

WINDMILL GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 8409



Interim Report

2017

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This report, 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 report 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 report misleading.

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Li Shing Kuen Alexander
(Chairman and Chief Executive Officer)
Mr. Poon Kwok Kay

Non-executive Director

Mr. Cheung Wai Hung

Independent non-executive Directors

Mr. Pun Kin Wa
Mr. Tsang Man Biu
Mr. Lee Kwok Tung Louis

AUDIT COMMITTEE

Mr. Pun Kin Wa *(Chairman)*
Mr. Tsang Man Biu
Mr. Lee Kwok Tung Louis

REMUNERATION COMMITTEE

Mr. Tsang Man Biu *(Chairman)*
Mr. Pun Kin Wa
Mr. Lee Kwok Tung Louis

NOMINATION COMMITTEE

Mr. Li Shing Kuen Alexander *(Chairman)*
Mr. Tsang Man Biu
Mr. Lee Kwok Tung Louis

RISK MANAGEMENT COMMITTEE

Mr. Li Shing Kuen Alexander *(Chairman)*
Mr. Poon Kwok Kay

COMPANY SECRETARY

Ms. Ho Wing Yan *ACIS ACS (PE)*

AUTHORISED REPRESENTATIVES

Mr. Li Shing Kuen Alexander
Ms. Ho Wing Yan

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 1603, 16/F., Tower 1,
Enterprise Square
9 Sheung Yuet Road
Kowloon Bay, Kowloon
Hong Kong

PRINCIPAL BANKER

DBS Bank (Hong Kong) Limited

COMPLIANCE ADVISER

Dakin Capital Limited

COMPLIANCE OFFICER

Mr. Li Shing Kuen Alexander

AUDITOR

SHINEWING (HK) CPA Limited

SHARE REGISTRARS

Cayman Islands Share Registrar and Transfer Office

Conyers Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Hong Kong Branch Share Registrar and Transfer Office

Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

STOCK CODE

8409

COMPANY'S WEBSITE

www.windmill.hk

FINANCIAL HIGHLIGHTS

For the six months ended 31 October 2017, operating results of the Company and its subsidiaries (collectively referred to as the “Group”) were as follows:

- Revenue reached to approximately HK\$91.2 million (2016: HK\$57.9 million), representing an increase of 57.5% as compared with that of the corresponding period in 2016;
- Profit for the six months ended 31 October 2017 amounted to approximately HK\$7.4 million (2016: loss of approximately HK\$0.9 million). The improvement was primarily attributable to (i) an increase of revenue by approximately HK\$33.3 million from both installation and maintenance services; and (ii) no listing expenses were incurred during the six months ended 31 October 2017 as compared with the amount of approximately HK\$6.6 million incurred in the corresponding period in 2016.
- Basic and diluted earnings per share for the six months ended 31 October 2017 based on weighted average number of ordinary shares of 800,000,000 shares (2016: approximately 444,508,000 shares) in issue was 0.93 HK cent per share (2016: loss of 0.19 HK cent per share); and
- The Directors have resolved not to declare an interim dividend for the six months ended 31 October 2017 (2016: HK\$628,000).

INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 OCTOBER 2017

The board of Directors (the “Board”) of the Company is pleased to announce the unaudited condensed consolidated results of the Group for the six months ended 31 October 2017 together with the comparative unaudited figures for the corresponding period in 2016 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 31 October 2017

		Three months ended		Six months ended	
		31 October		31 October	
		2017	2016	2017	2016
	<i>Notes</i>	HK\$'000	HK\$'000	HK\$'000	HK\$'000
		<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Revenue	3	43,758	32,661	91,249	57,862
Cost of sales		<u>(36,715)</u>	<u>(27,285)</u>	<u>(76,573)</u>	<u>(48,084)</u>
Gross profit		7,043	5,376	14,676	9,778
Other income		57	—	62	—
Administrative expenses		(2,818)	(8,148)	(5,495)	(9,462)
Finance costs		<u>(2)</u>	<u>(17)</u>	<u>(4)</u>	<u>(30)</u>
Profit (loss) before taxation		4,280	(2,789)	9,239	286
Income tax expense	5	<u>(855)</u>	<u>(638)</u>	<u>(1,822)</u>	<u>(1,145)</u>
Profit (loss) and total comprehensive income (expense) for the period attributable to owners of the Company	6	<u>3,425</u>	<u>(3,427)</u>	<u>7,417</u>	<u>(859)</u>
Earnings (loss) per share	7				
Basic and diluted (HK cent)		<u>0.43</u>	<u>(0.73)</u>	<u>0.93</u>	<u>(0.19)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION*At 31 October 2017*

		31 October 2017	30 April 2017
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		<i>(Unaudited)</i>	<i>(Audited)</i>
Non-current assets			
Plant and equipment		1,029	682
Deposit		<u>417</u>	<u>30</u>
		<u>1,446</u>	<u>712</u>
Current assets			
Trade and retention receivables	9	35,319	33,625
Amounts due from customers for contract work		39,587	37,962
Deposits, prepayments and other receivables		2,062	3,230
Pledged bank deposit		8,500	—
Bank balances and cash		<u>36,611</u>	<u>69,926</u>
		<u>122,079</u>	<u>144,743</u>
Current liabilities			
Trade and retention payables	10	13,166	35,292
Amounts due to customers for contract work		7,551	6,807
Receipts in advance, accruals and other payables		736	10,476
Tax payable		6,763	4,941
Obligation under a finance lease		<u>95</u>	<u>97</u>
		<u>28,311</u>	<u>57,613</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Continued)

At 31 October 2017

	31 October	30 April
	2017	2017
	<i>Note</i>	
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Net current assets	<u>93,768</u>	<u>87,130</u>
Total assets less current liabilities	<u>95,214</u>	<u>87,842</u>
Non-current liabilities		
Long service payment obligations	310	310
Obligation under a finance lease	56	101
Deferred tax liability	<u>28</u>	<u>28</u>
	<u>394</u>	<u>439</u>
Net assets	<u>94,820</u>	<u>87,403</u>
Capital and reserves		
Share capital	<i>11</i> 8,000	8,000
Reserves	<u>86,820</u>	<u>79,403</u>
Total equity	<u>94,820</u>	<u>87,403</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY*For the six months ended 31 October 2017*

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Other reserve <i>HK\$'000</i> <i>(Note)</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 May 2017 (audited)	8,000	50,585	10,148	18,670	87,403
Profit and total comprehensive income for the period	<u>—</u>	<u>—</u>	<u>—</u>	<u>7,417</u>	<u>7,417</u>
At 31 October 2017 (unaudited)	<u>8,000</u>	<u>50,585</u>	<u>10,148</u>	<u>26,087</u>	<u>94,820</u>
At 1 May 2016 (audited)	2,148	—	—	17,649	19,797
Loss and total comprehensive expense for the period	—	—	—	(859)	(859)
Dividend recognised as distribution (<i>note 8</i>)	—	—	—	(628)	(628)
Issue of shares (<i>note 11(b)</i>)	8,000	—	—	—	8,000
Arising from the reorganisation (<i>note 11</i>)	(10,148)	—	10,148	—	—
Issue of shares (<i>note 11(d)</i>)	<u>—</u>	<u>12,000</u>	<u>—</u>	<u>—</u>	<u>12,000</u>
At 31 October 2016 (unaudited)	<u>—</u>	<u>12,000</u>	<u>10,148</u>	<u>16,162</u>	<u>38,310</u>

Note: Other reserve represents the difference between the aggregate nominal value of the issued share capital of subsidiaries of the Company pursuant to a group reorganisation over the aggregate consideration paid for acquiring/subscribing these subsidiaries.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS*For the six months ended 31 October 2017*

	For the six months ended 31 October	
	2017	2016
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Cash flows from operating activities		
Net cash (used in) from operating activities	<u>(24,223)</u>	<u>2,115</u>
Cash flows from investing activities		
Purchase of plant and equipment	(555)	(154)
Bank interest received	<u>14</u>	<u>—</u>
Net cash used in investing activities	<u>(541)</u>	<u>(154)</u>
Cash flows from financing activities		
Deposit paid for the pledged bank deposit	(8,500)	—
Repayment of bank borrowing	—	(322)
Repayment of obligation under a finance lease	(47)	(46)
Proceeds from issue of shares (notes 11(b) and (d))	—	20,000
Interest paid	<u>(4)</u>	<u>(30)</u>
Net cash (used in) from financing activities	<u>(8,551)</u>	<u>19,602</u>
Net (decrease) increase in cash and cash equivalents	(33,315)	21,563
Cash and cash equivalents at the beginning of the period	<u>69,926</u>	<u>3,499</u>
Cash and cash equivalents at the end of the period	<u>36,611</u>	<u>25,062</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1. CORPORATE INFORMATION AND BASIS OF PREPARATION

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

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 redevelopment, maintenance and repair of fire safety systems for built premises and trading of fire service accessories.

This unaudited condensed consolidated interim financial information is presented in Hong Kong dollars (“HK\$”), which is also the functional currency of the Group.

Basis of Preparation

This unaudited condensed consolidated interim financial information has been prepared in accordance with the applicable disclosure provision of Chapter 18 of the GEM Listing Rules and with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

Pursuant to the group reorganisation (the “Reorganisation”) as detailed in the prospectus of the Company dated 31 March 2017 (the “Prospectus”), the Company became the holding company of the companies now comprising the Group on 28 September 2016. The Group has been under the common control and beneficially owned by Mr. Li Shing Kuen Alexander (the “Controlling Shareholder”). 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 six months ended 31 October 2016 or since their respective dates of incorporation to 31 October 2016.

The condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed 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 six months ended 31 October 2016.

2. PRINCIPAL ACCOUNTING POLICIES

This unaudited condensed consolidated interim financial information has been prepared on the historical cost basis.

The accounting policies used in this unaudited condensed consolidated interim financial information are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 30 April 2017 except as described below.

In the current interim period, the Group has applied, for the first time, the following amendments (the "new and revised HKFRSs") issued by the HKICPA which are effective for the Group's financial year beginning 1 May 2017.

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

The application of the new and revised HKFRSs in the current interim period has had no material effect on the Group's financial performance and positions for the current and prior periods and/or on the disclosures set out in this unaudited condensed consolidated interim financial information.

3. REVENUE

Revenue represent 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 period is as follows:

	Three months ended		Six months ended	
	31 October		31 October	
	2017	2016	2017	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue from design, supply and installation services	35,548	23,684	73,579	44,357
Revenue from maintenance and repair services	8,142	8,948	17,566	13,399
Trading of fire service accessories	68	29	104	106
	<u>43,758</u>	<u>32,661</u>	<u>91,249</u>	<u>57,862</u>

4. 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 Hong Kong Financial Reporting Standards, that is regularly reviewed by the 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 period of the Group as a whole for performance assessment.

Geographical information

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

Information about major customers

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

	Three months ended		Six months ended	
	31 October		31 October	
	2017	2016	2017	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Customer A	8,223	4,925	23,237	9,472
Customer B	14,460	N/A ¹	15,704	N/A ¹
Customer C	6,498	3,518	12,596	6,322
Customer D	<u>5,781</u>	<u>N/A¹</u>	<u>12,313</u>	<u>N/A¹</u>

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

5. INCOME TAX EXPENSE

	Three months ended		Six months ended	
	31 October		31 October	
	2017	2016	2017	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Current tax:				
Hong Kong Profits Tax	<u>855</u>	<u>638</u>	<u>1,822</u>	<u>1,145</u>

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for the three months and six months ended 31 October 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.

6. PROFIT (LOSS) FOR THE PERIOD

	Three months ended		Six months ended	
	31 October		31 October	
	2017	2016	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Profit (loss) for the period has been arrived at after charging:				
Depreciation of plant and equipment	70	56	126	112
Listing expenses	—	6,554	—	6,554
Minimum lease payments paid under operating leases in respect of office premise and warehouse	<u>524</u>	<u>161</u>	<u>772</u>	<u>354</u>

7. EARNINGS (LOSS) PER SHARE

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

	Three months ended		Six months ended	
	31 October		31 October	
	2017	2016	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Earnings (loss)				
Profit (loss) for the period attributable to owners of the Company for the purpose of basic earnings (loss) per share	<u>3,425</u>	<u>(3,427)</u>	<u>7,417</u>	<u>(859)</u>
	2017	2016	2017	2016
	'000	'000	'000	'000
Number of shares				
Weighted average number of ordinary shares for the purpose of basic earnings (loss) per share	<u>800,000</u>	<u>468,957</u>	<u>800,000</u>	<u>444,508</u>

The weighted average number of ordinary shares for the purpose of basic earnings (loss) per share for the three months and six months ended 31 October 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 (loss) per share is the same as the basic earnings (loss) per share as there were no diluted potential ordinary shares outstanding during the three months and six months ended 31 October 2017 and 2016.

8. DIVIDEND

The Directors do not recommend the payment of interim dividend for the six months ended 31 October 2017 (2016: HK\$628,000).

No dividend has been paid or proposed by the Company since the end of the reporting period.

9. TRADE AND RETENTION RECEIVABLES

	31 October 2017 HK\$'000 (Unaudited)	30 April 2017 HK\$'000 (Audited)
Trade receivables	20,348	23,594
Retention receivables	<u>14,971</u>	<u>10,031</u>
	<u>35,319</u>	<u>33,625</u>

The Group does not hold any collateral over these balances.

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

	31 October 2017 HK\$'000 (Unaudited)	30 April 2017 HK\$'000 (Audited)
0 to 30 days	12,552	19,814
31 to 60 days	2,041	172
61 to 90 days	2,941	2,480
91 to 180 days	1,676	1,128
More than 180 days	<u>1,138</u>	<u>—</u>
	<u>20,348</u>	<u>23,594</u>

10. TRADE AND RETENTION PAYABLES

	31 October 2017 <i>HK\$'000</i> (Unaudited)	30 April 2017 <i>HK\$'000</i> (Audited)
Trade payables	6,101	27,911
Retention payables	<u>7,065</u>	<u>7,381</u>
	<u>13,166</u>	<u>35,292</u>

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

	31 October 2017 <i>HK\$'000</i> (Unaudited)	30 April 2017 <i>HK\$'000</i> (Audited)
0 to 30 days	2,352	21,250
31 to 60 days	2,947	5,891
61 to 90 days	327	723
91 to 365 days	<u>475</u>	<u>47</u>
	<u>6,101</u>	<u>27,911</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. The Group has financial risk management policies in place to ensure that all payables are settled within the credit time-frame.

11. SHARE CAPITAL

The share capital of Windmill Engineering and Success Chariot Limited (“Success Chariot”), a wholly-owned subsidiary of the Company, shown in the condensed 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 condensed consolidated statement of changes in equity represented the share capital of the Company.

Movement of the authorised and issued share capital of the Company 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) <i>(note (a))</i>	38,000,000	380
Increase during the period <i>(note (e))</i>	<u>1,962,000,000</u>	<u>19,620</u>
At 30 April 2017 (audited) and 31 October 2017 (unaudited)	<u><u>2,000,000,000</u></u>	<u><u>20,000</u></u>
Issued and fully paid:		
Issue of share on 25 August 2016 (date of incorporation) <i>(note (a))</i>	1	—
Issue of shares as consideration for the acquisition of the issued share capital of Windmill Engineering <i>(note (b))</i>	7,000	—
Issue of shares <i>(note (d))</i>	2,999	—
Issue of new shares in connection with the listing of shares of the Company <i>(note (f))</i>	200,000,000	2,000
Capitalisation issue of shares <i>(note (f))</i>	<u>599,990,000</u>	<u>6,000</u>
At 30 April 2017 (audited) and 31 October 2017 (unaudited)	<u><u>800,000,000</u></u>	<u><u>8,000</u></u>

Notes:

- (a) On 25 August 2016, the Company was incorporated in the Cayman Islands under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands as an exempted company with limited liability and an authorised share capital of HK\$380,000 divided into 38,000,000 ordinary shares of HK\$0.01 each. On the same date, one share was allotted and issued at nil-paid to the initial subscriber, which was then transferred to Golden Page at nil consideration.
- (b) On 28 September 2016, the Company 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 2016, 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 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 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.

12. PLEDGE OF ASSET

At 31 October 2017, the Group's banking facilities amounted to HK\$15,500,000 were secured by the pledged bank deposit of HK\$8,500,000.

As at 30 April 2017, the Group's banking facilities amounted to HK\$18,500,000 were guaranteed by:

- (i) certain properties owned by the director of the Company, Mr. Li Shing Kuen Alexander;
- (ii) personal guarantee given by the director of the Company, Mr. Li Shing Kuen Alexander; and
- (iii) guarantee for an amount of approximately 80% of the amount granted by a bank to the Group from the Government of the Hong Kong Special Administrative Region.

The above guarantees have been cancelled on 20 July 2017 with the addition of the Group's pledged bank deposit as security of the banking facilities as abovementioned.

13. CONTINGENT LIABILITIES

At the end of the reporting period, the Group had provided the following guarantees:

	31 October 2017 HK\$'000 (Unaudited)	30 April 2017 HK\$'000 (Audited)
Guarantees in respect of performance bonds in favour of its clients	<u>3,548</u>	<u>2,627</u>

In the opinion of the Directors, it was not probable that a claim would be made against the Group under the guarantees. Therefore, no provision for such guarantee was made for the three months and six months ended 31 October 2017 and 2016.

14. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in this condensed consolidated interim financial information, the Group entered into transactions with its related party as follows:

Related party	Relationship	Nature of transaction	Three months ended		Six months ended	
			31 October	2016	31 October	2016
			2017	2016	2017	2016
			HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Tradetech Suppliers Ltd. ("Tradetech")	Beneficial owned by the director of the Company, Mr. Poon Kwok Kay	Purchase of materials	—	64	4	64

Purchase of materials from Tradetech was conducted at terms determined on mutually agreed basis.

15. MAJOR NON-CASH TRANSACTIONS

- (a) During the six months ended 31 October 2016, the Group entered into a finance lease arrangement in respect of a motor vehicle with capital value at the inception of the lease of approximately HK\$291,000.
- (b) During the six months ended 31 October 2016, an interim dividend of approximately HK\$628,000 was declared and paid by the Company to the immediate holding company of the Company which was settled through the amount due from a director.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

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

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

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.

FINANCIAL REVIEW

Revenue

The Group’s revenue for the six months ended 31 October 2017 recorded amounted to approximately HK\$91.2 million which represented an increase of approximately HK\$33.3 million or 57.5% from approximately HK\$57.9 million for the six months ended 31 October 2016. The increase in total revenue was mainly due to an increase from installation services and maintenance services amounted to approximately HK\$29.2 million and HK\$4.2 million respectively.

Revenue

Analysis of revenue is as follows:

	Six months ended 31 October		2016	
	2017			
	<i>HK\$'000</i>	<i>% of total revenue</i>	<i>HK\$'000</i>	<i>% of total revenue</i>
Installation services	73,579	80.6	44,357	76.7
Maintenance services	<u>17,566</u>	<u>19.3</u>	<u>13,399</u>	<u>23.2</u>
	91,145	99.9	57,756	99.9
Others	<u>104</u>	<u>0.1</u>	<u>106</u>	<u>0.1</u>
Total	<u>91,249</u>	<u>100.0</u>	<u>57,862</u>	<u>100.0</u>

Installation services

Revenue increased by approximately 65.8% from approximately HK\$44.4 million for the six months ended 31 October 2016 to approximately HK\$73.6 million for the six months ended 31 October 2017. The increase by approximately HK\$29.2 million was mainly due to the increase in the number of sizable projects during the six months ended 31 October 2017 as compared to the corresponding period of the previous year.

Maintenance services

Revenue increased by approximately 31.3% from approximately HK\$13.4 million for the six months ended 31 October 2016 to approximately HK\$17.6 million for the six months ended 31 October 2017. The increase by approximately HK\$4.2 million was mainly due to the increase in revenue from repair and maintenance to fire safety system of the premises of various Government departments during the six months ended 31 October 2017 as compared to the corresponding period of the previous year.

Others

For the six months ended 31 October 2017, revenue recorded amounted to approximately HK\$0.1 million (2016: HK\$0.1 million).

Cost of sales

Our cost of sales increased by approximately 59.3% from approximately HK\$48.1 million for the six months ended 31 October 2016 to approximately HK\$76.6 million for the six months ended 31 October 2017. The increase was mainly attributed to the increase in subcontracting costs resulting from more projects undertaken by the Group during the six months ended 31 October 2017.

Gross profit and gross profit margin

Our gross profit increased by approximately HK\$4.9 million or 50.0% from approximately HK\$9.8 million for the six months ended 31 October 2016 to approximately HK\$14.7 million for the six months ended 31 October 2017. During the six months ended 31 October 2017, the gross profit margin was approximately 16.1% (2016: 16.9%).

Other income

The Group recorded other income of approximately HK\$62,000 for the six months ended 31 October 2017 (2016: Nil).

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 and other miscellaneous administrative expenses. Our administrative expenses decreased by approximately HK\$4.0 million or 42.1% from approximately HK\$9.5 million for the six months ended 31 October 2016 to approximately HK\$5.5 million for the six months ended 31 October 2017. The decrease was attributable to the non-recurring listing expenses for the six months ended 31 October 2016.

Finance costs

Our finance costs decreased by approximately 86.7% from approximately HK\$30,000 for the six months ended 31 October 2016 to approximately HK\$4,000 for the six months ended 31 October 2017. The decrease was primarily attributed to our decreased level of bank borrowing.

Income tax expense

Our income tax expense increased by approximately 63.6% from approximately HK\$1.1 million for the six months ended 31 October 2016 to approximately HK\$1.8 million for the six months ended 31 October 2017. The increase was primarily attributed to the increase in taxable profits.

Profit (loss) for the period attributable to owners of the Company

As a result of the foregoing, the profit attributable to owners of the Company increased from approximately loss of HK\$0.9 million for the six months ended 31 October 2016 to approximately HK\$7.4 million for the six months ended 31 October 2017.

LIQUIDITY AND FINANCIAL RESOURCES AND TREASURY POLICY

	As at 31 October 2017	As at 30 April 2017
Current ratio	4.3	2.5
Gearing ratio*	0.2%	0.2%

* Calculated based on total debts at the end of the period/year divided by total equity at the end of the period/year. Total debts are defined as obligation under a finance lease.

The current ratio of the Group as at 31 October 2017 was 4.3 times as compared to that of 2.5 times as at 30 April 2017. The increase in current ratio was mainly due to the decrease of denominator (current liabilities) as a result of (i) payment of listing accruals of approximately HK\$6.0 million; and (ii) decrease of trade and retention payables due to the early repayment to the sub-contractors. The gearing ratio of the Group as at 31 October 2017 was 0.2%, which is the same as at 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, pledged bank deposit, bank balances and cash, 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 31 October 2017 (30 April 2017: Nil).

PLEDGE OF ASSETS

As at 31 October 2017, the Group pledged its bank deposit to a bank of HK\$8.5 million as collateral to secure bank facilities granted to the Group. Save for the above disclosed, the Group did not have any charges on its assets.

CONTINGENT LIABILITIES

As at 31 October 2017, performance bonds of approximately HK\$3.5 million (30 April 2017: HK\$2.6 million), were given by the bank in favour of some of our customers as security for the due performance and observance of our obligations under the contracts entered into between us and our customers. If the 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. The 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 31 October 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 31 October 2017 is set out below:

<u>Business objectives</u>	<u>Actual business progress up to 31 October 2017</u>
Expand and increase our capacity in providing our services	The Group is in the progress of identifying suitable business opportunities with potential customers and the Group has also committed to undertake new installation and maintenance projects
Expand our manpower for project execution and strengthen the expertise and skills of our staff	Recruited one assistant project manager Recruited one senior project engineer Recruited one project engineer Recruited one maintenance engineer Recruited one senior procurement officer Recruited two assistant engineers Recruited one assistant maintenance manager Recruited two maintenance technicians

Business objectives	Actual business progress up to 31 October 2017
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 31 October 2017 as stated in the Prospectus and the actual utilisation of the net proceeds from the listing and up to 31 October 2017 is set out below:

	Planned use of net proceeds as stated in the Prospectus up to 31 October 2017 <i>HK\$’million</i>	Actual usage of net proceeds up to 31 October 2017 <i>HK\$’million</i>
Expand and increase our capacity in providing our services	9.5	1.5
Expand our manpower for project execution and strengthen the expertise and skills of our staff	2.5	1.9
Purchase ERP system	1.3	—
Increase our Group’s marketing resources to enhance brand awareness of our Group	0.3	—

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, associates and joint ventures during the six months ended 31 October 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, net of bank balances and cash, issued share capital and reserves.

SIGNIFICANT INVESTMENTS

As at 31 October 2017, there was no significant investment held by the Group (2016: Nil).

FOREIGN CURRENCY EXPOSURE

During the six months ended 31 October 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 building good staff relations and retention. The Group continues to provide training for new staff and existing staff to enhance their technical knowledge. The Directors believe such initiatives have contributed to increasing productivity and efficiency.

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

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

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

As at 31 October 2017, the Group employed 48 employees, the total staff costs amounted to approximately HK\$8.4 million (2016: HK\$6.1 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.

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

The Company has adopted the Model Code set out in Appendix 15 to the GEM Listing Rules as the code of conduct governing dealings by all Directors in the securities of the Company on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Specific enquiries have been made with all Directors, all Directors declared that they have complied with the required standards as set out in the Model Code throughout the six months ended 31 October 2017.

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

As at 31 October 2017, the interests or short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the “SFO”)) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provision of the SFO) or which were required to be recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Rules 5.46 to 5.67 of the GEM Listing Rules as follows:

(i) The Company

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

(ii) Associated corporation of the Company

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

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

Save as disclosed above, as at 31 October 2017, none of the Directors or chief executive of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required to be recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Rules 5.46 to 5.67 of the GEM Listing Rules.

DIRECTORS' RIGHT TO ACQUIRE SHARES

At no time during the six months ended 31 October 2017 was the Company, or any of its holding company, subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors and chief executives of the Company (including their spouses and children under 18 years of age) to hold any interest or short positions in the shares, or underlying shares, or debentures, of the Company or its associated corporations (with the meaning of Part XV of the SFO).

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

As at 31 October 2017, the following persons (other than Directors or chief executive of the Company) were interested in 5% or more of the issued share capital of the Company which were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO, or to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO and the GEM Listing Rules on the Stock Exchange:

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

Notes:

1. The entire issued share capital of Golden Page is wholly and beneficially owned by Mr. Li who is deemed to be interested in the shares held by Golden Page under the SFO.
2. Smart Million (BVI) Limited is 66.67% beneficially owned by Marvel Paramount Investments Limited. By virtue of the SFO, Marvel Paramount Investments Limited is deemed to be interested in all such shares held by Smart Million (BVI) Limited.

3. Marvel Paramount Investments Limited is wholly and beneficially owned by Mr. Ma Ting Wai Barry. By virtue of the SFO, Mr. Ma Ting Wai Barry is deemed to be interested in all the shares in which Marvel Paramount Investments Limited is interested or deemed to be interested under the SFO.
4. Ms. Leung Wing Ci Winnie is the spouse of Mr. Ma Ting Wai Barry. By virtue of the SFO, Ms. Leung Wing Ci Winnie is deemed to be interested in all the shares in which Mr. Ma Ting Wai Barry is interested or deemed to be interested under the SFO.

Save as disclosed above, as at 31 October 2017, 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, underlying shares and debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under section 336 of the SFO.

COMPETING INTERESTS

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

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

No transaction, arrangement or contract of significance to which the Company, any of its holding company, subsidiaries or fellow subsidiaries was a party, and in which a Director and a connected entity of a Director had a material interest, subsisted at the end of the year or at any time during the six months ended 31 October 2017.

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 six months ended 31 October 2017.

SHARE OPTION SCHEME

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

For the six months ended 31 October 2017, no share option was granted, exercised, cancelled or lapsed and there is no outstanding share option under the Share Option Scheme.

INTERESTS OF THE COMPLIANCE ADVISOR

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

CORPORATE GOVERNANCE PRACTICES

The Board is of the view that the Company has complied with the code provisions set out in the Corporate Governance Code (the “CG Code”) as set out in Appendix 15 of the GEM Listing Rules during the six months ended 31 October 2017 except code provision A.2.1.

Deviation from code provision of the CG Code

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 code provision A.2.1 of the CG Code is appropriate in the circumstances and currently does not propose to separate the functions of chairman and chief executive officer.

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 paragraphs C.3.3 and C.3.7 of the CG Code as set out in Appendix 15 to the GEM Listing Rules. The primary duties of the Audit Committee are to, without limitation, to assist the Board in providing an independent view of the effectiveness of the financial reporting process, internal control and risk management systems of the Group, overseeing audit process and performing other duties and responsibilities as assigned by the Board. The Audit Committee has three members comprising the Company’s three independent non-executive Directors, namely Mr. Pun Kin Wa, Mr. Tsang Man Biu and Mr. Lee Kwok Tung Louis. The chairman of the Audit Committee is Mr. Pun Kin Wa. The unaudited condensed consolidated results of the Group for the six months ended 31 October 2017 have not been audited by the auditor of the Company but have been reviewed by the Audit Committee.

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

Hong Kong, 11 December 2017

As at the date of this report, 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 report 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 report will also be published on the website of the Company at www.windmill.hk.

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