

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



2021
INTERIM REPORT

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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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REGISTERED OFFICE

Windward 3

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Grand Cayman KY1-1108

Cayman Islands

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Ocorian Trust (Cayman) Limited

Windward 3

Regatta Office Park

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Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited

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183 Queen's Road East

Hong Kong

PRINCIPAL BANK

The Hongkong and Shanghai Banking Corporation Limited

AUDITOR

SHINEWING (HK) CPA Limited

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Hong Kong

COMPANY'S WEBSITE

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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\$262.1 million for the six months ended 30 September 2021 (the “Period”), representing an increase of 28.7% from approximately HK\$203.6 million for the six months ended 30 September 2020. The increase was mainly due to increase in revenue from construction machinery rental. Net profit was slightly decreased from approximately HK\$6.2 million for the six months ended 30 September 2020 to approximately HK\$5.6 million for the Period, as the effect of non-recurring government grants in respect of the Anti-epidemic Fund from the Hong Kong Special Administrative Region (the “HKSAR”) Government recognised in the six months ended 30 September 2020. Excluding the effect of the above-mentioned grants, the overall performance was improved during the Period, which was mainly attributed from our construction machinery rental business to meet the increasing demand from some infrastructure and reclamation projects in Hong Kong.

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

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

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 2021 and 2020.

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

Revenue from construction works

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

As at 30 September 2021, there were six projects on hand with total outstanding contract sum amounting to approximately HK\$105.9 million. Four projects are expected to be completed in the year ending 31 March 2022, two projects are expected to be completed in the year ending 31 March 2023 and none of them is expected to have any material interruption.

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
Yau Tong	Foundation and site formation works	Completed
Tuen Mun – Chek Lap Kok Link – Northern Connection Sub-sea Tunnel Section	Foundation and site formation works	Completed
West Kowloon Drainage Improvement – Inter-reservoirs Transfer Scheme	Foundation and site formation works	Work in progress
Ap Lei Chau Inland Lot No.136	Foundation and site formation works	Work in progress
Kai Tai Sports Park	Foundation and site formation works	Work in progress
Hong Kong International Airport – automatic people mover (APM) and baggage handling system (BHS)	Foundation and site formation works	Work in progress
Tung Tau – Transitional Housing Project	Foundation and site formation works	Work in progress

Revenue from construction machinery rental

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

Management Discussion and Analysis (Continued)

Gross Profit and Gross Profit Margin

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

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

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

Other Income

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

Administrative Expenses

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

Loss allowance on trade receivables and contract assets

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

Management Discussion and Analysis (Continued)



Net Profit

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

Liquidity, Financial Resources and Capital Structure

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

As at 30 September 2021, the Group had bank balances of approximately HK\$12.4 million (31 March 2021: HK\$16.8 million). The interest-bearing liabilities of the Group as at 30 September 2021 was approximately HK\$144.9 million (31 March 2021: HK\$114.3 million). The gearing ratio is calculated based on the amount of total interest-bearing liabilities divided by total equity. The gearing ratio of the Group as at 30 September 2021 was approximately 73.3% (31 March 2021: 59.5%), representing an increase of approximately 13.8%.

Interim Dividend

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

Prospects

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

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

Management Discussion and Analysis (Continued)

Pledge of Assets

As at 30 September 2021, certain of the Group's bank borrowings and lease liabilities were secured by the property, plant and equipment with an aggregate net carrying value of approximately HK\$113.9 million (31 March 2021: HK\$78.2 million), deposits and prepayments for life insurances with an aggregate carrying value of approximately HK\$9.5 million (31 March 2021: HK\$6.7 million) and deposits with an aggregate carrying value of approximately HK\$13.6 million (31 March 2021: HK\$3.9 million).

Foreign Exchange Risk

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

Employees and Remuneration Policy

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

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

Capital Commitments

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

Contingent Liabilities

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

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.

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 September 2021

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

Condensed Consolidated Statement of Financial Position

As at 30 September 2021

	Notes	As at 30 September 2021 HK\$'000 (unaudited)	As at 31 March 2021 HK\$'000 (audited)
Non-current assets			
Property, plant and equipment	11	184,353	149,637
Deposits paid for acquisition of property, plant and equipment		6,412	4,655
Pledged deposits		–	1,789
		190,765	156,081
Current assets			
Trade receivables	12	151,245	149,503
Contract assets	13	46,510	50,267
Deposits, prepayments and other receivables		17,653	14,948
Pledged deposits		13,576	2,157
Bank balances and cash		12,417	16,781
		241,401	233,656
Current liabilities			
Trade and other payables	14	82,535	75,883
Bank borrowings	15	50,736	40,602
Lease liabilities	16	43,574	39,389
Income tax payable		193	38
		177,038	155,912
Net current assets		64,363	77,744
Total assets less current liabilities		255,128	233,825

Condensed Consolidated Statement of Financial Position (Continued)

As at 30 September 2021

	Notes	As at 30 September 2021 HK\$'000 (unaudited)	As at 31 March 2021 HK\$'000 (audited)
Non-current liabilities			
Lease liabilities	16	50,554	34,275
Deferred tax liabilities		7,006	7,571
		57,560	41,846
Net assets		197,568	191,979
Capital and reserves			
Share capital	17	10,375	10,375
Reserves		187,209	181,620
Equity attributable to owners of the Company		197,584	191,995
Non-controlling interest		(16)	(16)
Total equity		197,568	191,979

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 September 2021

	Attributable to owners of the Company					Non-controlling interest HK\$'000	Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Other reserve HK\$'000 (note)	Retained profits HK\$'000	Total HK\$'000		
At 1 April 2020 (audited)	10,375	109,078	35,457	33,347	188,257	(16)	188,241
Profit (loss) and total comprehensive income (expense) for the period	-	-	-	6,158	6,158	(1)	6,157
At 30 September 2020 (unaudited)	10,375	109,078	35,457	39,505	194,415	(17)	194,398
At 1 April 2021	10,375	109,078	35,457	37,085	191,995	(16)	191,979
Profit and total comprehensive income for the period	-	-	-	5,589	5,589	-	5,589
At 30 September 2021 (unaudited)	10,375	109,078	35,457	42,674	197,584	(16)	197,568

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 2021

	Six months ended 30 September	
	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
NET CASH GENERATED FROM OPERATING ACTIVITIES	47,619	23,820
INVESTING ACTIVITIES		
Payments for purchase of property, plant and equipment	(17,937)	(7,858)
Placement of pledged deposits	(9,630)	–
Payments for right-of-use assets	(7,100)	(4,059)
Payments for purchase of life insurances	(2,880)	–
Proceeds from disposal of property, plant and equipment	4,304	641
NET CASH USED IN INVESTING ACTIVITIES	(33,243)	(11,276)
FINANCING ACTIVITIES		
New bank borrowings raised	36,421	28,992
Receipts of government grants	669	2,991
Repayment to a related company	–	(260)
Interests paid	(3,079)	(2,831)
Repayment of bank borrowings	(26,287)	(30,877)
Payment of lease liabilities	(26,464)	(17,891)
NET CASH USED IN FINANCING ACTIVITIES	(18,740)	(19,876)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(4,364)	(7,332)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	16,781	13,507
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD, REPRESENTED BY BANK BALANCES AND CASH	12,417	6,175



Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 September 2021

1. GENERAL INFORMATION

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

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

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

2. BASIS OF PREPARATION

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

Notes to the Condensed Consolidated Interim Financial Information (Continued)

For the six months ended 30 September 2021

3. PRINCIPAL ACCOUNTING POLICIES

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

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

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

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

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

Notes to the Condensed Consolidated Interim Financial Information (Continued)

For the six months ended 30 September 2021

4. REVENUE AND SEGMENT INFORMATION

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

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

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

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

Information reported to the directors 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 2021

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 2021 (unaudited)

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

Notes to the Condensed Consolidated Interim Financial Information (Continued)

For the six months ended 30 September 2021

4. REVENUE AND SEGMENT INFORMATION (Continued)

Segment revenue and results (Continued)

For the six months ended 30 September 2020 (unaudited)

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

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 2021

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

Segment liabilities

	At 30 September 2021 HK\$'000 (unaudited)	At 31 March 2021 HK\$'000 (audited)
Construction works	77,592	67,669
Construction machinery rental	96,921	79,935
Total segment liabilities	174,513	147,604
Corporate and other liabilities	60,085	50,154
Total liabilities	234,598	197,758



Notes to the Condensed Consolidated Interim Financial Information (Continued)

For the six months ended 30 September 2021

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\$184,353,000 and HK\$94,128,000 (31 March 2021: HK\$149,637,000 and HK\$73,664,000) respectively were allocated to construction works and construction machinery rental segments. However, the relevant gain on disposal of property, plant and equipment and interest on lease liabilities of approximately HK\$2,606,000 (2020: HK\$554,000) and HK\$2,464,000 (2020: HK\$2,489,000) respectively were not included in the measurement of segment results for the six months ended 30 September 2021. Should the gain on disposal of property, plant and equipment and interest on lease liabilities be included in the measurement of segment results, the segment profit of construction works and construction machinery rental for the six months ended 30 September 2021 would be approximately HK\$1,034,000 (2020: segment loss of approximately HK\$589,000) and HK\$6,546,000 (2020: HK\$3,200,000) respectively.

Notes to the Condensed Consolidated Interim Financial Information (Continued)

For the six months ended 30 September 2021

5. OTHER INCOME

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

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	
	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
Interest on:		
– bank borrowings	615	342
– lease liabilities	2,464	2,489
	3,079	2,831

Notes to the Condensed Consolidated Interim Financial Information (Continued)

For the six months ended 30 September 2021

7. INCOME TAX (EXPENSE) CREDIT

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

Notes:

- 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.
- During the six months ended 30 September 2021 and 2020, Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit.
- During the six months ended 30 September 2021, 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\$108,000 (2020: HK\$30,000) represented income tax expense arising from assessable profit generated by another subsidiary of the Company.

8. PROFIT BEFORE TAXATION

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

Note: Included in the depreciation of property, plant and equipment for the six months ended 30 September 2021 was depreciation of right-of-use assets of approximately HK\$19,398,000 (2020: HK\$21,601,000).

Notes to the Condensed Consolidated Interim Financial Information (Continued)

For the six months ended 30 September 2021

9. DIVIDEND

No dividend was paid or proposed during the six months ended 30 September 2021 and 2020, nor has any dividend been proposed since the end of the reporting period.

10. EARNINGS PER SHARE

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

	For the six months ended 30 September	
	2021 HK\$'000 (unaudited)	2020 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	5,589	6,158
	For the six months ended 30 September	
	2021 '000 (unaudited)	2020 '000 (unaudited)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	1,037,500	1,037,500

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

Notes to the Condensed Consolidated Interim Financial Information (Continued)

For the six months ended 30 September 2021

11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2021, included in additions to the property, plant and equipment of approximately HK\$70,208,000 (2020: HK\$24,507,000), in which was additions to the right-of-use assets with amount of approximately HK\$54,028,000 (2020: HK\$16,649,000).

During the six months ended 30 September 2021, the Group has disposed of certain property, plant and equipment with an aggregate carrying value of approximately HK\$1,698,000 (2020: HK\$87,000) for cash proceeds of approximately HK\$4,304,000 (2020: HK\$641,000), resulting in a gain on disposal of property, plant and equipment of approximately HK\$2,606,000 (2020: HK\$554,000).

As at 30 September 2021, included in property, plant and equipment were right-of-use assets with carrying values of approximately HK\$10,163,000, HK\$30,685,000 and HK\$75,310,000 in respect of the leasehold land, motor vehicles and machinery respectively (31 March 2021: leasehold land, motor vehicles and machinery of approximately HK\$11,383,000, HK\$21,298,000 and HK\$48,847,000 respectively).

As at 30 September 2021, the Group's ownership interest in leasehold land and building with carrying value of approximately HK\$7,878,000 (31 March 2021: HK\$8,072,000) 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.

12. TRADE RECEIVABLES

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

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

Notes to the Condensed Consolidated Interim Financial Information (Continued)

For the six months ended 30 September 2021

12. TRADE RECEIVABLES (Continued)

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.

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

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 2021

13. CONTRACT ASSETS

	At 30 September 2021 HK\$'000 (unaudited)	At 31 March 2021 HK\$'000 (audited)
Unbilled revenue of construction contracts (note (i))	15,325	22,767
Retention receivables of construction contracts (note (ii))	34,247	30,023
	49,572	52,790
Less: loss allowance on contract assets	(3,062)	(2,523)
	46,510	50,267

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 2021

14. TRADE AND OTHER PAYABLES

	At 30 September 2021 HK\$'000 (unaudited)	At 31 March 2021 HK\$'000 (audited)
Trade payables	39,962	38,032
Other payables	22,761	17,393
Accruals	19,812	20,458
	82,535	75,883

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

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

The average credit period granted is 30 days (31 March 2021: 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 2021

15. BANK BORROWINGS

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

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

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

Notes to the Condensed Consolidated Interim Financial Information (Continued)

For the six months ended 30 September 2021

16. LEASE LIABILITIES

	At 30 September 2021 HK\$'000 (unaudited)	At 31 March 2021 HK\$'000 (audited)
Analysed for reporting purposes as:		
– Current	43,574	39,389
– Non-current	50,554	34,275
	94,128	73,664
	At 30 September 2021 HK\$'000 (unaudited)	At 31 March 2021 HK\$'000 (audited)
Amounts payable under lease liabilities:		
– Within one year	43,574	39,389
– After one year but within two years	34,786	17,980
– After two years but within five years	15,768	16,295
	94,128	73,664
Less: amount due for settlement within 12 months (shown under current liabilities)	(43,574)	(39,389)
Amount due for settlement after 12 months	50,554	34,275

As at 30 September 2021, the lease liabilities in respect of leased motor vehicles and machinery under hire purchase agreements amounted to approximately HK\$83,730,000 (31 March 2021: HK\$62,198,000) was secured by the lessor's title to the leased assets.

During the six months ended 30 September 2021, the Group entered into a number of new lease agreements in respect of motor vehicles and machinery and recognised lease liabilities of approximately HK\$46,928,000 (2020: HK\$12,590,000).

Notes to the Condensed Consolidated Interim Financial Information (Continued)

For the six months ended 30 September 2021

16. LEASE LIABILITIES (Continued)

Amounts recognised in profit or loss

	For the six months ended 30 September	
	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
Depreciation expense on right-of-use assets included in property, plant and equipment:		
– Building	–	197
– Leasehold land	1,220	–
– Motor vehicles	4,661	11,384
– Machinery	13,517	10,020
Interest expense on lease liabilities	2,464	2,489

During the six months ended 30 September 2021, the total cash outflows for leases amounting to approximately HK\$36,028,000 (2020: HK\$24,439,000).

17. SHARE CAPITAL

	Number of shares	Share capital HK\$'000
Ordinary shares of HK\$0.01 each		
Authorised		
At 31 March 2021 (audited) and 30 September 2021 (unaudited)	10,000,000,000	100,000
Issued and fully paid		
At 31 March 2021 (audited) and 30 September 2021 (unaudited)	1,037,500,000	10,375

Notes to the Condensed Consolidated Interim Financial Information (Continued)

For the six months ended 30 September 2021

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 2021 HK\$'000 (unaudited)	At 31 March 2021 HK\$'000 (audited)
Property, plant and equipment	113,873	78,217
Deposits and prepayments for life insurances	9,464	6,714
Pledged deposits	13,576	3,946
	136,913	88,877

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 2021

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 2021 and 2020.

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	
	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
Short-term benefits	3,510	3,510
Post-employment benefits	45	45
	3,555	3,555

Notes to the Condensed Consolidated Interim Financial Information (Continued)

For the six months ended 30 September 2021

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.

22. COMPARATIVE FIGURE

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

The reclassification has no material impact on the Group's total equity as at 30 September 2020 or the Group's profit or loss for the six months ended 30 September 2020.

Corporate Governance and Other Information



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

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company has adopted the Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). During the Period, the Company has complied with the code provisions under the CG Code, except for the deviation from code provision A.2.1 of the CG Code as explained below. The Company will continue to enhance its corporate governance practices appropriate to the operation and growth of the business of the Group. According to code provision A.2.1 of the CG Code, the role of the chairman and the chief executive officer of the Company should be separate and should not be performed by the same individual. Throughout the Period and up to the date of this 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.

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 2021, 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)	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 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 2021 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 2021, 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)	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 2021 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.

Corporate Governance and Other Information (Continued)

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.

DISCLOSURE OF INFORMATION ON DIRECTORS PURSUANT TO RULE 13.51B(1) OF THE LISTING RULES

Mr. Lee Man Tai, an independent non-executive director of the Company, has been appointed as an independent non-executive director of Yunhong Guixin Group Holdings Limited, a company listed on the Main Board of the Stock Exchange (Stock Code: 8349) with effect from 30 June 2021.

Save as disclosed in this report, the Directors are not aware of any change in the information of Directors and chief executives of the Company required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules as at the date of this report.

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 2021