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## **WINDMILL GROUP LIMITED**

**(海鑫集團有限公司)**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1850)**

### **SUPPLEMENTAL ANNOUNCEMENT ON DISCLOSEABLE TRANSACTION IN RELATION TO THE ACQUISITION OF THE TARGET COMPANY**

Reference is made to the announcement of the Company dated 8 December 2022 (the “**Announcement**”) in relation to the Acquisition by the Purchaser (a wholly-owned subsidiary of the Company) of the Sale Shares at a consideration of HK\$17,550,000 subject to Adjustment, pursuant to the Sale and Purchase Agreement. Unless the context requires otherwise, capitalised terms used herein shall have the same meanings as those defined in the Announcement.

The Company would like to provide supplemental information on the Acquisition in this announcement.

#### **CONSIDERATION**

As disclosed in the Announcement, the Consideration was determined after arm’s length negotiations between the Purchaser and the Vendor based on a valuation of the Target Company at HK\$22,500,000 derived from the product of an expected Reference Year Profit of HK\$4,500,000 multiplied by a P/E ratio of 5.

The P/E ratio of 5 was determined by the Purchaser and the Vendor through arms-length negotiations under the circumstances that the Target Company is in a very specific and niche industry segment. The parties have taken references of current and historical P/E ratios of Hong Kong listed companies engaged in the building and construction segment, and have taken into account the nature of the Target Company of being a private company. The Company has also considered the growth potential of the Target Company and the strategic value that the Acquisition could bring to the Group as a whole.

The Company and the Vendor consider that the expected Reference Year Profit is achievable and reasonable, although the Target Company has been loss-making up to 30 September 2022. The Acquisition represents a vertical integration of the Group in the supply chain of fire service installation industry, as the Target Company is a supplier of the Group. The Reference Year Profit amount was agreed upon after the parties have considered relevant factors including the projects that the Group has engaged or will engage the Target Company, and also the Target Company's project pipelines, revenue projection, historical cost structure, projected costs for existing pipelines, cost control practice, business prospects as well as the general market demand for the Target Company's products.

## **REASONS FOR AND BENEFITS OF ENTERING INTO THE SALE AND PURCHASE AGREEMENT**

As disclosed in the Announcement, the Target Company is a manufacturer of prefabricated modules and components to be used in fire services installation and related purposes, and provides a design for Manufacture and Assembly (DfMA) services.

The application of prefabricated modules and components in the fire service installation process is new and is able to improve efficiency and working environment during the installation process. With Target Company's new process, components customization and assembling can be completed at plant off-site, enabling mass production in an organized way with efficiency in materials utilization, reducing pollution and improving the working environment for the installation.

The Acquisition of 78% shares, together with an Option to purchase up to 100% shares, in the Target Company which is critical to the supply chain of the Group can add value to the Group's business and strengthen the Group's competitiveness immediately.

The Directors consider that the Consideration and the other terms of the Sale and Purchase Agreement are on normal commercial terms, fair and reasonable and in the interest of the Company and its shareholders, both financially and strategically.

By Order of the Board  
**WINDMILL Group Limited**  
**Liu Shihao**  
*Chairman*

Hong Kong, 18 January 2023

*As at the date of this announcement, the executive Director is Mr. Liu Shihao, Mr. Li Shing Kuen Alexander and Ms. Wang Ya; and the independent non-executive Directors are Mr. Yu Wai Chun, Mr. Li Ka Chun Gordon and Mr. Xian Gonghua.*