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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: 1850)

ANNOUNCEMENT OF ANNUAL RESULTS

FOR THE YEAR ENDED 30 APRIL 2020

FINANCIAL HIGHLIGHTS

For the year ended 30 April 2020, operating results of WINDMILL Group Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) were as follows:

- Revenue reached to approximately HK\$152.9 million (2019: approximately HK\$248.3 million), representing a decrease of approximately 38.4% from last year;
- Loss for the year was approximately HK\$20.7 million (2019: Profit of approximately HK\$19.1 million). It was mainly due to the combined effects of a decrease in gross profit, an increase in administrative expenses and provision of impairment loss on trade receivables during the year;
- Basic and diluted loss per share for the year based on weighted average number of ordinary shares of 800,000,000 shares (2019: 800,000,000 shares) in issue was 2.58 HK cents (2019: earnings 2.38 HK cents); and
- The Directors do not recommend the payment of a final dividend for the year ended 30 April 2020 (2019: Nil).

ANNUAL RESULTS FOR THE YEAR ENDED 30 APRIL 2020

The board (the “Board”) of directors (the “Directors”) of the Company is pleased to announce the audited condensed consolidated results of the Group for the year ended 30 April 2020 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 2020

| | <i>Notes</i> | 2020 HK\$'000 | 2019 <i>HK\$'000</i> |
|---|--------------|--------------------------------|-------------------------|
| Revenue | 4 | 152,851 | 248,289 |
| Cost of sales | | <u>(143,100)</u> | <u>(208,435)</u> |
| Gross profit | | 9,751 | 39,854 |
| Other income | | 490 | 73 |
| Impairment loss on trade receivables | | (12,832) | — |
| Administrative expenses | | (18,258) | (9,990) |
| Transfer of listing expenses | | — | (6,253) |
| Other loss | | (1,698) | — |
| Finance costs | | <u>(1,249)</u> | <u>(274)</u> |
| (Loss)/profit before taxation | | (23,796) | 23,410 |
| Income tax credit/(expense) | 6 | <u>3,143</u> | <u>(4,339)</u> |
| (Loss)/profit and total comprehensive loss/income for the year attributable to owners of the Company | | <u><u>(20,653)</u></u> | <u><u>19,071</u></u> |
| (Loss)/earnings per share | | | |
| Basic and diluted (HK cents) | 8 | <u><u>(2.58)</u></u> | <u><u>2.38</u></u> |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 April 2020

| | Notes | 2020 HK\$'000 | 2019 HK\$'000 |
|---|-------|------------------|------------------|
| Non-current assets | | | |
| Plant and equipment | | 759 | 660 |
| Intangible assets | | 152 | — |
| Right-of-use assets | | 244 | — |
| Deferred tax asset | | 3,544 | — |
| Deposits | | 4,395 | 332 |
| | | <u>9,094</u> | <u>992</u> |
| Current assets | | | |
| Trade receivables | 10 | 41,296 | 33,349 |
| Contract assets | | 76,120 | 124,613 |
| Deposits, prepayments and other receivables | | 4,972 | 1,986 |
| Tax recoverable | | 330 | — |
| Financial assets at fair value through profit or loss | | 14,053 | — |
| Pledged bank deposits | | 5,066 | 13,012 |
| Bank balances and cash | | 44,880 | 25,778 |
| | | <u>186,717</u> | <u>198,738</u> |
| Current liabilities | | | |
| Trade and retention payables | 11 | 31,174 | 44,687 |
| Accruals and other payables | | 3,242 | 1,954 |
| Tax payable | | — | 6,141 |
| Lease liabilities | | 231 | — |
| Bank borrowings | | 51,175 | 16,291 |
| | | <u>85,822</u> | <u>69,073</u> |

| | <i>Note</i> | 2020 <i>HK\$'000</i> | 2019 <i>HK\$'000</i> |
|--|-------------|--------------------------------|-------------------------|
| Net current assets | | <u>100,895</u> | <u>129,665</u> |
| Total assets less current liabilities | | <u>109,989</u> | <u>130,657</u> |
| Non-current liabilities | | | |
| Long service payment obligations | | 83 | 69 |
| Deferred tax liability | | <u>—</u> | <u>29</u> |
| | | <u>83</u> | <u>98</u> |
| Net assets | | <u>109,906</u> | <u>130,559</u> |
| Capital and reserves | | | |
| Share capital | 12 | 8,000 | 8,000 |
| Reserves | | <u>101,906</u> | <u>122,559</u> |
| Total equity | | <u>109,906</u> | <u>130,559</u> |

NOTES TO THE AUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the year ended 30 April 2020

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 former ultimate holding company and immediate holding company was Golden Page Investments Limited (“Golden Page”), which is incorporated in the British Virgin Islands (the “BVI”). On 20 January 2020, the ultimate holding company and the immediate holding company changed to Standard Dynamic Enterprises Limited. The shares of the Company were listed on GEM of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 18 April 2017 and have been transferred from GEM to Main Board of Stock Exchange on 14 February 2019.

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. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

In the current year, the Group has applied, for its first time, the following new and amendments to HKFRSs, which include HKFRSs, Hong Kong Accounting Standards (“HKASs”) and Hong Kong (IFRIC) Interpretations (“HK(IFRIC)-Ints”), issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

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

The adoption of HKFRS 16 resulted in the changes in the Group’s accounting policies and adjustments to the amounts recognised in the consolidated financial statements as summarises below. The application of other new and amendments to HKFRSs in the current year has had no material impact on the Group’s financial performance and position for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2.1 Impacts on adoption of IFRS 16 Leases

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

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

The Group as lessee

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as ‘operating leases’ under the principles of HKAS 17 Leases (except for lease of low value assets and lease with remaining lease term of 12 months or less). These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate as of 1 May 2019. The weighted average lessee’s incremental borrowing rate applied to the lease liabilities on 1 May 2019 was 4.48%.

The Group recognises right-of-use assets and measures them at an amount equal to the related lease liability, adjusted by the amount of any prepaid or accrued lease payments.

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

| | Note | Carrying amount previously reported at 30 April 2019 <i>HK\$’000</i> | Impact on adoption of HKFRS 16 <i>HK\$’000</i> | Carrying amount as restated at 1 May 2019 <i>HK\$’000</i> |
|---------------------|-------------|---|---|--|
| Right-of use assets | (a) | — | 1,560 | 1,560 |
| Lease liabilities | (a) | — | (1,560) | (1,560) |

Notes:

- (a) As at 1 May 2019, right-of-use assets in relation to office premise and warehouse previously under operating leases were measured at an amount equal to the lease liability of approximately HK\$1,560,000.

In the consolidated statement of cash flows, the Group as a lessee is required to split rentals paid under capitalised leases into their capital element and interest element. These elements are classified as financing cash outflows, similar to how leases previously classified as finance leases under HKAS 17 were treated, rather than as operating cash outflows, as was the case for operating leases under HKAS 17. The total cash flows are unaffected.

Differences between operating lease commitments as at 30 April 2019, the date immediately preceding the date of initial application, discounted using the incremental borrowing rate, and the lease liabilities recognised as at 1 May 2019 are as follows:

| | <i>HK\$'000</i> |
|--|-----------------|
| Operating lease commitment disclosed as at 30 April 2019 | 1,600 |
| Lease liabilities recognised as at 1 May 2019 | <u>1,560</u> |
| Analysed as | |
| Current portion | 1,340 |
| Non-current portion | <u>220</u> |
| | <u>1,560</u> |

Practical expedients applied

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

- not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying HKAS 17 and HK(IFRIC)-4;
- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- reliance on previous assessments on whether leases are onerous by applying HKAS 37 Provisions Contingent Liabilities and Contingent Assets as an alternative to performing an impairment review; and
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 May 2019 as short-term leases.

New and revised HKFRSs issued but not yet effective

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

| | |
|---|--|
| HKFRS 17 | Insurance Contracts ³ |
| 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 3 | Definition of a Business ⁵ |
| Amendments to HKAS 1 and HKAS 8 | Definition of Material ¹ |
| Amendments to HKFRS 9, HKAS 39 and HKFRS 7 | Interest Rate Benchmark Reform ¹ |
| Conceptual Framework for Financial Reporting 2018 | Revised Conceptual Framework for Financial Reporting ¹ |
| Amendments to HKFRS 16 | COVID-19 Related Rent Concessions ² |
| Amendments to HKFRSs | Annual improvements to HKFRSs 2018 - 2020 ⁶ |
| Amendments to HKFRS 3 | Reference to the Conceptual Framework ⁶ |
| Amendments to HKAS 16 | Property, Plant and Equipment: Proceeds before Intended Use ⁶ |
| Amendments to HKAS 37 | Onerous contracts: Cost of Fulfilling a Contract ⁶ |

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

² Effective for annual periods beginning on or after 1 June 2020.

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

⁴ Effective for annual periods beginning on or after a date to be determined.

⁵ Effective for business combinations and assets acquisition for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.

⁶ Effective for annual periods beginning on or after 1 January 2022.

The Directors anticipate that the application of the new and amendments to HKFRSs will have no material impact on the results and the financial position of the Group.

3. 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 Rules Governing the Listing of Securities on the Stock Exchange (the “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) regardless of whether that price is directly observable or estimate using another valuation technique.

4. REVENUE

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

| | 2020 | 2019 |
|--|------------------------|-----------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Revenue from contracts with customers within the scope of HKFRS 15 | | |
| Revenue from design, supply and installation services | 132,894 | 199,449 |
| Revenue from maintenance and repair services | 19,711 | 48,694 |
| Trading of fire service accessories | 246 | 146 |
| | <u>152,851</u> | <u>248,289</u> |

Disaggregation of revenue by timing of recognition:

| | 2020 | 2019 |
|-------------------------------|------------------------|-----------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Timing of revenue recognition | | |
| At a point in time | 246 | 146 |
| Over time | 152,605 | 248,143 |
| | <u>152,851</u> | <u>248,289</u> |

Transaction price allocated to the remaining performance obligations

As at 30 April 2020, the aggregate amount of transaction price allocated to the performance obligations that are unsatisfied (or partially satisfied) is approximately HK\$477,144,000 (2019: HK\$269,919,000). The amount represents revenue expected to be recognised in the future from construction contracts. The Group will recognise this revenue as the service is completed, which is expected to occur over the next 12-48 months.

5. 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:

| | 2020 | 2019 |
|------------|------------------------|-----------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Customer A | 50,267 | 23,992 |
| Customer B | 19,366 | 43,843 |
| Customer C | 16,690 | N/A* |
| Customer D | N/A* | 47,737 |
| Customer E | N/A* | 28,871 |

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

6. INCOME TAX (CREDIT)/EXPENSE

| | 2020 <i>HK\$'000</i> | 2019 <i>HK\$'000</i> |
|---------------------------------|-------------------------|-------------------------|
| Current tax: | | |
| Hong Kong Profits Tax | — | 4,360 |
| Under provision in prior years: | | |
| Hong Kong Profits Tax | 430 | — |
| Deferred taxation | <u>(3,573)</u> | <u>(21)</u> |
| | <u><u>(3,143)</u></u> | <u><u>4,339</u></u> |

Hong Kong Profits Tax was calculated under the two-tiered profits tax rates regime where the first HK\$2 million of profits of qualifying corporation will be taxed at 8.25% and profits above HK\$2 million was taxed at 16.5% for the years ended 30 April 2019. Hong Kong profits tax of the qualified entity of the Group was calculated in accordance with the two-tiered profits tax rates regime. The profits of other Group entities in Hong Kong not qualifying for the two-tiered profits tax rates regime will continue to be taxed at the flat rate of 16.5%.

No Hong Kong Profits Tax has been provided since no assessable profits have been generated during the year ended 30 April 2020.

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.

7. (LOSS)/PROFIT FOR THE YEAR

| | 2020 | 2019 |
|--|------------------------|-----------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| (Loss)/profit for the year has been arrived at after charging (crediting): | | |
| Staff costs | | |
| Directors' emoluments | 7,849 | 2,561 |
| Other staff: | | |
| — Salaries, allowances and other benefits | 20,181 | 17,409 |
| — Contributions to the Mandatory Provident Fund Scheme | 711 | 735 |
| — Provision (reversal) of provision for long service payments | 14 | (214) |
| | <hr/> | <hr/> |
| Total staff costs | 28,755 | 20,491 |
| | <hr/> | <hr/> |
| Auditor's remuneration | 530 | 525 |
| Amount of inventories recognized as expenses | 38,389 | 22,205 |
| Amortisation of intangible assets | 43 | — |
| Depreciation of plant and equipment | 278 | 275 |
| Loss on disposal on plant and equipment | 19 | 14 |
| Depreciation of right-of-use assets | 1,316 | — |
| Minimum lease payments paid under operating leases in respect of rented office premise and warehouse | — | 1,666 |
| | <hr/> <hr/> | <hr/> <hr/> |

8. (LOSS)/EARNINGS PER SHARE

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

| | 2020 <i>HK\$'000</i> | 2019 <i>HK\$'000</i> |
|--|--------------------------------|-------------------------|
| (Loss)/earnings | | |
| (Loss)/profit for the year attributable to owners of the Company for the purpose of basic earnings per share | <u>(20,653)</u> | <u>19,071</u> |
| | 2020 <i>'000</i> | 2019 <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>800,000</u> |

The diluted (loss)/earnings per share is the same as the basic (loss)/earnings per share as there were no dilutive potential ordinary shares outstanding during the year ended 30 April 2020 and 2019.

9. DIVIDEND

No dividend has been paid or proposed by the Company during the years ended 30 April 2019 and 2020, nor has any dividend been proposed since the end of the reporting period.

10. TRADE RECEIVABLES

| | 30 April 2020 <i>HK\$'000</i> | 30 April 2019 <i>HK\$'000</i> |
|-----------------------|----------------------------------|----------------------------------|
| Trade receivables | 54,128 | 33,349 |
| Less: impairment loss | <u>(12,832)</u> | <u>—</u> |
| | <u>41,296</u> | <u>33,349</u> |

The Group generally allows a credit period of 30-60 days (2019: 30-60 days) to its customers. The following is an ageing analysis of trade receivables, net of impairment, presented based on the date of progress certificates or completion certificates and invoice date which approximates the respective revenue recognition dates, at the end of the reporting period:

| | 2020 <i>HK\$'000</i> | 2019 <i>HK\$'000</i> |
|-----------------|-------------------------|-------------------------|
| 0 to 30 days | 25,347 | 20,793 |
| 31 to 60 days | 2,198 | 1,185 |
| 61 to 90 days | 31 | 1,059 |
| 91 to 180 days | 876 | 3 |
| 181 to 365 days | 5,011 | 10,309 |
| Over 1 year | <u>7,833</u> | <u>—</u> |
| | <u>41,296</u> | <u>33,349</u> |

11. TRADE AND RETENTION PAYABLES

| | 30 April 2020 <i>HK\$'000</i> | 30 April 2019 <i>HK\$'000</i> |
|------------------------------------|----------------------------------|----------------------------------|
| Trade payables | 22,134 | 37,954 |
| Retention payables (<i>note</i>) | <u>9,040</u> | <u>6,733</u> |
| | <u>31,174</u> | <u>44,687</u> |

Note: Except for the amount of approximately HK\$3,221,000 (2019: HK\$3,864,000) as at 30 April 2020, 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:

| | 2020 <i>HK\$'000</i> | 2019 <i>HK\$'000</i> |
|----------------|--------------------------------|-------------------------|
| 0 to 30 days | 17,872 | 35,470 |
| 31 to 60 days | 2,643 | 1,267 |
| 61 to 90 days | 7 | 267 |
| 91 to 180 days | 678 | 539 |
| Over 180 days | 934 | 411 |
| | <u>22,134</u> | <u>37,954</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 (2019: 30–60 days). The Group has financial risk management policies in place to ensure that all payables are settled within the credit time-frame.

12. SHARE CAPITAL

| | Number of ordinary shares | Share capital <i>HK\$'000</i> |
|---|--|--|
| Ordinary shares of HK\$0.01 each | | |
| Authorised: | | |
| At 1 May 2018, 30 April 2019, 1 May 2019 and 30 April 2020 | <u>2,000,000,000</u> | <u>20,000</u> |
| Issued and fully paid: | | |
| At 1 May 2018, 30 April 2019, 1 May 2019 and 30 April 2020 | <u>800,000,000</u> | <u>8,000</u> |

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 an extremely challenging year for Windmill Group Limited (the “Company”, together with its subsidiaries the “Group”) due to combined effects of the extended trade frictions between the United States and China, the “social unrest” in Hong Kong and the outbreak and rapid spread of “COVID-19”.

Having said that, we will continue to explore the opportunities to further expand and increase its capacity in providing our services by identifying suitable business opportunities with potential customers and the Group has also committed to undertake new installation and maintenance projects.

In addition, the Group will also continually seek potential opportunities to expand and develop our business further to other overseas markets by seeking strategic and financial partners which can potentially assist the Group in various aspects to achieve this goal.

As the Group has successfully been listed in the Main Board of the Stock Exchange in last year, our brand name awareness has been further enhanced. The Group may leverage this to explore other new attractive business opportunities outside Hong Kong which may be value-enhancing to the Group and its shareholders. Furthermore, the Group will also continue to look at opportunities to strengthen our investor and shareholder base to support our Group’s business and expansion plans.

Recent Development

On 25 October 2019, Golden Chariot International Limited, a wholly-owned subsidiary of the Company and an individual entered into a sale and purchase agreement for an acquisition of the entire equity interest of Greenleaf Enterprises Pte. Ltd. (the “Acquisition”) at a consideration of US\$1,100,000. The Acquisition was completed on 11 November 2019.

FINANCIAL REVIEW

Revenue

The Group's revenue for the year ended 30 April 2020 recorded amounted to approximately HK\$152.9 million which represented a decrease of approximately HK\$95.4 million or 38.4% from approximately HK\$248.3 million for the year ended 30 April 2019. The decrease in total revenue was mainly due to the combined effects of a decrease from (i) installation services amounted to approximately HK\$66.5 million and (ii) maintenance services amounted to approximately HK\$28.9 million respectively.

Revenue

Analysis of revenue is as follows:

| | Year ended 30 April | | | |
|-----------------------|---------------------|---------------------------|-----------------|---------------------------|
| | 2020 | | 2019 | |
| | <i>HK\$'000</i> | <i>% of total revenue</i> | <i>HK\$'000</i> | <i>% of total revenue</i> |
| Installation services | 132,894 | 86.94 | 199,449 | 80.33 |
| Maintenance services | 19,711 | 12.90 | 48,694 | 19.61 |
| | 152,605 | 99.84 | 248,143 | 99.94 |
| Others | 246 | 0.16 | 146 | 0.06 |
| Total | <u>152,851</u> | <u>100.00</u> | <u>248,289</u> | <u>100.00</u> |

Installation services

Revenue decreased by approximately 33.4% from approximately HK\$199.4 million for the year ended 30 April 2019 to approximately HK\$132.9 million for the year ended 30 April 2020. The decrease by approximately HK\$66.5 million was mainly due to a combined effects of a social unrest in Hong Kong and plus the 'COVID-19' pandemic which created an extremely challenging operational environment for the Group resulting in the delay in major ongoing projects.

Maintenance services

Revenue decreased by approximately 59.5% from approximately HK\$48.6 million for the year ended 30 April 2019 to approximately HK\$19.7 million for the year ended 30 April 2020. The decrease by approximately HK\$28.9 million was mainly due to a combined effects of a social unrest in Hong Kong and plus the ‘COVID-19’ pandemic which created an extremely challenging operational environment for the Group resulting in the delay in major ongoing projects.

Others

For the year ended 30 April 2020, revenue recorded amounted to approximately HK\$0.2 million (2019: HK\$0.1 million).

Cost of sales

Our cost of sales decreased by approximately 31.3% from approximately HK\$208.4 million for the year ended 30 April 2019 to approximately HK\$143.1 million for the year ended 30 April 2020. The decrease was mainly attributed to the decrease in subcontracting costs, direct labour and materials cost which were in line with less revenue recognised by the Group during the year ended 30 April 2020.

Gross profit and gross profit margin

Our gross profit decreased by approximately HK\$30.1 million or 75.4% from approximately HK\$39.9 million for the year ended 30 April 2019 to approximately HK\$9.8 million for the year ended 30 April 2020. The decrease was in line with the decrease in revenue. Our gross profit margin has been dropped to 6.4%. It is because of a significant delay in major ongoing projects with an inevitable running costs incurred during the year due to an extremely challenging operational environment arose from a social unrest in Hong Kong as well as the outbreak and rapid spread of “COVID-19”.

Other income

The Group recorded other income of approximately HK\$0.49 million for the year ended 30 April 2020 (2019: approximately HK\$0.07 million).

Impairment loss on trade receivables

The Group’s one of the customers has a significant outstanding trade receivables balance due to the Group with gross carrying amount of HK\$25.7 million as at 30 April 2020 was assessed for allowance for credit losses individually. The management assessed for the allowance for credit losses for lifetime by estimating default rate taking into account historical and forward looking information. As at 30 April 2020, impairment allowance of HK\$12.8 million was made on the receivables due from that customer.

Administrative expenses

Our administrative expenses increased by approximately HK\$8.3 million or 83.0% from approximately HK\$10.0 million for the year ended 30 April 2019 to approximately HK\$18.3 million for the year ended 30 April 2020.

Other loss

Other loss was approximately HK\$1.7 million for the year and 30 April 2020 which was arose from the fair value change of the financial assets at fair value through profit or loss during the year.

Finance costs

Our finance costs increased by approximately 300.0% from approximately HK\$0.3 million for the year ended 30 April 2019 to approximately HK\$1.2 million for the year ended 30 April 2020. The increase was primarily attributed to the drawdown of bank borrowings for normal operation during the year.

Income tax credit/expense

Our income tax expense was changed from income tax expenses of approximately HK\$4.3 million for the year ended 30 April 2019 to approximately income tax credit of HK\$3.1 million for the year ended 30 April 2020. The decrease was primarily attributed to the net loss results for the year ended 30 April 2020.

Loss/profit and total comprehensive loss/income for the year attributable to owners of the Company

Loss/profit and total comprehensive loss/income for the year attributable to owners of the Company was approximately HK\$20.7 million for the year ended 30 April 2020.

LIQUIDITY AND FINANCIAL RESOURCES AND TREASURY POLICY

| | As at 30 April | |
|----------------|----------------|-------|
| | 2020 | 2019 |
| Current ratio | 2.2 | 2.9 |
| Gearing ratio* | 46.8% | 12.5% |

* 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 bank borrowings.

The current ratio of the Group as at 30 April 2020 was 2.2 times as compared to that of 2.9 times as at 30 April 2019. The decrease in current ratio was mainly due to increase in bank borrowings. The gearing ratio of the Group as at 30 April 2020 was 46.8% as compared to that of 12.5% as at 30 April 2019. Such increase was primarily due to increase in bank borrowings during the year ended 30 April 2020.

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, bank borrowings, 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 net proceeds from the share offer of the Company's shares in listing, other reserve and bank borrowings from the international banks, other reserve and bank borrowing.

CAPITAL COMMITMENTS

The Group had no capital commitments as at 30 April 2020 (2019: nil).

PLEDGE OF ASSETS AND FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OF LOSS

As at 30 April 2020, the Group pledged its bank deposit to a bank of HK\$5.1 million and also a financial assets at fair value through profit or loss of HK\$14.1 million as collaterals 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 2020, performance bonds of approximately HK\$3.8 million (2019: approximately HK\$3.7 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 2020, 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

The wide spread of the novel Coronavirus since the beginning of 2020 is a fluid and challenging situation facing all the industries of the society. The Group has already assessed the overall impact of the situation on the operation of the Group and taken all possible effective measures to limit and keep the impact in control. The Group will keep continuous attention on the change of situation and make timely response and adjustments in the future.

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 2020.

CAPITAL STRUCTURE

The Group's shares were successfully listed on GEM on the Listing Date and have been transferred from GEM to the Main Board of the Stock Exchange on 14 February 2019. There has been no change in the capital structure of the Group since that Listing Date. The capital of the Group only comprises of bank borrowings, net of bank balances and cash, issued share capital and reserves.

SIGNIFICANT INVESTMENTS

As at 30 April 2020, there was no significant investment held by the Group (2019: nil).

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

On 17 July 2019, the Group and All Blue Capital ("AB Capital") entered into a memorandum of understanding (the "MOU") in relation to a strategic cooperation between the parties to assist the Company in expanding its existing business operations domestically and globally. The Group and AB Capital will also explore new synergistic and other attractive proprietary business and investment opportunities which aim to enhance shareholders' value for the Company. By leveraging on AB Capital's extensive global network of investors and partners, it aims to broaden and strengthen the Company's shareholder and investor base and profile with the potential introduction of sophisticated, professional and overseas investors and partners.

Save as disclosed herein, the Group currently does not have any future plans for material investments or capital assets.

FOREIGN CURRENCY EXPOSURE

During the year ended 30 April 2020, 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 2020, the Group employed 50 employees, the total staff costs amounted to approximately HK\$28.8 million (2019: HK\$20.5 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 2020.

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 14 of the Listing Rules during the year ended 30 April 2020 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 2020, 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 10 to the 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 the Model Code. 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 2020.

DIVIDENDS

The Directors do not recommend the payment of a final dividend for the year ended 30 April 2020 (2019: 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 2020, 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 Model Code as set out in Appendix 10 to the 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. Ma Ting Wai Barry ("Mr. Ma") (Note) | Interests in controlled corporation | Long position | 119,965,998 | 15.00% |

(ii) Associated corporation of the Company

| Name of Director | Name of associated corporation | Capacity/ Nature of interest | Long/Short position | Approximate percentage of shareholding in the associated corporation |
|-------------------------|--|---|----------------------------|---|
| Mr. Ma | Smart Million (BVI) Limited ("Smart Million") <i>(Note)</i> | Beneficial owner | Long position | 100% |

Note: Smart Million is 100% beneficially owned by Marvel Paramount who is deemed to be interested in the shares held by Smart Million under the SFO. 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.

Save as disclosed above, as at 30 April 2020, 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 Model Code.

DIRECTORS' RIGHT TO ACQUIRE SHARES

At no time during the year ended 30 April 2020 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 2020, 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.

| Name of Shareholder | Capacity/ Nature of interest | Long/Short position | Number of shares held | Approximate percentage of shareholding in the Company |
|---|---------------------------------------|------------------------|--------------------------|--|
| Standard Dynamic Enterprises Limited (<i>Note 1</i>) | Beneficial Owner | Long position | 480,034,002 | 60.00% |
| Mr. Ma Ting Hung (<i>Note 2</i>) | Interests in controlled corporation | Long position | 480,034,002 | 60.00% |
| Smart Million (BVI) Limited (“Smart Million”) (<i>Note 3</i>) | Beneficial Owner | Long position | 119,965,998 | 15.00% |
| Marvel Paramount Investments Limited (“Marvel Paramount”) (<i>Note 4</i>) | Interests in controlled corporation | Long position | 119,965,998 | 15.00% |
| Ms. Leung Wing Ci Winnie (“Ms. Leung”) | Interests of spouse (<i>Note 5</i>) | Long position | 119,965,998 | 15.00% |

Notes:

1. The entire issued share capital of Standard Dynamic Enterprises Limited is wholly and beneficially owned by Mr. Ma Ting Hung who is deemed to be interested in the shares held by Standard Dynamic Enterprises Limited.
2. Standard Dynamic Enterprises Limited is wholly and beneficially owned by Mr. Ma Ting Hung. By virtue of the SFO, Mr. Ma Ting Hung is deemed to be interested in all the shares in which Marvel Paramount is interested or deemed to be interested under the SFO.
3. Smart Million is 100% beneficially owned by Marvel Paramount who is deemed to be interested in the shares held by Smart Million under the SFO.
4. 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.
5. 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 2020, 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 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 2020.

SHARE OPTION SCHEME

The Company conditionally adopted a share option scheme on 27 March 2017. The Share Option Scheme will remain effective following the Transfer of Listing. The terms of the Share Option Scheme are in accordance with the provisions of Chapter 17 of the Main Board 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 2020, no share option was granted, exercised, cancelled or lapsed and there is no outstanding share option under the Share Option Scheme.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 22 October 2020 to Thursday, 29 October 2020, 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 Thursday, 29 October 2020 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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Wednesday, 21 October 2020.

AUDIT COMMITTEE

The Company has established its audit committee (the “Audit Committee”) on 27 March 2017 with terms of reference in compliance with the Listing Rules and CG Code as set out in Appendix 14 to the 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 four members comprising the Company’s three independent non-executive Directors and one non-executive Director, namely Mr. Pun Kin Wa, Mr. Tsang Man Biu, Mr. Lee Kwok Tung Louis and Mr. Chan Ming Fai. 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 2020.

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 2020 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 2020 containing all the information required by the 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
Li Shing Kuen Alexander
Chairman and chief executive officer

Hong Kong, 29 July 2020

As at the date of this announcement, the executive Directors are Mr. Li Shing Kuen Alexander and Mr. Ma Ting Wai Barry; the non-executive Director is Mr. Chan Ming Fai; and the independent non-executive Directors are Mr. Pun Kin Wa, Mr. Tsang Man Biu and Mr. Lee Kwok Tung Louis.