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WINDMILL GROUP LIMITED
(海鑫集團有限公司)

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8409)

ANNOUNCEMENT OF ANNUAL RESULTS
FOR THE YEAR ENDED 30 APRIL 2018

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

This announcement, for which the directors (the “Directors”) of WINDMILL Group Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

FINANCIAL HIGHLIGHTS

For the year ended 30 April 2018, operating results of the Company and its subsidiaries (collectively referred to as the “Group”) were as follows:

- Revenue reached to approximately HK\$223.4 million (2017: approximately HK\$171.4 million), representing an increase of 30.3% from last year;
- Profit for the year increased to approximately HK\$24.1 million (2017: HK\$1.6 million). It was mainly due to the combined effect of (i) increase in gross profit, and (ii) no listing expenses incurred during the year;
- Basic and diluted earnings per share for the year based on weighted average number of ordinary shares of approximately 800,000,000 shares (2017: approximately 528,738,000 shares) in issue was 3.01 HK cents (2017: 0.31 HK cent); and
- The Directors do not recommend the payment of a final dividend for the year ended 30 April 2018 (2017: Nil).

ANNUAL RESULTS FOR THE YEAR ENDED 30 APRIL 2018

The board of Directors (the “Board”) of the Company is pleased to announce the audited condensed consolidated results of the Group for the year ended 30 April 2018 together with the comparative figures for the preceding financial year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 April 2018

	<i>Notes</i>	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Revenue	5	223,407	171,449
Cost of sales		(185,040)	(144,431)
Gross profit		38,367	27,018
Other income		122	3
Administrative expenses		(9,223)	(21,742)
Finance costs		(7)	(56)
Profit before taxation		29,259	5,223
Income tax expense	7	(5,174)	(3,574)
Profit and total comprehensive income for the year attributable to owners of the Company	8	<u>24,085</u>	<u>1,649</u>
Earnings per share	9		
Basic and diluted (HK cents)		<u>3.01</u>	<u>0.31</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 April 2018

	<i>Notes</i>	2018 HK\$'000	2017 <i>HK\$'000</i>
Non-current assets			
Plant and equipment		900	682
Deposit		<u>200</u>	<u>30</u>
		<u>1,100</u>	<u>712</u>
Current assets			
Trade and retention receivables	11	63,996	33,625
Amounts due from customers for contract work		64,476	37,962
Deposits, prepayments and other receivables		2,658	3,230
Bank balances and cash		<u>32,481</u>	<u>69,926</u>
		<u>163,611</u>	<u>144,743</u>
Current liabilities			
Trade and retention payables	12	41,460	35,292
Amounts due to customers for contract work		3,652	6,807
Receipts in advance, accruals and other payables		1,588	10,476
Tax payable		6,089	4,941
Obligation under a finance lease		<u>101</u>	<u>97</u>
		<u>52,890</u>	<u>57,613</u>

	<i>Note</i>	2018 HK\$'000	2017 HK\$'000
Net current assets		<u>110,721</u>	<u>87,130</u>
Total assets less current liabilities		<u>111,821</u>	<u>87,842</u>
Non-current liabilities			
Long service payment obligations		283	310
Obligation under a finance lease		—	101
Deferred tax liability		<u>50</u>	<u>28</u>
		<u>333</u>	<u>439</u>
Net assets		<u>111,488</u>	<u>87,403</u>
Capital and reserves			
Share capital	13	8,000	8,000
Reserves		<u>103,488</u>	<u>79,403</u>
Total equity		<u>111,488</u>	<u>87,403</u>

NOTES TO THE AUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the year ended 30 April 2018

1. CORPORATE INFORMATION

The Company was incorporated in the Cayman Islands under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands as an exempted company with limited liability on 25 August 2016. Its ultimate holding company and immediate holding company is Golden Page Investments Limited (“Golden Page”), which is incorporated in the British Virgin Islands (the “BVI”). The shares of the Company have been listed on GEM of the Stock Exchange on 18 April 2017.

The addresses of the registered office and the principal place of business of the Company are Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and Unit 1603, 16/F., Tower 1, Enterprise Square, 9 Sheung Yuet Road, Kowloon Bay, Kowloon, Hong Kong respectively.

The Company is an investment holding company while the principal subsidiary, Windmill Engineering Company Limited (“Windmill Engineering”), is mainly engaged in design, supply and installation of fire safety systems for buildings under construction or re-development, maintenance and repair of fire safety systems for built premises and trading of fire service accessories.

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

2. GROUP REORGANISATION AND BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

Pursuant to the group reorganisation as detailed in the prospectus of the Company dated 31 March 2017 (the “Prospectus”) (the “Reorganisation”), the Company became the holding company of the companies now comprising the Group on 28 September 2016. The Group have been under the common control and beneficially owned by Mr. Li Shing Kuen, Alexander (the “Controlling Shareholder”) throughout the year ended 30 April 2017 or since their respective dates of incorporation to 30 April 2017. As such, the Reorganisation is effectively interspersing a shell company over the subsidiaries, in which Windmill Engineering is only operating entity of the Group, and there was a continuation of risks and benefits to the Controlling Shareholder. Accordingly, the Reorganisation has been accounted for as if the Company had always been the holding company of the Group throughout the year ended 30 April 2017 or since their respective dates of incorporation to 30 April 2017.

The consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows including the results, changes in equity and cash flows of the companies now comprising the Group have been prepared as if the current group structure had been in existence throughout the year ended 30 April 2017.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

In the current year, the Group has applied the following new and revised HKFRSs, which include HKFRSs, Hong Kong Accounting Standards (“HKASs”), Amendments and Interpretations (“Ints”), issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

Amendments to HKFRSs	Annual Improvements to HKFRSs 2014 - 2016 Cycle: Amendments to HKFRS 12
Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses

Except as described below, the application of the above new and revised HKFRSs in the current year has had no material impact on the Group’s financial performance and positions for the current and prior year and/or on the disclosure set out in the financial statements.

Amendments to HKAS 7 Disclosure Initiative

The amendments require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The amendments do not prescribe a specific method to fulfil the new disclosure requirements. However, the amendments indicate that one way is to provide a reconciliation between the opening and closing balances for liabilities arising from financing activities.

The application of amendments to HKAS 7 has resulted in additional disclosures on the Group’s financing activities, especially a reconciliation between the opening and closing balances in the consolidated statement of financial position for liabilities arising from financing activities is provided in note to the consolidated financial statements. On initial application of the amendments, the Group is not required to provide comparative information for preceding periods. Apart from the additional disclosure in note to the consolidated financial statements, the directors of the Company considered that these amendments have had no impact on the Group’s consolidated financial statements.

New and revised HKFRSs issued but not yet effective

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKFRS 9 (2014)	Financial Instruments ¹
HKFRS 15	Revenue from Contracts with Customers ¹
HKFRS 16	Leases ²
HKFRS 17	Insurance Contracts ³
Amendments to HKFRSs	Annual Improvements to HKFRSs 2014 - 2016 Cycle ¹
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 - 2017 Cycle ²
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions ¹

Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts ¹
Amendments to HKFRS 9	Prepayment Features with Negative Compensation ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴
Amendments to HKFRS 19	Employee Benefits ²
Amendments to HKFRS 28	Long-term Interests in Associates and Joint Ventures ²
Amendments to HKFRS 40	Transfer of Investment Property ¹
HK (IFRIC) — Int 22	Foreign Currency Transactions and Advance Consideration ¹
HK (IFRIC) — Int 23	Uncertainty over Income Tax Treatments ²

¹ Effective for annual periods beginning on or after 1 January 2018.

² Effective for annual periods beginning on or after 1 January 2019.

³ Effective for annual periods beginning on or after 1 January 2021.

⁴ Effective date not yet been determined.

4. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include all applicable disclosures required by the GEM Listing Rules and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on historical basis. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price).

5. REVENUE

Revenue represents the amounts received and receivable arising on services provided and sales of goods in the normal course of business, net of discounts. An analysis of the Group's revenue for the year is as follows:

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Revenue from design, supply and installation services	190,108	138,755
Revenue from maintenance and repair services	32,900	32,468
Trading of fire service accessories	<u>399</u>	<u>226</u>
	<u>223,407</u>	<u>171,449</u>

6. SEGMENT INFORMATION

The Group's operating activities are attributable to a single operating segment focusing on the design, supply and installation of fire safety systems for buildings under construction or re-development and maintenance and repair of fire safety systems for built premises. This operating segment has been identified on the basis of internal management reports prepared in accordance with accounting policies which conform to HKFRSs, that is regularly reviewed by the executive directors of the Company, being chief operating decision maker (the "CODM"), for the purposes of resource allocation and assessment of segment performance. The CODM monitors the revenue from the engagement in design, supply and installation of fire safety systems for buildings under construction or re-development and maintenance and repair of fire safety systems for built premises with no discrete information available to the CODM. The CODM reviews the profit for the year of the Group as a whole for performance assessment.

Geographical information

The Group's revenue from external customers based on the location of the operation is derived solely in Hong Kong (place of domicile). Non-current assets of the Group based on the location of assets are all located in Hong Kong. Accordingly, no segment analysis by geographical information is presented.

Information about major customers

Revenue from customers of the corresponding year contributing over 10% of the total revenue of the Group are as follows:

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Customer A	51,100	36,410
Customer B	41,606	N/A ¹
Customer C	25,530	N/A ¹
Customer D	24,996	N/A ¹

¹ The corresponding revenue did not contribute over 10% of the total revenue of the Group.

7. INCOME TAX EXPENSE

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Current tax:		
Hong Kong Profits Tax	5,152	3,576
Over-provision in prior year	<u>—</u>	<u>(20)</u>
	5,152	3,556
Deferred tax	<u>22</u>	<u>18</u>
	<u><u>5,174</u></u>	<u><u>3,574</u></u>

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for the years ended 30 April 2018 and 2017.

Pursuant to the rules and regulation of the BVI and the Cayman Islands, the Group is not subject to any income tax in these jurisdictions.

8. PROFIT FOR THE YEAR

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Profit for the year has been arrived at after charging (crediting):		
Staff costs		
Directors' emoluments	2,387	2,053
Other staff:		
— Salaries, allowances and other benefits	15,817	10,420
— Contributions to the Mandatory Provident Fund Scheme	639	438
— Reversal of provision for long service payments	<u>(27)</u>	<u>(151)</u>
Total staff costs	<u>18,816</u>	<u>12,760</u>
Auditor's remuneration	500	480
Amount of inventories recognised as expenses	26,165	26,413
Depreciation of plant and equipment	268	257
Listing expenses	—	15,859
Loss on written off on plant and equipment	81	—
Minimum lease payments paid under operating leases in respect of rented office premise and warehouse	<u>1,625</u>	<u>728</u>

9. EARNINGS PER SHARE

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

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Earnings		
Profit for the year attributable to owners of the Company for the purpose of basic earnings per share	<u>24,085</u>	<u>1,649</u>
	2018 <i>'000</i>	2017 <i>'000</i>
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	<u>800,000</u>	<u>528,738</u>

The weighted average number of ordinary shares for the purpose of basic earnings per share during the year ended 30 April 2017 have been retrospectively adjusted for the effect of the capitalisation issue as stated in the section headed “Share Capital” in the Prospectus.

The diluted earnings per share is the same as the basic earnings per share as there were no dilutive potential ordinary shares outstanding during the year ended 30 April 2018 (2017: nil).

10. DIVIDEND

An interim dividend of approximately HK\$628,000 was declared and paid by the Company to the immediate holding company of the Company on 5 October 2016 which was settled through the amount due from a director.

No final dividend has been paid or proposed by the Company during the years ended 30 April 2017 and 2018, nor has any dividend been proposed since the end of the reporting period.

11. TRADE AND RETENTION RECEIVABLES

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Trade receivables	48,583	23,594
Retention receivables (note)	<u>15,413</u>	<u>10,031</u>
	<u>63,996</u>	<u>33,625</u>

Note: Except for the amount of approximately HK\$9,368,000 (2017: HK\$649,000) as at 30 April 2018, which was expected to be recovered or settled after one year, all of the remaining balances are expected to be recovered or settled within one year. 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 allows a credit period of 30-60 days (2017: 30-60 days) to its customers. The following is an ageing analysis of trade receivables, presented based on the date of progress certificates or completion certificates which approximates the respective revenue recognition dates, at the end of the reporting period:

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
0 to 30 days	42,177	19,814
31 to 60 days	3,432	172
61 to 90 days	1,460	2,480
91 to 180 days	<u>1,514</u>	<u>1,128</u>
	<u>48,583</u>	<u>23,594</u>

12. TRADE AND RETENTION PAYABLES

	2018	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables	35,291	27,911
Retention payables (note)	<u>6,169</u>	<u>7,381</u>
	<u><u>41,460</u></u>	<u><u>35,292</u></u>

Note: Except for the amount of approximately HK\$4,887,000 (2017: HK\$243,000) as at 30 April 2018, which was expected to be paid or settled after one year, all of the remaining balances are expected to be paid or settled within one year. Retention payables are included in current liabilities as the Group expects to pay or settle within its normal operating cycle.

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

	2018	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 to 30 days	34,012	21,250
31 to 60 days	34	5,891
61 to 90 days	264	723
91 to 180 days	730	47
Over 180 days	<u>251</u>	<u>—</u>
	<u><u>35,291</u></u>	<u><u>27,911</u></u>

Trade payables represented payables to suppliers and subcontractors. The credit terms granted by suppliers and subcontractors were stipulated in the relevant contracts and the payables were usually due for the settlement within 30 - 60 days (2017: 30 - 60 days). The Group has financial risk management policies in place to ensure that all payables are settled within the credit time-frame.

13. SHARE CAPITAL

As the Company was not incorporated prior to 25 August 2016 and the Reorganisation was not completed as at 1 May 2016, the share capital in the consolidated statement of financial position as at 1 May 2016 represented the share capital of Windmill Engineering.

The share capital of Windmill Engineering and Success Chariot Limited (“Success Chariot”), a wholly-owned subsidiary of the Company, shown in the consolidated statement of changes in equity of approximately HK\$10,148,000 has been transferred to other reserve on 30 September 2016 as part of the Reorganisation. After the transfer, the share capital of the consolidated financial statements and consolidated statement of changes in equity represented the share capital of the Company.

Movements of the authorised and issued share capital of the Company for the years ended 30 April 2018 and 2017 are as follows:

	Number of ordinary shares	Share capital HK\$'000
Ordinary shares of HK\$0.01 each		
Authorised:		
At 25 August 2016 (date of incorporation) (note (a))	38,000,000	380
Increase during the period (note (e))	<u>1,962,000,000</u>	<u>19,620</u>
At 30 April 2017, 1 May 2017 and 30 April 2018	<u><u>2,000,000,000</u></u>	<u><u>20,000</u></u>
Issued and fully paid:		
Issue of share at 25 August 2016 (date of incorporation) (note (a))	1	—
Issue of shares as consideration for the acquisition of the issued share capital of Windmill Engineering (note (b))	7,000	—
Issue of shares (note (d))	2,999	—
Issue of new shares in connection with the listing of shares of the Company (note (f))	200,000,000	2,000
Capitalisation issue of shares (note (f))	<u>599,990,000</u>	<u>6,000</u>
At 30 April 2017, 1 May 2017 and 30 April 2018	<u><u>800,000,000</u></u>	<u><u>8,000</u></u>

Notes:

- (a) On 25 August 2016, the Company was incorporated in the Cayman Islands under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands as an exempted company with limited liability and an authorised share capital of HK\$380,000 divided into 38,000,000 ordinary shares of HK\$0.01 each. On the same date, one share was allotted and issued at nil-paid to the initial subscriber, which was then transferred to Golden Page at nil consideration.
- (b) On 28 September 2016, the Company issued 7,000 shares to the Controlling Shareholder, Golden Page, at a consideration of HK\$8,000,000. On the same day, the Company through Success Chariot subscribed 7,852,000 issued shares of Windmill Engineering, representing 78.52% equity interest in Windmill Engineering, from the Controlling Shareholder of Windmill Engineering, at a consideration of HK\$8,000,000.
- (c) On 30 September 2016, the Company through Success Chariot acquired 2,148,000 issued shares of Windmill Engineering, representing 21.48% equity interest in Windmill Engineering, from the Controlling Shareholder, crediting the one nil-paid share of the Company held by Golden Page as fully paid, all completed on 30 September 2016.
- (d) As part of the Reorganisation, on 7 October 2017, the Company was authorised to allot and issue credited as fully paid, a total 2,999 ordinary shares of HK\$0.01 each to the pre-IPO investor at consideration of HK\$12,000,000.
- (e) Pursuant to the written resolution passed by the shareholders of the Company on 27 March 2017, the Company's authorised share capital was increased from HK\$380,000 to HK\$20,000,000 by the creation of additional 1,962,000,000 new ordinary shares of HK\$0.01 each.
- (f) At a special general meeting of the Company held on 27 March 2017, the directors of the Company were authorised to allot and issue 20,000,000 ordinary shares of HK\$0.01 each to the public and 180,000,000 ordinary shares of HK\$0.01 each by placing on 18 April 2017, both at a price of HK\$0.27 per share. The gross total proceeds was HK\$54,000,000, representing amounts of HK\$2,000,000 credited to the Company's share capital and HK\$52,000,000 credited to the Company's share premium before any issuance expenses. The directors of the Company were also authorised to allot and issue a total of 599,990,000 ordinary shares on 18 April 2017, credited as fully paid at par to the holders of shares on the register of members at the close of business on 27 March 2017 by the way of capitalisation. The sum of approximately HK\$6,000,000 was credited from the share premium, account of the Company following the issue of new shares mentioned above.
- (g) All shares issued rank pari passu with the existing shares in all respects.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

We are a registered fire service installation contractor, qualified to undertake works in respect of the installation, maintenance, repair or inspection of fire safety systems in Hong Kong. Fire safety systems mainly consist of fire alarm systems, water and gas expression systems, fire hydrant and hose reel systems, emergency lighting systems and portable fire equipment.

Our services mainly include (i) design, supply and installation of fire safety systems for building under construction or re-development (referred to as “installation services”); (ii) maintenance and repair of fire safety systems for built premises (referred to as “maintenance services”); and (iii) trading of fire service accessories including branded fire services equipment under a distributorship agreement with an internationally branded fire service equipment supplier (referred to as “others”).

It is expected that the total revenue of Hong Kong fire safety industry will grow continually in the coming years. For details of the fire safety industry of Hong Kong, please refer to the section headed “Industry Overview” in the Prospectus.

In light of growing business opportunities, the Group intends to further expand and increase its capacity in providing our services. To achieve this, the Group will continue to identify suitable business opportunities with potential customers and the Group has also committed to undertake new installation and maintenance projects.

FINANCIAL REVIEW

Revenue

The Group’s revenue for the year ended 30 April 2018 recorded amounted to approximately HK\$223.4 million which represented an increase of approximately HK\$52.0 million or 30.3% from approximately HK\$171.4 million for the year ended 30 April 2017. The increase in total revenue was mainly due to an increase from installation services, maintenance services and trading of fire service accessories amounted to approximately HK\$51.4 million, HK\$0.4 million and HK\$0.2 million respectively.

Revenue

Analysis of revenue is as follows:

	Year ended 30 April			
	2018		2017	
	<i>HK\$'000</i>	<i>% of total revenue</i>	<i>HK\$'000</i>	<i>% of total revenue</i>
Installation services	190,108	85.1	138,755	81.0
Maintenance services	<u>32,900</u>	<u>14.7</u>	<u>32,468</u>	<u>18.9</u>
	223,008	99.8	171,223	99.9
Others	<u>399</u>	<u>0.2</u>	<u>226</u>	<u>0.1</u>
Total	<u>223,407</u>	<u>100.0</u>	<u>171,449</u>	<u>100.0</u>

Installation services

Revenue increased by approximately 37.1% from approximately HK\$138.7 million for the year ended 30 April 2017 to approximately HK\$190.1 million for the year ended 30 April 2018. The increase by approximately HK\$51.4 million was mainly due to the increase in the number of sizable projects during the year ended 30 April 2018 as compared to the previous year.

Maintenance services

Revenue increased by approximately 1.2% from approximately HK\$32.5 million for the year ended 30 April 2017 to approximately HK\$32.9 million for the year ended 30 April 2018. The increase by approximately HK\$0.4 million was mainly due to the increase in revenue from repair and maintenance to fire safety system of the premises of various government departments during the year ended 30 April 2018 as compared to the corresponding year.

Others

For the year ended 30 April 2018, revenue recorded amounted to approximately HK\$0.4 million (2017: HK\$0.2 million).

Cost of sales

Our cost of sales increased by approximately 28.1% from approximately HK\$144.4 million for the year ended 30 April 2017 to approximately HK\$185.0 million for the year ended 30 April 2018. The increase was mainly attributed to the increase in subcontracting costs, direct labour and materials cost which were in line with more projects undertaken by the Group during the year ended 30 April 2018.

Gross profit and gross profit margin

Our gross profit increased by approximately HK\$11.4 million or 42.2% from approximately HK\$27.0 million for the year ended 30 April 2017 to approximately HK\$38.4 million for the year ended 30 April 2018. The increase was in line with the increase in revenue. Our gross profit margin increased from 15.8% to 17.2%. The increase was mainly attributed to the improvement in controlling subcontracting costs from some projects undertaken by our Group so that the extent of increase in total revenue was greater than that of the increase in total cost of sales during the year ended 30 April 2018.

Other income

The Group recorded other income of approximately HK\$0.1 million for the year ended 30 April 2018 (2017: approximately HK\$3,000).

Administrative expenses

Our administrative expenses decreased by approximately HK\$12.5 million or 57.6% from approximately HK\$21.7 million for the year ended 30 April 2017 to approximately HK\$9.2 million for the year ended 30 April 2018. The decrease was mainly due to the combined effects of (i) no non-recurring listing expenses incurred during the year ended 30 April 2018 (2017: HK\$15.8 million); and (ii) increase in staff cost and professional fee by approximately HK\$2.3 million and HK\$1.0 million respectively.

Finance costs

Our finance costs decreased by approximately 87.5% from approximately HK\$56,000 for the year ended 30 April 2017 to approximately HK\$7,000 for the year ended 30 April 2018. The decrease was primarily attributed to our decreased level of bank borrowing.

Income tax expense

Our income tax expense increased by approximately 44.4% from approximately HK\$3.6 million for the year ended 30 April 2017 to approximately HK\$5.2 million for the year ended 30 April 2018. The increase was primarily attributed to the increase in taxable profits.

Profit and total comprehensive income for the year attributable to owners of the Company

Profit and total comprehensive income for the year attributable to owners of the Company was approximately HK\$24.1 million for the year ended 30 April 2018.

Excluding the non-recurring listing expenses of approximately HK\$15.8 million for the year ended 30 April 2017, the Group should have recorded profit and total comprehensive income attributable to owners of the Company, which increased by approximately HK\$6.7 million or 38.5% from approximately HK\$17.4 million for the year ended 30 April 2017 to approximately HK\$24.1 million for the year ended 30 April 2018.

LIQUIDITY AND FINANCIAL RESOURCES AND TREASURY POLICY

	As at 30 April	
	2018	2017
Current ratio	3.1	2.5
Gearing ratio*	0.1%	0.2%

* Calculated based on total debts at the end of the year divided by total equity at the end of the year. Total debts are defined to include obligation under a finance lease and bank borrowing.

The current ratio of the Group as at 30 April 2018 was 3.1 times as compared to that of 2.5 times as at 30 April 2017. The increase in current ratio was mainly due to increase in trade and retention receivables. The gearing ratio of the Group as at 30 April 2018 was 0.1% as compared to that of 0.2% as at 30 April 2017. Such decrease was primarily due to decrease in obligation under a finance lease during the year ended 30 April 2018.

The Group's finance department closely monitors the Group's cash flow position to ensure the Group has sufficient working capital available to meet the operational needs. The finance department takes into account the trade receivables, trade payables, cash on hand, administrative and capital expenditures to prepare the cash flow forecast to forecast the Group's future financial liquidity.

The Group generally finance its operations through a combination of owner's equity, internally generated cash flows and obligation under a finance lease. After the listing, the Group expects to finance the capital expenditure and operational requirements through internally generated cash flows, net proceeds from the share offer of the Company's shares in listing, other reserve and bank borrowing.

CAPITAL COMMITMENTS

The Group had no capital commitments as at 30 April 2018 (2017: nil).

PLEDGE OF ASSETS

As at 30 April 2018, the Group pledged its bank deposit to a bank of HK\$8.5 million as collateral to secure bank facilities granted to the Group. Save for the above disclosed, the Group did not have any charges on its assets.

CONTINGENT LIABILITIES

As at 30 April 2018, performance bonds of approximately HK\$3.7 million (2017: approximately HK\$2.6 million), were given by the bank in favour of some of our customers as security for the due performance and observance of our obligations under the contracts entered into between us and our customers. If our Group fails to provide satisfactory performance to our customers to whom performance bonds have been given, such customers may demand the bank to pay to them the sum or sums stipulated in such demand. Our Group will then become liable to compensate such bank accordingly. The performance bonds will be released upon completion of the contract work. The performance bonds were granted under the banking facilities. As at 30 April 2018, in the opinion of the Directors, it was not probable that a claim would be made against our Group under the guarantees, and hence no provision for such guarantees was made in respect of the aforesaid performance bonds.

EVENT AFTER THE REPORTING PERIOD

There is no significant event after the reporting period of the Group.

ACHIEVEMENT OF BUSINESS OBJECTIVES AS COMPARED WITH ACTUAL BUSINESS PROGRESS

An analysis comparing the business objectives as set out in the Prospectus with the Group's actual business progress for the year ended 30 April 2018 is set out below:

<u>Business objectives</u>	<u>Actual business progress up to 30 April 2018</u>
Expand and increase our capacity in providing our services	The Group is in the progress of identifying suitable business opportunities with potential customers and the Group has also committed to undertake new installation and maintenance projects
Expand our manpower for project execution and strengthen the expertise and skills of our staff	Recruited one assistant project manager Recruited one senior project engineer Recruited one project engineer Recruited one maintenance engineer Recruited one senior procurement officer Recruited two assistant engineers Recruited one assistant maintenance manager Recruited two maintenance technicians
Purchase enterprise resource planning system ("ERP system")	The Group has upgraded servers and internet security and in the progress of evaluating proposals from IT service providers to implement an ERP system
Increase our Group's marketing resources to enhance brand awareness of our Group	The Group is in the progress of evaluating proposals from marketing professionals to design and print corporate brochures

USE OF PROCEEDS

In view of the growth in the fire safety service industry and the strong prospects for both public and private development projects, the Group intended to expand its business capacity and scale to capture more sizeable and profitable projects. On 17 April 2018, after careful consideration and detailed evaluation of the operation of the Company, the Board resolved to change in the original use of proceeds and reallocate HK\$9.3 million of the unused net proceeds from the share offer to finance net cash outflows required in early stage of execution of projects. The details of the original allocation of the net proceeds, the revised allocation of the net proceeds, the utilisation of the net proceeds and the remaining balance (after revised allocation) as at 30 April 2018 are set out as follows:

Item No.	Purposes	Original Allocation	Amount re-allocated on 17 April 2018	Actual amount utilized as at 30 April 2018	Remaining balance after revised allocation as at 30 April 2018	Expected timeline for unutilised net proceeds
		(HK\$ million)	(HK\$ million)	(HK\$ million)	(HK\$ million)	
(i)	Performance bonds	11.0	(9.3)	(1.7)	—	—
(ii)	To finance net cash outflows required in early stage of execution of projects	6.1	9.3	(12.3)	3.1	30 April 2019
(iii)	Salary payment to new staff	6.5	N/A	(3.8)	2.7	30 April 2019
(iv)	Purchase of ERP system	1.9	N/A	(0.3)	1.6	30 April 2019
(v)	Increase our Group's marketing resources	0.4	N/A	(0.1)	0.3	30 April 2019
(vi)	Develop central pre-fabrication piping workshop	<u>5.9</u>	<u>N/A</u>	<u>(0.3)</u>	<u>5.6</u>	30 April 2019
	Total	<u>31.8</u>	<u>N/A</u>	<u>(18.5)</u>	<u>13.3</u>	

MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

The Group had no material acquisitions or disposals of subsidiaries, associates and joint ventures during the year ended 30 April 2018.

CAPITAL STRUCTURE

The Group's shares were successfully listed on GEM on the Listing Date. There has been no change in the capital structure of the Group since that Listing Date. The capital of the Group only comprises of obligation under a finance lease and bank borrowing, net of bank balances and cash, issued share capital and reserves.

SIGNIFICANT INVESTMENTS

As at 30 April 2018, there was no significant investment held by the Group (2017: nil).

FOREIGN CURRENCY EXPOSURE

During the year ended 30 April 2018, the Group's monetary assets and transactions were mainly denominated in HK\$. The Group's exposure to exchange rate fluctuation was not significant and therefore the Group currently does not have a foreign currency hedging policy.

EMPLOYEES AND EMOLUMENT POLICY

The Group recognises the importance of good relationship with employees. The Directors believe that the working environment and benefits offered to employees have contributed to build good staff relations and retention. The Group continues to provide training for new staff and existing staff to enhance their technical knowledge. The Directors believe such initiatives have contributed to increasing productivity and efficiency.

The Group's remuneration policies are formulated based on the performance of individual employees and are reviewed regularly. Subject to the Group's profitability and the staff performance, the Group may also provide a discretionary bonus to employees as an incentive for their contributions to the Group. The primary goal of the remuneration policy with regard to the remuneration packages of the Group's executive Directors is to enable the Group to retain and motivate executive Directors by linking their compensation with performance as measured against corporate objectives achieved.

A remuneration committee is set up for reviewing the Group's emolument policy and structure of all remuneration of the Directors and senior management of the Group, having regard to the Group's operating results, individual performance and comparable market practices.

The Company adopted the share option scheme (the "Share Option Scheme") to attract and retain individuals with experience and ability and/or to reward them for their past contributions.

As at 30 April 2018, the Group employed 49 employees, the total staff costs amounted to approximately HK\$18.8 million (2017: HK\$12.8 million). The Company maintains the Share Option Scheme for the purpose of providing incentives and rewards to the participants for their contributions to the Group. As at the date of this announcement, no option has been granted under the Share Option Scheme.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 30 April 2018.

CORPORATE GOVERNANCE PRACTICES

The Board is of the view that the Company has complied with the code provisions set out in the Corporate Governance Code (the "CG Code") as set out in Appendix 15 of the GEM Listing Rules during the year ended 30 April 2018 except the code provision A.2.1.

Deviation from code provision of the CG Code

The code provision A.2.1 of the CG Code states that the roles of the chairman and chief executive should be separate and should not be performed by the same individual.

Mr. Li Shing Kuen Alexander ("Mr. Li") is the chairman of the Board and the chief executive officer of the Company. Given that Mr. Li has been leading the operations and management of the Group since 1985 when the Group was founded by him and taking into consideration our current scale of operations and management structure, the Board believes that it is more appropriate to have Mr. Li performing both functions of the chief executive officer and leader of the Board for more efficient management and strategic planning of the Group. Therefore, the Board considers that the deviation from the code provision A.2.1 of the CG Code is appropriate in the circumstances and currently does not propose to separate the functions of chairman and chief executive officer of the Company.

Further information on the Company's corporate governance practices will be set out in the Corporate Governance Report contained in the Company's annual report for the year ended 30 April 2018, which will be dispatched to the shareholders of the Company in due course.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF THE LISTED ISSUERS (THE "MODEL CODE")

The Company has adopted the Model Code set out in Appendix 15 to the GEM Listing Rules as the code of conduct governing dealings by all Directors in the securities of the Company on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Specific enquiries have been made with all Directors, all Directors declared that they have complied with the required standard of dealings as set out in the Model Code throughout the year ended 30 April 2018.

DIVIDENDS

The Director do not recommend the payment of a final dividend for the year ended 30 April 2018 (2017: Nil).

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATION

As at 30 April 2018, the interests or short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provision of the SFO) or which were required to be 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 pursuant to the Rules 5.46 to 5.67 of the GEM Listing Rules as follows:

(i) The Company

Name of Director	Capacity/ Nature of Interest	Long/Short position	Number of shares held	Approximate percentage of shareholding in the Company
Mr. Li Shing Kuen Alexander ("Mr. Li") (<i>Note</i>)	Interests in controlled corporation	Long position	420,060,000	52.51%

(ii) Associated corporation of the Company

Name of Director	Name of associated corporation	Capacity/ Nature of interest	Long/Short position	Number of shares held	Approximate percentage of shareholding in the associated corporation
Mr. Li	Golden Page Investments Limited (<i>Note</i>)	Beneficial owner	Long position	3	100%

Note: The entire issued share capital of Golden Page Investments Limited ("Golden Page") is wholly and beneficially owned by Mr. Li who is deemed to be interested in 420,060,000 shares held by Golden Page under the SFO.

Save as disclosed above, as at 30 April 2018, none of the Directors or chief executive of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required to be 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 pursuant to the Rules 5.46 to 5.67 of the GEM Listing Rules.

DIRECTORS' RIGHT TO ACQUIRE SHARES

At no time during the year ended 30 April 2018 was the Company, or its holding company, its subsidiaries or its fellow subsidiaries a party to any arrangement to enable the Directors and chief executive of the Company (including their spouses and children under 18 years of age) to hold any interest or short positions in the shares, or underlying shares, or debentures, of the Company or its associated corporations (with the meaning of Part XV of the SFO).

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 April 2018, the following persons (other than Directors or chief executive of the Company) were interested in 5% or more of the shares and underlying shares of the Company which were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO, or to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO and the GEM Listing Rules on the Stock Exchange:

Name of Shareholder	Capacity/ Nature of interest	Long/ Short position	Number of shares held	Approximate percentage of shareholding in the Company
Golden Page (<i>Note 1</i>)	Beneficial Owner	Long position	420,060,000	52.51%
Smart Million (BVI) Limited ("Smart Million")	Beneficial Owner	Long position	179,940,000	22.49%
Marvel Paramount Investments Limited ("Marvel Paramount") (<i>Note 2</i>)	Interests in controlled corporation	Long position	179,940,000	22.49%
Mr. Ma Ting Wai Barry ("Mr Ma")	Interests in controlled corporation (<i>Note 3</i>)	Long position	179,940,000	22.49%
Ms. Leung Wing Ci Winnie ("Ms. Leung")	Interests of spouse (<i>Note 4</i>)	Long position	179,940,000	22.49%

Notes:

1. The entire issued share capital of Golden Page is wholly and beneficially owned by Mr. Li who is deemed to be interested in the shares held by Golden Page under the SFO.

2. Smart Million is 66.67% beneficially owned by Marvel Paramount. By virtue of the SFO, Marvel Paramount is deemed to be interested in all such shares held by Smart Million.
3. Marvel Paramount is wholly and beneficially owned by Mr. Ma. By virtue of the SFO, Mr. Ma is deemed to be interested in all the shares in which Marvel Paramount is interested or deemed to be interested under the SFO.
4. Ms. Leung is the spouse of Mr. Ma. By virtue of the SFO, Ms. Leung is deemed to be interested in all the shares in which Mr. Ma is interested or deemed to be interested under the SFO.

Save as disclosed above, as at 30 April 2018, the Company had not been notified by any persons (other than Directors or chief executive of the Company) who had interests or short positions 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 or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

COMPETING INTERESTS

None of the Directors or the controlling shareholders of the Company and their respective close associates (as defined in the GEM Listing Rules) had any interest in a business which competes or may compete with the business of the Group.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

No transaction, arrangement or contract of significance to which the Company, any of its holding company, subsidiaries or fellow subsidiaries was a party, and in which a Director and a connected entity of a Director had a material interest, subsisted at the end of the year or at any time during the year ended 30 April 2018.

SHARE OPTION SCHEME

The Company conditionally adopted a share option scheme on 27 March 2017 (the "Share Option Scheme"). The terms of the Share Option Scheme are in accordance with the provisions of Chapter 23 of the GEM Listing Rules. Further details of the Share Option Scheme are set in the paragraph headed "Share Option Scheme" under the section headed "Statutory and General Information" of the Prospectus.

For the year ended 30 April 2018, no share option was granted, exercised, cancelled or lapsed and there is no outstanding share option under the Share Option Scheme.

INTERESTS OF THE COMPLIANCE ADVISOR

As confirmed by the Group’s compliance advisor, Dakin Capital Limited (the “Compliance Advisor”), save as the compliance advisor agreement entered into between the Company and the Compliance Advisor, none of the Compliance Advisor or its directors, employees or associates (as defined under the GEM Listing Rules) had any interest in the Group or in the share capital of any member of the Group which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday, 12 October 2018 to Friday, 19 October 2018, both days inclusive, during the period no transfer of shares will be registered. The holders of shares whose names appear on the register of members of the Company on Friday, 19 October 2018 will be entitled to attend and vote at the annual general meeting of the Company (the “AGM”). In order to determine the entitlement to attend and vote at the forthcoming AGM, all transfer of shares, accompanied by the relevant share certificates and transfer forms, must be lodged with the Company’s Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong, for registration not later than 4:30 p.m. on Thursday, 11 October 2018.

AUDIT COMMITTEE

The Company has established its audit committee (the “Audit Committee”) on 27 March 2017 with terms of reference in compliance with Rules 5.28 and 5.29 of the GEM Listing Rules and paragraph C.3.3 and C.3.7 of the CG Code as set out in Appendix 15 to the GEM Listing Rules. The primary duties of the Audit Committee are to, without limitation, to assist the Board in providing an independent view of the effectiveness of the financial reporting process, internal control and risk management systems of the Group, overseeing audit process and performing other duties and responsibilities as assigned by the Board. The Audit Committee has three members comprising the Company’s three independent non-executive Directors, namely Mr. Pun Kin Wa, Mr. Tsang Man Bui and Mr. Lee Kwok Tung Louis. The chairman of the Audit Committee is Mr. Pun Kin Wa. The Audit Committee has reviewed the consolidated results of the Group for the year ended 30 April 2018.

SCOPE OF WORK OF SHINEWING (HK) CPA LIMITED

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 30 April 2018 as set out in this annual results announcement have been agreed by the Company's auditor, SHINEWING (HK) CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by SHINEWING (HK) CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by SHINEWING (HK) CPA Limited on this annual results announcement.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This announcement is published on the respective websites of the Stock Exchange (www.hkex.com.hk) and the Company (www.windmill.hk). The annual report of the Company for the year ended 30 April 2018 containing all the information required by the GEM Listing Rules will be published on the websites of the Company and the Stock Exchange and despatched to the shareholders of the Company in due course.

By order of the Board
WINDMILL Group Limited
Mr. Li Shing Kuen Alexander
Chairman and chief executive officer

Hong Kong, 12 July 2018

As at the date of this announcement, the executive Directors are Mr. Li Shing Kuen Alexander and Mr. Poon Kwok Kay; the non-executive Director is Mr. Cheung Wai Hung; and the independent non-executive Directors are Mr. Pun Kin Wa, Mr. Tsang Man Biu and Mr. Lee Kwok Tung Louis.

This announcement will remain on the "Latest Company Announcements" page of the GEM website at www.hkgem.com for at least seven days from the date of its posting. This announcement will also be published on the website of the Company at www.windmill.hk.

This announcement is prepared in both English and Chinese. In the event of inconsistency, the English text of the announcement shall prevail over the Chinese text.