that they have fully complied with the required standards set out in the Model Code during the Year and up to the date of this announcement.

REVIEW OF FINANCIAL INFORMATION

The audit committee of the Company (the “Audit Committee”) consists of three independent non-executive Directors, namely Mr. Lee Man Tai (Chairman), Mr. Wong Yiu Kit Ernest and Mr. Leung Ka Fai. The Company’s annual results for the Year have been reviewed by the Audit Committee, which takes the view that the applicable accounting standards and requirements have been complied with by the Company and that adequate disclosures have been made. The Audit Committee has met the external auditor of the Company, SHINEWING (HK) CPA Limited (“SHINEWING”), and reviewed the Group’s results for the Year.

REVIEW OF PRELIMINARY ANNOUNCEMENT OF 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 preliminary announcement 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 preliminary announcement.

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.ppg.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, 29 June 2020

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.