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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 2023

FINANCIAL HIGHLIGHTS

For the year ended 30 April 2023, 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\$277.7 million (2022: approximately HK\$231.3 million), representing an increase of approximately 20.1% from last year;
- Profit for the year was approximately HK\$7.4 million (2022: loss of approximately HK\$7.0 million). It was mainly due to the combined effects of an increase in gross profit, an increase in other income and a decrease in administrative expenses during the year;
- Basic and diluted earnings per share for the year based on weighted average number of ordinary shares of 960,000,000 shares (2022: 803,945,000 shares) in issue was 0.73 HK cents (2022: loss per share of 0.87 HK cents); and
- The Directors do not recommend the payment of a final dividend for the year ended 30 April 2023 (2022: Nil).

ANNUAL RESULTS FOR THE YEAR ENDED 30 APRIL 2023

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 2023 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 2023

	<i>Notes</i>	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Revenue	4	277,683	231,259
Cost of sales		(247,238)	(207,031)
Gross profit		30,445	24,228
Other income		2,733	7
Other gain and loss		1,044	(243)
Impairment loss under expected credit loss on trade receivables and contract assets, net		(1,926)	(2,385)
Impairment loss on intangible assets		–	(236)
Administrative expenses		(20,093)	(27,795)
Finance costs		(1,665)	(515)
Profit/(loss) before taxation	7	10,538	(6,939)
Taxation	6	(3,111)	(53)
		7,427	(6,992)
Profit/(loss) and total comprehensive income/ (expense) for the year attributable to:			
Owners of the Company		7,054	(6,992)
Non-controlling interests		373	–
		7,427	(6,992)
Earnings/(loss) per share attributable to owners of the Company:			
Basic and diluted (<i>HK cents</i>)	8	0.73	(0.87)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 April 2023

	<i>Notes</i>	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Non-current assets			
Plant and equipment		1,479	1,408
Goodwill		21,221	–
Intangible assets		70	22
Right-of-use assets		3,675	97
Deferred tax assets		–	2,321
Deposits		553	–
		<u>26,998</u>	<u>3,848</u>
Current assets			
Trade receivables	10	23,398	19,464
Contract assets		122,478	77,910
Deposits, prepayments and other receivables		39,614	9,204
Tax recoverable		1	381
Financial assets at fair value through profit or loss		4,649	3,605
Pledged bank deposits		21,208	21,104
Bank balances and cash		20,475	59,113
		<u>231,823</u>	<u>190,781</u>
Current liabilities			
Trade and retention payables	11	31,223	25,230
Contract liabilities		792	370
Accruals and other payables		22,908	13,707
Lease liabilities		1,598	96
Bank borrowings		55,928	18,166
Tax payables		732	–
		<u>113,181</u>	<u>57,569</u>
Net current assets		<u>118,642</u>	<u>133,212</u>
Total assets less current liabilities		<u>145,640</u>	<u>137,060</u>

	<i>Note</i>	2023 HK\$'000	2022 <i>HK\$'000</i>
Non-current liabilities			
Lease liabilities		2,129	–
Deferred tax liabilities		59	–
		<u>2,188</u>	<u>–</u>
Net assets		<u>143,452</u>	<u>137,060</u>
Capital and reserves			
Share capital	12	9,600	9,600
Reserves		134,514	127,460
		<u>144,114</u>	<u>137,060</u>
Equity attributable to owners of the Company		(662)	–
Non-controlling interests		<u>143,452</u>	<u>137,060</u>
Total equity		<u>143,452</u>	<u>137,060</u>

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION

For the year ended 30 April 2023

1. GENERAL INFORMATION

WINDMILL Group Limited (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 Standard Dynamic Enterprises Limited, which is incorporated in the British Virgin Islands (the “**BVI**”). The shares of the Company were listed on Main Board of The Stock Exchange of Hong Kong (the “**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. The principal activities of the subsidiaries of the Company are 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 Company.

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“**HKFRSs**”)

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) for the first time, which are mandatorily effective for the Group’s annual periods beginning on or after 1 May 2022 for the preparation of the consolidated financial statements:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020

The application of the amendments to HKFRSs in the current year has had no material impact on the Group’s financial positions and performance for the current and prior years and/or on the disclosures set out in the consolidated financial statements.

New and amendments to HKFRSs in issue 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 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts ¹
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback ³
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ²
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ¹
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ¹
Amendments to HKAS 8	Definition of Accounting Estimates ¹
Amendments to HKAS 12	Deferred tax related to Assets and Liabilities arising from a Single Transaction ¹

¹ Effective for annual periods beginning on or after 1 January 2023

² Effective for annual periods beginning on or after a date to be determined

³ Effective for annual periods beginning on or after 1 January 2024

Except for amendments to HKFRS mentioned below, the directors of the Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

Amendments to HKAS 1 Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)

The amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that:
 - (i) the classification should not be affected by management intentions or expectations to settle the liability within 12 months; and
 - (ii) if the right is conditional on the compliance with covenants, the right exists if the conditions are met at the end of the reporting period, even if the lender does not test compliance until a later date; and
- clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying HKAS 32 *Financial Instruments: Presentation*.

In addition, Hong Kong Interpretation 5 was revised as a consequence of the Amendments to HKAS to align the corresponding wordings with no change in conclusion.

Based on the Group's outstanding liabilities as at 30 April 2023, the application of the amendments will not result in reclassification of the Group's liabilities.

Amendments to HKAS 1 and HKFRS Practice Statement 2 Disclosure of Accounting Policies

HKAS 1 is amended to replace all instances of the term “significant accounting policies” with “material accounting policy information”. Accounting policy information is material if, when considered together with other information included in an entity’s financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

HKFRS Practice Statement 2 *Making Materiality Judgements* (the “**Practice Statement**”) is also amended to illustrate how an entity applies the “four-step materiality process” to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments is not expected to have significant impact on the financial position or performance of the Group but may affect the disclosures of the Group’s significant accounting policies. The impacts of application, if any, will be disclosed in the Group’s future consolidated financial statements.

Amendments to HKAS 8 Definition of Accounting Estimates

The amendments define accounting estimates as “monetary amounts in financial statements that are subject to measurement uncertainty”. An accounting policy may require items in financial statements to be measured in a way that involves measurement uncertainty – that is, the accounting policy may require such items to be measured at monetary amounts that cannot be observed directly and must instead be estimated. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. Developing accounting estimates involves the use of judgements or assumptions based on the latest available, reliable information.

In addition, the concept of changes in accounting estimates in HKAS 8 is retained with additional clarifications.

The application of the amendments is not expected to have significant impact on the Group’s consolidated financial statements.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include all applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period.

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 estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 *Share-based Payment*, leasing transactions that are accounted for in accordance with HKFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realizable value in HKAS 2 *Inventories* or value in use in HKAS 36 *Impairment of Assets*.

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:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by major services lines:		
– Revenue from design, supply and installation services	259,302	210,392
– Revenue from maintenance and repair services	18,241	20,732
– Trading of fire service accessories	140	135
	<u>277,683</u>	<u>231,259</u>

Disaggregation of revenue by timing of recognition:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Timing of revenue recognition		
At a point in time	140	135
Over time	277,543	231,124
	<u>277,683</u>	<u>231,259</u>

Transaction price allocated to the remaining performance obligations

As at 30 April 2023, the aggregate amount of transaction price allocated to the performance obligations that are unsatisfied (or partially unsatisfied) is approximately HK\$497,379,000 (2022: HK\$640,073,000). 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 12–36 months (2022: next 12–36 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 the 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 analysis by geographical information is presented.

Information about major customers

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Customer A	93,637	86,241
Customer B	46,230	—*
Customer C	—*	24,500
	<u>93,637</u>	<u>110,741</u>

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

6. TAXATION

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Current tax		
Hong Kong Profits Tax	732	—
Deferred taxation	2,379	53
	<u>3,111</u>	<u>53</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%. 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%.

Hong Kong Profits Tax is calculated at 16.5% on the estimated assessable profit for the year.

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. PROFIT/(LOSS) BEFORE TAXATION

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Profit/(loss) before taxation has been arrived at after charging/ (crediting):		
Staff costs		
– Salaries, allowances and other benefits	30,813	29,311
– Contributions to the MPF Scheme	986	862
	<u>31,799</u>	<u>30,173</u>
Total staff costs (excluding directors' emoluments)		
	<u>31,799</u>	<u>30,173</u>
Auditor's remuneration	480	480
Amount of inventories recognised as expenses	56,505	29,456
Amortisation of intangible assets (included in administrative expenses)	41	927
Depreciation of plant and equipment	1,195	422
Depreciation of right-of-use assets	1,124	1,166
Gain on disposal of plant and equipment	(53)	(135)
	<u><u> </u></u>	<u><u> </u></u>

8. EARNINGS/(LOSS) PER SHARE

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Earnings/(loss)		
Earnings/(loss) for the year attributable to owners of the Company for the purpose of basic earnings/(loss) per share	<u>7,054</u>	<u>(6,992)</u>
	<u> </u>	<u> </u>
	2023 <i>(In thousand)</i>	2022 <i>(In thousand)</i>
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings/(loss) per share	<u>960,000</u>	<u>803,945</u>
	<u> </u>	<u> </u>

The diluted earnings/(loss) per share is the same as the basic earnings/(loss) per share as there were no dilutive potential ordinary shares outstanding during the years ended 30 April 2023 and 2022.

9. DIVIDEND

No dividend has been paid or proposed by the Company during the years ended 30 April 2023 and 2022, nor has any dividend been proposed since the end of the reporting period.

10. TRADE RECEIVABLES

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Trade receivables, gross	43,931	39,834
Less: impairment allowance for expected credit loss	<u>(20,533)</u>	<u>(20,370)</u>
Trade receivables, net	<u>23,398</u>	<u>19,464</u>

The Group generally allows a credit period of 30–60 days (2022: 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:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
0 to 30 days	13,533	17,958
31 to 60 days	1,771	291
61 to 90 days	1,275	1,109
91 to 180 days	–	106
Over 180 days	<u>6,819</u>	<u>–</u>
	<u>23,398</u>	<u>19,464</u>

11. TRADE AND RETENTION PAYABLES

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Trade payables	21,364	13,863
Retention payables (<i>note</i>)	<u>9,859</u>	<u>11,367</u>
	<u>31,223</u>	<u>25,230</u>

Note: Except for the amount of approximately HK\$5,960,000 (2022: HK\$5,852,000) as at 30 April 2023, 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:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
0 to 30 days	18,564	12,670
31 to 60 days	2,354	974
61 to 90 days	10	–
over 90 days	436	219
	<u>21,364</u>	<u>13,863</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 to 60 days (2022: 30 to 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 2021, 30 April 2022 and 1 May 2022	2,000,000,000	20,000
Increase on 28 April 2023	<u>2,000,000,000</u>	<u>20,000</u>
At 30 April 2023	<u>4,000,000,000</u>	<u>40,000</u>
Issued and fully paid:		
At 1 May 2021	800,000,000	8,000
Issue of shares upon placing of shares (<i>note</i>)	<u>160,000,000</u>	<u>1,600</u>
At 30 April 2022 and 30 April 2023	<u>960,000,000</u>	<u>9,600</u>

Note: On 22 April 2022, 160,000,000 shares have been issued upon the successful placing at the placing price of HK\$0.185 per placing share. Details of the placing are disclosed in the announcements on 22 April 2022.

13. ACQUISITION OF A SUBSIDIARY

On 8 December 2022, the Group entered into a sale and purchase agreement with the vendor, pursuant to which the Group has conditionally agreed to purchase, and the vendor has conditionally agreed to sell 7,800 shares held and owned by the vendor, representing 78% of the entire issued share capital of Noah Ark Pipelines Company Limited (“**Noah Ark**”) at the consideration of HK\$17,550,000, subject to adjustment. Noah Ark is a company incorporated in Hong Kong with limited liability. Noah Ark is a manufacturer of prefabricated modules and components to be used in fire services installation and related purposes, and provides design for manufacture and assembly services. The acquisition represents a vertical integration of the Group in the supply chain of fire service installation industry, as Noah Ark is a supplier of the Group.

An option was granted by the vendor to the Group whereby the Group may elect (but is not obliged) to purchase all or part of the remaining 2,200 shares held and owned by the vendor (the “**Option Shares**”), representing 22% of the entire issued share capital of Noah Ark. The Group can exercise the option by giving a written notice to the vendor not later than 30 April 2023. On 28 April 2023, the vendor and the Group entered into a supplemental agreement to amend and modify certain terms of the sale and purchase agreement, pursuant to which the period within which the Group may elect (but is not obliged to) to exercise the option to purchase all or part of the option shares was extended from 30 April 2023 to 31 July 2023. Apart from the extension, the other terms and conditions of the sale and purchase agreement shall continue to remain in full force and effect.

The consideration per Option Shares shall be the same as the consideration per sale share with application of adjustment. If the actual profit of the 12-month period ending on 30 October 2023 made by Noah Ark is less than HK\$4,500,000, the Group shall have the sole discretion to select by giving a written notice to the vendor to adjust the consideration downwards. The details are set out in the announcement dated 8 December 2022.

The completion took place on 30 December 2022 and the acquisition has been accounted for as acquisition of business using the acquisition method.

Assets acquired and liabilities recognised at the date of acquisition

	<i>HK\$'000</i>
Plant and equipment	1,047
Prepayment and deposits	343
Bank balances and cash	2,263
Other payables and accruals	(3,046)
Tax payables	(16)
Contract liabilities	(5,297)
	<hr/>
	(4,706)
	<hr/> <hr/>

Non-controlling interests

The non-controlling interests (22%) in Noah Ark recognised at the acquisition date was measured by reference to the proportionate share of recognised amounts of net liabilities of Noah Ark and amounted to HK\$1,035,000.

Goodwill arising on acquisition

	<i>HK\$'000</i>
Cash consideration at completion date	5,000
Cash consideration payable	12,550
Plus: non-controlling interests (22%) in Noah Ark	(1,035)
Less: recognised amounts of net liabilities acquired	<u>4,706</u>
Goodwill arising on acquisition	<u><u>21,221</u></u>

14. EVENTS AFTER THE REPORTING PERIOD

On 10 February 2023, the Company announced (i) the proposed increase in the existing authorised share capital of the Company from HK\$20,000,000 divided into 2,000,000,000 existing shares to HK\$40,000,000 divided into 4,000,000,000 existing shares; (ii) the proposed consolidation of every twenty old shares of par value of HK\$0.01 each into one share of par value of HK\$0.20 each in the share capital of the Company (“**Share Consolidation**”); (iii) the proposed issue by way of rights on the basis of two Rights Shares for every one Share held by the qualifying shareholders at the close of business on the record date at the subscription price of HK\$1.36 per share (the “**Rights Issue**”). The unsubscribed rights shares and the rights shares which would otherwise have been provisionally allotted to the excluded shareholders in nil-paid form that have not been sold by the Company will be placed by a placing agent on a best effort basis to investors who (or as the case may be, their ultimate beneficial owners) are not shareholders and are otherwise independent third parties during the placing period.

The increase in authorised share capital of the Company was effective from 28 April 2023 and the Share Consolidation was becoming effective on 3 May 2023.

On 28 June 2023, based on the final results of acceptance of the Rights Issue and the placing, the shares to be allotted and issued amounted to 2,181,829 rights shares and 93,818,171 unsubscribed rights shares respectively, representing 100% of the total number of rights shares offered for subscription under the Rights Issue. The gross proceeds raised from the Rights Issue were approximately HK\$130.56 million and the net proceeds (after deduction of expenses) from the Rights Issue were approximately HK\$128.24 million.

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 and other engineering and construction related aspects 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**”).

With the COVID-19 pandemic coming to a slowdown with the lifting of various measures and restrictions in connection with the said pandemic, the economic environment in Hong Kong and the PRC, as well as around the world, is gradually recovering and a rebound of business activities and economic conditions is expected. We anticipate that the reopening of the border between Hong Kong and mainland China and the aforesaid expected recovery is likely to enhance our business performance, and the Group looks forward to commencing more projects and works ancillary to such projects in Hong Kong, which will help the Group to maintain a stable revenue stream in coming year.

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 for both fire service installation and other engineering businesses.

In addition, the Group will also continuously 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 on the Main Board of the Stock Exchange in 2019, our brand name awareness has been further enhanced. The Group may leverage this to explore other new attractive business opportunities inside and outside Hong Kong which may be value-enhancing to the Group and its shareholders. Furthermore, the Group will also continue to look for opportunities to strengthen our investor and shareholder base to support our Group’s business and expansion plans.

FINANCIAL REVIEW

Revenue

The Group's revenue for the year ended 30 April 2023 recorded amounted to approximately HK\$277.7 million which represented an increase of approximately HK\$46.4 million or 20.1% from approximately HK\$231.3 million for the year ended 30 April 2022. The increase in total revenue was mainly due to the increase from installation services amounted to approximately HK\$48.9 million.

Analysis of revenue is as follows:

	Year ended 30 April			
	2023		2022	
	<i>HK\$'000</i>	<i>% of total revenue</i>	<i>HK\$'000</i>	<i>% of total revenue</i>
Installation services	259,302	93.38	210,392	90.98
Maintenance services	18,241	6.57	20,732	8.96
	277,543	99.95	231,124	99.94
Others	140	0.05	135	0.06
Total	277,683	100.00	231,259	100.00

Installation services

Revenue increased by approximately 23.2% from approximately HK\$210.4 million for the year ended 30 April 2022 to approximately HK\$259.3 million for the year ended 30 April 2023. The increase by approximately HK\$48.9 million was mainly due to gradually reached out the progress of the ongoing installation projects during the year.

Maintenance services

Revenue decreased by approximately 12.1% from approximately HK\$20.7 million for the year ended 30 April 2022 to approximately HK\$18.2 million for the year ended 30 April 2023. The decrease by approximately HK\$2.5 million was mainly due to a decrease in revenue from repair and maintenance to the safety system of the premises of various government departments during the year ended 30 April 2023 as comprised to the corresponding year.

Others

For the year ended 30 April 2023, revenue recorded amounted to approximately HK\$0.1 million (2022: HK\$0.1 million).

Cost of sales

Our cost of sales increased by approximately 19.4% from approximately HK\$207.0 million for the year ended 30 April 2022 to approximately HK\$247.2 million for the year ended 30 April 2023. The increase was mainly attributed to the increase in subcontracting costs, direct labour and materials cost which were due to more revenue recognised by the Group during the year ended 30 April 2023.

Gross profit and gross profit margin

Our gross profit increased by approximately HK\$6.2 million or 25.6% from approximately HK\$24.2 million for the year ended 30 April 2022 to approximately HK\$30.4 million for the year ended 30 April 2023. Our gross profit margin has been increased to 11.0%. It is because of increase in revenue from installation services amounted to approximately HK\$48.9 million.

Other income

The Group recorded other income of approximately HK\$2.7 million for the year ended 30 April 2023 (2022: approximately HK\$7,000). The increase was mainly due to government grant with approximately HK\$2.1 million during the year.

Impairment loss under expected credit loss on trade receivables and contract assets

The management assessed for the allowance for credit losses for lifetime by estimating default rate taking into account historical and forward looking information. For the year ended 30 April 2023, net of an impairment allowance of HK\$1.9 million was made on the trade receivables and contract assets.

As at 30 April 2023, impairment allowance amounted to approximately HK\$24.3 million was made against the trade receivables and contract assets. Among the allowance made, HK\$20.0 million was made against a single customer.

The Group considered the allowances made were adequate since most of the Group's clients are major contractors in the industry. As at the date of this announcement, 90.4% and 55.8% of trade receivables and contract assets as at 30 April 2023 are subsequently settled and billed respectively.

Administrative expenses

Our administrative expenses decreased by approximately HK\$7.7 million or 27.7% from approximately HK\$27.8 million for the year ended 30 April 2022 to approximately HK\$20.1 million for the year ended 30 April 2023. The increase in administrative expenses was mainly due to the decrease in staff costs including directors emoluments.

Other gain and loss

Other gain and loss was approximately HK\$1.0 million for the year ended 30 April 2023 which was arose from the fair value changes of the financial assets at fair value through profit or loss and exchange loss during the year.

Finance costs

Our finance costs increased by approximately 240.0% from approximately HK\$0.5 million for the year ended 30 April 2022 to approximately HK\$1.7 million for the year ended 30 April 2023. The decrease was primarily attributed to the increase in drawdown of bank borrowings for normal operation during the year.

Income tax expense

Our income tax expense was changed from approximately HK\$0.1 million for the year ended 30 April 2022 to approximately HK\$3.1 million for the year ended 30 April 2023. The increase was primarily attributed to the net profit results for the year ended 30 April 2023.

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\$7.1 million for the year ended 30 April 2023.

LIQUIDITY AND FINANCIAL RESOURCES AND TREASURY POLICY

	As at 30 April	
	2023	2022
Current ratio	2.0	3.3
Gearing ratio*	41.6%	13.3%

* 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 and lease liabilities.

The current ratio of the Group as at 30 April 2023 was 2.0 times as compared to that of 3.3 times as at 30 April 2022. The decrease in current ratio was mainly due to increase in bank borrowings and decrease in bank balances and cash and pledged bank deposits. The gearing ratio of the Group as at 30 April 2023 was 41.6% as compared to that of 13.3% as at 30 April 2022. Such increase was primarily due to increase in bank borrowings and the placements completed during the year ended 30 April 2023.

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 and placements, other reserve and bank borrowings.

CAPITAL COMMITMENTS

The Group had no capital commitments as at 30 April 2023 (2022: nil).

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

As at 30 April 2023, the Group pledged its bank deposit to a bank of HK\$21.2 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 2023, performance bonds of approximately HK\$3.4 million (2022: approximately HK\$4.8 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 2023, 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

Saved as disclosed in note 14 in this announcement, there were no important events after the Reporting Period and up to the date of this announcement.

MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

On 8 December 2022, the Group entered into a sale and purchase agreement with the vendor, pursuant to which the Group has conditionally agreed to purchase, and the vendor has conditionally agreed to sell 7,800 shares held and owned by the vendor, representing 78% of the entire issued share capital of Noah Ark Pipelines Company Limited (“Noah Ark”) at the consideration of HK\$17,550,000, subject to adjustment. Noah Ark is a company incorporated in Hong Kong with limited liability.

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. Saved for the increase in authorised share capital of the Company which was effective from 28 April 2023, the Share Consolidation which was becoming effective on 3 May 2023 and the final results of acceptance of the Rights Issue and the placing of unsubscribed rights shares and the rights shares which would otherwise have been provisionally allotted to the excluded shareholders in nil-paid form that have not been sold by the Company was effective from 28 June 2023, 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 2023, there was no significant investment held by the Group (2022: nil).

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

The Group currently does not have any future plans for material investments or capital assets.

FOREIGN CURRENCY EXPOSURE

During the year ended 30 April 2023, 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.

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 2023.

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 2023.

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 2023.

DIVIDEND

The Directors do not recommend the payment of a final dividend for the year ended 30 April 2023 (2022: 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 2023, none of the Directors and their respective associates had 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 Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")) which are required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were deemed or taken to have under the provisions of the SFO); (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the Model Code for Securities Transaction by Directors of Listed Issuers to be notified to the Company and the Stock Exchange; or (d) to be disclosed in this announcement pursuant to the Takeovers Code.

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

As at 30 April 2023, 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 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 Listing Rules on the Stock Exchange:

Name of Substantial Shareholder	Nature of interest	Total number of Shares interested	Approximate percentage of the existing issued share capital of the Company (%)
Great Season Ventures Limited (<i>Note</i>)	Beneficial Owner	10,683,000	7.42
Mr. Jiang Jianhui (<i>Note</i>)	Interests in Controlled Corporation	10,683,000	7.42
Li Yintao	Beneficial Owner	14,390,000	9.99
Xie Wuchao	Beneficial Owner	13,000,000	9.03
Yan Wunu	Beneficial Owner	12,000,000	8.33
Wu Yan	Beneficial Owner	10,000,000	6.95
Huang Yiwei	Beneficial Owner	10,000,000	6.95
Cao Feng	Beneficial Owner	9,000,000	6.25
Lam Pak Yeung	Beneficial Owner	8,080,000	5.61

Note: Great Season Ventures Limited is wholly and beneficially owned by Mr. Jiang Jianhui. By virtue of the SFO, Mr. Jiang Jianhui is deemed to be interested in all the shares in which Great Season Ventures Limited is interested or deemed to be interested under the SFO. Mr. Jiang Jianhui is also the sole director of Great Season Ventures Limited.

Save as disclosed above, as at 30 April 2023, 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 on 30 April 2023 or at any time during the year ended 30 April 2023.

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 2023, 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 Friday, 13 October 2023 to Friday, 20 October 2023, 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, 20 October 2023 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 17/F, Far East Finance Centre, 16 Harcourt Road, Admiralty, Hong Kong, for registration not later than 4:30 p.m. on Thursday, 12 October 2023.

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 three members comprising the Company’s three independent non-executive Directors, namely Ms. Mak Suet Man, Mr. Li Ka Chun Gordon and Mr. Xian Gonghua. The chairman of the Audit Committee is Ms. Mak Suet Man. The Audit Committee has reviewed the consolidated results of the Group for the year ended 30 April 2023.

SCOPE OF WORK OF CL PARTNERS 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 2023 as set out in this annual results announcement have been agreed by the Company’s auditor, CL Partners CPA Limited, to the amounts set out in the Group’s audited consolidated financial statements for the year. The work performed by CL Partners 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 CL Partners 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 2023 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 Junheng
Chairman

Hong Kong, 28 July 2023

As at the date of this announcement, the executive Directors are Mr. Li Junheng, Mr. Li Shing Kuen Alexander and Ms. Wang Ya; and the independent non-executive Directors are Mr. Xian Gonghua, Mr. Li Ka Chun Gordon and Ms. Mak Suet Man.