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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)

CHANGES IN USE OF PROCEEDS

Reference is made to the prospectus of Windmill Group Limited (the “Company”) dated 31 March 2017 (the “Prospectus”) relating to the share offer (the “Share Offer”) and the listing of the Company’s shares on GEM of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). Unless otherwise specified, capitalised terms used in this announcement shall have the same meanings as those defined in the Prospectus.

The board (the “Board”) of directors (the “Directors”) of the Company would like to announce that it has resolved to change the use of the net proceeds from the Share Offer.

USE OF PROCEEDS

The net proceeds from the Share Offer, after deducting the underwriting commissions and other expenses in relation thereto, was approximately HK\$31.8 million. It has disclosed in the section headed “Future Plans and Use of Proceeds” in the Prospectus that it was intended that the net proceeds would be used for the following purposes:

- Approximately 34.6% will be used to reserve funding for providing performance bonds to enable our Group to submit tenders and/or undertake installation projects;
- Approximately 19.2% will be used to finance net cash outflows required in early stage of execution of projects;
- Approximately 20.4% will be used to expand our manpower for project execution and strengthen the expertise and skills of our staff;
- Approximately 6.0% will be used to purchase ERP system;

- Approximately 1.2% will be used to increase our Group's marketing resources to enhance brand awareness of our Group; and
- Approximately 18.6% will be used to develop central pre-fabrication piping workshop.

CHANGE IN USE OF PROCEEDS

As at the date of this announcement, the Company utilised approximately HK\$12.1 million of net proceeds from the Share Offer. On 17 April 2018, the Board resolved to change the proposed use of the net proceeds from the Share Offer, and details of the original allocation of the net proceeds, the revised allocation of the net proceeds, and the utilisation of the net proceeds as at the date of this announcement are set out as follows:

	Original Allocation HK\$ million	Amount Utilized as at the date of this announcement HK\$ million	Revised allocation HK\$ million	Remaining balance after revised allocation HK\$ million
Performance bonds	11.0	1.7	—	—
To finance net cash outflows required in early stage of execution of projects	6.1	6.1	9.3	9.3
Salary payment to new staff	6.5	3.8	2.7	2.7
Purchase of ERP system	1.9	0.3	1.6	1.6
Increase our Group's marketing resources	0.4	0.1	0.3	0.3
Develop central pre- fabrication piping workshop	<u>5.9</u>	<u>0.1</u>	<u>5.8</u>	<u>5.8</u>
	<u>31.8</u>	<u>12.1</u>	<u>19.7</u>	<u>19.7</u>

Save for the aforesaid changes, there is no other change of the use of the net proceeds.

REASONS FOR AND BENEFITS OF THE CHANGE IN USE OF PROCEEDS

In view of the growth in the fire safety service industry and the strong prospects for both public and private development projects, the Group intends to expand its business capacity and scale to capture more sizeable and profitable projects. Having considered that (i) performance bonds are required in certain project; (ii) the Group has unused banking facilities which enable the Group to have sufficient resources to finance the performance bonds for its projects upon request; and (iii) the market prospect, the Board has resolved to change the original use of proceeds and reallocate HK\$9.3 million of the unused net proceeds from the Share Offer to finance net cash outflows required in early stage of execution of projects.

The Directors confirm that there is no material change in the nature of business of the Group as set out in the Prospectus. The Directors consider the above change in the use of the net proceeds from the Share Offer is fair and reasonable as this would allow the Company to deploy its financial resources more effectively to enhance the profitability of the Group and is therefore in the interests of the Group and the Shareholders as a whole.

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

Hong Kong, 17 April 2018

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

This announcement, for which the Directors 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 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.

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.