

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

2023
INTERIM REPORT

Contents

2	Corporate Information
3	Management Discussion and Analysis
10	Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income
11	Condensed Consolidated Statement of Financial Position
13	Condensed Consolidated Statement of Changes in Equity
14	Condensed Consolidated Statement of Cash Flows
15	Notes to the Condensed Consolidated Interim Financial Information
37	Corporate Governance and Other Information

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Wu Wing Hang (*Chairman*)
Mr. Chan Tak Ming

Independent Non-executive Directors

Mr. Wong Yiu Kit Ernest
Mr. Lee Man Tai
Mr. Leung Ka Fai

AUDIT COMMITTEE

Mr. Lee Man Tai (*Chairman*)
Mr. Wong Yiu Kit Ernest
Mr. Leung Ka Fai

NOMINATION COMMITTEE

Mr. Leung Ka Fai (*Chairman*)
Mr. Wu Wing Hang
Mr. Wong Yiu Kit Ernest

REMUNERATION COMMITTEE

Mr. Wong Yiu Kit Ernest (*Chairman*)
Mr. Wu Wing Hang
Mr. Lee Man Tai

COMPANY SECRETARY

Mr. Li Kin Fung

AUTHORISED REPRESENTATIVES

Mr. Wu Wing Hang
Mr. Li Kin Fung

HEADQUARTER AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Tuen Mun Central Square
No. 22 Hoi Wing Road
Tuen Mun
New Territories
Hong Kong

REGISTERED OFFICE

Windward 3
Regatta Office Park
PO Box 1350
Grand Cayman KY1-1108
Cayman Islands

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Ocorian Trust (Cayman) Limited
Windward 3
Regatta Office Park
PO Box 1350
Grand Cayman KY1-1108
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

PRINCIPAL BANK

The Hongkong and Shanghai Banking Corporation Limited

AUDITOR

SHINIEWING (HK) CPA Limited
17/F, Chubb Tower
Windsor House
311 Gloucester Road
Causeway Bay, Hong Kong

COMPANY'S WEBSITE

www.ppgh.com.hk

STOCK CODE

1581

Management Discussion and Analysis

BUSINESS AND FINANCIAL REVIEW

The Company and its subsidiaries (collectively, 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\$299.2 million for the six months ended 30 September 2023 (the “Period”), representing an increase of approximately 20.1% from approximately HK\$249.2 million for the six months ended 30 September 2022. Net profit was increased from approximately HK\$1.0 million for the six months ended 30 September 2022 to approximately HK\$3.0 million for the Period, was mainly attributable of the revenue growth as more new construction works projects were engaged and effective cost control during the Period.

After several difficult years due to COVID-19, Hong Kong is finally starting to go out of the woods, and the construction industry will play an important role in driving our city's renewed development. While the global economic environment remains challenging, the 2023–24 Budget (the “Budget”) of the Government of the Hong Kong Special Administrative Region (the “HKSAR Government”) clearly indicates that the government’s focus on long-term investment to uplift the construction industry to drive major real estate, infrastructure and land development projects. Industry-specific challenges such as the shortage of labour and skills, environmental issues and the impact of inflation. To mitigate those challenges, the Group remains committed to implement cost control measures across different projects and services.

Looking ahead, with the HKSAR Government reiterated its commitment to infrastructure in the Budget and announced the average annual capital works expenditure will exceed HK\$100 billion from 2024 to 2028. The Group will continue to keep abreast of market developments and act prudently in evaluating potential business opportunities to drive the continuous business development, as to increase the return to our shareholders.

Management Discussion and Analysis (Continued)

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 2023 and 2022.

	Six months ended 30 September	
	2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)
Construction works	157,192	75,178
Construction machinery rental	142,028	173,976
	299,220	249,154

Revenue from construction works

During the Period, the revenue derived from our construction works amounted to approximately HK\$157.2 million (six months ended 30 September 2022: HK\$75.2 million), accounting for approximately 52.5% (six months ended 30 September 2022: 30.2%) of our total revenue, and contributed by fourteen projects (six months ended 30 September 2022: nine projects). Such increase in revenue was mainly resulted from more new projects and contracts from existing projects were awarded during the Period. The revenue from construction works were mainly contributed from projects in three-runway system, Kai Tak Sports Park and Central Kowloon Route during the Period.

As at 30 September 2023, there were fifteen projects on hand with total outstanding contract sum amounting to approximately HK\$230.4 million. Nine projects are expected to be completed in the year ending 31 March 2024, six projects are expected to be completed in the year ending 31 March 2025 and none of them is expected to have any material interruption.

Management Discussion and Analysis (Continued)

Revenue from construction works (Continued)

Below set out a list of projects during the Period:

Site Location/Project	Type of Works	Status
Anderson Road Quarry Site	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
– North Runway Modification Works – Airfield Pavement Works (Asphalt Pavement)	Builder's work and general building works	Work in progress
– North Runway Modification Works – Airfield Pavement Works (CASB and CABC and Subgrade Preparation)	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
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	Foundation and site formation works	Work in progress
AIA Urban Campus Redevelopment	Foundation and site formation works	Work in progress
Tung Chung Line Extension	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\$142.0 million (six months ended 30 September 2022: HK\$174.0 million), accounting for approximately 47.5% (six months ended 30 September 2022: 69.8%) of our total revenue. The decrease in revenue derived from construction machinery rental of the Group was mainly due to the decrease in demand for construction machinery rental as the completion of the community isolation facility and peak period of Tung Chung New Town Extension was over.

Management Discussion and Analysis (Continued)

Gross Profit and Gross Profit Margin

The Group's total gross profit increased by approximately HK\$14.8 million, from approximately HK\$4.7 million for the six months ended 30 September 2022 to approximately HK\$19.5 million for the Period while our gross profit margin increased from approximately 1.9% for the six months ended 30 September 2022 to approximately 6.5% for the Period.

The increase in gross profit and gross profit margin was mainly attributable to the increase in revenue and effective cost control during the Period.

Other Income

The Group's other income decreased from approximately HK\$13.3 million during the six months ended 30 September 2022 to approximately HK\$2.0 million during the Period. Such decrease was mainly due to the recognition of non-recurring government grants of approximately HK\$9.4 million from 2022 Employment Support Scheme under the Anti-epidemic Fund launched by the HKSAR Government during the six months ended 30 September 2022, while no such government grants funded during the Period.

Administrative Expenses

The administrative expenses of the Group for the Period amounted to approximately HK\$10.7 million, representing a decrease of approximately 9.7% as compared to approximately HK\$11.8 million for the six months ended 30 September 2022. Such decrease was mainly due to decrease in professional services fee and cost control over the staff welfare during the Period.

Finance Costs

The finance costs of the Group for the Period amounted to approximately HK\$7.2 million, representing an increase of approximately 55.0% as compared to approximately HK\$4.6 million for the six months ended 30 September 2022. Such increase was mainly due to the increase in interest rate of the interest-bearing liabilities during the Period.

Net Profit

Net profit increased by approximately HK\$2.0 million to approximately HK\$3.0 million for the Period as compared to approximately HK\$1.0 million for the six months ended 30 September 2022. The increase in net profit was mainly attributable to the increase in both revenue and gross profit during the Period.

Management Discussion and Analysis (Continued)

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 2023, the Group had bank balances of approximately HK\$15.7 million (31 March 2023: HK\$27.3 million). The interest-bearing liabilities of the Group as at 30 September 2023 was approximately HK\$200.8 million (31 March 2023: HK\$213.0 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 2023 was approximately 84.6% (31 March 2023: 90.9%), representing a decrease of approximately 6.3%.

Interim Dividend

The board (the “Board”) of directors of the Company (the “Directors”) has resolved not to declare any interim dividend for the Period.

Prospects

The construction industry is one of the most important pillars to Hong Kong’s economy. The productivity of the construction industry is continued to be crucial to Hong Kong’s economic growth, long term development and to improve the livelihood of people. With the HKSAR Government announced major plans in the Budget to continue investing in major real estate, infrastructure, and land development projects, such as Northern Metropolis and Kau Yi Chau Artificial Islands, indicating strong growth and a positive outlook for the construction sector in Hong Kong. Although the construction sector is still closely connected with challenges such as the shortage of labour and skills, environmental issues and inflation, the Group has continued to enhance our fleet of machinery to strengthen the market position in order to improve the production efficiencies and capture more opportunity in the future. Based on the Group’s competitive advantages, the Board of Directors is confident in the Group’s future development.

Pledge of Assets

As at 30 September 2023, 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\$170.6 million (31 March 2023: HK\$169.5 million), deposits and prepayments for life insurances with an aggregate carrying value of approximately HK\$14.7 million (31 March 2023: HK\$14.6 million) and deposits with an aggregate carrying value of approximately HK\$5.9 million (31 March 2023: HK\$5.6 million).

Management Discussion and Analysis (Continued)

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 2023, the Group employed 508 staff (30 September 2022: 465). Total staff costs including directors' emoluments for the Period, amounted to approximately HK\$101.8 million (six months ended 30 September 2022: HK\$98.4 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 2023, the Group had no material capital commitments (31 March 2023: nil).

Contingent Liabilities

As at 30 September 2023, none of the subsidiaries of the Group was involved in any legal claims (31 March 2023: one of the subsidiaries of the Group was involved in an ongoing personal injury claim). The Directors considered that the possibility of any outflow in settling the legal claims was remote as these claims were well covered by insurance and subcontractors' indemnity. Accordingly, no provision for the contingent liabilities in respect of the litigations is necessary, after due consideration of each case.

Management Discussion and Analysis (Continued)

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 during the Period.

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 September 2023

	Notes	Six months ended 30 September	
		2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)
Revenue	4	299,220	249,154
Cost of sales		(279,706)	(244,437)
Gross profit		19,514	4,717
Other income	5	1,991	13,282
Administrative expenses		(10,681)	(11,833)
Provision for loss allowance on trade receivables, net		(718)	(643)
Reversal of loss allowance on contract assets, net		101	–
Finance costs	6	(7,155)	(4,615)
Profit before taxation	8	3,052	908
Income tax (expense) credit	7	(30)	120
Profit and total comprehensive income for the period		3,022	1,028
Profit (loss) and total comprehensive income (expense) for the period attributable to:			
– Owners of the Company		3,023	1,028
– Non-controlling interest		(1)	–
		3,022	1,028
EARNINGS PER SHARE	10		
– Basic and diluted		0.73 HK cent	0.44 HK cent

Condensed Consolidated Statement of Financial Position

As at 30 September 2023

	Notes	As at 30 September 2023 HK\$'000 (unaudited)	As at 31 March 2023 HK\$'000 (audited)
Non-current assets			
Property, plant and equipment	11	267,623	280,280
Deposits paid for acquisition of property, plant and equipment		1,339	1,920
Pledged rental deposits		799	799
		269,761	282,999
Current assets			
Trade receivables	12	205,132	177,609
Contract assets	13	47,827	53,137
Deposits, prepayments and other receivables		21,714	21,215
Pledged bank deposits		5,071	4,846
Bank balances and cash		15,688	27,307
		295,432	284,114
Current liabilities			
Trade and other payables	14	119,005	111,700
Bank borrowings	15	75,145	77,647
Income tax payable		107	56
Lease liabilities	16	65,971	68,681
		260,228	258,084
Net current assets		35,204	26,030
Total assets less current liabilities		304,965	309,029

Condensed Consolidated Statement of Financial Position (Continued)

As at 30 September 2023

	Notes	As at 30 September 2023 HK\$'000 (unaudited)	As at 31 March 2023 HK\$'000 (audited)
Non-current liabilities			
Lease liabilities	16	59,647	66,674
Deferred tax liabilities		7,907	7,966
		67,554	74,640
Net assets		237,411	234,389
Capital and reserves			
Share capital	17	20,750	20,750
Reserves		216,678	213,655
Equity attributable to owners of the Company		237,428	234,405
Non-controlling interest		(17)	(16)
Total equity		237,411	234,389

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 September 2023

	Attributable to owners of the Company					Non-controlling interest	Total
	Share capital	Share premium	Other reserve	Retained profits	Total		
	HK\$'000	HK\$'000	HK\$'000 (note)	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2022	10,375	109,078	35,457	49,216	204,126	(16)	204,110
Profit and total comprehensive income for the period	-	-	-	1,028	1,028	-	1,028
Issuance of shares upon rights issue	10,375	43,575	-	-	53,950	-	53,950
Transaction costs on issuance of shares upon rights issue	-	(1,712)	-	-	(1,712)	-	(1,712)
At 30 September 2022 (unaudited)	20,750	150,941	35,457	50,244	257,392	(16)	257,376
At 1 April 2023	20,750	150,941	35,457	27,257	234,405	(16)	234,389
Profit (loss) and total comprehensive income (expense) for the period	-	-	-	3,023	3,023	(1)	3,022
At 30 September 2023 (unaudited)	20,750	150,941	35,457	30,280	237,428	(17)	237,411

Note: Other reserve represented the retained profits in respect of the construction machinery rental business (the "Construction Machinery Rental Business") contributed from the controlling shareholder prior to the transfer of business to Progressive Path Group Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group"). Since 1 April 2015, the Construction Machinery Rental Business has been transferred from the controlling shareholder to Luen Yau Construction Company Limited, an indirect wholly-owned subsidiary of the Company.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 September 2023

	Six months ended 30 September	
	2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)
NET CASH GENERATED FROM OPERATING ACTIVITIES	46,912	40,373
INVESTING ACTIVITIES		
Payments for purchase of property, plant and equipment	(9,865)	(31,823)
Placement of pledged deposits	(5,071)	(1,470)
Payments for right-of-use assets	(2,273)	(9,939)
Payments for purchase of life insurances	(119)	(2,765)
Release of pledged deposits	4,846	4,257
Proceeds from disposal of property, plant and equipment	370	3
NET CASH USED IN INVESTING ACTIVITIES	(12,112)	(41,737)
FINANCING ACTIVITIES		
New bank borrowings raised	65,175	83,049
Interests paid	(7,155)	(4,615)
Repayment of bank borrowings	(67,677)	(95,651)
Payment of lease liabilities	(36,762)	(27,621)
Transaction costs attributable to rights issue	–	(1,712)
Advance from a director	–	6,300
Receipts of government grants	–	9,437
Proceeds from issue of shares in respect of rights issue	–	53,950
NET CASH (USED IN) GENERATED FROM FINANCING ACTIVITIES	(46,419)	23,137
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(11,619)	21,773
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	27,307	17,256
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD, REPRESENTED BY BANK BALANCES AND CASH	15,688	39,029

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 September 2023

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 “BVI”). The address of the registered office and the principal place of business of the Company are disclosed in the corporate information of the interim report.

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 condensed consolidated interim financial information 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. BASIS OF PREPARATION

The condensed consolidated interim financial information of the Group for the six months ended 30 September 2023 have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

Notes to the Condensed Consolidated Interim Financial Information (Continued)

For the six months ended 30 September 2023

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 2023, except as described below.

In the current interim period, the Group has applied, for its first time, the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") which are effective for the Group's financial year beginning 1 April 2023:

HKFRS 17 and related amendments	Insurance Contracts
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Return–Pillar Two Model Rules

The application of the amendments to HKFRSs in the current interim period has had no material effect on the Group's financial performance and positions for the current and prior periods and/or on the disclosures set out in the consolidated interim financial information.

Notes to the Condensed Consolidated Interim Financial Information (Continued)

For the six months ended 30 September 2023

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 period is as follows:

	For the six months ended 30 September	
	2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)
Revenue from contracts with customers within the scope of HKFRS 15		
– Construction works	157,192	75,178
Revenue from provision of machinery rental within the scope of HKFRS 16		
– Construction machinery rental	142,028	173,976
	299,220	249,154

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	
	2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)
Time of revenue recognition		
– Over time	157,192	75,178

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.

Notes to the Condensed Consolidated Interim Financial Information (Continued)

For the six months ended 30 September 2023

4. REVENUE AND SEGMENT INFORMATION (Continued)

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 2023 (unaudited)

	Construction works HK\$'000	Construction machinery rental HK\$'000	Total HK\$'000
Revenue			
External revenue	157,192	142,028	299,220
Inter-segment revenue	–	63,130	63,130
Segment revenue	157,192	205,158	362,350
Eliminations			(63,130)
Group's revenue			299,220
Segment profit	6,443	6,210	12,653
Unallocated income			1,991
Unallocated corporate expenses			(4,437)
Unallocated finance costs			(7,155)
Profit before taxation			3,052

Notes to the Condensed Consolidated Interim Financial Information (Continued)

For the six months ended 30 September 2023

4. REVENUE AND SEGMENT INFORMATION (Continued)

Segment revenue and results (Continued)

For the six months ended 30 September 2022 (unaudited)

	Construction works HK\$'000	Construction machinery rental HK\$'000	Total HK\$'000
Revenue			
External revenue	75,178	173,976	249,154
Inter-segment revenue	–	82,120	82,120
Segment revenue	75,178	256,096	331,274
Eliminations			(82,120)
Group's revenue			249,154
Segment profit (loss)	512	(2,840)	(2,328)
Unallocated income			13,282
Unallocated corporate expenses			(5,431)
Unallocated finance costs			(4,615)
Profit before taxation			908

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.

Notes to the Condensed Consolidated Interim Financial Information (Continued)

For the six months ended 30 September 2023

4. REVENUE AND SEGMENT INFORMATION (Continued)

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 2023 HK\$'000 (unaudited)	At 31 March 2023 HK\$'000 (audited)
Construction works	161,594	171,836
Construction machinery rental	367,225	347,226
Total segment assets	528,819	519,062
Corporate and other assets	36,374	48,051
Total assets	565,193	567,113

Segment liabilities

	At 30 September 2023 HK\$'000 (unaudited)	At 31 March 2023 HK\$'000 (audited)
Construction works	122,260	113,881
Construction machinery rental	120,096	131,162
Total segment liabilities	242,356	245,043
Corporate and other liabilities	85,426	87,681
Total liabilities	327,782	332,724

Notes to the Condensed Consolidated Interim Financial Information (Continued)

For the six months ended 30 September 2023

4. REVENUE AND SEGMENT INFORMATION (Continued)

Segment assets and liabilities (Continued)

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\$267,623,000 and HK\$125,618,000 (31 March 2023: HK\$280,280,000 and HK\$135,355,000) 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\$268,000 (2022: HK\$3,000) and HK\$4,341,000 (2022: HK\$3,268,000) respectively were not included in the measurement of segment results for the six months ended 30 September 2023. 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 2023 would be approximately HK\$5,163,000 (2022: segment loss of approximately HK\$493,000) and HK\$3,417,000 (2022: segment loss of approximately HK\$5,100,000) respectively.

Notes to the Condensed Consolidated Interim Financial Information (Continued)

For the six months ended 30 September 2023

5. OTHER INCOME

	For the six months ended 30 September	
	2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)
Gain on disposal of property, plant and equipment	268	3
Insurance claims	602	214
Rental income	180	–
Auxiliary and other service income	935	3,625
Government grants (note)	–	9,437
Others	6	3
	1,991	13,282

Note: Government grants has been recognised as other income either (i) on a systematic basis over the periods the Group recognises the staff costs for which the government grants are intended to compensate; or (ii) upon receipts for grants with no unfulfilled conditions or contingencies.

6. FINANCE COSTS

	For the six months ended 30 September	
	2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)
Interest on:		
– bank borrowings	2,814	1,347
– lease liabilities	4,341	3,268
	7,155	4,615

Notes to the Condensed Consolidated Interim Financial Information (Continued)

For the six months ended 30 September 2023

7. INCOME TAX (EXPENSE) CREDIT

	For the six months ended 30 September	
	2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)
Current tax:		
– Hong Kong Profits Tax	(89)	(93)
Deferred taxation	59	213
Income tax (expense) credit	(30)	120

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) During the six months ended 30 September 2023 and 2022, Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit.
- (c) During the six months ended 30 September 2023, assessable profit has been generated from one of the subsidiaries of the Company, which was fully utilised by the tax losses carried forward, while current tax of approximately HK\$89,000 (2022: HK\$93,000) represented income tax expense arising from assessable profit generated by another subsidiary of the Company.

Notes to the Condensed Consolidated Interim Financial Information (Continued)

For the six months ended 30 September 2023

8. PROFIT BEFORE TAXATION

	For the six months ended 30 September	
	2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)
Profit before taxation for the period has been arrived at after charging:		
Depreciation of property, plant and equipment	52,299	46,638

Note: Included in the depreciation of property, plant and equipment for the six months ended 30 September 2023 was depreciation of right-of-use assets of approximately HK\$30,517,000 (2022: HK\$24,146,000).

9. DIVIDEND

No dividend was paid or proposed during the six months ended 30 September 2023 and 2022, nor has any dividend been proposed since the end of the reporting period.

Notes to the Condensed Consolidated Interim Financial Information (Continued)

For the six months ended 30 September 2023

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:

	For the six months ended 30 September	
	2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)
Earnings		
Earnings for the purpose of basic and diluted earnings per share, representing profit for the period attributable to owners of the Company	3,023	1,028

	For the six months ended 30 September	
	2023 '000 (unaudited)	2022 '000 (unaudited)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	415,000	231,331

The diluted 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 2023 and 2022.

Notes to the Condensed Consolidated Interim Financial Information (Continued)

For the six months ended 30 September 2023

11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2023 included in additions to the property, plant and equipment of approximately HK\$39,744,000 (2022: HK\$80,585,000), in which was additions to the right-of-use assets with amount of approximately HK\$29,298,000 (2022: HK\$57,703,000).

During the six months ended 30 September 2023, the Group has disposed of certain property, plant and equipment with an aggregate carrying value of approximately HK\$102,000 (2022: nil) for cash proceeds of approximately HK\$370,000 (2022: HK\$3,000), resulting in a gain on disposal of property, plant and equipment of approximately HK\$268,000 (2022: HK\$3,000).

As at 30 September 2023, included in property, plant and equipment were right-of-use assets with carrying values of approximately HK\$5,488,000, HK\$54,148,000 and HK\$109,332,000 in respect of the leasehold land, motor vehicles and machinery respectively (31 March 2023: leasehold land, motor vehicles and machinery of approximately HK\$6,708,000, HK\$48,702,000 and HK\$113,516,000 respectively).

As at 30 September 2023, the Group's ownership interest in leasehold land and building with carrying value of approximately HK\$7,104,000 (31 March 2023: HK\$7,298,000) have been pledged to secure banking facilities granted to the Group.

In respect of lease arrangements for renting motor vehicles and machinery, the Group's obligations are secured by the lessors' title to the leased assets for such leases.

Notes to the Condensed Consolidated Interim Financial Information (Continued)

For the six months ended 30 September 2023

12. TRADE RECEIVABLES

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

	At 30 September 2023 HK\$'000 (unaudited)	At 31 March 2023 HK\$'000 (audited)
Trade receivables	237,726	209,485
Less: loss allowance on trade receivables	(32,594)	(31,876)
	205,132	177,609

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 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.

Notes to the Condensed Consolidated Interim Financial Information (Continued)

For the six months ended 30 September 2023

12. TRADE RECEIVABLES (Continued)

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 30 September 2023 HK\$'000 (unaudited)	At 31 March 2023 HK\$'000 (audited)
Within 30 days	39,049	38,453
31 to 60 days	45,521	24,481
61 to 90 days	22,201	14,687
91 to 180 days	37,297	43,860
181 to 365 days	40,283	45,477
Over 365 days	20,781	10,651
	205,132	177,609

The Group measures the loss allowance on trade receivables at an amount equal to lifetime expected credit loss ("ECL"). The lifetime ECL on trade receivables are estimated individually for significant outstanding balances or collectively using a provision matrix by reference to past default experience of the debtors and an analysis of the debtors' current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the end of the reporting period.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

Notes to the Condensed Consolidated Interim Financial Information (Continued)

For the six months ended 30 September 2023

13. CONTRACT ASSETS

	At 30 September 2023 HK\$'000 (unaudited)	At 31 March 2023 HK\$'000 (audited)
Unbilled revenue of construction contracts (note (i))	4,587	7,506
Retention receivables of construction contracts (note (ii))	44,716	47,208
	49,303	54,714
Less: loss allowance on contract assets	(1,476)	(1,577)
	47,827	53,137

Notes:

- (i) Unbilled revenue included in contract assets represents the Group's right to receive consideration for work completed but not yet billed because the rights are conditional on the Group's future performance accepted by the customers. The contract assets are transferred to trade receivables when the rights become unconditional, which is typically at the time the Group obtains the certification of the completed construction work from the customers.
- (ii) Retention receivables included in contract assets represents the Group's right to receive consideration for work performed and not yet billed because the rights are conditional on the satisfaction of the service quality by the customers over a certain period as stipulated in the contracts. The contract assets are transferred to trade receivables when the rights become unconditional, which is typically at the expiry date of the period for the provision of assurance by the Group on the service quality of the construction work performed by the Group.

The Group classifies these contract assets under current assets because the Group expects to realise them in its normal operating cycle.

The Group measures the loss allowance for contract assets at an amount equal to lifetime ECL. The ECL on contract assets are estimated on individually basis by reference to past default experience of the debtors and an analysis of the debtors' current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the end of the reporting period.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

Notes to the Condensed Consolidated Interim Financial Information (Continued)

For the six months ended 30 September 2023

14. TRADE AND OTHER PAYABLES

	At 30 September 2023 HK\$'000 (unaudited)	At 31 March 2023 HK\$'000 (audited)
Trade payables	52,919	49,830
Other payables	29,369	28,917
Consideration payables for acquisition of property, plant and equipment	18,428	13,463
Accruals	18,289	19,490
	119,005	111,700

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 2023 HK\$'000 (unaudited)	At 31 March 2023 HK\$'000 (audited)
Within 30 days	9,857	22,587
31 to 60 days	14,234	4,889
61 to 90 days	5,124	2,841
91 to 365 days	16,756	10,622
Over 365 days	6,948	8,891
	52,919	49,830

The average credit period granted is 30 days (31 March 2023: 30 days). The Group has financial risk management in place to ensure that all payables are settled within the credit timeframe.

Notes to the Condensed Consolidated Interim Financial Information (Continued)

For the six months ended 30 September 2023

15. BANK BORROWINGS

	At 30 September 2023 HK\$'000 (unaudited)	At 31 March 2023 HK\$'000 (audited)
Secured	61,650	63,182
Unsecured	13,495	14,465
	75,145	77,647

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

	At 30 September 2023 HK\$'000 (unaudited)	At 31 March 2023 HK\$'000 (audited)
Within one year	55,062	53,900
After one year but within two years	7,171	7,648
After two years but within five years	12,489	15,352
After five years	423	747
	75,145	77,647

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)	20,083	23,747
Carrying amount repayable within one year	55,062	53,900
Amount shown under current liabilities	75,145	77,647

Notes to the Condensed Consolidated Interim Financial Information (Continued)

For the six months ended 30 September 2023

16. LEASE LIABILITIES

	At 30 September 2023 HK\$'000 (unaudited)	At 31 March 2023 HK\$'000 (audited)
Analysed for reporting purposes as:		
– Current	65,971	68,681
– Non-current	59,647	66,674
	125,618	135,355
	At 30 September 2023 HK\$'000 (unaudited)	At 31 March 2023 HK\$'000 (audited)
Amounts payable under lease liabilities:		
– Within one year	65,971	68,681
– After one year but within two years	40,583	41,298
– After two years but within five years	19,064	25,376
	125,618	135,355
Less: amount due for settlement within 12 months (shown under current liabilities)	(65,971)	(68,681)
Amount due for settlement after 12 months	59,647	66,674

As at 30 September 2023, the lease liabilities in respect of leased motor vehicles and machinery under hire purchase agreements amounted to approximately HK\$119,623,000 (31 March 2023: HK\$128,240,000) was secured by the lessor's title to the leased assets.

During the six months ended 30 September 2023, the Group entered into a number of new lease agreements in respect of motor vehicles and machinery and recognised lease liabilities of approximately HK\$29,298,000 (2022: HK\$57,703,000).

Notes to the Condensed Consolidated Interim Financial Information (Continued)

For the six months ended 30 September 2023

16. LEASE LIABILITIES (Continued)

Amounts recognised in profit or loss

	For the six months ended 30 September	
	2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)
Depreciation expense on right-of-use assets included in property, plant and equipment:		
– Leasehold land	1,220	1,016
– Motor vehicles	9,182	7,018
– Machinery	20,115	16,112
Interest expense on lease liabilities	4,341	3,268

During the six months ended 30 September 2023, the total cash outflows for leases amounting to approximately HK\$43,376,000 (2022: HK\$40,828,000).

17. SHARE CAPITAL

	Number of shares	Share capital HK\$'000
Ordinary shares of HK\$0.05 each		
Authorised		
At 31 March 2023 (audited) and 30 September 2023 (unaudited)	2,000,000,000	100,000
Issued and fully paid		
At 31 March 2023 (audited) and 30 September 2023 (unaudited)	415,000,000	20,750

Notes to the Condensed Consolidated Interim Financial Information (Continued)

For the six months ended 30 September 2023

18. PLEDGE OF ASSETS

At the end of the reporting period, the Group had pledged the following assets to banks and finance lease companies to secure the banking facilities, bank borrowings and lease liabilities granted to the Group:

	At 30 September 2023 HK\$'000 (unaudited)	At 31 March 2023 HK\$'000 (audited)
Property, plant and equipment	170,578	169,516
Deposits and prepayments for life insurances	14,717	14,598
Pledged deposits	5,870	5,645
	191,165	189,759

19. SHARE-BASED PAYMENT TRANSACTIONS

Equity-settled share option scheme of the Company

The Company's share option scheme (the "Scheme") was adopted pursuant to written resolution of the Company passed on 15 November 2016 for the primary purpose of providing incentives to directors and eligible employees, and will expire on 7 December 2026. Under the Scheme, the board of directors of the Company may grant options to eligible employees, including directors of the Company and its subsidiaries, to subscribe for shares in the Company.

The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Options granted to substantial shareholders or independent non-executive directors of the Company in excess of 0.1% of the Company's share capital or with a value in excess of HK\$5,000,000 must be approved in advance by the Company's shareholders.

Notes to the Condensed Consolidated Interim Financial Information (Continued)

For the six months ended 30 September 2023

19. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

Equity-settled share option scheme of the Company (Continued)

Options granted must be taken up on the date of grant, upon payment of HK\$1.00. Options may be exercised at any time from the date of grant of the share option to the tenth anniversary of the date of grant. The exercise price is determined by the board of directors of the Company, and will not be less than the highest of (i) the nominal value of the Company's share; (ii) the closing price of the Company's shares on the date of grant; and (iii) the average closing price of the shares for the five business days immediately preceding the date of grant.

No share options have been granted since the adoption of the Scheme and during the six months ended 30 September 2023 and 2022.

20. RELATED PARTY TRANSACTIONS

(a) Save as disclosed elsewhere in the condensed consolidated interim financial information, the Group has no material transactions or balances with related parties.

(b) Compensation of key management personnel

The remuneration of executive directors of the Company and other members of key management personnel during the reporting period was as follows:

	For the six months ended 30 September	
	2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)
Short-term benefits	3,465	3,438
Post-employment benefits	45	45
	3,510	3,483

Notes to the Condensed Consolidated Interim Financial Information (Continued)

For the six months ended 30 September 2023

21. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis

The directors of the Company consider that the carrying amounts of current and non-current financial assets and financial liabilities recorded at amortised cost in the condensed consolidated interim financial information are not materially differed from their fair values due to their immediate or short-term maturity or the interest rates used approximates to the discount rates of relevant financial assets or financial liabilities.

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 provisions C.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 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 Period and up to the date of this report, 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 and up to the date of this report.

Corporate Governance and Other Information (Continued)

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 30 September 2023, interests and short positions in the shares of the Company (the "Shares"), underlying Shares and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), held by the Directors and chief executive of the Company which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or have been entered in the register maintained by the Company pursuant to section 352 of the SFO, or otherwise have been notified to the Company and the Stock Exchange pursuant to the Model Code are as follows:

(i) Long position in the Shares

Name of Director	Capacity/Nature of interest	Number of Shares held	Approximate percentage of shareholding
Mr. Wu Wing Hang ("Mr. Wu")	Interest in a controlled corporation – Corporation interest (note)	244,398,000	58.89%

Note: The 244,398,000 Shares were held by Profit Gold Global Limited ("Profit Gold"), which was wholly owned by Mr. Wu. By virtue of the SFO, Mr. Wu was deemed to be interested in the 244,398,000 Shares.

(ii) Long position in the ordinary shares of associated corporation

Name of Director	Name of associated corporation	Capacity/Nature	Number of Share held	Percentage of shareholding
Mr. Wu	Profit Gold	Beneficial Interest (note)	1	100%

Note: Mr. Wu beneficially owns 100% of the issued share capital of Profit Gold, and he is deemed or taken to be interested in all the shares in Profit Gold for the purposes of the SFO. Mr. Wu is also the director of Profit Gold.

(iii) Short positions

Save as disclosed above, none of the Directors or chief executives of the Company had any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as at 30 September 2023 as recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange under the Model Code.

Corporate Governance and Other Information (Continued)

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 30 September 2023, so far as it is known by or otherwise notified by any Director or the chief executive of the Company, the particulars of the corporations or individuals (other than a Director or chief executive of the Company) who had or were deemed or taken to have an interest or short position in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, as recorded in the register required to be kept under section 336 of the SFO were as follows:

Long positions in the Shares

Name	Capacity/Nature of interest	Number of Shares held	Approximate percentage of shareholding
Profit Gold	Beneficial interest (note 1)	244,398,000	58.89%
Ms. Kwok Wai Sheung Melody ("Ms. Kwok")	Interest of Spouse (note 2)	244,398,000	58.89%

Notes:

- (1) 244,398,000 Shares were beneficially owned by Profit Gold, which is wholly owned by Mr. Wu.
- (2) Ms. Kwok, being spouse of Mr. Wu, is deemed to be interested in the 244,398,000 Shares held by Mr. Wu under the SFO.

Save as disclosed above, no other persons had any interests or short positions in the Shares or underlying Shares of the Company as at 30 September 2023 as recorded in the register required to be kept under section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange.

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.

Corporate Governance and Other Information (Continued)

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.

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

Hong Kong, 29 November 2023