

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

WINDMILL GROUP LIMITED

(海鑫集團有限公司)

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1850)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 OCTOBER 2019

FINANCIAL HIGHLIGHTS

For the six months ended 31 October 2019, operating results of WINDMILL Group Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) were as follows:

- Revenue reached to approximately HK\$83.9 million (2018: HK\$141.1 million), representing a decrease of 40.5% as compared with that of the corresponding period in 2018;
- Profit for the six months ended 31 October 2019 amounted to approximately HK\$4.0 million (2018: profit of approximately HK\$11.1 million) representing a decrease of approximately 64.0% as compared with that of corresponding period in 2018;
- Basic and diluted earnings per share for the six months ended 31 October 2019 based on weighted average number of ordinary shares of approximately 800,000,000 shares (2018: approximately 800,000,000 shares) in issue was 0.50 HK cent per share (2018: 1.39 HK cent per share); and
- The Directors have resolved not to declare an interim dividend for the six months ended 31 October 2019 (2018: Nil).

INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 OCTOBER 2019

The board (the “Board”) of directors (the “Directors”) of the Company is pleased to announce the unaudited condensed consolidated results of the Group for the six months ended 31 October 2019 together with the comparative unaudited figures for the corresponding period in 2018 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 31 October 2019

		Six months ended	
		31 October	
		2019	2018
	<i>Notes</i>	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Revenue	3	83,865	141,120
Cost of sales		<u>(69,482)</u>	<u>(118,496)</u>
Gross profit		14,383	22,624
Other income		60	28
Administrative expenses		(9,449)	(8,275)
Finance costs		<u>(379)</u>	<u>(67)</u>
Profit before taxation		4,615	14,310
Income tax expense	5	<u>(592)</u>	<u>(3,215)</u>
Profit and total comprehensive income for the period attributable to owners of the Company	6	<u>4,023</u>	<u>11,095</u>
Earnings per share	7		
Basic and diluted (HK cent)		<u>0.50</u>	<u>1.39</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 October 2019

		31 October 2019 <i>HK\$'000</i> (Unaudited)	30 April 2019 <i>HK\$'000</i> (Audited)
	Notes		
Non-current assets			
Plant and equipment	9	686	660
Intangible assets		184	—
Right-of-use assets		962	—
Deferred tax assets		30	—
Deposit		<u>32</u>	<u>332</u>
		<u>1,894</u>	<u>992</u>
Current assets			
Trade receivables	10	42,772	33,349
Contract assets		131,167	124,613
Deposits, prepayments and other receivables		2,149	1,986
Pledged bank deposits		13,035	13,012
Bank balances and cash		<u>20,274</u>	<u>25,778</u>
		<u>209,397</u>	<u>198,738</u>
Current liabilities			
Trade and retention payables	11	45,899	44,687
Accruals and other payables		1,575	1,954
Tax payable		6,763	6,141
Lease liabilities		854	—
Bank borrowings		<u>21,471</u>	<u>16,291</u>
		<u>76,562</u>	<u>69,073</u>

		31 October 2019	30 April 2019
	<i>Note</i>	HK\$'000	HK\$'000
		(Unaudited)	(Audited)
Net current assets		<u>132,835</u>	<u>129,665</u>
Total assets less current liabilities		<u>134,729</u>	<u>130,657</u>
Non-current liabilities			
Long service payment obligations		69	69
Lease liabilities		49	—
Deferred tax liability		<u>29</u>	<u>29</u>
		<u>147</u>	<u>98</u>
Net assets		<u><u>134,582</u></u>	<u><u>130,559</u></u>
Capital and reserves			
Share capital	12	8,000	8,000
Reserves		<u>126,582</u>	<u>122,559</u>
Total equity		<u><u>134,582</u></u>	<u><u>130,559</u></u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 October 2019

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Other reserve <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 May 2019 (audited)	8,000	50,585	10,148	61,826	130,559
Profit and total comprehensive income for the period	<u>—</u>	<u>—</u>	<u>—</u>	<u>4,023</u>	<u>4,023</u>
At 31 October 2019 (unaudited)	<u>8,000</u>	<u>50,585</u>	<u>10,148</u>	<u>65,849</u>	<u>134,582</u>
At 1 May 2018 (audited)	8,000	50,585	10,148	42,755	111,488
Profit and total comprehensive income for the period	<u>—</u>	<u>—</u>	<u>—</u>	<u>11,095</u>	<u>11,095</u>
At 31 October 2018 (unaudited)	<u>8,000</u>	<u>50,585</u>	<u>10,148</u>	<u>53,850</u>	<u>122,583</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 31 October 2019

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 were listed on GEM of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) with effective from 18 April 2017 and have been transferred from GEM to Main Board of Stock Exchange on 14 February 2019.

The address 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.

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 Appendix 16 of the Rules Governing the Listing of Securities on the Stock Exchange (the “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”). The unaudited condensed consolidated interim financial information should be read in conjunctions with annual consolidated financial statements for year ended 30 April 2019, which have been prepared in accordance with Hong Kong Financial Reporting Standards, HKAS and interpretations (collectively, the “HKFRSs”) issued by the HKICPA.

2. PRINCIPAL ACCOUNTING POLICIES AND CHANGE IN 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 2019 except as described Note 2.1 below.

In the current interim period, the Group has applied, for the first time, the following new standards, amendments and interpretation ("new HKFRSs") issued by the HKICPA which are effective for the Group's financial year beginning 1 May 2019:

HKFRS 16	Leases
HK(IFRIC) - Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 - 2017 Cycle

The adoption of HKFRS 16 resulted in changes in the Group's accounting policies and adjustments to the amounts recognised in the condensed consolidated interim financial information. The new accounting policy is set out in note 2.1 below. The application of other new and amendments to 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 these unaudited condensed consolidated interim financial information.

2.1 Impacts on adoption of HKFRS 16 Leases

HKFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to the lessee accounting by removing the distinction between operating lease and finance lease and requiring the recognition of right-of-use asset and a lease liability for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. Details of these new accounting policies are described in this note. The Group has applied HKFRS 16 Leases retrospectively with the cumulative effect of initial application as an adjustment to the opening balance of equity, where appropriate, at 1 May 2019, and has not restated comparatives for the 2018 reporting period as permitted under the specific transitional provisions in the standard. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 17 Leases.

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

The major impacts of the adoption of HKFRS 16 on the Group's unaudited condensed consolidated interim financial information are described below.

The Group as lessee

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

Right-of-use assets were measured at the amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the unaudited condensed consolidated statement of financial position immediately before the date of initial application. Consequently, right-of-use assets of approximately HK\$1,560,000 were recognised on 1 May 2019.

The Group recognises right-of-use assets and measures them at either:

- their carrying amount as if HKFRS 16 had been applied since the commencement date, discounted using the lessee's incremental borrowing rate at the date of initial application — the Group applied this approach to its largest property lease; or
- an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments - the Group applied this approach to all other leases.

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

- not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying HKAS 17 and HK(IFRIC)-4 Determining whether an Arrangement contains a Lease;
- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- reliance on previous assessments on whether leases are onerous by applying HKAS 37 as an alternative to performing an impairment review;
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 May 2019 as short-term leases;
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

Definition of a lease

Under HKFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

The Group as lessee

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

Lease liabilities

At the commencement date, the Group measures lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted by using the interest rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising an option to terminate the lease.

The lease liability is presented as a separate line in the unaudited condensed consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

Lease liability is remeasured (and with a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using revised discount rate.
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

Right-of-use assets

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement date and any initial direct costs, less lease incentives received.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, provision is recognised and measured under HKAS 37 “Provision, Contingent Liabilities and Contingent Assets”. The costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses. They are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The Group presents right-of-use assets that do not meet the definition of investment property as a separate line item on the unaudited condensed consolidated statement of financial position. The Group applies HKAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the “Plant and equipment” policy as stated in the Group’s annual consolidated financial statements for the year ended 30 April 2019.

Lease modification

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the lease increases by an amount commensurate with the standalone price for the increase in scope and any appropriate adjustments to that standalone price to reflect the circumstances of the particular contract.

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:

	Six months ended 31 October	
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Revenue from design, supply and installation services	67,640	119,698
Revenue from maintenance and repair services	16,013	21,343
Trading of fire service accessories	212	79
	<u>83,865</u>	<u>141,120</u>
Timing of revenue recognition		
At a point in time	212	79
Over time	<u>83,653</u>	<u>141,041</u>
	<u>83,865</u>	<u>141,120</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 HKFRSs 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:

	Six months ended 31 October	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Customer A	11,403	19,227
Customer B	9,903	19,032
Customer C	8,427	N/A ¹
Customer D	<u>N/A¹</u>	<u>27,737</u>

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

5. INCOME TAX EXPENSE

	Six months ended 31 October	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Current tax:		
Hong Kong Profits Tax	622	3,215
Deferred tax	<u>(30)</u>	<u>—</u>
	<u>592</u>	<u>3,215</u>

Hong Kong Profits Tax is calculated under the two-tiered profits tax rates regime where the first HK\$2 million of profits of qualifying corporation will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5% for the six months ended 31 October 2019. Hong Kong profits tax of the qualified entity of the Company is calculated in accordance with the two-tiered profits tax rates regime. For six months ended 31 October 2018, Hong Kong Profits Tax was calculated at a flat rate of 16.5% of the estimated assessable profits.

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 FOR THE PERIOD

	Six months ended 31 October	
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Profit for the period has been arrived at after charging:		
Interest expense on lease liabilities	26	—
Amortisation of intangible asset	11	—
Depreciation of plant and equipments	125	137
Depreciation of right-of-use assets	598	—
Listing expenses	—	3,647
Minimum lease payments paid under operating leases in respect of office premise and warehouse	<u>—</u>	<u>859</u>

7. EARNINGS PER SHARE

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

	Six months ended 31 October	
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Earnings		
Profit for the period attributable to owners of the Company for the purpose of basic earnings per share	<u>4,023</u>	<u>11,095</u>
	2019	2018
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	<u>800,000</u>	<u>800,000</u>

The diluted earnings per share is the same as the basic earnings per share as there were no diluted potential ordinary shares outstanding during the six months ended 31 October 2019 (2018: nil).

8. DIVIDEND

The Directors do not recommend the payment of interim dividend for the six months ended 31 October 2019 (2018: nil).

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

9. PLANT AND EQUIPMENT

During the six months ended 31 October 2019, the Group acquired approximately HK\$171,000 (2018: HK\$34,000) of plant and equipment.

10. TRADE RECEIVABLES

	31 October 2019 HK\$'000 (Unaudited)	30 April 2019 HK\$'000 (Audited)
Trade receivables	<u>42,772</u>	<u>33,349</u>

The Group does not hold any collateral over these balances.

The Group allows a credit period of 30 - 60 days (30 April 2019: 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 2019 HK\$'000 (Unaudited)	30 April 2019 HK\$'000 (Audited)
0 to 30 days	10,669	20,793
31 to 60 days	1,568	1,185
61 to 90 days	1,015	1,059
91 to 180 days	11,250	3
181 to 365 days	<u>18,270</u>	<u>10,309</u>
	<u>42,772</u>	<u>33,349</u>

11. TRADE AND RETENTION PAYABLES

	31 October 2019 HK\$'000 (Unaudited)	30 April 2019 HK\$'000 (Audited)
Trade payables	38,595	37,954
Retention payables	<u>7,304</u>	<u>6,733</u>
	<u>45,899</u>	<u>44,687</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 2019 HK\$'000 (Unaudited)	30 April 2019 HK\$'000 (Audited)
0 to 30 days	36,828	35,470
31 to 60 days	1,040	1,267
61 to 90 days	—	267
91 to 180 days	357	539
Over 180 days	<u>370</u>	<u>411</u>
	<u>38,595</u>	<u>37,954</u>

Trade payables represented payables to suppliers and subcontractors. The credit terms granted by suppliers and subcontractors were stipulated in the relevant contracts and the payables were usually due for the settlement within 30 - 60 days (30 April 2019: 30 - 60 days). The Group has financial risk management policies in place to ensure that all payables are settled within the credit time-frame.

12. SHARE CAPITAL

Authorised and issued share capital of the Company are as follows:

	Number of ordinary shares	Share capital <i>HK\$'000</i>
Ordinary shares of HK\$0.01 each		
Authorised:		
At 30 April 2019 (audited) and 31 October 2019 (unaudited)	<u>2,000,000,000</u>	<u>20,000</u>
Issued and fully paid:		
At 30 April 2019 (audited) and 31 October 2019 (unaudited)	<u>800,000,000</u>	<u>8,000</u>

13. CONTINGENT LIABILITIES

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

	31 October 2019 <i>HK\$'000</i> <i>(Unaudited)</i>	30 April 2019 <i>HK\$'000</i> <i>(Audited)</i>
Guarantees in respect of performance bonds in favour of its clients	<u>3,725</u>	<u>3,725</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 six months ended 31 October 2019 (30 April 2019: nil).

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”).

Due to the delay in concluding the trade talk between the United States and China and the economic slowdown in Hong Kong, it is expected that the Hong Kong fire safety industry will grow slowly as expected, which is possibly resulting in the delay in ongoing and future projects.

Having said that, WINDMILL Group Limited (the “Company”, together with its subsidiaries 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 with our existing clients which have over 3 to 5 years working relationship.

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

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

Recent Development

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

FINANCIAL REVIEW

Revenue

The Group's revenue for the six months ended 31 October 2019 recorded amounted to approximately HK\$83.9 million which represented a decrease of approximately HK\$57.2 million or 40.5% from approximately HK\$141.1 million for the six months ended 31 October 2018. The decrease in total revenue was mainly due to a decrease from installation services and maintenance services amounted to approximately HK\$52.1 million and HK\$5.3 million respectively.

Revenue

Analysis of revenue is as follows:

	Six months ended 31 October		2018	
	2019			
	<i>HK\$'000</i>	<i>% of total revenue</i>	<i>HK\$'000</i>	<i>% of total revenue</i>
Installation services	67,640	80.7	119,698	84.8
Maintenance services	16,013	19.1	21,343	15.1
	83,653	99.8	141,041	99.9
Others	212	0.2	79	0.1
Total	83,865	100.0	141,120	100.0

Installation services

Revenue decreased by approximately 43.5% from approximately HK\$119.7 million for the six months ended 31 October 2018 to approximately HK\$67.6 million for the six months ended 31 October 2019. The decrease by approximately HK\$52.1 million was mainly due to the delay in progress of several projects undertaken by the Group during the six months ended 31 October 2019 as compared to the corresponding 2018 reporting period.

Maintenance services

Revenue decreased by approximately 24.9% from approximately HK\$21.3 million for the six months ended 31 October 2018 to approximately HK\$16.0 million for the six months ended 31 October 2019. The decrease by approximately HK\$5.3 million was mainly due to the decrease in revenue from of the premises of various government departments during the six months ended 31 October 2019 as compared to the corresponding 2018 reporting period.

Others

For the six months ended 31 October 2019, revenue recorded amounted to approximately HK\$0.2 million (2018: HK\$0.1 million).

Cost of sales

Our cost of sales decreased by approximately 41.4% from approximately HK\$118.5 million for the six months ended 31 October 2018 to approximately HK\$69.5 million for the six months ended 31 October 2019. The decrease was mainly attributed to the decrease in subcontracting costs resulting from the delay in progress of several projects undertaken by the Group during the six months ended 31 October 2019.

Gross profit and gross profit margin

Our gross profit decreased by approximately HK\$8.2 million or 36.3% from approximately HK\$22.6 million for the six months ended 31 October 2018 to approximately HK\$14.4 million for the six months ended 31 October 2019. During the six months ended 31 October 2019, the gross profit margin was approximately 17.2% (2018: 16.0%).

Other income

The Group recorded other income of approximately HK\$60,000 for the six months ended 31 October 2019 (2018: HK\$28,000).

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 equipments and other miscellaneous administrative expenses. Our administrative expenses increased by approximately HK\$1.1 million or 13.3% from approximately HK\$8.3 million for the six months ended 31 October 2018 to approximately HK\$9.4 million for the six months ended 31 October 2019. The increase was mainly attributable to an increase in staff costs for the six months ended 31 October 2019.

Finance costs

Our finance costs increased by approximately 4.7 times from approximately HK\$67,000 for the six months ended 31 October 2018 to approximately HK\$379,000 for the six months ended 31 October 2019. The increase was primarily attributed to our increased level of bank borrowings.

Income tax expense

Our income tax expense decreased from approximately HK\$3.2 million for the six months ended 31 October 2018 to approximately HK\$0.6 million for the six months ended 31 October 2019. The decrease was due to the decrease in taxable profits.

Profit for the period attributable to owners of the Company

As a result of the foregoing, the profit attributable to owners of the Company decreased from approximately HK\$11.1 million for the six months ended 31 October 2018 to approximately HK\$4.0 million for the six months ended 31 October 2019.

LIQUIDITY AND FINANCIAL RESOURCES AND TREASURY POLICY

	As at 31 October 2019	As at 30 April 2019
Current ratio	2.7	2.9
Gearing ratio*	16.0%	12.5%

* 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 bank borrowings.

The current ratio of the Group as at 31 October 2019 was 2.7 times as compared to that of 2.9 times as at 30 April 2019. The gearing ratio of the Group as at 31 October 2019 was 16.0%, which is increased of 3.5% as at 30 April 2019. The decrease in current ratio and increase in gearing ratio were mainly due to the increase in bank borrowings.

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

CAPITAL COMMITMENTS

As of 31 October 2019, the capital commitments by the Group amounted to approximately HK\$8.6 million was made up of a contracted commitment in respect of the acquisition of a subsidiary (30 April 2019: Nil).

PLEDGE OF ASSETS

As at 31 October 2019, the Group pledged its bank deposit to banks of HK\$13.0 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 2019, performance bonds of approximately HK\$3.7 million (30 April 2019: HK\$3.7 million), were given by the bank in favour of some of our customers as a 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 2019, 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

In October 2019, the Group entered into a sale and purchase agreement, pursuant to which the Group conditionally agreed to purchase the entire equity interest of Greenleaf Enterprises Pte. Ltd, which is incorporated in Singapore and is principally engaged in trading and distributing health and beauty products.

Details of this acquisition are disclosed in the announcements issued by the Company on 25 October 2019 and 11 November 2019.

Save as disclosed above, there is no significant event after the reporting period of the Group.

MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

The Group had no material acquisitions or disposals of subsidiaries, associates and joint ventures during the six months ended 31 October 2019.

CAPITAL STRUCTURE

The Group's shares were successfully listed on GEM on the Listing Date and have been transferred from GEM to the Main Board of the Stock Exchange on 14 February 2019. There has been no change in the capital structure of the Group since that Listing Date. The capital of the Group only comprises of obligation under a finance lease and bank borrowings, net of bank balances and cash, issued share capital and reserves. Bank borrowings are made in Hong Kong dollars in which HK\$20,581,000 are charged at fixed interest rate.

SIGNIFICANT INVESTMENTS

As at 31 October 2019, there was no significant investment held by the Group (30 April 2019: Nil).

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

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

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

FOREIGN CURRENCY EXPOSURE

During the six months ended 31 October 2019, 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 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 the 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 2019, the Group employed 44 employees, the total staff costs amounted to approximately HK\$15.6 million (2018: HK\$8.9 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 10 to the Listing Rules as the code of conduct governing dealings by all Directors in the securities of the Company on terms no less exacting than the required standard of dealings as set out in the Model Code. Specific enquiries have been made with all Directors, all Directors declared that they have complied with the required standards as set out in the Model Code throughout the six months ended 31 October 2019.

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

As at 31 October 2019, 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 corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the “SFO”)) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provision of the SFO) or which were required to be recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code as set out in Appendix 10 to the Listing Rules as follows:

(i) The Company

Name of Director	Capacity/ Nature of Interest	Long/Short position	Number of shares held	Approximate percentage of shareholding in the Company
Mr. 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	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 2019, none of the Directors or chief executive of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required to be recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHT TO ACQUIRE SHARES

At no time during the six months ended 31 October 2019 was the Company, or 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 AND UNDERLYING SHARES

As at 31 October 2019, the following persons (other than Directors or chief executive of the Company) were interested in 5% or more of the shares and underlying shares of the Company which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

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 (“Smart Million”)	Beneficial Owner	Long position	119,965,998	15.00%
Marvel Paramount Investments Limited (“Marvel Paramount”) (<i>Note 2</i>)	Interests in controlled corporation	Long position	119,965,998	15.00%
Mr. Ma Ting Wai Barry (“Mr Ma”)	Interests in controlled corporation (<i>Note 3</i>)	Long position	119,965,998	15.00%
Ms. Leung Wing Ci Winnie (“Ms. Leung”)	Interests of spouse (<i>Note 4</i>)	Long position	119,965,998	15.00%
Strategic Apex Limited (“Strategic Apex”) (<i>Note 5</i>)	Interest in controlled corporation	Long position	59,974,002	7.50%
Opus Capital Management Limited	Interest in controlled corporation	Long position	59,974,002	7.50%
Opus Financial Holdings Limited (“Opus Financial Holdings”) (<i>Note 6</i>)	Interest in controlled corporation	Long position	59,974,002	7.50%
Opus Strategic International Limited (“Opus Strategic”) (<i>Note 7</i>)	Interest in controlled corporation	Long position	59,974,002	7.50%
Opus Financial Group Limited (“Opus Financial Group”) (<i>Note 8</i>)	Interest in controlled corporation	Long position	59,974,002	7.50%
Opus International Advisors Limited (“Opus International”) (<i>Note 9</i>)	Interest in controlled corporation	Long position	59,974,002	7.50%
Opus SSF Management Limited (“Opus SSF”) (<i>Note 10</i>)	Interest in controlled corporation	Long position	59,974,002	7.50%

Name of Shareholder	Capacity/ Nature of interest	Long/ Short position	Number of shares held	Approximate percentage of shareholding in the Company
Opus Special Situation Fund 1 LP (“Opus Special”) (Note 11)	Interest in controlled corporation	Long position	59,974,002	7.50%
Super Million Two (BVI) Limited (“Super Million Two”) (Note 12)	Beneficial owner	Long position	59,974,002	7.50%
Mr. Lai Shu Fun Francis Alvin (Mr. Lai)	Interest in controlled corporation	Long position	59,974,002	7.50%
Ms. Jang Kelly (Ms. Jang)	Interest of spouse (Note 13)	Long position	59,974,002	7.50%

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 is 100% beneficially owned by Marvel Paramount who is deemed to be interested in the shares held by Smart Million under the SFO.
3. Marvel Paramount is wholly and beneficially owned by Mr. Ma. By virtue of the SFO, Mr. Ma is deemed to be interested in all the shares in which Marvel Paramount is interested or deemed to be interested under the SFO.
4. Ms. Leung is the spouse of Mr. Ma. By virtue of the SFO, Ms. Leung is deemed to be interested in all the shares in which Mr. Ma is interested or deemed to be interested under the SFO.
5. Strategic Apex is 52% beneficially owned by Mr. Lai who is deemed to be interested in the shares held by Super Million Two under the SFO.
6. Opus Financial Holdings is 60.20% beneficially owned by Strategic Apex who is deemed to be interested in the shares held by Super Million Two under the SFO.
7. Opus Strategic is 100% beneficially owned by Opus Financial Holdings who is deemed to be interested in the shares held by Super Million Two under the SFO.
8. Opus Financial Group is 100% beneficially owned by Opus Strategic who is deemed to be interested in the shares held by Super Million Two under the SFO.
9. Opus International is 100% beneficially owned by Opus Financial Group who is deemed to be interested in the shares held by Super Million Two under the SFO.

10. Opus SSF is 100% beneficially owned by Opus International who is deemed to be interested in the shares held by Super Million Two under the SFO.
11. Opus Special is 100% beneficially owned by Opus SSF who is deemed to be interested in the shares held by Super Million Two under the SFO.
12. Super Million Two is 100% beneficially owned by Opus Special who is deemed to be interested in the shares held by Super Million Two under the SFO.
13. Ms. Jang is the spouse of Mr. Lai. By virtue of the SFO, Ms. Jang is deemed to be interested in all the shares in which Mr. Lai is interested or deemed to be interested under the SFO.

Save as disclosed above, as at 31 October 2019, the Company had not been notified by any persons (other than Directors or chief executive of the Company) who had interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

COMPETING INTERESTS

None of the Directors or the controlling shareholders of the Company and their respective close associates had any interest in a business which competes or may compete with the business of the Group.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

No transaction, arrangement or contract of significance to which the Company, any of its holding company, subsidiaries or fellow subsidiaries was a party, and in which a Director and a connected entity of a Director had a material interest, subsisted at the end of the period or at any time during the six months ended 31 October 2019.

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 2019.

SHARE OPTION SCHEME

The Company conditionally adopted a share option scheme on 27 March 2017. The Share Option Scheme will remain effective following the Transfer of Listing. The terms of the Share Option Scheme are in accordance with the provisions of Chapter 17 of the Main Board Listing Rules. Further details of the Share Option Scheme are set in the paragraph headed “Share Option Scheme” under the section headed “Statutory and General Information” of the Prospectus.

For the six months ended 31 October 2019, no share option was granted, exercised, cancelled or lapsed and there is no outstanding share option under the Share Option Scheme.

CORPORATE GOVERNANCE PRACTICES

The Board is of the view that the Company has complied with the code provisions set out in the Corporate Governance Code (the “CG Code”) as set out in Appendix 14 of the Listing Rules during the six months ended 31 October 2019 except the code provision A.2.1.

Deviation from code provision of the CG Code

The code provision A.2.1 of the CG Code states that the roles of the chairman and chief executive should be separate and should not be performed by the same individual.

Mr. Li Shing Kuen Alexander (“Mr. Li”) is the chairman of the Board and the chief executive officer of the Company. Given that Mr. Li has been leading the operations and management of the Group since 1985 when the Group was founded by him and taking into consideration our current scale of operations and management structure, the Board believes that it is more appropriate to have Mr. Li performing both functions of the chief executive officer and leader of the Board for more efficient management and strategic planning of the Group. Therefore, the Board considers that the deviation from the code provision A.2.1 of the CG Code is appropriate in the circumstances and currently does not propose to separate the functions of chairman and chief executive officer of the Company.

AUDIT COMMITTEE

The Company has established its audit committee (the “Audit Committee”) on 27 March 2017 with terms of reference in compliance with the Listing Rules and CG Code as set out in Appendix 14 to the Listing Rules. The primary duties of the Audit Committee are to, without limitation, to assist the Board in providing an independent view of the effectiveness of the financial reporting process, internal control and risk management systems of the Group, overseeing audit process and performing other duties and responsibilities as assigned by the Board. The Audit Committee has three members comprising the Company’s three independent non-executive Directors, namely 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 2019 have not been audited by the auditor of the Company but have been reviewed by the Audit Committee.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This announcement will be published on the respective websites of the Stock Exchange (www.hkex.com.hk) and the Company (www.windmill.hk). The interim report for the six months ended 31 October 2019 containing all the information required by the Listing Rules will be published on the website of the Company and the Stock Exchange and despatched to the Company’s shareholders in due course.

By order of the Board
WINDMILL Group Limited
Li Shing Kuen Alexander
Chairman and Chief Executive Officer

Hong Kong, 16 December 2019

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.