

WINDMILL GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)
Stock Code : 1850

**INTERIM
REPORT
2022**

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Liu Shihao (*Chairman*)

Mr. Li Shing Kuen Alexander

(*Chief Executive Officer*)

Ms. Wang Ya

Independent non-executive Directors

Mr. Yu Wai Chun

Mr. Li Ka Chun Gordon

Mr. Pau Ka Tat Patrick

(resigned on 10 May 2022)

Mr. Xian Gonghua (appointed on 10 May 2022)

AUDIT COMMITTEE

Mr. Yu Wai Chun (*Chairman*)

Mr. Li Ka Chun Gordon

Mr. Pau Ka Tat Patrick

(resigned on 10 May 2022)

Mr. Xian Gonghua (appointed on 10 May 2022)

REMUNERATION COMMITTEE

Mr. Li Ka Chun Gordon (*Chairman*)

Mr. Yu Wai Chun

Mr. Pau Ka Tat Patrick

(resigned on 10 May 2022)

Mr. Xian Gonghua (appointed on 10 May 2022)

NOMINATION COMMITTEE

Mr. Pau Ka Tat Patrick (*Chairman*)

(resigned on 10 May 2022)

Mr. Yu Wai Chun

Mr. Li Ka Chun Gordon

Mr. Xian Gonghua (*Chairman*)

(appointed on 10 May 2022)

COMPANY SECRETARY

Mr. Yau Yan Yuen

AUTHORISED REPRESENTATIVES

Mr. Li Shing Kuen Alexander

Mr. Yau Yan Yuen

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 BANKERS

The Hong Kong and Shanghai

Banking Corporation Limited

DBS Bank (Hong Kong) Limited

AUDITOR

CL Partners 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

17/F, Far East Finance Centre,

16 Harcourt Road, Admiralty

Hong Kong

STOCK CODE

1850

COMPANY'S WEBSITE

www.windmill.hk

FINANCIAL HIGHLIGHTS

For the six months ended 31 October 2022, operating results of WINDMILL Group Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) were as follows:

- Revenue for the six months ended 31 October 2022 reached approximately HK\$111.1 million (2021: HK\$108.9 million), representing an increase of 2.0% as compared with that of the corresponding period in 2021;
- Profit for the six months ended 31 October 2022 amounted to approximately HK\$5.5 million (2021: profit of approximately HK\$5.6 million), representing a decrease of 1.8% as compared with that of corresponding period in 2021;
- Basic and diluted earnings per share for the six months ended 31 October 2022 based on weighted average number of ordinary shares of 960,000,000 shares (2021: 800,000,000 shares) in issue was 0.57 HK cent per share (2021: 0.70 HK cent per share); and
- The Directors have resolved not to declare an interim dividend for the six months ended 31 October 2022 (2021: Nil).

INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 OCTOBER 2022

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 2022 together with the comparative unaudited figures for the corresponding period in 2021 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 31 October 2022

		Six months ended	
		31 October	
		2022	2021
		HK\$'000	HK\$'000
	<i>Notes</i>	(Unaudited)	(Unaudited)
Revenue	3	111,136	108,912
Cost of sales		<u>(97,484)</u>	<u>(92,516)</u>
Gross profit		13,652	16,396
Other income		2,209	139
Administrative expenses		(9,907)	(9,323)
Other gain		1,197	–
Impairment loss under expected credit loss on trade receivables and contract assets, net		(752)	–
Finance costs		<u>(349)</u>	<u>(360)</u>
Profit before taxation		6,050	6,852
Income tax expense	5	<u>(593)</u>	<u>(1,272)</u>
Profit and total comprehensive income for the period attributable to owners of the Company	6	<u>5,457</u>	<u>5,580</u>
Earnings per share			
Basic and diluted (HK cent)	7	<u>0.57</u>	<u>0.70</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION*At 31 October 2022*

		31 October 2022	30 April 2022
		HK\$'000	HK\$'000
	<i>Notes</i>	(Unaudited)	(Audited)
Non-current assets			
Plant and equipment	9	1,318	1,408
Intangible assets		85	22
Right-of-use assets	10	4,254	97
Deferred tax assets		1,728	2,321
Deposit		647	–
		<u>8,032</u>	<u>3,848</u>
Current assets			
Trade receivables	11	25,636	19,464
Contract assets		117,819	77,910
Deposits, prepayments and other receivables		18,513	9,204
Tax recoverable		381	381
Financial assets at fair value through profit or loss		4,649	3,605
Pledged bank deposits		21,120	21,104
Bank balances and cash		22,556	59,113
		<u>210,674</u>	<u>190,781</u>
Current liabilities			
Trade and retention payables	12	38,993	25,230
Contract liabilities		288	370
Accruals and other payables		4,284	13,707
Lease liabilities		1,504	96
Bank borrowings		28,469	18,166
		<u>73,538</u>	<u>57,569</u>

		31 October 2022 HK\$'000 (Unaudited)	30 April 2022 HK\$'000 (Audited)
	<i>Note</i>		
Net current assets		<u>137,136</u>	<u>133,212</u>
Total assets less current liabilities		<u>145,168</u>	<u>137,060</u>
Non-current liability			
Lease liabilities		<u>2,651</u>	–
		<u>2,651</u>	–
Net assets		<u><u>142,517</u></u>	<u><u>137,060</u></u>
Capital and reserves			
Share capital	<i>13</i>	9,600	9,600
Reserves		<u>132,917</u>	<u>127,460</u>
Total equity		<u><u>142,517</u></u>	<u><u>137,060</u></u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY*For the six months ended 31 October 2022*

	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 2022 (audited)	9,600	78,244	10,148	39,068	137,060
Profit and total comprehensive income for the period	—	—	—	<u>5,457</u>	<u>5,457</u>
At 31 October 2022 (unaudited)	<u>9,600</u>	<u>78,244</u>	<u>10,148</u>	<u>44,525</u>	<u>142,517</u>
At 1 May 2021 (audited)	8,000	50,585	10,148	46,060	114,793
Profit and total comprehensive income for the period	—	—	—	<u>5,580</u>	<u>5,580</u>
At 31 October 2021 (unaudited)	<u>8,000</u>	<u>50,585</u>	<u>10,148</u>	<u>51,640</u>	<u>120,373</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS*For the six months ended 31 October 2022*

	For the six months ended	
	31 October	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Net cash (used in)/generated from operating activities	(46,132)	33,554
Investing activities		
Purchase of plant and equipment	(118)	(225)
Purchase of intangible assets	(90)	–
Proceeds from disposal of plant and equipment	–	63
Purchase of financial assets at fair value through profit or loss (“FVTPL”)	(970)	–
Proceeds from sale of financial assets at FVTPL	1,123	–
Net cash used in investing activities	(55)	(162)
Financing activities		
Repayment of bank borrowings	(33,257)	(61,084)
Drawdown of bank borrowings	43,560	59,347
Payment of lease liabilities	(324)	(562)
Interest element of lease rentals paid	(16)	(7)
Bank interest paid	(333)	(353)
Net cash generated from/(used in) financing activities	9,630	(2,659)
Net (decrease)/increase in cash and cash equivalents	(36,557)	30,733
Cash and cash equivalents at the beginning of the period	59,113	51,223
Cash and cash equivalents at the end of the period represented by bank balances and cash	22,556	81,956

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 31 October 2022

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. The shares of the Company were listed on Main Board of The Stock Exchange of Hong Kong Limited (the “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 2022, 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 except for certain financial instruments that are measured at fair values at the end of each reporting period.

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 2022.

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 2022:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020

The directors of the Company anticipate that the application of 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.

3. REVENUE

Revenue represents 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	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Revenue from design, supply and installation services	100,706	97,052
Revenue from maintenance and repair services	10,389	11,754
Trading of fire service accessories	41	106
	111,136	108,912
Timing of revenue recognition		
At a point in time	41	106
Over time	111,095	108,806
	111,136	108,912

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	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Customer A	34,990	N/A ¹
Customer B	11,501	N/A ¹
Customer C	11,420	49,828
Customer D	N/A¹	12,500

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	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current tax:		
Hong Kong Profits Tax	593	1,272

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 2022. Hong Kong Profits Tax of the qualified entity of the Company is calculated in accordance with the two-tiered profits tax rates regime.

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	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Profit for the period has been arrived at after charging/(crediting):		
Interest expense on lease liabilities	16	7
Amortisation of intangible assets	27	895
Depreciation of plant and equipment	77	185
Depreciation of right-of-use assets	231	583
Gain on fair value change of financial assets at FVTPL	(1,197)	–
Loss on disposal of plant and equipment	–	92
Government subsidy (<i>note</i>)	(2,122)	–

Note:

A cash subsidy of HK\$2,122,000 was granted by The Government of the Hong Kong Special Administrative Region (the “HKSAR Government”) under the Anti-Epidemic Fund for relieving financial burdens of the businesses for the period ended 31 October 2022. There were no unfulfilled conditions and other contingencies attached to the receipts of those subsidies.

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	
	2022	2021
	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	5,457	5,580
Number of shares		
	2022	2021
	'000	'000
Weighted average number of ordinary shares for the purpose of basic earnings per share	960,000	800,000

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 2022 (2021: nil).

8. DIVIDEND

The Directors do not declare the payment of interim dividend for the six months ended 31 October 2022 (2021: 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 2022, the Group acquired approximately HK\$118,000 (2021: HK\$225,000) of plant and equipment.

10. RIGHT-OF-USE ASSETS

Additions to the right-of-use assets for the six months ended 31 October 2022 amounted to approximately HK\$4,388,000 (2021: nil), due to new leases of office premise.

11. TRADE RECEIVABLES

	31 October 2022	30 April 2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
Trade receivables	46,123	39,834
Less: impairment loss	<u>(20,487)</u>	<u>(20,370)</u>
	<u>25,636</u>	<u>19,464</u>

The Group does not hold any collateral over these balances.

The Group allows a credit period of 30-60 days (30 April 2022: 30-60 days) to its customers. The following is an ageing analysis of trade receivables net of impairment, presented based on the date of progress certificates or completion certificates and invoice date, which approximates the respective revenue recognition dates, at the end of the reporting period:

	31 October 2022	30 April 2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
0 to 30 days	10,773	17,958
31 to 60 days	1,540	291
61 to 90 days	759	1,109
91 to 180 days	2,751	106
181 to 365 days	<u>9,813</u>	<u>–</u>
	<u>25,636</u>	<u>19,464</u>

12. TRADE AND RETENTION PAYABLES

	31 October 2022	30 April 2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
Trade payables	27,803	13,863
Retention payables	<u>11,190</u>	<u>11,367</u>
	<u>38,993</u>	<u>25,230</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 2022 HK\$'000 (Unaudited)	30 April 2022 HK\$'000 (Audited)
0 to 30 days	17,002	12,670
31 to 60 days	1,458	974
61 to 90 days	83	–
91 to 180 days	159	–
Over 180 days	9,101	219
	<u>27,803</u>	<u>13,863</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 2022: 30-60 days). The Group has financial risk management policies in place to ensure that all payables are settled within the credit time-frame.

13. SHARE CAPITAL

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 30 April 2022 (audited) and 31 October 2022 (unaudited)	<u>2,000,000,000</u>	<u>20,000</u>
Issued and fully paid:		
At 30 April 2022 (audited) and 31 October 2022 (unaudited)	<u>960,000,000</u>	<u>9,600</u>

14. CONTINGENT LIABILITIES

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

	31 October 2022 HK\$'000 (Unaudited)	30 April 2022 HK\$'000 (Audited)
Guarantees in respect of performance bonds in favour of its clients	<u>3,856</u>	<u>4,776</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 2022 (30 April 2022: 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 and other engineering and construction related aspects 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”).

It is still in a challenging year for Windmill Group Limited (the “Company”, together with its subsidiaries the “Group”) due to the outbreak and rapid spread of “COVID-19”.

Having said that, we will continue to explore the opportunities to further expand and increase the Group’s capacity in providing our services by identifying suitable business opportunities with potential customers and the Group has also committed to undertake new installation and maintenance projects.

On 8 December 2022, the Group entered into a sale and purchase agreement to acquire 78% shareholding interest in Noah Ark Pipelines Company Limited (the “Target Company”), a manufacturer of prefabricated modules and components to be used in fire services installation and related purposes. It is believed the acquisition can bring substantial strategic value to the Group by ensuring stable supply of quality prefabricated modules and components for fire service installation. The application of prefabricated modules and components in the fire service installation process is new to the industry and is able to improve efficiency and working environment during the installation process. In addition, the Target Company provides a Design for Manufacture and Assembly (DfMA) services, which can support the design and application of BIM and Auto CAD, well-known design tools in the construction industry. The Directors consider that the acquisition can enhance the competitive advantage of the Group in the fire service installation industry.

In addition, the Group will also continually 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. 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.

FINANCIAL REVIEW

Revenue

The Group's revenue for the six months ended 31 October 2022 recorded amounted to approximately HK\$111.1 million which represented an increase of approximately HK\$2.2 million or 2.0% from approximately HK\$108.9 million for the six months ended 31 October 2021. The increase in total revenue was mainly due to an increase from installation services amounted to approximately HK\$3.6 million.

Revenue

Analysis of revenue is as follows:

	Six months ended 31 October		2021	
	2022	% of total	2021	% of total
	<i>HK\$'000</i>	<i>revenue</i>	<i>HK\$'000</i>	<i>revenue</i>
Installation services	100,706	90.6	97,052	89.1
Maintenance services	10,389	9.3	11,754	10.8
	111,095	99.9	108,806	99.9
Others	41	0.1	106	0.1
Total	111,136	100.0	108,912	100.0

Installation services

Revenue increased by approximately 3.7% from approximately HK\$97.1 million for the six months ended 31 October 2021 to approximately HK\$100.7 million for the six months ended 31 October 2022. The slight increase by approximately HK\$3.6 million was mainly due to the completion of installation projects by the Group during the six months ended 31 October 2022 as compared to the corresponding 2021 reporting period.

Maintenance services

Revenue decreased by approximately 11.9% from approximately HK\$11.8 million for the six months ended 31 October 2021 to approximately HK\$10.4 million for the six months ended 31 October 2022. The decrease by approximately HK\$1.4 million was mainly due to the completion of maintenance contracts in the premises of various government department as compared to the corresponding 2021 reporting period.

Others

For the six months ended 31 October 2022, revenue recorded amounted to approximately HK\$0.04 million (2021: HK\$0.1 million).

Cost of sales

Our cost of sales increased by approximately 5.4% from approximately HK\$92.5 million for the six months ended 31 October 2021 to approximately HK\$97.5 million for the six months ended 31 October 2022. The increase was mainly attributed to the increase in subcontracting costs resulting from the completion of installation contracts undertaken by the Group during the six months ended 31 October 2022.

Gross profit and gross profit margin

Our gross profit decreased by approximately HK\$2.7 million or 16.5% from approximately HK\$16.4 million for the six months ended 31 October 2021 to approximately HK\$13.7 million for the six months ended 31 October 2022. During the six months ended 31 October 2022, the gross profit margin was approximately 12.3% (2021: 15.1%).

Other income

The Group recorded other income of approximately HK\$2.2 million for the six months ended 31 October 2022 (2021: HK\$0.1 million). The increase was mainly due to an “Anti-epidemic Fund” of the “Employment Support Scheme” launched by the HKSAR Government with approximately HK\$2.1 million in the corresponding 2022 reporting period only.

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\$0.6 million or 6.5% from approximately HK\$9.3 million for the six months ended 31 October 2021 to approximately HK\$9.9 million for the six months ended 31 October 2022. The increase was mainly attributable to an increase in legal and professional fees for the six months ended 31 October 2022.

Other gain

HK\$1.2 million was arose from the fair value change of the financial assets at fair value through profit or loss was recognised for the period ended 31 October 2022, while no other gain was recognised in the corresponding 2021 reporting period.

Finance costs

Our finance costs remained stable at approximately HK\$0.3 million for the six months ended 31 October 2022 (2021: HK\$0.3 million).

Income tax expense

Our income tax expense decreased from approximately HK\$1.3 million for the six months ended 31 October 2021 to approximately HK\$0.6 million for the six months ended 31 October 2022. 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\$5.6 million for the six months ended 31 October 2021 to approximately HK\$5.5 million for the six months ended 31 October 2022.

LIQUIDITY AND FINANCIAL RESOURCES AND TREASURY POLICY

	As at 31 October 2022	As at 30 April 2022
Current ratio	2.9	3.3
Gearing ratio*	22.9%	13.3%

* 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 and total lease liabilities.

The current ratio of the Group as at 31 October 2022 was 2.9 times as compared to that of 3.3 times as at 30 April 2022. The gearing ratio of the Group as at 31 October 2022 was 22.9% as compared to that of 13.3% as at 30 April 2022. 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, other reserve and bank borrowing from the international banks.

CAPITAL COMMITMENTS

As at 31 October 2022, the Group has no capital commitments (30 April 2022: Nil).

PLEDGE OF ASSETS

As at 31 October 2022, the Group pledged its bank deposit to banks of HK\$21.1 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 2022, performance bonds of approximately HK\$3.9 million (30 April 2022: HK\$4.8 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 2022, 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.

USE OF PROCEEDS

On 27 March 2022, the Company and the Placing Agent entered into the Placing Agreement pursuant to which the Company conditionally agreed to issue up to 160,000,000 Shares (the “Placing Shares”), and the Placing Agent conditionally agreed, on a best effort basis, to procure the Placees to subscribe for the Placing Shares at HK\$0.185 per Placing Share (the “Placing Price”) and on the terms and subject to the conditions set out in the Placing Agreement. The Placing Shares will be allotted and issued pursuant to the General Mandate and will be allotted to not less than six Placees. The conditions of the Placing have been fulfilled and Completion took place on 22 April 2022. All the Placing Shares have been successfully placed by the Placing Agent to not less than six Placees at the Placing Price pursuant to the terms and conditions of the Placing Agreement.

The net proceeds from the Placing of Shares which were completed on 22 April 2022, after deduction of the relevant fees paid by the Company in connection therewith, were approximately HK\$29.2 million.

The Company intends to apply the net proceeds from the Share Placing in the same proportion and in the same manner as shown in the announcements of the Company dated 27 March 2022 and 30 March 2022. An analysis of the utilisation of the net proceeds during the Reporting Period is set out below:

Intended application of the Net Proceeds	Approximate amount of Net Proceeds allocated	Approximate percentage of Net Proceeds allocated	Utilised amount for the six months ended 31 October 2022	Unutilised amount as at 31 October 2022
Exploration and development of engineering businesses (other than fire service installation) in Hong Kong	HK\$9.0 million	31%	HK\$9.0 million	–
Development and enhancement of the current fire service installation segment	HK\$8.0 million	27%	–	HK\$8.0 million
Exploration of electrical and mechanical products and accessory trading business in Hong Kong and Mainland China	HK\$3.0 million	10%	–	HK\$3.0 million
General working capital	HK\$9.2 million	32%	HK\$6.5 million	HK\$2.7 million
Total	HK\$29.2 million	100%	HK\$15.5 million	HK\$13.7 million

As at 31 October 2022, the net proceeds of approximately HK\$15.5 million raised have been utilised as intended. There was unutilised proceeds of approximately HK\$13.7 million as at 31 October 2022. The unutilised use of proceeds is expected to be used in the year ending 30 April 2023.

EVENT AFTER THE REPORTING PERIOD

On 8 December 2022, the Group entered into a sale and purchase agreement to acquire 78% shareholding interest in Noah Ark Pipelines Company Limited, a manufacturer of prefabricated modules and components to be used in fire services installation and related purposes, at a consideration of HK\$17,550,000. Further details of the acquisition were set out in the Company's announcement dated 8 December 2022.

Saved as abovementioned and disclosed in this report, there were no important events after the Reporting Period and up to the date of this report.

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 2022.

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. Save for the placing of shares which was completed on 22 April 2022, there has been no change in the capital structure of the Group since that Listing Date. The capital of the Group only comprises of bank borrowings, net of bank balances and cash, issued share capital and reserves.

SIGNIFICANT INVESTMENTS

As at 31 October 2022, there was no significant investment held by the Group (30 April 2022: Nil).

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Please refer to the section headed "Event After the Reporting Period" above.

FOREIGN CURRENCY EXPOSURE

During the six months ended 31 October 2022, 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 2022, the Group employed 62 employees (2021: 57 employees), the total staff costs amounted to approximately HK\$18.1 million (2021: HK\$18.3 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 report, 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. After 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 2022.

DIVIDENDS

The Board does not declare the payment of dividend for the six months ended 31 October 2022 (2021: nil).

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 2022, none of the Directors and their respective associates had 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 Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")) which are required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were deemed or taken to have under the provisions of the SFO); (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the Model Code for Securities Transaction by Directors of Listed Issuers to be notified to the Company and the Stock Exchange; or (d) to be disclosed in this report pursuant to the Takeovers Code.

DIRECTORS' RIGHT TO ACQUIRE SHARES

At no time during the six months ended 31 October 2022 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 2022, 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 Substantial Shareholder	Nature of interest	Total number of Shares interested	Approximate percentage of the existing issued share capital of the Company (%)
Garden Wealth Investment Limited (Note 1)	Beneficial Owner	213,660,000	22.26
Ms. Li Minying (Note 1)	Interests in controlled corporation	213,660,000	22.26
Great Season Ventures Limited (Note 2)	Beneficial Owner	123,660,000	12.88
Mr. Jiang Jianhui (Note 2)	Interests in controlled corporation	123,660,000	12.88
Standard Chartered PLC	Beneficial Owner	88,080,000	9.18
Low Tuck Kwong	Beneficial Owner	88,000,000	9.17
Wong Kai Lai	Beneficial Owner	62,950,000	6.56

Notes:

- Garden Wealth Investment Limited is wholly and beneficially owned by Ms. Li Minying. By virtue of the SFO, Ms. Li Minying is deemed to be interested in all the shares in which Garden Wealth Investment Limited is interested or deemed to be interested under the SFO. Ms. Li Minying is also the sole director of Garden Wealth Investment Limited.
- Great Season Ventures Limited is wholly and beneficially owned by Mr. Jiang Jianhui. By virtue of the SFO, Mr. Jiang Jianhui is deemed to be interested in all the shares in which Great Season Ventures Limited is interested or deemed to be interested under the SFO. Mr. Jiang Jianhui is also the sole director of Great Season Ventures Limited.

Save as disclosed above, as at 31 October 2022, 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 2022.

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 2022.

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 2022, 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 2022.

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. Yu Wai Chun, Mr. Li Ka Chun Gordon and Mr. Xian Gonghua. The chairman of the Audit Committee is Mr. Yu Wai Chun. The unaudited condensed consolidated results of the Group for the six months ended 31 October 2022 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 report 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 2022 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
Liu Shihao
Chairman

Hong Kong, 21 December 2022

As at the date of this report, the executive Directors are 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.

In case of any inconsistency, the English text of this report shall prevail over the Chinese text.