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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)

DISCLOSEABLE TRANSACTION
REDEMPTION OF INTEREST IN AN INVESTMENT FUND

Reference is made to the announcement of the Company on 30 July 2020. The board (the “**Board**”) of directors (the “**Director(s)**”) of WINDMILL Group Limited (the “**Company**”) announced that on 25 September 2020, the Company would like to redeem the interest in an investment fund (the “**Redemption**”) which is now under the custodian in The Hong Kong and Shanghai Banking Corporation Limited (the “**HSBC**”).

THE REDEMPTION

The principal terms of the Redemption are as follows:

Date: 25 September 2020
Parties to the Redemption: (1) The Company
(2) HSBC

Assets to be redeemed

The asset being redeemed under the Redemption is the interest in AB American Income Portfolio (Fund Code: U62381) (the “**Portfolio**”) which invests in all types of U.S. government securities and fixed-income securities, including investment grade and high yield, non-investment grade securities of issuers domiciled within and outside the U.S.; and non-U.S. government or their agencies and instrumentalities issuing securities denominated in USD and a variety of mortgage-backed securities and zero coupon securities.

Consideration

HSBC shall pay the Company at a total amount of approximately HK\$14,977,000 which represents the latest available net asset value attributable to the Portfolio invested by the Company.

Conditions precedent

Since the Portfolio has no fixed investment period, completion of the Redemption is conditional upon HSBC having paid the latest available net asset value from the Portfolio to the Company.

Completion

Subject to the fulfillment of the conditions precedent set out above, completion of the Redemption is scheduled to take place on 25 September 2020.

FINANCIAL EFFECTS AND USE OF PROCEEDS FROM THE REDEMPTION

Immediately after completion of the Redemption, the financial results of the Portfolio will no longer be consolidated into the Group's financial statements.

It is expected that the Group will recognize a net gain in its consolidated income statement for the period ended 30 September 2020 of approximately HK\$924,000 arising from the Redemption, which is calculated as the difference between the consideration of the Redemption received and the audited carrying amount of the investment in the Portfolio of approximately HK\$14,053,000 classified by the Group as a financial asset at fair value through profit or loss as at 30 April 2020. The overall net loss in the Portfolio will be approximately HK\$378,000 which is calculated as the difference among the consideration of the Redemption received, the total dividend received, the transaction costs and the subscription amount paid on 20 February 2020.

The intended proceeds from the Redemption (after deducting relevant costs and expenses in connection with the Redemption) in the amount of approximately HK\$14,977,000 will be applied to the general working capital of the Company.

REASONS FOR AND BENEFITS OF THE REDEMPTION

The Portfolio that was subscribed in February 2020 has been recorded a net loss of a portion of its capital over the term of investment. Taking into account of the unsatisfactory financial performance of the Portfolio and an unstable economic environment suffered from the COVID-19 worldwide during the past few months, the Directors are uncertain about the future performance of the Portfolio.

The Directors are of the view that the Redemption represents an opportunity to reallocate the Group's financial resources in order to optimize the operational efficiency and to enhance the return to the Group.

Taking into consideration of the aforesaid, the Directors consider that the terms of the Redemption are fair and reasonable and are on normal commercial terms and are in the interest of the Company and the shareholders of the Company as a whole.

INFORMATION ON THE PARTIES

The Company and its subsidiaries are principally engaged in the investment holding, 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 and trading of fire service accessories. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, (i) HSBC is principally engaged in banking and financial services business; (ii) HSBC and its ultimate beneficial owners are third parties independent of the Company and its connected persons (as defined under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**")); and (iii) the custodian of the Portfolio, Brown Brothers Harriman (Luxembourg) S.C.A., and its ultimate beneficial owner, are third parties independent of the Company and its connected persons (as defined under the Listing Rules).

IMPLICATIONS UNDER THE LISTING RULES

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in relation to the Redemption, on an aggregate basis, exceed 5% but are below 25%, the Redemption constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements, but is exempted from the circular and shareholders' approval requirements, under Chapter 14 of the Listing Rules.

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

Hong Kong, 25 September 2020

As at the date of this announcement, the executive Directors are Mr. Li Shing Kuen Alexander and Mr. Ma Ting Wai Barry; the non-executive Director is Mr. Chan Ming Fai; and the independent non-executive Directors are Mr. Pun Kin Wa, Mr. Tsang Man Bui and Mr. Lee Kwok Tung Louis.