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

2018

INTERIM REPORT

Contents

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

Ms. Lee Ying Ying

AUTHORISED REPRESENTATIVES

Mr. Wu Wing Hang
Ms. Lee Ying Ying

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PRINCIPAL SHARE REGISTER AND TRANSFER OFFICE

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HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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PRINCIPAL BANKS

The Hongkong and Shanghai Banking Corporation Limited

AUDITOR

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COMPANY'S WEBSITE

www.ppgh.com.hk

STOCK CODE

1581

Management Discussion and Analysis

The board (the "Board") of directors (the "Directors") of Progressive Path Group Holdings Limited (the "Company") is pleased to present the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively refer to as the "Group") for the six months ended 30 September 2018 together with the unaudited comparatives figures for the corresponding period ended 30 September 2017.

BUSINESS AND FINANCIAL REVIEW

The Group is a Hong Kong-based subcontractor engaged in (i) construction works; (ii) the provision of construction machinery rental; and (iii) trading of construction machinery. The construction works provided by us mainly include foundation and site formation works, and builder's work and general building works. The construction machinery rental represents the rental of construction machines and construction vehicles to our customers, and the provision of machine operators and transportation services. The Group is also engaged in trading of new construction machinery which are mainly foundation machinery. During the six months ended 30 September 2018, there has been no significant change in the business operations of the Group.

Revenue

During the six months ended 30 September 2018, the Group generated revenue from construction works, construction machinery rental and trading of construction machinery. Set out below is the breakdown of revenue of the Group during the six months ended 30 September 2018 and 2017.

	Six months ended 30 September	
	2018	2017
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Construction works	**41,022**	56,379
Construction machinery rental	**62,919**	119,081
Trading of construction machinery	**5,880**	32,513
	109,821	207,973

Revenue from construction works

During the six months ended 30 September 2018, the revenue derived from our construction works amounted to approximately HK$41.0 million (six months ended 30 September 2017: HK$56.4 million), accounting for approximately 37.3% (six months ended 30 September 2017: 27.1%) of our total revenue, contributed by nine projects (six months ended 30 September 2017: eleven projects). Such decrease in revenue was largely resulted from the construction projects were substantially completed. These completed projects had contributed relatively lower revenue at the ending phase as compared with the same period ended 30 September 2017. Besides, the Group had awarded and commenced one new project during the period.

As at 30 September 2018, there were eight projects on hand with total outstanding contract sum amounting to approximately HK$109.2 million. Six projects are expected to be completed in the year ending 31 March 2019, two projects are expected to be completed in the year ending 31 March 2020 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 six months ended 30 September 2018:

Site Location	Type of Works	Status
Hong Kong International Airport	Foundation and site formation works	Completed
Hong Kong Boundary Crossing Facilities	Foundation and site formation works	Work in progress
West Kowloon Terminus Station North	Builder's work and general building works	Work in progress
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	Work in progress
Anderson Road Quarry Site	Foundation and site formation works	Work in progress
Hong Kong International Airport North Commercial District	Foundation and site formation works	Work in progress
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

Revenue from construction machinery rental

During the six months ended 30 September 2018, the revenue derived from our construction machinery rental amounted to approximately HK$62.9 million (six months ended 30 September 2017: HK$119.1 million), accounting for approximately 57.3% (six months ended 30 September 2017: 57.3%) of our total revenue. The substantial decrease in revenue from construction machinery rental income, mainly caused by the substantial completion of the Hong Kong Section of the Express Rail Link and the artificial island of the Hong Kong-Zhuhai-Macao Bridge and the temporary suspension of excavation works for Exhibition Centre Station of the Shatin to Central Link.

Revenue from trading of construction machinery

For the six months ended 30 September 2018, the revenue derived from our trading of construction machinery business amounted to approximately HK$5.9 million (six months ended 30 September 2017: HK$32.5 million), accounting for approximately 5.4% (six months ended 30 September 2017: 15.6%) of our total revenue. The substantial decrease in revenue from trading of construction machinery as the demand of those machines decrease, which is mainly due to the completion of the Hong Kong Section of the Express Rail Link and the artificial island of the Hong Kong-Zhuhai-Macao Bridge and less new construction projects available to the market.

Gross (Loss)/Profit and Gross (Loss)/Profit Margin

The decrease in gross profit by 174.1% from approximately gross profit of HK$26.8 million for the six months ended 30 September 2017 to gross loss of approximately HK$19.9 million for the six months ended 30 September 2018. The gross profit margin decreased from gross profit margin of 12.9% for the six months ended 30 September 2017 to gross loss margin of 18.1% for the six months ended 30 September 2018. The decrease in gross profit margin was mainly attributable to the decrease in the gross profit margins of construction works and the depreciation cost of machinery purchased remained significant.

The decrease in the gross profit margins of construction works was mainly due to additional construction costs were incurred as unpredictable geological conditions in some sites and towards the completion stage of certain projects.

The decrease in the gross profit margins of construction machinery rental was mainly due to the depreciation cost of machinery remained significant during the period. The depreciation cost contributed approximately 25.6% of total sales for the six months ended 30 September 2018 while the depreciation cost contributed approximately 19.5% of total sales for the six months ended 30 September 2017. In addition, the cost of fuel and gasoline increased significantly for the six months ended 30 September 2018.

Administrative Expenses

The administrative expenses of the Group for the six months ended 30 September 2018 amounted to approximately HK$13.0 million, representing an increase of approximately 23.6% as compared to approximately HK$10.5 million for the six months ended 30 September 2017. Such increase is mainly due to incur the impairment loss on trade receivables amounted to approximately HK$3.6 million resulted from the adoption of Hong Kong Financial Reporting Standard 9 during the six months ended 30 September 2018.

Net (Loss)/Profit

Loss after tax of approximately HK$30.8 million for the six months ended 30 September 2018 as compared to profit of approximately HK$12.3 million for the six months ended 30 September 2017. The decrease was mainly attributable to the gross loss during the period.

Liquidity, Financial Resources and Capital Structure

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

As at 30 September 2018, the Group had bank balances of approximately HK$75.9 million (31 March 2018: approximately HK$77.4 million). The interest-bearing liabilities of the Group as at 30 September 2018 was approximately HK$108.8 million (31 March 2018: approximately HK$135.3 million). The gearing ratio is calculated based on the amount of total interest-bearing liabilities divided by total equity. The gearing ratio of the Group as at 30 September 2018 was approximately 49.8% (31 March 2018: approximately 53.6%), representing a decrease of approximately 3.8%.

Interim Dividend

The Board has resolved not to declare any interim dividend for the six months ended 30 September 2018.

Prospects

The saturation of the construction industry in Hong Kong accelerates the keen competition in the market during the period. The construction industry in Hong Kong is expected to continue to be very challenging in the coming few years unless there will be any sudden supportive economic policies and measures to be adopted by the government of the Hong Kong Special Administrative Region. Other than the keen competition in the market, the continuous increase in the direct labour and material costs undoubtedly increase the overall operational risks of the industry players.

Despite that the global economy remains uncertain, the Directors remain positive about the prospects of the construction market of Hong Kong, with the Government's continued commitment to infrastructure investments and housing policy by various short, medium and long term land supply initiatives. The Directors will also closely and carefully monitor the latest development in the foundation and site formation industry as well as the construction machinery rental industry in Hong Kong.

Pledge of Assets

The Group's machinery and equipment with an aggregate net book value of approximately HK$53.2 million and HK$67.1 million and insurance prepayment with an aggregate net book value of approximately HK$9.7 million and HK$9.6 million as at 30 September 2018 and 31 March 2018, respectively, were pledged under finance leases.

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 six months ended 30 September 2018.

Employees and Remuneration Policy

As at 30 September 2018, the Group employed 222 staff (30 September 2017: 231). Total staff costs including directors' emoluments for the six months ended 30 September 2018, amounted to approximately HK$42.6 million (six months ended 30 September 2017: approximately HK$44.1 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 six months ended 30 September 2018, 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

The Group had no material capital commitments as at 30 September 2018.

Contingent Liabilities

As at 30 September 2018, a subsidiary has been named as defendant in one (31 March 2018: four) High Court action in respect of claim for compensation of personal injury for an amount of approximately HK$10.5 million (31 March 2018: approximately HK$6.8 million). The Directors are visiting the claims and considered the claims are covered by the relevant insurance policies. No provision for potential liability has been made in the condensed consolidated financial statements.

Material Acquisitions and Disposals

During the six months ended 30 September 2018, the Group did not have any material acquisitions and disposals.

Significant Investment

During the six months ended 30 September 2018, 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.

Use of Net Proceeds from Share Offer

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 recognised in the consolidated statement of comprehensive income and deducted from the share premium ("net proceeds") from the Company's listing were approximately HK$102.3 million. As at 30 September 2018, the net proceeds had been utilised as follows:

	Net proceeds from the share offer	Actual utilisation up to 30 September 2018	Unutilised amounts as at 30 September 2018
	HK$'million	HK$'million	HK$'million
Replacement and Enhancement on our fleet of machinery	80.4	22.8	57.6
Reinforcement of our workforce	12.2	6.4	5.8
General working capital	9.7	9.7	–
	102.3	38.9	63.4

The unutilised amount of the net proceeds have been deposited with licensed banks in Hong Kong.

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 September 2018

	Notes	Six months ended 30 September 2018 HK$'000 (unaudited)	2017 HK$'000 (unaudited)
Revenue	5	**109,821**	207,973
Cost of sales		**(129,693)**	(181,147)
Gross (loss) profit		**(19,872)**	26,826
Other income	7	**3,173**	2,257
Administrative expenses		**(12,969)**	(10,489)
Finance costs	8	**(2,781)**	(3,408)
(Loss) profit before taxation		**(32,449)**	15,186
Income tax credit (expenses)	9	**1,662**	(2,876)
(Loss) profit and total comprehensive (expense) income for the period attributable to the owners of the Company	10	**(30,787)**	12,310
(Loss) earnings per share:			
Basic and diluted	12	**(2.97 cents)**	1.19 cents

Condensed Consolidated Statement of Financial Position

As at 30 September 2018

	Notes	As at 30 September 2018 HK$'000 (unaudited)	As at 31 March 2018 HK$'000 (audited)
Non-current assets			
Property, plant and equipment	13	**93,938**	112,358
Deposit paid for acquisition of property, plant and equipment		**–**	1,565
		93,938	113,923
Current assets			
Inventories		**1,385**	6,211
Trade and retention receivables	14	**178,103**	212,373
Amounts due from customers for contract work	15	**–**	17,073
Contract assets	15	**12,465**	–
Deposits, prepayments and other receivables		**14,324**	14,363
Income tax recoverable		**2,474**	464
Bank balances and cash		**75,899**	77,441
		284,650	327,925
Current liabilities			
Trade and other payables	16	**46,189**	46,463
Amounts due to customers for contract work	15	**–**	264
Contract liabilities	15	**–**	–
Amount due to a related company		**38**	86
Bank borrowings		**38,766**	45,452
Obligations under finance leases – due within one year		**40,701**	38,027
		125,694	130,292
Net current assets		**158,956**	197,633
Total assets less current liabilities		**252,894**	311,556

Condensed Consolidated Statement of Financial Position (Continued)

As at 30 September 2018

	Note	As at 30 September 2018 HK$'000 (unaudited)	As at 31 March 2018 HK$'000 (audited)
Non-current liabilities			
Obligations under finance leases			
– due after one year		**29,356**	51,820
Deferred tax liabilities		**4,971**	7,274
		34,327	59,094
Net assets		**218,567**	252,462
Capital and reserves			
Share capital	17	**10,375**	10,375
Reserves		**208,192**	242,087
Total equity		**218,567**	252,462

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 September 2018

	Share capital HK$'000	Share premium HK$'000	Other reserve HK$'000 (Note i)	Retained profits HK$'000	Total HK$'000
At 1 April 2017 (Audited)	10,375	109,078	35,457	91,839	246,749
Profit and total comprehensive income for the period	–	–	–	12,310	12,310
At 30 September 2017 (Unaudited)	10,375	109,078	35,457	104,149	259,059
At 1 April 2018 (Audited)	10,375	109,078	35,457	97,552	252,462
Adjustment (note 3.3)	–	–	–	(3,108)	(3,108)
At 1 April 2018 (Unaudited)	10,375	109,078	35,457	94,444	249,354
Loss and total comprehensive expense for the period	–	–	–	(30,787)	(30,787)
At 30 September 2018 (Unaudited)	10,375	109,078	35,457	63,657	218,567

Note:

i) Other reserve represents the retained earnings in respect of the construction machinery rental business (the "Construction Machinery Rental Business") contribution from the controlling shareholder prior to the transfer of business to the Group. Since 1 April 2015, the Construction Machinery Rental Business has been transferred from the controlling shareholder to Luen Yau Construction Company Limited ("Luen Yau Construction").

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 September 2018

	Six months ended 30 September	
	2018	2017
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Cash generated from operations	**35,742**	47,585
Income tax paid	**(2,037)**	–
NET CASH GENERATED FROM OPERATING ACTIVITIES	**33,705**	47,585
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	**(7,088)**	(13,988)
Proceeds from disposal of property, plant and equipment	**2,485**	4,128
Bank interest income received	**1**	6
Advance to related parties	**–**	(7,760)
NET CASH USED IN INVESTING ACTIVITIES	**(4,602)**	(17,614)
FINANCING ACTIVITIES		
New bank loan raised	**37,403**	23,903
Repayment of bank loans	**(44,089)**	(23,282)
Repayment of obligations under finance lease	**(21,130)**	(21,616)
Interest paid	**(2,781)**	(3,408)
Repayment to a related company	**(48)**	(5,354)
Advance to a controlling shareholder	**–**	2,735
NET CASH USED IN FINANCING ACTIVITIES	**(30,645)**	(27,022)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(1,542)**	2,949
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	**77,441**	99,342
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD, REPRESENTED BY BANK BALANCES AND CASH	**75,899**	102,291

1. GENERAL INFORMATION

The Company was 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 on 21 April 2016 and its shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "SEHK") on 8 December 2016. Its ultimate holding company and immediate holding company is Profit Gold Global Limited, a limited company incorporated in the British Virgin Islands ("BVI"). The addresses of the registered office and the principal place of business of the Company are Unit 1108, 11/F, Tuen Mun Central Square, 22 Hoi Wing Road, Tuen Mun, New Territories, Hong Kong.

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

The condensed interim consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is the same as the functional currency of the Company and its subsidiaries (the "Group").

2. BASIS OF PREPARATION

The condensed interim consolidated financial statements for the six months ended 30 September 2018 have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). In addition, the condensed interim consolidated financial statements have been prepared in accordance with the applicable disclosure provisions of Appendix 16 of the Rules Governing the Listing of Securities on the SEHK.

3. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies used in the condensed interim consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 March 2018 except as described below.

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

In the current interim period, the Group has applied, for the first time, the following new and revised Hong Kong Financial Reporting Standards ("HKFRSs"), which include HKFRSs, Hong Kong Accounting Standards ("HKASs"), amendments and interpretation ("Int(s)") issued by the HKICPA which are effective for the Group's financial year beginning 1 April 2018:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and related Amendments
Amendments to HKAS 28	As part of Annual Improvements to HKFRSs 2014–2016 Cycles
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 40	Transfers of Investment Property
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration

The adoption of HKFRS 9 resulted in changes in the Group's accounting policies and adjustments to the amounts recognised in the condensed interim consolidated financial statements. The new accounting policies are set out in note 4 below. The application of other new and revised 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 these condensed interim consolidated financial statements.

3.1 HKFRS 9 Financial Instruments

HKFRS 9 replaced HKAS 39 Financial Instruments: Recognition and Measurement, and introduces new requirements for the (1) classification and measurement of financial assets and financial liabilities; (2) impairment of financial assets; and (3) general hedge accounting. The Group has applied HKFRS 9 retrospectively to financial instruments that have not been derecognised at the date of initial application (i.e. 1 April 2018) in accordance with the transition provisions under HKFRS 9, and chosen not to restate comparative information. Differences in the carrying amounts of financial assets and financial liabilities on initial application are recognised in retained earnings and other components of equity as at 1 April 2018.

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

3.1 HKFRS 9 Financial Instruments (Continued)

3.1.1 Classification and measurements

At the date of initial application of HKFRS 9, the Group's management has reviewed and assessed all financial assets held by the Group on the basis of the Group's business model for managing these financial assets and their contractual cash flow characteristics, and has classified its financial assets and financial liabilities into the appropriate categories of HKFRS 9, as explained below:

Trade and retention receivables, contract assets and other receivables previously classified as loan and receivables carried at amortised cost:

They are held within a business model whose objective is to collect the contractual cash flows that are solely payments of principal and interest on the principal outstanding. Accordingly, these financial assets continue to be subsequently measured at amortised cost upon application of HKFRS 9.

All other financial assets and financial liabilities continue to be measured on the same bases as are previously measured under HKAS 39.

3.1.2 Impairment of financial assets

The Group has the following type of financial instruments that are subject to the new impairment requirements under HKFRS 9:

Trade receivables and contract assets at amortised cost:

The Group applied the simplified approach to provide for expected credit losses ("ECL") under HKFRS 9 and recognised lifetime expected losses for all trade receivables and contract assets. The trade receivables and contract assets are grouped based on shared credit risk characteristics for measuring ECL.

Financial assets with low credit risk/credit risk has not increased significantly:

The Group measured a 12-month ECL in respect of the following financial instruments:

- Other financial assets including retention receivables, other receivables and bank balances and cash for which credit risk has not increased significantly since initial recognition.

Based on the assessment by the directors of the Company, a loss allowance of approximately HK$3,722,000 at 1 April 2018 was made, thereby reducing the opening retained earnings of approximately HK$3,722,000.

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

3.2 HKFRS 15 Revenue from contracts with customers

HKFRS 15 superseded HKAS 11 Construction Contracts, HKAS 18 Revenue and related interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard established a five-step model for determining whether, how much and when revenue is recognised.

The Group has elected to adopt the modified retrospective approach for contracts with customers that are not completed as at the date of initial application (i.e. 1 January 2018) with the cumulative effect of initially applying HKFRS 15 as an adjustment to the opening balance of retained earnings or other components of equity, as appropriate and comparative information is not restated. Details are described below.

As required for the condensed interim consolidated financial statements, the Group disaggregated revenue recognised from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of the revenue and cash flows are affected by economic factors. Enhanced disclosures are set out in note 5 to the condensed interim financial information.

The Group is principally engaged in the construction works, provision of construction machinery rental and trading of construction machinery. The construction works service and construction machinery sold are both on their own in separately identified contracts with customers.

3.2.1 Sale of goods

The Group concluded that revenue from trading of construction machinery should be recognised at a point in time when control of the asset is transferred to the customer, generally on delivery of the goods, which is consistent with the previous accounting policy. Therefore, the adoption of HKFRS 15 has no impact on the timing of revenue recognition in this regard.

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

3.2 HKFRS 15 Revenue from contracts with customers (Continued)

3.2.2 Provision of services

The Group was involved in a construction contract that was previously accounted for under HKAS 11 and not yet completed at 1 April 2018. The Group concluded that such contract will continue to be recognised over time using input method in measuring progress. Therefore, the adoption of HKFRS 15 has no impact on the timing of revenue recognition in this regard. Upon initial application of HKFRS 15, amounts due from/to customers for contract work of approximately HK$17,073,000 and HK$264,000 were reclassified to contract assets and contract liabilities at 1 April 2018 respectively.

3.2.3 Advances received from customers

The Group receives advanced payments from customers related to the construction machinery rental services. Prior to the adoption of HKFRS 15, the Group presented these advances in trade and other payables in the condensed interim consolidated statement of financial position. Upon adoption of HKFRS 15, the Group assessed whether there is a significant financing component for the contracts where the length of time between the customer's advance payment and the transfer of goods to the customer is more than one year, taking into account the prevailing interest rate, and where appropriate adjusted the transaction price at contract inception. However, the Group applies the practical expedient not to adjust the transaction price for any significant financing component as the period between payment and transfer of the associated services is generally less than one year. The Group recognised contract liabilities, as named as receipt in advance, in trade and other payables for the advances from customers for construction machinery rental services yet to be rendered or delivered.

Other than the abovementioned, the directors of the Company considered that the application of HKFRS 15 has had no material impact on (i) the amount or timing of revenue recognition in the respective periods; and (ii) the Group's presentation in the condensed interim consolidated financial statements.

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

3.3 Summary of effects arising from initial application of HKFRS 9 and HKFRS 15

The following table summaries the opening balance adjustments recognised for each line item in the condensed consolidated statement of financial position on initial application of HKFRS 9 and HKFRS 15:

	At 31 March 2018	Effect from application of HKFRS 9	Effect from application of HKFRS 15	At 1 April 2018
	HK$'000	HK$'000	HK$'000	HK$'000
Contract assets	–	–	17,073	17,073
Trade and retention receivables	212,372	(3,722)	–	208,650
Amounts due from customers for contract works	17,073	–	(17,073)	–
Contract liabilities	–	–	264	264
Amounts due to customers for contract works	264	–	(264)	–
Deferred tax liabilities	7,274	(614)	–	6,660
Retained earnings	97,552	(3,108)	–	94,444

The application of HKFRS 9 and HKFRS 15 has no impact to basic and diluted earnings per share.

Except as described above, the application of other amendments to HKFRSs in the current interim period has no material impact to the condensed consolidated financial statement as at 30 September 2018.

4. CHANGE IN ACCOUNTING POLICIES

4.1 HKFRS 9 Financial Instruments

4.1.1 Classification and measurements

All recognised financial assets that are within the scope of HKFRS 9 are to be subsequently measured at amortised cost or fair value, depending on the entity's business model for managing the financial assets and cash flow characteristics of the asset.

In respect of the Group's equity instruments, the Group subsequently measures them at fair value. On initial recognition, the Group may make an irrevocable election (on an instrument-by-instrument basis) to designate equity instrument as at FVTOCI if the instrument is neither held for trading nor a contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 Business Combinations applies, with fair value gains and losses recognised in other comprehensive income and accumulated in investment revaluation reserve. The cumulative gain or loss will not be reclassified to profit or loss when they are derecognised. Instead, they will be transferred to retained earnings. Dividends from equity instruments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established. Changes in the fair value of equity instruments at fair value through profit or loss are recognised in "other gains/(losses)" in the condensed interim consolidated statement of profit or loss and other comprehensive income as applicable.

4.1.2 Impairment of financial assets

The Group recognises a loss allowance for expected credit losses ("ECL") on financial assets which are subject to impairment under HKFRS 9 (including trade and retention receivables and other receivables carried at amortised cost). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9 and records lifetime ECL that results from all possible default events over the expected life of these financial instruments. In estimating the ECL, the Group has established a provision matrix taking into account the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and economic environment.

4. CHANGE IN ACCOUNTING POLICIES (Continued)

4.1 HKFRS 9 Financial Instruments (Continued)

4.1.2 Impairment of financial assets (Continued)

For other financial instruments including retention receivables, other receivables and bank balances and cash, the ECL is based on the 12-month ECL. The 12-months ECL is the portion of lifetime ECL that results from possible default events within 12 months after the reporting date, unless when there has been a significant increase in credit risk since initial recognition of the financial instrument, the allowance will be based on the lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with that assessed at the date of initial recognition. In making the assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. The Group presumes that the credit risk on a financial asset has increased significantly when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the above requirements, the Group assumes that the credit risk on a financial asset has not increased significantly since initial recognition if the financial asset is determined to have low credit risk at the reporting date. A financial asset is determined to have a low credit risk if (i) it has a low risk of default; (ii) the borrower has a strong capacity to meet it contractual cash flow obligations in the near term; and (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfill its contractual cash flow obligations.

The measurement of ECL is a function of the probability of default, loss given default and the exposure at default and is estimated as the difference between all contractual cash flows that are due to the Group under the contract and the cash flows that the Group expects to receive, discounted at the original effective interest rate.

4. CHANGE IN ACCOUNTING POLICIES (Continued)

4.2 HKFRS 15 Revenue from contracts with customers

Revenue is recognised to depict the transfer of promised goods and services to customers at an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services to a customer. Specifically, the Group uses a five-step approach to recognise revenue:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the Group satisfies a performance obligation

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligations is transferred to customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same. For contracts that contain more than one performance obligation, the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or

4. CHANGE IN ACCOUNTING POLICIES (Continued)

4.2 HKFRS 15 Revenue from contracts with customers (Continued)

- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

The Group applies input method in measuring the progress towards complete satisfaction of the relevant performance obligation and recognise revenue on the basis of direct measurement of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

4.2.1 Significant financing component

For contracts where the period between payment and transfer of the associated goods is one year or less, the Group applies the practical expedient not to adjust the transaction price for any significant financing component.

5. REVENUE

Revenue represents the revenue from construction works, construction machinery rental services and trading of construction machinery.

	For the six months ended 30 September	
	2018	2017
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Revenue from contracts with customers within the scope of HKFRS 15		
– Contract revenue from construction works	**41,022**	56,379
– Trading of construction machinery	**5,880**	32,513
Revenue from other sources		
– Construction machinery rental services	**62,919**	119,081
	109,821	207,973

Set out below is the disaggregation of the Group's revenue from contracts with customers within the scope of HKFRS 15 and other sources:

For the six months ended 30 September 2018 (unaudited)

	Construction works HK$'000	Construction machinery rental HK$'000	Trading of construction machinery HK$'000	Total HK$'000
Geographical market				
Hong Kong	41,022	62,919	5,880	109,821
Timing of revenue recognition				
A point of time	–	–	5,880	5,880
Over time	41,022	62,919	–	103,941
	41,022	62,919	5,880	109,821

5. REVENUE (Continued)

For the six months ended 30 September 2017 (unaudited)

	Construction works HK$'000	Construction machinery rental HK$'000	Trading of construction machinery HK$'000	Total HK$'000
Geographical market				
Hong Kong	56,379	119,081	32,513	207,973
Timing of revenue recognition				
A point of time	–	–	32,513	32,513
Over time	56,379	119,081	–	175,460
	56,379	119,081	32,513	207,973

6. SEGMENT INFORMATION

Information reported to the directors, being the chief operating decision maker, for the purpose of resource allocation and assessment of segment performance focuses on types of services provided. No operating segments identified by the chief operating decision maker have been aggregated in arriving at the reportable segments of the Group.

Specifically, the Group's reportable segments are as follows:

– Construction works;

– Construction machinery rental; and

– Trading of construction machinery

6. SEGMENT INFORMATION (Continued)

Segment revenues and results

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

For the six months ended 30 September 2018 (unaudited)

	Construction works HK$'000	Construction machinery rental HK$'000	Trading of construction machinery HK$'000	Total HK$'000
Segment revenue				
External revenue	41,022	62,919	5,880	109,821
Inter-segment revenue	–	34,710	–	34,710
Segment revenue	41,022	97,629	5,880	144,531
Eliminations				(34,710)
Group revenue				109,821
Segment (loss) profit	(9,766)	(19,175)	1,041	(27,900)
Unallocated income				3,173
Unallocated corporate expenses				(4,941)
Unallocated finance costs				(2,781)
Loss before tax				(32,449)

6. SEGMENT INFORMATION (Continued)

Segment revenues and results (Continued)

For the six months ended 30 September 2017 (unaudited)

	Construction works HK$'000	Construction machinery rental HK$'000	Trading of construction machinery HK$'000	Total HK$'000
Segment revenue				
External revenue	56,379	119,081	32,513	207,973
Inter-segment revenue	–	34,866	–	34,866
Segment revenue	56,379	153,947	32,513	242,839
Eliminations				(34,866)
Group revenue				207,973
Segment profit	4,103	15,581	1,984	21,668
Unallocated income				2,257
Unallocated corporate expenses				(5,331)
Unallocated finance costs				(3,408)
Profit before tax				15,186

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment (loss) profit represents the (loss resulted) 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 directors with respect to the resource allocation and performance assessment.

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

6. SEGMENT INFORMATION (Continued)

Segment assets and liabilities

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

Segment assets

	As at 30 September 2018 HK$'000 (unaudited)	As at 31 March 2018 HK$'000 (audited)
Construction works	139,243	147,949
Construction machinery rental	133,787	178,833
Trading of construction machinery	27,122	36,977
Total segment assets	300,152	363,759
Corporate and other assets	78,436	78,089
Total assets	378,588	441,848

Segment liabilities

	As at 30 September 2018 HK$'000 (unaudited)	As at 31 March 2018 HK$'000 (audited)
Construction works	93,375	109,832
Construction machinery rental	21,049	24,350
Trading of construction machinery	750	–
Total segment liabilities	115,174	134,182
Corporate and other liabilities	44,847	55,204
Total liabilities	160,021	189,386

6. 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 segment, other than unallocated deposits, prepayments and other receivables, income tax recoverable and bank balance and cash. Assets used jointly by reportable segments are allocated on the basis of the revenues earned by individual reportable segments; and

– All liabilities are allocated to operating segments, other than unallocated other payables, amount due to a related company, bank borrowings and deferred tax liabilities. Liabilities for which reportable segments are jointly liable are allocated in proportion to segment assets.

7. OTHER INCOME

	For the six months ended 30 September	
	2018	2017
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Gain on disposal of property, plant and equipment	**2,190**	1,416
Auxiliary and other service income	**835**	603
Insurance claim	**135**	198
Bank interest income	**1**	6
Sundry income	**12**	34
	3,173	2,257

8. FINANCE COSTS

	For the six months ended 30 September	
	2018	2017
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Interest on:		
– bank borrowings	**745**	844
– obligations under finance leases	**2,036**	2,564
	2,781	3,408

9. INCOME TAX

	For the six months ended 30 September	
	2018	2017
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Current tax:		
Hong Kong Profits Tax	**27**	3,522
Deferred taxation	**(1,689)**	(646)
Income tax (credit) expenses	**(1,662)**	2,876

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 period ended 30 September 2018 and 2017, Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit.

10. (LOSS) PROFIT FOR THE PERIOD

	For the six months ended 30 September	
	2018	2017
	HK$'000	HK$'000
	(unaudited)	(unaudited)
(Loss) profit for the period has been arrived at after charging:		
Depreciation of property, plant and equipment	**28,118**	40,635
Impairment loss on trade receivables	**3,629**	–
Operating leases rental relates to office premises and storage area	**637**	61
Amount of inventories recognised as an expense	**4,826**	30,450
Exchange loss, net	**–**	15

11. DIVIDEND

No dividend was paid, declared or proposed during the six months ended 30 September 2018, nor has any dividend been proposed since the end of the interim period (six months ended 30 September 2017: nil).

12. (LOSS) EARNINGS PER SHARE

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

	For the six months ended 30 September	
	2018	2017
	HK$'000	HK$'000
(Loss) earnings		
(Loss) earnings for the purpose of basic and diluted (loss) earnings per share	**(30,787)**	12,310

	2018	2017
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted (loss) earnings per share ('000 shares)	**1,037,500**	1,037,500

The dilutive (loss) earnings per share is equal to the basic earnings per share as there were no dilutive potential ordinary shares outstanding during the period ended 30 September 2018 and 2017.

13. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2018, the Group spent approximately HK$7,088,000 (six months ended 30 September 2017: approximately HK$13,988,000) on acquisition of property, plant and equipment.

During the six months ended 30 September 2018, the Group has disposed of certain property, plant and equipment with an aggregate carrying value of approximately HK$295,000 (six months ended 30 September 2017: HK$2,712,000) for cash proceeds of approximately HK$2,485,000 (six months ended 30 September 2017: HK$4,128,000), resulting in a gain on disposal of approximately HK$2,190,000 (six months ended 30 September 2017: gain on disposal of approximately HK$1,416,000).

14. TRADE AND RETENTION RECEIVABLES

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

	As at 30 September 2018 HK$'000 (unaudited)	As at 31 March 2018 HK$'000 (audited)
Trade receivables	**166,928**	195,203
Less: allowance for impairment of trade receivables	**(14,398)**	(7,047)
	152,530	188,156
Retention receivables (Note)	**25,573**	24,217
	178,103	212,373

Note: Except for the amounts of approximately HK$5,792,000 as at 30 September 2018 (31 March 2018: approximately HK$8,356,000), which were expected to be recovered or settled after one year, all of the remaining balances are expected to be recovered within one year. All retention receivables are included in current assets as the Group expects to realise these within its normal operating cycle.

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 following is an aged analysis of trade receivables, net of allowance for impairment of trade receivables, presented based on the certified report or invoices which approximates revenue recognition date at the end of each reporting period.

14. TRADE AND RETENTION RECEIVABLES (Continued)

	As at 30 September 2018 HK$'000 (unaudited)	As at 31 March 2018 HK$'000 (audited)
Within 30 days	**12,983**	29,930
31 to 60 days	**13,973**	25,697
61 to 90 days	**12,169**	7,315
91 to 180 days	**26,538**	14,373
181 to 365 days	**34,117**	85,623
Over 365 days	**52,750**	25,218
	152,530	188,156

During the current interim period, the Group provided approximately HK$3,629,000 impairment allowance based on the provision matrix.

15. CONTRACT ASSETS (LIABILITIES) AND AMOUNTS DUE FROM (TO) CUSTOMERS FOR CONTRACT WORK

Contract assets

	As at 30 September 2018 HK$'000 (unaudited)
Construction works	**12,465**

The contract assets primarily relate to the Group's right to consideration for work completed and not billed because the rights are conditioned on the Group's future performance in achieving specified milestones at the reporting date on construction works. The contract assets are transferred to trade receivables when the rights become unconditional. The Group typically transfer its contract assets to trade receivables when progress certificate/invoice is issued.

The Group applies the simplified approach to provide the ECL prescribed by HKFRS 9. The directors considered that the lifetime ECL allowance was insignificant as at 30 September 2018.

15. CONTRACT ASSETS (LIABILITIES) AND AMOUNTS DUE FROM (TO) CUSTOMERS FOR CONTRACT WORK (Continued)

Contract liabilities

	As at 30 September 2018 HK$'000 (unaudited)
Construction works	–

The contract liabilities primarily relate to the excess of progress billings to customers over the cumulative revenue recognised in profit of loss at the reporting date on construction works.

Upon initial application of HKFRS 15, amounts due from/to customers for contract work of approximately HK$17,073,000 and HK$264,000 were reclassified to contract assets and contract liabilities at 1 April 2018 respectively. The impact thereof are detailed in note 3.3.

16. TRADE AND OTHER PAYABLES

	As at 30 September 2018 HK$'000 (unaudited)	As at 31 March 2018 HK$'000 (audited)
Trade payables	23,568	25,221
Receipt in advance	–	79
Other payables	11,600	10,292
Accruals	11,021	10,871
	46,189	46,463

16. TRADE AND OTHER PAYABLES (Continued)

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

	As at 30 September 2018 HK$'000 (unaudited)	As at 31 March 2018 HK$'000 (audited)
Within 30 days	5,977	14,635
31 to 60 days	648	3,148
61 to 90 days	5,984	777
91 to 365 days	9,870	5,838
Over 365 days	1,089	823
	23,568	25,221

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.

17. SHARE CAPITAL

	Number of shares	Share capital HK$
Authorised		
Ordinary share of HK$0.01		
At 31 March 2018 and 30 September 2018	10,000,000,000	100,000,000
Issued and fully paid		
At 31 March 2018 and 30 September 2018	1,037,500,000	10,375,000

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 and finance leases granted to the Group:

	As at 30 September 2018 HK$'000 (unaudited)	As at 31 March 2018 HK$'000 (audited)
Property, plant and equipment	53,192	67,073
Insurance prepayment	9,686	9,623
	62,878	76,696

19. CONTINGENT LIABILITIES

As at 30 September 2018, a subsidiary has been named as defendant in one (31 March 2018: four) High Court action in respect of claims for compensation of personal injury for an amount of approximately HK$10,524,000 (31 March 2018: approximately HK$6,766,000) in aggregate. Directors of the Company considered the claims are covered by the relevant insurance policies. No provision for potential liability has been made in the consolidated financial statements.

20. 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.

20. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

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

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 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.

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 2018.

21. RELATED PARTY TRANSACTIONS

Compensation of key management personnel

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

	For the six months ended 30 September	
	2018	2017
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Short-term benefits	**3,064**	3,246
Post-employment benefits	**34**	45
	3,098	3,291

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 Listing Rules. During the six months ended 30 September 2018, the Company has complied with the code provisions under the CG Code, except for the deviation from code provision A.2.1 of the CG Code as explained below. The Company will continue to enhance its corporate governance practices appropriate to the operation and growth of the business of the Group. According to code provision A.2.1 of the CG Code, the role of the chairman and the chief executive officer of the Company should be separate and should not be performed by the same individual. Throughout the period ended 30 September 2018 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 six months ended 30 September 2018.

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

As at 30 September 2018, interests and short positions in the Shares, underlying Shares of the Company 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)	610,995,000	58.89%

Note: The 610,995,000 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 610,995,000 Shares.

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

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

Note: Mr. Wu beneficially owns 100% of the entire 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 the director of Profit Gold.

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 2018 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.

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

As at 30 September 2018, 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:

Name	Capacity/Nature of interest	Number of Shares held	Approximate percentage of shareholding
Profit Gold	Beneficial interest (Note 1)	610,995,000	58.89%
Ms. Kwok Wai Sheung Melody ("Ms. Kwok")	Interest of Spouse (Note 2)	610,995,000	58.89%

Notes:

1) 610,995,000 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 610,995,000 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 2018 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.

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 six months ended 30 September 2018, 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 financial statements for the six months ended 30 September 2018. The Audit Committee was satisfied that the unaudited condensed consolidated financial statements 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 2018