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WINDMILL GROUP LIMITED

(海鑫集團有限公司)

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8409)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 30 APRIL 2017

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

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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

FINANCIAL HIGHLIGHTS

For the year ended 30 April 2017, operating results of the Company and its subsidiaries (collectively referred to as the “Group”) were as follows:

- Revenue reached to approximately HK\$171.4 million (2016: HK\$124.0 million), representing an increase of 38.2% from last year;
- Profit for the year amounted to approximately HK\$1.6 million (2016: HK\$12.8 million), representing an decrease of 87.5% from last year. The decrease was primarily attributable to the non-recurring expenses incurred by the Group for its listing activities during the year;
- Basic and diluted earnings per share for the year based on weighted average number of ordinary shares of approximately 528,738,000 shares (2016: 420,060,000 shares) in issue was 0.31 HK cent (2016: 3.06 HK cents); and
- The Directors do not recommend the payment of a final dividend for the year ended 30 April 2017 (2016: Nil).

ANNUAL RESULTS FOR THE YEAR ENDED 30 APRIL 2017

The board of Directors (the “Board”) of the Company is pleased to announce the consolidated results of the Group for the year ended 30 April 2017 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 2017

	<i>Notes</i>	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Revenue	5	171,449	123,989
Cost of sales		(144,431)	(104,344)
Gross profit		27,018	19,645
Other income		3	7
Administrative expenses		(21,742)	(4,036)
Finance costs		(56)	(144)
Profit before taxation		5,223	15,472
Income tax expense	7	(3,574)	(2,636)
Profit and total comprehensive income for the year attributable to owners of the Company	8	<u>1,649</u>	<u>12,836</u>
Earnings per share	9		
Basic and diluted (HK cents)		<u>0.31</u>	<u>3.06</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 April 2017

	<i>Notes</i>	2017 HK\$'000	2016 <i>HK\$'000</i>
Non-current assets			
Plant and equipment		682	397
Deposit		<u>30</u>	<u>72</u>
		<u>712</u>	<u>469</u>
Current assets			
Trade and retention receivables	11	33,625	18,168
Amounts due from customers for contract work		37,962	15,553
Deposits, prepayments and other receivables		3,230	2,009
Amount due from a director		—	628
Bank balances and cash		<u>69,926</u>	<u>3,499</u>
		<u>144,743</u>	<u>39,857</u>
Current liabilities			
Trade and retention payables	12	35,292	12,472
Amounts due to customers for contract work		6,807	2,350
Receipts in advance, accruals and other payables		10,476	452
Amount due to a related company		—	17
Tax payable		4,941	3,828
Obligation under a finance lease		97	—
Bank borrowing		<u>—</u>	<u>939</u>
		<u>57,613</u>	<u>20,058</u>

	<i>Note</i>	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Net current assets		<u>87,130</u>	<u>19,799</u>
Total assets less current liabilities		<u>87,842</u>	<u>20,268</u>
Non-current liabilities			
Long service payment obligations		310	461
Obligation under a finance lease		101	—
Deferred tax liability		<u>28</u>	<u>10</u>
		<u>439</u>	<u>471</u>
Net assets		<u><u>87,403</u></u>	<u><u>19,797</u></u>
Capital and reserves			
Share capital	13	8,000	2,148
Reserves		<u>79,403</u>	<u>17,649</u>
Total equity		<u><u>87,403</u></u>	<u><u>19,797</u></u>

NOTES:

1. CORPORATE INFORMATION

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

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

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

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

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

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

The consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows including the results, changes in equity and cash flows of the companies now comprising the Group have been prepared as if the current group structure had been in existence throughout the two years ended 30 April 2017. The consolidated statement of financial position of the Group as at 30 April 2016 has been prepared to present the assets and liabilities of the companies now comprising the Group as if the current group structure had been in existence as at 30 April 2016.

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

For the purpose of preparing and presenting the consolidated financial statements for the two years ended 30 April 2017, the Group has consistently adopted all the new and revised HKFRSs, Hong Kong Accounting Standards (“HKAS”), amendments and interpretations (“Int(s)”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) which are effective for the Group’s financial year beginning on 1 May 2016.

NEW AND REVISED HKFRSs ISSUED BUT NOT YET EFFECTIVE

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

HKFRS 9 (2014)	Financial Instruments ²
HKFRS 15	Revenue from Contracts with Customers ²
HKFRS 16	Leases ³
Amendments to HKAS 7	Disclosure Initiative ¹
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses ¹
Amendments to HKAS 40	Transfers of Investment Property ²
Amendments to HKFRSs	Annual Improvements to HKFRSs 2014-2016 Cycle ⁵
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions ²
Amendments to HKFRS 4	Applying HKFRS 9 <i>Financial Instruments</i> with HKFRS 4 <i>Insurance Contracts</i> ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴
HK (IFRIC) — Int 22	Foreign Currency Transactions and Advance Consideration ²

¹ Effective for annual periods beginning on or after 1 January 2017.

² Effective for annual periods beginning on or after 1 January 2018.

³ Effective for annual periods beginning on or after 1 January 2019.

⁴ Effective date not yet been determined.

⁵ Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate.

4. SIGNIFICANT ACCOUNTING POLICIES

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

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

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

5. REVENUE

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

	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue from design, supply and installation services	138,755	91,542
Revenue from maintenance and repair services	32,468	31,455
Trading of fire service accessories	<u>226</u>	<u>992</u>
	<u>171,449</u>	<u>123,989</u>

6. SEGMENT INFORMATION

The Group's operating activities are attributable to a single operating segment focusing on the design, supply and installation of fire safety systems for buildings under construction or re-development and maintenance and repair of fire safety systems for built premises. This operating segment has been identified on the basis of internal management reports prepared in accordance with accounting policies which conform to HKFRSs, that is regularly reviewed by the 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.

6. SEGMENT INFORMATION (Continued)

Information about major customers

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

	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Customer A	26,400	N/A ¹
Customer B	23,233	34,872
Customer C	N/A ¹	15,046
Customer D	36,410	16,781
Customer E	N/A ¹	12,678

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

7. INCOME TAX EXPENSE

	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current tax:		
Hong Kong Profits Tax	3,576	2,649
Over-provision in prior year	<u>(20)</u>	<u>—</u>
	3,556	2,649
Deferred tax	<u>18</u>	<u>(13)</u>
	<u><u>3,574</u></u>	<u><u>2,636</u></u>

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for the years ended 30 April 2017 and 2016.

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

8. PROFIT FOR THE YEAR

	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit for the year has been arrived at after charging (crediting):		
Staff costs		
Directors' emoluments	2,053	1,855
Other staff:		
— Salaries, allowances and other benefits	10,420	8,805
— Contributions to the Mandatory Provident Fund Scheme	438	371
— Reversal of provision for long service payments	<u>(151)</u>	<u>(7)</u>
Total staff costs	<u>12,760</u>	<u>11,024</u>
Auditor's remuneration	480	30
Amount of inventories recognised as expenses	108	811
Depreciation of plant and equipment	257	245
Listing expenses	15,134	—
Minimum lease payments paid under operating leases in respect of rented office premise and warehouse	<u>728</u>	<u>677</u>

9. EARNINGS PER SHARE

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

	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Earnings		
Profit for the year attributable to owners of the Company for the purpose of basic earnings per share	<u>1,649</u>	<u>12,836</u>
	2017	2016
	<i>'000</i>	<i>'000</i>
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	<u>528,738</u>	<u>420,060</u>

The weighted average number of ordinary shares for the purpose of basic earnings per share during the years ended 30 April 2017 and 2016 have been retrospectively adjusted for the effect of the capitalisation issue as stated in the section headed "Share Capital" in the Prospectus.

The diluted earnings per share is the same as the basic earnings per share as there were no dilutive potential ordinary shares outstanding during the year ended 30 April 2017 (2016: nil).

10. DIVIDEND

A final dividend in respect of the year ended 30 April 2016 of approximately HK\$3,761,000 was declared and paid by the Company's subsidiary, Windmill Engineering, to the Controlling Shareholder.

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

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

11. TRADE AND RETENTION RECEIVABLES

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Trade receivables	23,594	11,664
Retention receivables (note)	<u>10,031</u>	<u>6,504</u>
	<u>33,625</u>	<u>18,168</u>

Note: Except for the amount of approximately HK\$649,000 (2016: HK\$1,622,000) as at 30 April 2017, which was expected to be recovered or settled after one year, all of the remaining balances are expected to be recovered or settled within one year. Retention receivables are included in current assets as the Group expects to realise these within its normal operating cycle.

The Group does not hold any collateral over these balances.

The Group allows a credit period of 30 - 60 days (2016: 30 days) to its customers. The following is an ageing analysis of trade receivables, presented based on the date of progress certificates or completion certificates which approximates the respective revenue recognition dates, at the end of the reporting period:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
0 to 30 days	19,814	1,442
31 to 60 days	172	1,422
61 to 90 days	2,480	7,658
91 to 180 days	1,128	202
More than 180 days	<u>—</u>	<u>940</u>
	<u>23,594</u>	<u>11,664</u>

12. TRADE AND RETENTION PAYABLES

	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables	27,911	7,370
Retention payables (note)	<u>7,381</u>	<u>5,102</u>
	<u><u>35,292</u></u>	<u><u>12,472</u></u>

Note: Except for the amount of approximately HK\$243,000 (2016: HK\$1,793,000) as at 30 April 2017, 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 be paid or settled 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:

	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 to 30 days	21,250	4,321
31 to 60 days	5,891	2,471
61 to 90 days	723	368
91 to 365 days	<u>47</u>	<u>210</u>
	<u><u>27,911</u></u>	<u><u>7,370</u></u>

Trade payables represented payables to suppliers and subcontractors. The credit terms granted by suppliers and subcontractors were stipulated in the relevant contracts and the payables were usually due for the settlement within 30 - 60 days (2016: 30 days). The Group has financial risk management policies in place to ensure that all payables are settled within the credit time-frame.

13. SHARE CAPITAL

As the Company was not incorporated prior to 25 August 2016 and the Reorganisation was not completed as at 30 April 2016, the share capital in the consolidated statement of financial position as at 30 April 2016 represented the share capital of Windmill Engineering.

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

Movements of the authorised and issued share capital of the Company for the period from 25 August 2016 (date of incorporation of the Company) to 30 April 2017 are as follows:

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

Notes:

- (a) On 25 August 2016, the Company was incorporated in the Cayman Islands under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands as an exempted company with limited liability and an authorised share capital of HK\$380,000 divided into 38,000,000 ordinary shares of HK\$0.01 each. On the same date, one share was allotted and issued at nil-paid to the initial subscriber, which was then transferred to Golden Page at nil consideration.

13. SHARE CAPITAL (Continued)

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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”).

FINANCIAL REVIEW

Revenue

The Group’s revenue for the year ended 30 April 2017 recorded amounted to approximately HK\$171.4 million which represented an increase of approximately HK\$47.4 million or 38.2% from approximately HK\$124.0 million for the year ended 30 April 2016. The increase in total revenue was mainly due to an increase from installation services and maintenance services amounted to approximately HK\$47.2 million and HK\$1.0 million respectively. The increase was offset by decrease in trading of fire service accessories of approximately HK\$0.8 million.

Revenue

Analysis of revenue is as follows:

	Year ended 30 April			
	2017		2016	
	<i>HK\$’000</i>	<i>% of total revenue</i>	<i>HK\$’000</i>	<i>% of total revenue</i>
Installation services	138,755	81.0	91,542	73.8
Maintenance services	32,468	18.9	31,455	25.4
	171,223	99.9	122,997	99.2
Others	226	0.1	992	0.8
Total	<u>171,449</u>	<u>100.0</u>	<u>123,989</u>	<u>100.0</u>

Installation services

Revenue increased by approximately 51.6% from approximately HK\$91.5 million for the year ended 30 April 2016 to approximately HK\$138.7 million for the year ended 30 April 2017. The increase by approximately HK\$47.2 million was mainly due to the increase in the number of sizable projects during the year ended 30 April 2017 as compared to the previous year.

Maintenance services

For the year ended 30 April 2017, revenue recorded amounted to approximately HK\$32.5 million (2016: HK\$31.5 million).

Others

For the year ended 30 April 2017, revenue recorded amounted to approximately HK\$0.2 million (2016: HK\$1.0 million).

Cost of sales

Our cost of sales increased by approximately 38.4% from approximately HK\$104.3 million for the year ended 30 April 2016 to approximately HK\$144.4 million for the year ended 30 April 2017. The increase was mainly attributed to the increase in subcontracting costs resulting from more projects undertaken by our Group during the year ended 30 April 2017.

Gross profit and gross profit margin

Our gross profit increased by approximately HK\$7.4 million or 37.8% from approximately HK\$19.6 million for the year ended 30 April 2016 to approximately HK\$27.0 million for the year ended 30 April 2017. During the year ended 30 April 2017, the gross profit margin remained stable at approximately 15.8% (2016: 15.8%).

Other income

The Group recorded other income of approximately HK\$3,000 for the year ended 30 April 2017 (2016: HK\$7,000).

Administrative expenses

Administrative expenses mainly represented the salaries and benefits of the administrative and management staff, rental expenses, insurance, legal and professional fees, depreciation of plant and equipment, listing expenses and other miscellaneous administrative expenses. Our administrative expenses increased by approximately HK\$17.7 million or 442.5% from approximately HK\$4.0 million for the year ended 30 April 2016 to approximately HK\$21.7 million for the year ended 30 April 2017, which were mainly due to the listing expenses of approximately HK\$15.1 million and other non-recurring expenses of approximately HK\$0.7 million incurred by listing activities during the year ended 30 April 2017.

Finance costs

Our finance costs decreased by approximately 61.1% from approximately HK\$144,000 for the year ended 30 April 2016 to approximately HK\$56,000 for the year ended 30 April 2017. The decrease was primarily attributed to our decreased level of bank borrowing.

Income tax expense

Our income tax expense increased by approximately 38.5% from approximately HK\$2.6 million for the year ended 30 April 2016 to approximately HK\$3.6 million for the year ended 30 April 2017. The increase was primarily attributed to the increase in taxable profits.

Our effective income tax rate increased from 17.0% for the year ended 30 April 2016 to 68.4% for the year ended 30 April 2017. The increase in our effective income tax rate was mainly attributed to the recognition of listing expenses of approximately HK\$15.1 million by the Company, which was not subject to any income tax in the Cayman Islands.

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 decreased by approximately HK\$11.2 million or 87.5% from approximately HK\$12.8 million for the year ended 30 April 2016 to approximately HK\$1.6 million for the year ended 30 April 2017. Such decrease was primarily attributable to the listing expenses and the non-recurring expenses incurred by the Group for its listing activities during the year ended 30 April 2017. Excluding the listing expenses and other non-recurring expenses incurred by listing activities, the Group's profit and total comprehensive income attributable to owners of the Company would be approximately HK\$17.4 million for the year ended 30 April 2017.

LIQUIDITY AND FINANCIAL RESOURCES AND TREASURY POLICY

	As at 30 April	
	2017	2016
Current ratio	2.5	2.0
Gearing ratio*	0.2%	4.7%

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

The current ratio of the Group as at 30 April 2017 was 2.5 times as compared to that of 2.0 times as at 30 April 2016. The increase in current ratio was mainly due to increase in bank balances and cash as a result of the receipts of listing proceeds of approximately HK\$54 million. The gearing ratio of the Group as at 30 April 2017 was 0.2% as compared to that of 4.7% as at 30 April 2016. Such decrease was primarily due to decrease in bank borrowing as a result of the early repayment of bank borrowing during the year ended 30 April 2017.

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

CAPITAL COMMITMENTS

The Group had no capital commitments as at 30 April 2017 (2016: nil).

PLEDGE OF ASSETS

During the years ended 30 April 2017 and 2016, the Director, Mr. Li Shing Kuen, Alexander, has provided unlimited personal guarantee and pledge of his personal properties for the bank facilities granted to the Group. The bank had principally agreed to replace the aforesaid personal guarantee and pledge of personal properties by a corporate guarantee and a fixed deposits of HK\$8,500,000 provided by the Group. Since the bank requires additional time to complete all their legal procedures, the release of the aforesaid personal guarantee and pledge of personal properties is still in process. We have been informed that their legal procedures for release of the aforesaid personal guarantee and pledge of personal properties would be completed within two months from the date of this annual results announcement.

CONTINGENT LIABILITIES

As at 30 April 2017, performance bonds of approximately HK\$2.6 million (2016: approximately HK\$0.9 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 2017, in the opinion of the Directors, it was not probable that a claim would be made against our Group under the guarantees, and hence no provision for such guarantees was made in respect of the aforesaid performance bonds.

EVENT AFTER THE REPORTING PERIOD

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

ACHIEVEMENT OF BUSINESS OBJECTIVES AS COMPARED WITH ACTUAL BUSINESS PROGRESS

An analysis comparing the business objectives as set out in the Prospectus with the Group's actual business progress for the period from 18 April 2017 (the "Listing Date") to 30 April 2017 is set out below:

Business objectives	Actual business progress up to 30 April 2017
Expand and increase our capacity in providing our services	The Group is in the progress of identifying suitable business opportunities with potential customers and the Group has also committed to undertake new installation and maintenance projects
Expand our manpower for project execution and strengthen the expertise and skills of our staff	Recruited one assistant project manager Recruited one senior project engineer Recruited one project engineer Recruited one maintenance engineer Recruited one senior procurement officer Recruited one senior project engineer
Purchase enterprise resource planning system ("ERP system")	The Group is in the progress of identifying suitable IT service provider to design an ERP system
Increase our Group's marketing resources to enhance brand awareness of our Group	The Group is in the progress of identifying suitable professionals to design and print corporate brochures

USE OF PROCEEDS

An analysis of the planned usage of net proceeds up to 30 April 2017 as stated in the Prospectus and the actual utilisation of the net proceeds from the listing and up to 30 April 2017 is set out below:

	Planned use of net proceeds as stated in the Prospectus up to 30 April 2017 <i>HK\$'million</i>	Actual usage of net proceeds up to 30 April 2017 <i>HK\$'million</i>
Expand and increase our capacity in providing our services	5.0	—
Expand our manpower for project execution and strengthen the expertise and skills of our staff	0.8	0.2
Purchase ERP system	0.6	—
Increase our Group's marketing resources to enhance brand awareness of our Group	0.1	—

The business objectives, future plans and planned use of proceeds as stated in the Prospectus were based on the best estimation and assumption of future market conditions made by the Group at the time of preparing the Prospectus while the proceeds were applied based on the actual development of the Group's business and the industry.

MATERIAL ACQUISITIONS OR DISPOSALS

The Group had no material acquisitions or disposals of subsidiaries and affiliated companies during the year ended 30 April 2017.

Capital Structure

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

Significant Investments

As at 30 April 2017, there was no significant investment held by the Group (2016: nil).

Foreign Currency Exposure

During the year ended 30 April 2017, 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 increase 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 contribution 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 of the Company (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 2017, the Group employed 44 employees, the total staff costs amounted to approximately HK\$12.8 million (2016: HK\$11.0 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.

OUTLOOK

According to an independent market research report prepared by CIC, it is expected that the total revenue of Hong Kong fire safety industry will reach HK\$15,423.7 million in 2020, with a compound annual growth rate of 11.9% from 2015 to 2020. For details, please refer to the section headed “Industry Overview” in the Prospectus.

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

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 from the Listing Date to the date of this announcement.

CORPORATE GOVERNANCE PRACTICES

The Board is of the view that the Company has complied with the code provisions set out in the Corporate Governance Code (the “CG Code”) as set out in Appendix 15 of the GEM Listing Rules from the Listing Date up to the date of this announcement except code provision A.2.1.

Deviation from provision of the Corporate Governance 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 our chief executive officer. Given that Mr. Li has been leading the operations and management of our Group since 1985 when our Group was founded by him and taking into consideration our current scale of operations and management structure, our Board believes that it is more appropriate to have Mr. Li performing both functions of our chief executive officer and leader of our Board for more efficient management and strategic planning of our Group. Therefore, our Board considers that the deviation from 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.

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 2017, which will be dispatched to the shareholders in due course.

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

The Company has adopted the Model Code set out in Appendix 15 to the GEM Listing Rules as the code of conduct governing dealings by all Directors in the securities of the Company on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Specific enquiries have been made with all Directors, who have confirmed that, from the Listing Date up to the date of this annual report, they were in compliance with the required provisions set out in the Model Code. All Directors declared that they have complied with the required standard of dealings as set out in the Model Code throughout the period from the Listing Date up to the date of this announcement.

DIVIDENDS

A final dividend in respect of the year ended 30 April 2016 of approximately HK\$3,761,000 was declared and paid by the Company’s subsidiary, Windmill Engineering, to the Controlling Shareholder.

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

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

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 12 October 2017 to Wednesday, 18 October 2017, 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 Wednesday, 18 October 2017 will be entitled to attend and vote at the annual general meeting of the Company (the “AGM”). In order to determine the entitlement to attend and vote at the forthcoming AGM, all transfer of shares, accompanied by the relevant share certificates and transfer forms, must be lodged with the Company’s Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong, for registration not later than 4:30 p.m. on Wednesday, 11 October 2017.

DIRECTORS' INTERESTS IN CONTRACTS

No contract of significance to which the Company, its holding companies, or any of its subsidiaries or fellow subsidiaries was a party, and in which a Director had a material interest, subsisted at the end of the year or at any time during the year ended 30 April 2017.

AUDIT COMMITTEE

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

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 2017 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.

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

Hong Kong, 18 July 2017

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

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquires, confirm that, to the best of their knowledge and belief, (i) the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive; and (ii) there are no other matters the omission of which would make any statement herein or in this announcement misleading. All opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

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

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