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# THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer or other registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your Shares in WINDMILL Group Limited, you should at once hand this circular, together with the enclosed form of proxy, to the purchaser(s) or the transferee(s) or to the bank manager, licensed securities dealer, registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

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This circular is for information only and does not constitute an invitation or offer to Shareholders or any other persons to acquire, purchase, or subscribe for securities of WINDMILL Group Limited.

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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)

- (1) PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL;  
(2) PROPOSED SHARE CONSOLIDATION;  
(3) PROPOSED RIGHTS ISSUE ON THE BASIS OF TWO (2) RIGHTS SHARES  
FOR EVERY ONE (1) CONSOLIDATED SHARE HELD  
AT THE CLOSE OF BUSINESS ON THE RECORD DATE  
ON A NON-UNDERWRITTEN BASIS; AND  
(4) NOTICE OF EGM

Financial adviser  
to the Company

**ADVENT**  
宏智融資

Advent Corporate Finance Limited

Placing Agent



恆宇證券有限公司  
Space Securities Limited

Independent Financial  
Adviser to the Independent  
Board Committee and  
Independent Shareholders



紅日資本有限公司  
RED SUN CAPITAL LIMITED

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Capitalised terms used in this cover shall have the same meanings as those defined in this circular.

A letter from the Board is set out on pages 11 to 33 of this circular. A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on pages 34 to 35 of this circular. A letter from the Independent Financial Adviser, containing its recommendation to the Independent Board Committee and the Independent Shareholders is set out on pages 36 to 56 of this circular.

It should be noted that the Consolidated Shares will be dealt in on an ex-rights basis from Thursday, 4 May 2023. Dealings in the Rights Shares in nil paid form are expected to take place from Wednesday, 17 May 2023 to Wednesday, 24 May 2023 (both days inclusive). If the conditions of the Rights Issue are not fulfilled, the Rights Issue will not proceed. Any person contemplating dealing in the nil-paid Rights Shares during the period from Wednesday, 17 May 2023 to Wednesday, 24 May 2023 (both days inclusive) will accordingly bear the risk that the Rights Issue may not become unconditional and/or may not proceed. Any person contemplating dealing in the Shares, the Consolidated Shares and/or the Rights Shares in their nil-paid form are recommended to consult his/her/its own professional advisers.

A notice convening the EGM to be held at Suite 2703, 27th Floor, Shui On Centre, 6-8 Harbour Road, Wanchai, Hong Kong, on Friday, 28 April 2023 at 11:00 a.m. is set out on EGM-1 to EGM-4 of this circular. A form of proxy for use at the EGM is also enclosed. Whether or not you are able to attend the EGM, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the Registrar as soon as possible and in any event not less than 48 hours before the time appointed for holding the EGM or the adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

The Rights Issue will proceed on a non-underwritten basis irrespective of the level of acceptance of the provisionally allotted Rights Shares and is subject to the fulfilment of conditions. Please refer to the section headed "Letter from the Board — Conditions of the Rights Issue" in this circular. In the event that the Rights Issue is not fully subscribed, any Unsubscribed Rights Shares together with the NQS Unsold Shares will be placed to independent places on a best effort basis under the Placing. Any Unsubscribed Rights Shares or NQS Unsold Shares which are not placed under the Placing will not be issued by the Company and the size of the Rights Issue will be reduced accordingly. There is no minimum amount to be raised under the Rights Issue. The Cayman Islands legal adviser of the Company has confirmed that there is no minimum subscription amount required to be raised from the Rights Issue under the laws of Cayman Islands. Shareholders and potential investors are advised to exercise caution when dealing in the Shares, the Consolidated Shares and/or the nil-paid Rights Shares up to the date when all the conditions to which the Rights Issue is subject are fulfilled.

3 April 2023

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## DEFINITIONS

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*In this circular, unless the context requires otherwise, the following expressions shall have the following meanings:*

“Announcement”	the announcement dated 10 February 2023 in relation to, among other things, the Increase in Authorised Share Capital, the Share Consolidation, the Rights Issue and the Placing
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“Business Day”	any day (other than Saturday, Sunday, a public holiday or a day on which a black rainstorm warning or tropical cyclone warning signal number 8 or above is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.) on which banks in Hong Kong are generally open for business
“CCASS”	the Central Clearing and Settlement System established and operated by the Hong Kong Securities Clearing Company Limited
“Company”	WINDMILL Group Limited, a company incorporated in the Cayman Islands with limited liability, whose issued shares are listed on the Main Board of the Stock Exchange (stock code: 1850)
“Compensatory Arrangement”	the compensatory arrangements pursuant to Rule 7.21(1)(b) of the Listing Rules as described in the paragraph headed “Procedures in respect of the Unsubscribed Rights Shares and the NQS Unsold Shares and the Compensatory Arrangements” in this circular
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Consolidated Share(s)”	the ordinary share(s) of par value of HK\$0.20 each in the share capital of the Company immediately after the Share Consolidation becoming effective
“controlling shareholder(s)”	has the meaning ascribed thereto under the Listing Rules
“Director(s)”	the director(s) of the Company
“EGM”	an extraordinary general meeting of the Company to be convened to consider and, if thought fit, to approve, among other things, the Increase in Authorised Share Capital, the Share Consolidation, the Rights Issue, the Placing and the transactions contemplated thereunder

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## DEFINITIONS

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“Excluded Shareholder(s)”	those Overseas Shareholder(s) whom the Board, based on legal opinions provided by the Company’s legal advisers, consider it necessary or expedient not to offer the Rights Shares to such Shareholders on account either of restrictions under the laws of the relevant place or the requirements of a relevant regulatory body or stock exchange in that place
“Existing Share(s)”	the ordinary share(s) of par value of HK\$0.01 each in the share capital of the Company before the Share Consolidation
“Extreme Conditions”	the extreme conditions as announced by any Hong Kong governmental department or body or otherwise, whether or not under or pursuant to the revised “Code of Practice in Times of Typhoons and Rainstorms” issued by the Labour Department in June 2019, in the event of serious disruption of public transport services, or government services, extensive flooding, major landslides or large-scale power outage after typhoons or incidents similar in seriousness or nature
“Group”	the Company and its Subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Increase in Authorised Share Capital”	the proposed increase in the existing authorised share capital of the Company from HK\$20,000,000 divided into 2,000,000,000 Existing Shares to HK\$40,000,000 divided into 4,000,000,000 Existing Shares (or 200,000,000 Consolidated Shares after the Share Consolidation becoming effective)
“Independent Financial Adviser”	Red Sun Capital Limited, a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities as defined under the SFO
“Independent Shareholders”	Shareholders other than (i) all executive Directors and their respective associates; (ii) those who are involved in or interested in the Rights Issue; and (iii) those who are required under the Listing Rules to abstain from voting at the EGM
“Independent Third Party(ies)”	third party(ies) independent of and not connected (as defined under the Listing Rules) with the Company and connected person(s) of the Company
“Last Trading Day”	10 February 2023, being the last full trading day of the Shares on the Stock Exchange before the release of the Announcement

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## DEFINITIONS

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“Latest Practicable Date”	27 March 2023, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Latest Time for Acceptance”	4:00 p.m. on Tuesday, 30 May 2023 or such other time as may be determined by the Company, being the latest time for acceptance of, and payment for, the Rights Shares as described in the Prospectus Documents
“Listing Committee”	has the same meaning ascribed thereto under the Listing Rules
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“MGO Obligation”	the obligation to make a mandatory general offer under the Takeovers Code
“Net Gain”	the aggregate of any premiums (being the aggregate amount paid by the placees after deducting the aggregate amount of the Subscription Price for the Placing Shares placed by the Placing Agent under the Placing Agreement
“No Action Shareholders”	Qualifying Shareholder(s) or renouncee(s) or transferee(s) of nil-paid rights under PAL(s) during the Rights Issue who do not subscribe for the Rights Shares (whether partially or fully) under the PAL(s), or such persons who hold any nil-paid rights at the time such nil-paid rights lapse
“NQS Unsold Shares”	the Rights Shares which would otherwise have been provisionally allotted to the Excluded Shareholder(s) in nil-paid form that have not been sold by the Company
“Overseas Shareholder(s)”	Shareholder(s) whose name(s) appear on the register of members of the Company on the Record Date and whose address(es) as shown on such register is/are in a place(s) outside Hong Kong
“PAL(s)”	the provisional allotment letter(s) to be used in connection with the Rights Issue in such form as the Company may approve
“Placing”	arrangements to place the Unsubscribed Rights Shares and the NQS Unsold Shares by the Placing Agent on a best effort basis to investors who (or as the case may be, their ultimate beneficial owner(s)) are not Shareholders and are otherwise Independent Third Parties during the Placing Period on the terms and subject to the conditions set out in the Placing Agreement

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## DEFINITIONS

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“Placing Agent”	Space Securities Limited, a corporation licensed under the SFO to carry out Type 1 (dealing in securities) regulated activity as defined under the SFO
“Placing Agreement”	The placing agreement dated 10 February 2023 entered into between the Company and the Placing Agent in relation to the placing of the Placing Shares
“Placing End Date”	Tuesday, 13 June 2023 or such other date as the Company may announce
“Placing Long Stop Date”	4:10 p.m. on Wednesday, 14 June 2023 (being the next Business Day after the Placing End Date) or such later date as the Company may announce
“Placing Period”	the period commencing from the Tuesday, 6 June 2023 to Tuesday, 13 June 2023
“Placing Shares”	Unsubscribed Rights Share(s) and the NQS Unsold Share(s)
“PRC”	the People’s Republic of China, which for the purpose of this circular, shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and the Taiwan region
“Prospectus”	the prospectus to be despatched to the Shareholders containing details of the Rights Issue
“Prospectus Documents”	the Prospectus and the PAL
“Prospectus Posting Date”	Monday, 15 May 2023 or such other date as the Company may determine in writing for the despatch of the Prospectus Documents
“Public Float Requirement”	the public float requirement under Rule 8.08 of the Listing Rules
“Qualifying Shareholder(s)”	Shareholder(s) whose name(s) appear on the register of members of the Company at the close of business on the Record Date, other than the Excluded Shareholders
“Record Date”	Friday, 12 May 2023, or such other date as the Company may determine, for determining entitlement to the Rights Issue
“Registrar”	Tricor Investor Services Limited of 17/F, Far East Finance Centre, 16 Harcourt Road, Admiralty, Hong Kong

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## DEFINITIONS

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“Rights Issue”	the proposed issue by way of rights on the basis of two (2) Rights Shares for every one (1) Consolidated Share held by the Qualifying Shareholders at the close of business on the Record Date at the Subscription Price on the terms and subject to the conditions set out in Prospectus Documents
“Rights Share(s)”	the new Share(s) proposed to be allotted and issued by the Company pursuant to the Rights Issue
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shareholder(s)”	holders of Share(s)
“Share(s)”	ordinary share(s) in the share capital of the Company
“Share Consolidation”	the proposed consolidation of every twenty (20) Existing Shares of par value of HK\$0.01 each into one (1) Consolidated Share of par value of HK\$0.20 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	the issue price of HK\$1.36 per Consolidated Share with nominal value of HK\$0.20 each after the Share Consolidation becoming effective
“Subsidiary(ies)”	has the same meaning ascribed thereto under the Listing Rules
“substantial Shareholder”	has the same meaning ascribed thereto under the Listing Rules
“Takeovers Code”	the Codes on Takeovers and Mergers and Share Buy-backs
“Unsubscribed Rights Shares”	Those Rights Shares that are not subscribed by the Qualifying Shareholders and the Excluded Shareholders that are not successfully sold by the Company as described in the paragraph headed “Procedures in respect of the Unsubscribed Rights Shares and the NQS Unsold Shares and the Compensatory Arrangements”
“%”	per cent

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## EXPECTED TIMETABLE

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The expected timetable for the proposed Increase in Authorised Share Capital, the Share Consolidation, the Rights Issue and the associated trading arrangement is set out below. The expected timetable is subject to the results of the EGM and satisfaction of the conditions and is therefore for indicative purpose only. Any change to the expected timetable will be announced in a separate announcement by the Company as and when appropriate. All times and dates in this circular refer to Hong Kong local times and dates.

<b>Event</b>	<b>Year 2023</b>
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Latest time for lodging transfers of shares to qualify for attendance and voting at the EGM .....	4:30 p.m. on Friday, 21 April
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Closure of register of members of the Company for attending and voting at the EGM (both days inclusive) .....	Monday, 24 April to Friday, 28 April
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Latest time for lodging forms of proxy for the purpose of the EGM .....	11:00 a.m., on Wednesday, 26 April
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Record date for determining attendance and voting at the EGM .....	Friday, 28 April
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Expected date and time of the EGM .....	11:00 a.m., Friday, 28 April
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Announcement of results of the EGM .....	Friday, 28 April
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**The following events are conditional on the fulfillment of the conditions for the implementation of the Share Consolidation and Rights Issue.**

Effective date of the Increase in Authorised Share Capital .....	Friday, 28 April
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Register of members of the Company re-opens .....	Tuesday, 2 May
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Effective date of the Share Consolidation .....	Wednesday, 3 May
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Commencement of dealings in the Consolidated Shares .....	9:00 a.m., on Wednesday, 3 May
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## EXPECTED TIMETABLE

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Original counter for trading in Shares (in board lots of 10,000 Shares) (in the form of existing share certificates) temporarily closes .....	9:00 a.m., on Wednesday, 3 May
Temporary counter for trading in Consolidated Shares, in board lots of 500 Consolidated Shares (in the form of existing share certificates) opens. ....	9:00 a.m., on Wednesday, 3 May
First day for the free exchange of existing certificates of the Shares into new share certificates of Consolidated Shares commences .....	Wednesday, 3 May
Last day of dealings in Consolidated Shares on a cum-entitlement basis of the Rights Issue. ....	Wednesday, 3 May
First day of dealings in Consolidated Shares on an ex-entitlement basis of the Rights Issue .....	Thursday, 4 May
Latest time for lodging transfers of Consolidated Shares in order to qualify for the Rights Issue .....	4:30 p.m. on Friday, 5 May
Closure of register of members of the Company for determining entitlements to the Rights Issue (both dates inclusive) .....	Monday, 8 May to Friday, 12 May
Record Date for determining entitlements to the Rights Issue .....	Friday, 12 May
Register of members the Company re-opens .....	Monday, 15 May
Expected date of despatch of the Prospectus Documents .....	Monday, 15 May
First day of dealing in nil-paid Rights Shares .....	Wednesday, 17 May
Designated broker starts to stand in the market to provide matching services for the sale and purchase of odd lots of Consolidated Shares .....	9:00 a.m., on Wednesday, 17 May

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## EXPECTED TIMETABLE

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Original counter for trading in Consolidated Shares in new board lots of 10,000 Consolidated Shares (in the form of new share certificates) re-opens .....	9:00 a.m., on Wednesday, 17 May
Parallel trading in the Consolidated Shares (in the form of both existing share certificates and new share certificates) commences .....	9:00 a.m., on Wednesday, 17 May
Latest time for splitting of the PAL .....	4:30 p.m. on Friday, 19 May
Last day of dealing in nil-paid Rights Shares .....	Wednesday, 24 May
Latest time for lodging transfer documents of nil-paid Rights Shares in order to qualify for the payment of Net Gain .....	4:00 p.m. on Tuesday, 30 May
Latest Time for Acceptance of and payment for the Rights Shares and application .....	4:00 p.m. on Tuesday, 30 May
Announcement of the number of the Unsubscribed Rights Shares and NQS Unsold Shares subject to the Placing .....	Monday, 5 June
Commencement of the Placing Period (if there are any Unsubscribed Rights Shares and NQS Unsold Shares available) .....	Tuesday, 6 June
Designated broker ceases to provide matching services for odd lots of the Consolidated Shares .....	4:00 p.m. on Wednesday, 7 June
Temporary counter for trading in Consolidated Shares, in board lots of 500 Consolidated Shares (in the form of existing share certificates) closes .....	4:10 p.m. on Wednesday, 7 June
Parallel trading in the Consolidated Shares (in the form of both existing share certificates and new share certificates) ends .....	4:10 p.m. on Wednesday, 7 June

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## EXPECTED TIMETABLE

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Last day for the free exchange of existing certificates of the Shares into new share certificates of Consolidated Shares .....	Friday, 9 June
Placing End Date .....	6:00 p.m. on Tuesday, 13 June
Latest Time for the Rights Issue to become unconditional; and the Placing Long Stop Date .....	4:10 p.m. on Wednesday, 14 June
Rights Issue Settlement Date and Placing completion date .....	Monday, 19 June
Announcement of the results of the Rights Issue (Including the results of the Placing and the Net Gain) .....	Tuesday, 20 June
Despatch of share certificates for the Rights Shares and/or refund cheques if the Rights Issue is terminated. ....	Wednesday, 21 June
Expected first day of dealings in fully-paid Rights Share .....	9:00 a.m., on Friday, 23 June
Payment of Net Gain to relevant No Action Shareholders (if any) .....	Thursday, 6 July

All times and dates stated above refer to Hong Kong local times and dates. The expected timetable for the Share Consolidation and Rights Issue set out above and all dates and deadlines specified in this circular are indicative only and may be varied. Any changes to the expected timetable will be announced in a separate announcement by the Company as and when appropriate.

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## EXPECTED TIMETABLE

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### **EFFECT OF BAD WEATHER ON THE LATEST TIME FOR ACCEPTANCE**

The Latest Time for Acceptance will not take place at 4:00 p.m. on Tuesday, 30 May 2023 if there is a tropical cyclone warning signal number 8 or above, or a “black” rainstorm warning or Extreme Conditions, if such circumstances is:

- (i) in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on the date of the Latest Time for Acceptance, the Latest Time for Acceptance will not take place at 4:00 p.m. on the date of the Latest Time for Acceptance, but will be extended to 5:00 p.m. on the same day instead;
  
- (ii) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on the date of the Latest Time for Acceptance, the Latest Time for Acceptance will not take place on the date of the Latest Time for Acceptance, but will be rescheduled to 4:00 p.m. on the following business day which does not have either of those warnings in force at any time between 9:00 a.m. and 4:00 p.m..

If the Latest Time for Acceptance does not take place on the date of the Latest Time for Acceptance, the dates mentioned in the section headed “Expected Timetable” in this circular may be affected. An announcement will be made by the Company in such event.

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## LETTER FROM THE BOARD

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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)

*Executive Directors:*

Mr. Liu Shihao

Mr. Li Shing Kuen Alexander

Ms. Wang Ya

*Independent non-executive Directors:*

Mr. Yu Wai Chun

Mr. Li Ka Chun Gordon

Mr. Xian Gonghua

*Registered Office:*

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

*Head Office and Principal Place of*

*Business:*

Unit 1603, 16/F., Tower 1

Enterprise Square

9 Sheung Yuet Road

Kowloon Bay, Kowloon

Hong Kong

3 April 2023

*To the Qualifying Shareholders, and for information only, to the Excluded Shareholders*

Dear Sir or Madam,

- (1) PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL;  
(2) PROPOSED SHARE CONSOLIDATION;  
(3) PROPOSED RIGHTS ISSUE ON THE BASIS OF TWO (2) RIGHTS SHARES  
FOR EVERY ONE (1) CONSOLIDATED SHARE HELD  
AT THE CLOSE OF BUSINESS ON THE RECORD DATE  
ON A NON-UNDERWRITTEN BASIS; AND  
(4) NOTICE OF EGM**

#### INTRODUCTION

Reference is made to the Announcement. The purpose of this circular is to provide you with, among other things, (i) details of the proposed Increase in Authorised Share Capital; (ii) details of the proposed Share Consolidation (iii) further information regarding the Rights Issue, the Placing Agreement and the transactions contemplated thereunder; (iv) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in respect of the Rights Issue; (v) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Rights Issue; (vi) other information required under the Listing Rules and the Takeovers Code; and (vii) the notice of the EGM.

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## LETTER FROM THE BOARD

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### PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL

In order to accommodate the future expansion and growth of the Group, the Board proposes to increase the existing authorised share capital of the Company from HK\$20,000,000 divided into 2,000,000,000 Existing Shares with a par value of HK\$0.01 each to HK\$40,000,000 divided into 4,000,000,000 Existing Shares with a par value of HK\$0.01 each (or 200,000,000 Consolidated Shares after the Share Consolidation becoming effective). Subject to the passing of an ordinary resolution by the Shareholders at the EGM to approve the Increase in Authorised Share Capital, the Increase in Authorised Share Capital will become effective on the date of the EGM.

The Board believes the Increase in Authorised Share Capital is in the interests of the Company and the Shareholders as a whole.

### PROPOSED SHARE CONSOLIDATION

The Board proposes to put forward a proposal to the Shareholders to implement the Share Consolidation which involves the consolidation of every twenty (20) issued and unissued Existing Shares of par value of HK\$0.01 each into one (1) Consolidated Share of par value of HK\$0.20 each.

Fractional Consolidated Shares will be disregarded and not issued to the Shareholders, but all such fractional Consolidated Shares will be aggregated and, if possible, sold for the benefit of the Company.

### Conditions of the Share Consolidation

The Share Consolidation is conditional upon:

- (i) the passing of an ordinary resolution(s) by the Shareholders to approve the Share Consolidation at the EGM to be convened by the Company;
- (ii) the compliance with all relevant procedures and requirements under the laws of the Cayman Islands (where applicable) and the Listing Rules to effect the Share Consolidation; and
- (iii) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Consolidated Shares in issue or to be issued from the Share Consolidation.

Subject to the satisfaction of all the above conditions, it is expected that the Share Consolidation will become effective on Wednesday, 3 May 2023, i.e. being the second Business Day immediately following the date of passing the relevant ordinary resolution(s) approving the Share Consolidation at the EGM.

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## LETTER FROM THE BOARD

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### **Effects of the Share Consolidation**

As at the date of this circular, the authorised share capital of the Company is HK\$20,000,000 divided into 2,000,000,000 Existing Shares of HK\$0.01 each, of which 960,000,000 Existing Shares have been issued and are fully paid or credited as fully paid. Upon the Increase in Authorised Share Capital and the Share Consolidation becoming effective but before the completion of the Rights Issue and assuming no change in the number of Shares in issue from the date of this circular to the effective date of the Share Consolidation, the authorised share capital of the Company will become HK\$40,000,000 divided into 200,000,000 Consolidated Shares of HK\$0.20 each, of which 48,000,000 Consolidated Shares (which are fully-paid or credited as fully-paid) will be in issue.

Upon the Share Consolidation becoming effective, the Consolidated Shares will rank pari passu in all respects with each other in accordance with the Company's articles of association. No fractional Consolidated Shares will be issued by the Company. Any fractional entitlements of the Consolidated Shares will be aggregated and sold for the benefit of the Company. Fractional Consolidated Shares will only arise in respect of the entire shareholding of a holder of the Shares regardless of the number of share certificates held by such holder.

Currently, the Shares are traded on the Stock Exchange in the board lot size of 10,000 Shares. Upon the Share Consolidation becoming effective, the board lot size for trading in the Consolidated Shares will remain as 10,000 Consolidated Shares.

Other than the expenses to be incurred in relation to the Share Consolidation, the implementation thereof will not alter the underlying assets, business operations, management or financial position of the Group or the interests or rights of the Shareholders, save for any fractional Consolidated Shares which may arise.

### **Odd lots arrangements and matching services**

In order to facilitate the trading of odd lots of the Consolidated Shares arising from the Share Consolidation, the Company has appointed Space Securities Limited to provide a matching service, on a best effort basis, to those Shareholders who wish to acquire odd lots of the Consolidated Shares to make up a full board lot, or to dispose of their holding of odd lots of the Consolidated Shares. Holders of the Consolidated Shares in odd lots represented by valid share certificates for the Consolidated Shares who wish to take advantage of this facility either to dispose of their odd lots of the Consolidated Shares or to top up their odd lots to a full new board lot, may directly or through their brokers, contact Mr. Perry Tai of Space Securities Limited at (852) 2510 0609 during the period from 9:00 a.m. on Wednesday, 17 May 2023 to 4:00 p.m. on Wednesday, 7 June 2023 (both days inclusive). Holders of odd lots of the Consolidated Shares should note that the matching of the sale and purchase of odd lots of the Consolidated Shares is not guaranteed.

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## LETTER FROM THE BOARD

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### **Exchange of share certificates**

Subject to the Share Consolidation having become effective, Shareholders may, during the period from Wednesday, 3 May 2023 to Friday, 9 June 2023, submit the existing share certificates for the Existing Shares to the Registrar at 17/F, Far East Finance Centre, 16 Harcourt Road, Admiralty, Hong Kong, to exchange, at the expense of the Company, for new share certificates for the Consolidated Shares. Thereafter, existing share certificates for Existing Shares will continue to be good evidence of legal title and may be exchanged for new share certificates for Consolidated Shares at the expense of the Shareholders on payment of a fee of HK\$2.50 (or such higher amount as may be allowed by the Stock Exchange from time to time) for each existing share certificate cancelled or each new share certificate issued for Consolidated Shares (whichever is higher) but are not acceptable for delivery, trading and settlement purposes.

The new share certificates for the Consolidated Shares will be Issued in green colour in order to distinguish them from the existing yellow colour.

### **Listing and Dealings of the Consolidated Shares**

Application will be made to the Listing Committee for the granting of the listing of, and permission to deal in, the Consolidated Shares in issue arising from the Share Consolidation.

Subject to the granting of listing of, and permission to deal in, the Consolidated Shares on the Stock Exchange, the Consolidated Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Consolidated Shares on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second settlement day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. All necessary arrangements will be made for the Consolidated Shares to be admitted into CCASS.

None of the Existing Shares are listed or dealt in any other stock exchange other than the Stock Exchange, and at the time the Share Consolidation becoming effective, the Consolidated Shares in issue will not be listed or dealt in on any stock exchange other than the Stock Exchange, and no such listing or permission to deal is being or is proposed to be sought.

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## LETTER FROM THE BOARD

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### Reasons for the Share Consolidation

Under Rule 13.64 of the Listing Rules, where the market price of the securities of an issuer approaches the extremities of HK\$0.01 or HK\$9,995.00, the issuer may be required by the Stock Exchange either to change the trading method or to proceed with a consolidation or splitting of its securities.

Pursuant to the “Guide on Trading Arrangements for Selected Types of Corporate Actions” issued by the Hong Kong Exchanges and Clearing Limited on 28 November 2008 and updated on 1 October 2020 (the “**Guideline**”), the expected board lot value should be greater than HK\$2,000 per board lot taking into account the minimum transaction costs for a securities trade. As at the Latest Practicable Date, the closing price of each Existing Share is HK\$0.066, with a board lot size of 10,000 Existing Shares, the existing board lot value is only HK\$660, which is less than HK\$2,000.

In order to reduce transaction and registration costs incurred by the Shareholders and investors of the Company, the Board proposes to implement the Share Consolidation. It is expected that the Share Consolidation will bring about a corresponding upward adjustment to the share price per board lot, and increase the value of each board lot of the Consolidated Shares to more than HK\$2,000. Based on the closing price of HK\$0.069 per Existing Share as quoted on the Stock Exchange as at the Last Trading Day, the value of each board lot of the Existing Shares is HK\$690 and the theoretical value of each board lot of the Consolidated Shares, assuming the Share Consolidation has become effective, would be HK\$13,800.

Accordingly, the Board believes that the Share Consolidation is in the interests of the Company and the Shareholders as a whole.

### Closure of register of members

The register of members of the Company will be closed from Monday, 24 April 2023 to Friday, 28 April 2023 (both days inclusive) for determining the identity of the Shareholders entitled to attend and vote at the EGM. No transfer of the Existing Shares will be registered during the above book closure period.

**Shareholders and potential investors should note that the Share Consolidation is conditional upon satisfaction of the conditions as set out in the paragraph headed “Conditions of the Share Consolidation” above. Accordingly, the Share Consolidation may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the securities, the Consolidated Shares and/or nil-paid Rights Shares of the Company. If they are in doubt, they should consult their professional advisers.**

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## LETTER FROM THE BOARD

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### PROPOSED RIGHTS ISSUE

The Company proposes, subject to the Increase in Authorised Share Capital and the Share Consolidation having become effective, to implement the Rights Issue on the basis of two (2) Rights Shares for every one (1) Consolidated Share held at the close of business on the Record Date at the Subscription Price of HK\$1.36 per Consolidated Share after the Share Consolidation becoming effective, to raise up to approximately HK\$130.56 million (before expenses) by issuing up to 96,000,000 Consolidated Shares to the Qualifying Shareholders.

Further details of the Rights Issue are set out below:

#### Rights Issue statistics

Basis of the Rights Issue	:	Two (2) Rights Shares for every one (1) Consolidated Share held at the close of business on the Record Date
Subscription Price	:	HK\$1.36 per Consolidated Share with nominal value of HK\$0.20 each after the Share Consolidation becoming effective
Number of Shares in issue as at the Latest Practicable Date	:	960,000,000 Existing Shares
Number of Consolidated Shares in issue immediately upon the Share Consolidation having become effective	:	48,000,000 Consolidated Shares (assuming there is no change in number of Shares in issue up to the effective date of the Share Consolidation)
Number of Rights Shares (Shares to be issued pursuant to the Rights Issue)	:	Up to 96,000,000 Consolidated Shares, assuming no further issue of new Share(s) and no repurchase of Share(s) on or before the Record Date
Number of Consolidated Shares in issue immediately upon completion of the Rights Issue	:	Up to 144,000,000 Consolidated Shares, assuming no further issue of new Share(s) and no repurchase of Share(s) on or before the Record Date
Gross proceeds from the Rights Issue	:	Up to approximately HK\$130.56 million before expenses (assuming no further issue of new Share(s) and no repurchase of Share(s) on or before the Record Date)

The Company does not have any options outstanding under any share option scheme of the Company or any other derivatives, options, warrants and conversion rights or other similar rights which are convertible or exchangeable into Shares as at the Latest Practicable Date.

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## LETTER FROM THE BOARD

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The nil-paid Rights Shares proposed to be provisionally allotted pursuant to the terms of the Rights Issue represents 200.00% of the Company's issued share capital as at the Latest Practicable Date and 66.67% of the Company's issued share capital as enlarged by the allotment and issue of the Rights Shares immediately after completion of the Rights Issue assuming no further issue of new Share(s) other than the Rights Shares and no repurchase of Share(s) on or before completion of the Rights Issue.

The Rights Issue will proceed on a non-underwritten basis irrespective of the level of acceptances of the provisionally allotted Rights Shares.

As at the Latest Practicable Date, the Board has not received any information from any Shareholders of their intention to take up the Rights Shares to be provisionally allotted to them under the Rights Issue.

### **The Subscription Price**

The Subscription Price is HK\$1.36 per Consolidated Share with nominal value of HK\$0.20 each after the Share Consolidation becoming effective, shall be payable in full upon acceptance of the relevant provisional allotment of Rights Shares under the Rights Issue or when a transferee of nil-paid Rights Shares applies for the Rights Shares.

The Subscription Price represents:

- (a) a discount of approximately 1.45% to the closing price of HK\$0.069 per Existing Share as quoted on the Stock Exchange on the Last Trading Day;
- (b) a discount of approximately 3.68% to the average closing price of approximately HK\$0.0706 per Existing Share for the last 5 consecutive trading days as quoted on the Stock Exchange up to and including the Last Trading Day;
- (c) a discount of approximately 5.29% to the average closing price of approximately HK\$0.0718 per Existing Share for the last 10 consecutive trading days as quoted on the Stock Exchange up to and including the Last Trading Day;
- (d) the same as the theoretical ex-entitlement price of approximately HK\$0.068 per Existing Share based on the closing price of HK\$0.069 as quoted on the Stock Exchange on the Last Trading Day;
- (e) a discount of approximately 54.05% to the unaudited consolidated net asset value per Existing Share of approximately HK\$0.148 as at 31 October 2022 (based on 960,000,000 Existing Shares in issue as at the Last Trading Day);
- (f) a premium of approximately 3.03% over the closing price of HK\$0.066 per Existing Share as quoted on the Stock Exchange on the Latest Practicable Date; and

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## LETTER FROM THE BOARD

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- (g) theoretical dilution effect (as defined under Rule 7.27B of the Listing Rules) represented by a discount of approximately 2.82%, represented by the theoretical diluted price of approximately HK\$0.069 per Share to the benchmarked price of approximately HK\$0.071 per Consolidated Share (as defined under Rule 7.27B of the Listing Rules, taking into account the higher of (i) the closing price of the Existing Shares as quoted on the Stock Exchange on the Last Trading Day and (ii) the average of the closing prices of the Existing Shares as quoted on the Stock Exchange for the previous five consecutive trading days prior to the date of the Announcement.

The Subscription Price was determined with reference to, among other things, (i) the market price of the Shares under the prevailing market conditions; (ii) the current business performance and financial position of the Group; and (iii) the reasons for and benefits of proposed Rights Issue as discussed in the section head “Reason for the Rights Issue, the Placing and the use of proceeds” in this circular.

As the Rights Shares are offered to all Qualifying Shareholders, the Directors wish to set the Subscription Price at a level that will attract Qualifying Shareholders to participate in the Rights Issue. As all Qualifying Shareholders are entitled to subscribe for the Rights Shares in the same proportion to his/her/its existing shareholding in the Company held on the Record Date, the Directors (excluding the independent non-executive Directors who will form their views after considering the advice of the independent financial adviser) consider that the discount of the Subscription Price would encourage the Qualifying Shareholders to take up their entitlements so as to maintain their shareholdings in the Company and participate in the future growth of the Group, particularly in view of (i) the historical trading prices of the Shares showed a downward trend during the past twelve months before the date of the announcement of the Company dated 9 February 2023; and (ii) the average trading volume of shares in the past twelve months before the date of the announcement of the Company dated 9 February 2023, were very low. The Directors (excluding the independent non-executive Directors who will form their views after considering the advice of the independent financial adviser) consider the Subscription Price is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

### **Qualifying Shareholders**

The Rights Issue will only be available to the Qualifying Shareholders. The Company will send the Prospectus Documents to the Qualifying Shareholders and the Prospectus, for information only, to the Excluded Shareholders. To qualify for the Rights Issue, Shareholders must be registered as members of the Company on the Record Date and must be a Qualifying Shareholder.

Shareholders whose Shares are held by nominee companies (or which are deposited in CCASS) should note that the Board will regard a nominee company (including HKSCC Nominees Limited) as a single Shareholder according to the register of members of the Company. Shareholders with their Shares held by nominee companies (or which are deposited in CCASS) are advised to consider whether they would like to arrange for registration of the relevant Shares in the name of the beneficial owner(s) prior to the Record Date. Shareholders and investors of the Company should consult their professional advisers if they are in doubt.

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## LETTER FROM THE BOARD

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In order to be registered as members of the Company on the Record Date, Shareholders must lodge any transfers of the Consolidated Shares (together with the relevant share certificates) with the Registrar for registration no later than 4:30 p.m. on Friday, 5 May 2023.

**Qualifying Shareholders who do not take up the Rights Shares to which they are entitled and Excluded Shareholders should note that their shareholdings in the Company will be diluted.**

### **Rights of Overseas Shareholders (if any)**

The Prospectus Documents are not intended to be registered under the applicable securities legislation of any jurisdiction other than Hong Kong. Overseas Shareholder(s) may not be eligible to take part in the Rights Issue as explained below.

In compliance with Rule 13.36(2)(a) of the Listing Rules, the Company will make enquiries regarding the feasibility of extending the Rights Issue to the Overseas Shareholder(s) (if any). If based on legal opinions provided by the legal advisers to the Company, the Directors consider that it is necessary or expedient not to offer the Rights Shares to the Overseas Shareholder(s) on account either of the legal restrictions under the laws of the relevant place(s) or the requirements of the relevant regulatory body or stock exchange in that (those) place(s), the Rights Issue will not be extended to such Overseas Shareholder(s). Subject to the advice of the Company's legal advisers in the relevant jurisdictions and to the extent reasonably practicable, the Company may send copies of the Prospectus to the Excluded Shareholders for their information only on the Prospectus Posting Date, but will not send any PAL to them. As at the Latest Practicable Date, there is no Overseas Shareholder with registered addresses situated outside of Hong Kong.

The basis for excluding the Excluded Shareholder(s), if any, from the Rights Issue will be set out in the Prospectus. The basis for excluding the Non-Qualifying Shareholders, if any, from the Rights Issue will be set out in the Prospectus to be issued.

Arrangements will be made for Rights Shares which would otherwise have been provisionally allotted to the Excluded Shareholder(s) to be sold in the market in their nil-paid form as soon as practicable after dealings in the nil-paid Rights Shares commence, if a premium (net of expenses) can be obtained. The proceeds of such sale, less expenses and stamp duty, of more than HK\$100 will be paid pro rata to the relevant Excluded Shareholder(s). The Company will retain individual amounts of HK\$100 or less for the benefit of the Company.

**Overseas Shareholders should note that they may or may not be entitled to the Rights Issue subject to the results of the enquiries made by the Company pursuant to the Listing Rules. Accordingly, Overseas Shareholders should exercise caution when dealing in the securities of the Company.**

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## LETTER FROM THE BOARD

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### **Closure of register of members**

The Company's register of members will be closed from Monday, 8 May 2023 to Friday, 12 May 2023, both dates inclusive, for the purpose of, among other things, establishing entitlements to the Rights Issue. No transfer of Shares or Consolidated Shares will be registered during this period.

### **Basis of provisional allotments**

The basis of the provisional allotment shall be two (2) Rights Shares for every one (1) Consolidated Share in issue and held by the Qualifying Shareholders at the close of business on the Record Date at the Subscription Price payable in full on acceptance and otherwise on the terms and subject to the conditions set out in the Prospectus Documents. There will be no excess application arrangement in relation to the Rights Issue.

Application for all or any part of a Qualifying Shareholder's provisional allotment should be made by lodging a duly completed PAL and a cheque or a banker's cashier order for the sum payable for the Rights Shares being applied for with the Registrar on or before the Latest Time for Acceptance.

### **Fractional entitlements of the Rights Shares**

In any event, fractions of the Rights Shares will not be provisionally allotted to any of the Qualifying Shareholders. Fractional entitlements will be rounded down to the nearest whole number of Rights Shares and sold by the Company in the open market if a premium (net of expenses) can be obtained. Any of these Rights Shares remain not sold in the market will be not issued by the Company and the size of the Rights Issue will be reduced accordingly.

### **Status of the Rights Shares**

The Rights Shares, when allotted and issued, shall rank *pari passu* in all respects with the Consolidated Shares then in issue. Holders of fully-paid Rights Shares will be entitled to receive all future dividends and distributions which are declared, made or paid after the date of allotment of the Rights Shares in their fully-paid form.

### **Share certificates and refund cheques for the Rights Issue**

Subject to the fulfillment of the conditions of the Rights Issue, certificates for all fully paid Rights Shares are expected to be posted to those entitled thereto by ordinary post at their own risk on or before Wednesday, 21 June 2023. Refund cheques are expected to be posted on or before Wednesday, 21 June 2023 by ordinary post to the applicants at their own risk, to their registered addresses.

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## LETTER FROM THE BOARD

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### **Application for listing of the Rights Shares**

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and the permission to deal in, the Rights Shares, in both their nil-paid and fully-paid forms.

Subject to the granting of the listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms on the Stock Exchange as well as compliance with the stock admission requirements of HKSCC, the Rights Shares in both their nil-paid and fully-paid forms will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement dates of the dealings in the Rights Shares in both their nil-paid and fully-paid forms or such other dates as may be determined by HKSCC.

Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Dealing in the Rights Shares in both their nil-paid and fully-paid forms which are registered in the register of members of the Company in Hong Kong will be in the board lots of 10,000 Rights Shares and will be subject to the payment of stamp duty, Stock Exchange trading fee, SFC transaction levy, investor compensation levy or any other applicable fees and charges in Hong Kong.

Shareholders are advised to consult their professional advisers if they are in doubt as to the taxation implications of the receipt, purchase, holding, exercising, disposing of or dealing in, the nil-paid Rights Shares or the fully-paid Rights Shares and, regarding Excluded Shareholders, their receipt of the net proceeds, if any, from sales of the nil-paid Rights Shares on their behalf.

### **Non-underwritten basis**

Subject to the fulfilment of the conditions of the Rights Issue, the Rights Issue will proceed on a non-underwritten basis irrespective of the level of acceptances of the provisionally allotted Rights Shares. In the event of an undersubscription of the Rights Issue, any Unsubscribed Rights Shares together with the NQS Unsold Shares will be placed on a best effort basis by the Placing Agent to independent placees under the Placing. Any Unsubscribed Rights Shares and/or NQS Unsold Shares remain unplaced under the Placing will not be issued by the Company and the size of the Rights Issue will be reduced accordingly.

There is no minimum amount to be raised under the Rights Issue. The Cayman Islands legal adviser of the Company has confirmed that there are no applicable statutory requirements regarding minimum subscription levels in respect of the Rights Issue.

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## LETTER FROM THE BOARD

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As the Rights Issue will proceed on a non-underwritten basis, Shareholder who applies to take up all or part of his/her/its entitlement under the PAL may unwittingly trigger of the MGO Obligation and/or any non-compliance with the Public Float Requirement. Accordingly, the Rights Issue will be made on terms that the Company will provide for the Shareholders (other than HKSCC Nominees Limited) to apply on the basis that if the Rights Shares are not fully taken up, the application of any Shareholder for his/her/its assured entitlement under the Rights Issue will be scaled down to a level which does not trigger of the MGO Obligation and/or any non-compliance with the Public Float Requirement.

### **Procedures in respect of the Unsubscribed Rights Shares and the NQS Unsold Shares and the Compensatory Arrangements**

The Company will make arrangements described in Rule 7.21(1)(b) of the Listing Rule to dispose of the Unsubscribed Rights Shares and the NQS Unsold Shares by offering the Unsubscribed Rights Shares and the NQS Unsold Shares to independent placees for the benefit of Shareholders to whom they were offered by way of the Rights Issue. As the Compensatory Arrangements are in place, there will be no excess application arrangements in relation to the Rights Issue.

Pursuant to the Placing Agreement, the Company appointed the Placing Agent to place the Placing Shares during the Placing Period to independent placees on a best effort basis, any premium over the Subscription Price for those Rights Shares that is realised will be paid to those No Action Shareholders on a pro-rata basis. The Placing Agent will on a best effort basis, procure, by not later than 6:00 p.m., on the Placing End Date, placees to subscribe for all (or as many as possible) of those Unsubscribed Rights Shares and the NQS Unsold Shares. Any Unsubscribed Rights Shares and/or NQS Unsold Shares remain unplaced under the Placing will not be issued by the Company and the size of the Rights Issue will be reduced accordingly.

Net Gain (if any) will be paid (without interest) to the No Action Shareholders and Excluded Shareholders as set out below on a pro rata basis (but rounded down to the nearest cent):

- (i) the relevant Qualifying Shareholders (or such persons who hold any nil-paid rights at the time such nil-paid rights are lapsed) whose nil-paid rights are not validly applied for in full, by reference to the extent that Shares in his/her/its nil-paid rights are not validly applied for; and
- (ii) the relevant Excluded Shareholders with reference to their shareholdings in the Company on the Record Date.

If and to the extent in respect of any Net Gain, any No Action Shareholders and Excluded Shareholders become entitled on the basis described above to an amount of HK\$100 or more, such amount will be paid to the relevant No Action Shareholder(s) in Hong Kong Dollars only and the Company will retain individual amounts of less than HK\$100 for its own benefit.

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## LETTER FROM THE BOARD

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### Conditions of the Rights Issue

The Rights Issue is conditional upon the following conditions being fulfilled:

- (i) the Increase in Authorised Share Capital and the Share Consolidation becoming effective;
- (ii) the Listing Committee of the Stock Exchange granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked the approval for the listing of, and permission to deal in, the Rights Shares (in their nil-paid and fully-paid forms);
- (iii) the passing of an ordinary resolution by the Independent Shareholders by way of poll of all necessary resolutions to be proposed at the EGM for the transactions contemplated under the Rights Issue to be effective in compliance with the Listing Rules, including but not limited to approving, confirming and/or ratifying the Rights Issue, including the allotment and issue of the Rights Shares in their nil-paid and fully-paid forms;
- (iv) the filing and registration of all the Prospectus Documents (together with any other documents required by applicable law or regulation to be annexed thereto) with the Registrar of Companies in Hong Kong by no later than the Prospectus Posting Date;
- (v) the posting of the Prospectus Documents to the Qualifying Shareholders no later than the Prospectus Posting Date; and
- (vi) all other necessary waivers, consent and approvals (if required) from the relevant governmental or regulatory authorities for the Rights Issue and the transaction contemplated thereunder having been obtained and fulfilled. None of the above conditions precedent can be waived. If any of the above conditions are not satisfied at or before 4:10 p.m. on Wednesday, 14 June 2023 (or such later date as the Company may determine), the Rights Issue will not proceed.

**As the proposed Rights Issue is subject to the above conditions, it may or may not proceed.**

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## LETTER FROM THE BOARD

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### THE PLACING AGREEMENT

On 10 February 2023 (after trading hours), the Company and the Placing Agent entered into the Placing Agreement, pursuant to which the Placing Agent has agreed to procure placee(s), on the best effort basis, to subscribe for the Unsubscribed Rights Shares. Details of the Placing Agreement are summarised below:

Date : 10 February 2023 (after trading hours)

Issuer : The Company

Placing Agent : Space Securities Limited, a licensed corporation to carry out Type 1 (dealing in securities) regulated activity under the SFO, was appointed as the Placing Agent to procure, on the best effort basis, placees to subscribe for the Unsubscribed Right Shares and NQS Unsold Shares during the Placing Period.

The Placing Agent confirmed that it and its ultimate beneficial owner(s): (i) are not the Shareholder; and (ii) they are Independent Third Parties.

Placing Period : The period commencing from Tuesday, 6 June 2023 and end at 6:00 p.m. of Tuesday, 13 June 2023 or such other dates as the Company may announce, being the period during which the Placing Agent will seek to effect the Placing.

Commission and expenses : The Placing Agent shall be entitled to a commitment fee equal to 1.0% of the amount which is equal to the Placing price multiplied by the Placing Shares that have been successfully placed by the Placing Agent pursuant to the terms of the Placing Agreement.

The commission is not payable by the Company to the Placing Agent if the Placing Agreement has not become unconditional or is otherwise terminated in accordance with its terms.

Placing price : The placing price of each of the Placing Shares shall be not less than the Subscription Price. The final price determination will be dependent on the demand and market conditions of the Placing Shares during the process of placement.

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## LETTER FROM THE BOARD

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Placees : The Placing Shares are expected to be placed to placee(s), who and whose ultimate beneficial owner(s) shall be Independent Third Party(ies).

For the avoidance of doubt, no placee shall become a substantial shareholder of the Company.

Ranking of the Placing Shares : The Placing Shares (when placed, allotted, issued and fully paid), shall rank *pari passu* in all respects among themselves and with the Consolidated Shares in issue at the date of completion of the Placing.

Condition Precedent : The obligations of the Placing Agent and the Company under the Placing Agreement are conditional upon, among others, the following conditions being fulfilled (or being waived by the Placing Agent in writing, if applicable):

- (i) the Listing Committee of the Stock Exchange having granted the listing of, and the permission to deal in, the Rights Shares;
- (ii) approval of the Rights Issue by Independent Shareholders at the EGM;
- (iii) all necessary consents and approvals to be obtained on the part of each of the Placing Agent and the Company in respect of the Placing Agreement and the transactions contemplated thereunder having been obtained;
- (iv) none of the representations, warranties or undertakings contained in the Placing Agreement being or having become untrue, inaccurate or misleading in any material respect at any time before the completion, and no fact or circumstance having arisen and nothing having been done or omitted to be done which would render any of such undertakings, representations or warranties untrue or inaccurate in any material respect if it was repeated as at the time of completion; and

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## LETTER FROM THE BOARD

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- (v) the Placing Agreement not having been terminated in accordance with the provisions thereof or before the Placing Long Stop Date or such date as may be agreed between the Company and the Placing Agent in writing.

Termination : The Placing Agreement can only be terminated by mutual written confirmations by the Company and the Placing Agent.

The engagement of the Placing Agent may also be terminated by the Placing Agent in case of force majeure resulting in the Company and the Placing Agent being unable to fulfill its duties and responsibilities under the engagement. However, if during the course of the engagement it has come to the Placing Agent's knowledge that there is any material adverse change in the business and operational environment in the Company which, in the sole opinion of the Placing Agent, may make it inadvisable to continue the engagement, the Placing Agent shall have the right to terminate the engagement by written notice to the Company with immediate effect.

Placing completion : The timetable of the Placing is driven by the timetable of the Rights Issue. Under the terms of the Placing Agreement, the Placing Period shall commence on Tuesday, 6 June 2023, or such other date as the Company may announce. The Placing Period shall end on Tuesday, 13 June 2023, or such other date as the Company may announce.

The long stop date for the fulfilment of conditions of the Placing Agreement shall be 4:10 p.m. on Wednesday, 14 June 2023 (being the next Business Day after the Placing End Date) or such later date as may be announced by the Company. The Company shall use its reasonable endeavours to procure the fulfilment of the conditions and if the said conditions are not fulfilled on or before the Placing Long Stop Date, the Placing Agreement will lapse and become null and void and the Company and the Placing Agent shall be released from all rights and obligations under the Placing Agreement, save the liabilities for any antecedent breaches thereof.

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## LETTER FROM THE BOARD

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The engagement between the Company and the Placing Agent in respect of the Placing Shares (including the commission and expenses payable) was determined after arm's length negotiation between the Placing Agent and the Company and is on normal commercial terms with reference to the market comparables, the existing financial position of the Group, the size of the Rights Issue, and the current and expected market conditions. The Board considers that the terms of Placing Agreement in respect of the Placing Shares (including the commission and expenses payable) are on normal commercial terms.

As explained above, the Unsubscribed Rights Shares and NQS Unsold Shares will be placed by the Placing Agent to Independent Third Parties on a best effort basis for the benefits of the No Action Shareholders. If all or any of the Unsubscribed Rights Shares and NQS Unsold Shares are successfully placed, any premium over the Subscription Price will be distributed to the relevant No Action Shareholders.

The Board considered that the Compensatory Arrangements are fair and reasonable and provide adequate safeguard to protect the interests of the Company's minority Shareholders since the Compensatory Arrangements would provide (i) a distribution channel of the Placing Shares to the Company; (ii) an additional channel of participation in the Rights Issue for the Qualifying Shareholders and the Excluded Shareholders; and (iii) a compensatory mechanism for the No Action Shareholders and the Excluded Shareholders.

### **Reasons for the Rights Issue, the Placing and the use of proceeds**

The Company is an investment holding company while the principal subsidiary, 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. The net proceeds of the Rights Issue (after deduction of expenses) are expected to amount to approximately HK\$128.24 million (assuming no change in the number of Shares in issue on or before the Record Date).

The Group intends to further strengthen its market position in the fire safety system industry in Hong Kong including but not limited to strengthen the financial position by the Rights Issue, which will enable the Company to expand its capital base so that it is able to undertake more sizeable fire safety system projects. The Directors also consider that it is in the interests of the Company and its Shareholders to raise capital to meet the Group's funding requirements by way of the Rights Issue, which will allow all Qualifying Shareholders the opportunity to maintain their respective pro-rata shareholding interests in the Company.

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## LETTER FROM THE BOARD

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Apart from the Rights Issue, the Directors have considered other debt or equity fundraising alternatives such as bank borrowings, placing or an open offer. The Directors note that bank borrowings, if available, carry additional interest costs and create pressure to the liquidity of the Company, and placing of new shares dilutes the interests of existing Shareholders without giving them the opportunity to take part in the exercise. As opposed to an open offer, the Rights Issue enables the Shareholders to sell the nil-paid rights in the market. The Rights Issue will give the Qualifying Shareholders the opportunity to maintain their respective pro-rata shareholding interests in the Company and to continue to participate in the future development of the Group.

Having considered the abovementioned alternatives, the Directors are of the view that the Rights Issue is in the best interests of the Company and the Shareholders as a whole and that the Rights Issue is an appropriate fundraising method to strengthen the capital base of the Company, which in turn will support the Company's continuing development and business growth, while at the same time allowing the Qualifying Shareholders to maintain their proportional shareholdings in the Company.

As at the Latest Practicable Date, the Group had 12 fire safety system projects in Hong Kong with an aggregated contract sum of approximately HK\$490.27 million, six of which had a contract sum less than HK\$10.00 million each, five of which had a contract sum ranging from HK\$10.00 million to HK\$100.00 million each and the remaining project had a contract sum of approximately HK\$226.30 million. The Directors are of the view that the budgeted costs for the aforesaid 12 projects are approximately HK\$446.92 million. Among the 12 projects, 4 of which had been commenced and the remaining 8 projects will be commenced by second quarter of 2023.

Assuming full subscription under the Rights Issue, the Company intends to apply the net proceeds of approximately HK\$128.24 million from the Rights Issue as follows:

- (i) approximately HK\$109.00 million to support the Group's forthcoming fire safety systems projects and its ancillary services, of which approximately HK\$24.44 million (representing approximately 19.06% of the net proceeds) for the prepayment to the subcontractors and/or supplies ranging from approximately HK\$0.10 million to approximately HK\$11.4 million for each project and approximately HK\$84.56 million (representing approximately 65.94% of the net proceeds) for the initial start-up costs of the abovementioned projects ranging from approximately HK\$0.10 million to approximately HK\$49.75 million for each project; and
- (ii) the remaining of the net proceeds from the Rights Issue for the general working capital of the Group, of which approximately HK\$15.22 million (representing approximately 11.87% of the net proceeds) for the staff cost, approximately HK\$2.84 million (representing approximately 2.21% of the net proceeds) for the rental expenses and approximately HK\$1.18 million (representing approximately 0.92% of the net proceeds) for other office overhead.

In the event that there is an under subscription of the Rights Issue, the net proceeds will be utilised on a pro rata basis as set out above.

## LETTER FROM THE BOARD

### EFFECTS ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

For illustration purposes only, assuming that there is no change in the number of Shares in issue on or before the Record Date, the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) immediately upon completion of the Share Consolidation but before completion of the Rights Issue; (iii) immediately upon completion of the Rights Issue provided that all Shareholders have taken up all their entitled Rights Shares; and (iv) immediately upon completion of the Rights Issue provided that none of the Shareholders have taken up any of their entitled Rights Shares with all the Placing Shares are placed to Independent Third Parties under the Placing is as follows:

Name of the Shareholders	As at the Latest Practicable Date		Immediately upon completion of the Share Consolidation but before completion of the Rights Issue		Immediately upon completion of the Rights Issue provided that all Shareholders have taken up all their entitled Rights Shares		Immediately upon completion of the Rights Issue provided that none of the Shareholders have taken up any of their entitled Rights Shares with all the Placing Shares are placed to Independent Third Parties under the Placing	
	Number of issued Shares	Approximate %	Number of issued Shares	Approximate %	Number of issued Shares	Approximate %	Number of issued Shares	Approximate %
Garden Wealth Investment Limited (Note 1)	213,660,000	22.26	10,683,000	22.26	32,049,000	22.26	10,683,000	7.42
Great Season Ventures Limited (Note 2)	123,660,000	12.88	6,183,000	12.88	18,549,000	12.88	6,183,000	4.29
Public Shareholders (Note 3)	622,680,000	64.86	31,134,000	64.86	93,402,000	64.86	31,134,000	21.62
Placees (Note 4)	-	-	-	-	-	-	96,000,000	66.67
<b>Total</b>	<b>960,000,000</b>	<b>100.00</b>	<b>48,000,000</b>	<b>100.00</b>	<b>144,000,000</b>	<b>100.00</b>	<b>144,000,000</b>	<b>100.00</b>

*Notes:*

- Garden Wealth Investment Limited is wholly and beneficially owned by Ms. Li Mingying. By virtue of the SFO, Ms. Li Mingying 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 Mingying 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.
- As at the Latest Practicable Date, the Company has no controlling Shareholder as defined under the Listing Rules and none of the Directors and their respective associates is interested in any Shares.
- Pursuant to the terms of the Placing Agreement, the Placing Shares are expected to be placed to placee(s), who and whose ultimate beneficial owner(s) shall be Independent Third Party(ies). None of the placees will become a substantial shareholder of the Company immediately following the Placing and therefore will not trigger any MGO Obligation.

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## LETTER FROM THE BOARD

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### FUND RAISING ACTIVITIES OF THE COMPANY IN THE PAST TWELVE MONTHS

The Company's equity fund raising exercises over the past 12-month period immediately preceding the date of this circular are set out below:

Date of Announcement	Fund raising activity	Net proceeds raised (approximately)	Proposed use of the net proceeds	Actual use of the net proceeds
27 March 2022	Placing of 160,000,000 Shares at the nominal value of HK\$0.01 each	HK\$29.6 million	For development and enhancement of the current fire service installation	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.

### TAXATION

Shareholders are advised to consult their professional advisers if they are in doubt as to the taxation implications of the receipt, purchase, holding, exercising, disposing of or dealing in, the nil-paid Rights Shares or the fully-paid Rights Shares and, regarding Non-Qualifying Shareholders, their receipt of the net proceeds, if any, from sales of the nil-paid Rights Shares on their behalf.

### LISTING RULES IMPLICATIONS

#### Increase in Authorised Share Capital

The Increase in Authorised Share Capital is conditional upon, among other things, the approval by the Shareholders by way of ordinary resolution at the EGM. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as none of the Shareholders or their associates would have any interest in the Increase in Authorised Share Capital, no Shareholder would be required to abstain from voting in favour of the resolution(s) relating to the Increase in Authorised Share Capital at the EGM.

#### Share Consolidation

The Share Consolidation is conditional upon, among other things, the approval by the Shareholders by way of ordinary resolution at the EGM. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as none of the Shareholders or their associates would have any interest in the Share Consolidation, no Shareholder would be required to abstain from voting in favour of the resolution(s) relating to the Share Consolidation at the EGM.

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## LETTER FROM THE BOARD

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### **Rights Issue**

In accordance with Rule 7.19A(1) and Rule 7.27A(1) of the Listing Rules, the Rights Issue must be made conditional on approval by the Shareholders at the EGM by a resolution on which any controlling Shareholders and their respective associates or, where there are no controlling Shareholders, the Directors (excluding the independent non-executive Directors) and the chief executive of the Company, and their respective associates shall abstain from voting in favour of the Rights Issue. Since there is no controlling Shareholder as at the Latest Practicable Date, the Directors (excluding the independent non-executive Directors) and the chief executive of the Company, and their respective associates shall abstain from voting in favour of the Rights Issue. As at the Latest Practicable Date, the Directors, the chief executive of the Company and their respective associates do not have any shareholding of the Company. Save as disclosed, no other Shareholders required to be abstained from voting.

### **The Independent Board Committee and the Independent Financial Adviser**

The Independent Board Committee, comprising all of the independent non-executive Director, namely Mr. Yu Wai Chun, Mr. Li Ka Chun Gordan and Mr. Xian Gonghua, has been established to advise the Independent Shareholders in respect of the Rights Issue. Red Sun Capital Limited has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

### **WARNING OF THE RISKS OF DEALING IN THE EXISTING SHARES, THE CONSOLIDATED SHARES AND NIL-PAID RIGHTS SHARES**

**The Rights Issue is subject to the fulfilment of conditions including, among other things, the Stock Exchange granting the listing of, and permission to deal in, the Rights Shares in their nil-paid and fully-paid Rights Shares. Please refer to the section headed “Proposed Rights Issue – Conditions of the Rights Issue” in this circular.**

**Shareholders and potential investors of the Company should note that each of the Rights Issue and the Placing is subject to the fulfilment of certain conditions. If any of the conditions of the Rights Issue and/or the Placing are not fulfilled, the Rights Issue and/or the Placing will not proceed.**

**The Existing/Consolidated Shares are expected to be dealt in on an ex-rights basis from Thursday, 4 May 2023. Dealings in the Rights Shares in nil-paid form are expected to take place from Wednesday, 17 May 2023 to Wednesday, 24 May 2023 (both days inclusive). Any Shareholder or other person contemplating transferring, selling or purchasing the Existing/Consolidated Shares and/or Rights Shares in their nil-paid form is advised to exercise caution when dealing in the Existing/Consolidated Shares and/or the nil-paid Rights Shares.**

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## LETTER FROM THE BOARD

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**Any party who is in any doubt about his/her/its position or any action to be taken is recommended to consult his/her/its own professional adviser(s). Any Shareholder or other person dealing in the Existing Shares, the Consolidated Shares or in the nil-paid Rights Shares up to the date on which all the conditions to which the Rights Issue is subject are fulfilled will accordingly bear the risk that the Rights Issue may not become unconditional or may not proceed.**

**Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Existing Shares and the Consolidated Shares.**

### DESPATCH OF PROSPECTUS DOCUMENTS

Subject to the approval of the Increase in the Authorised Share Capital and the Share Consolidation by the Shareholders and the Rights Issue by the Independent Shareholders at the EGM, the Prospectus containing further information in relation to the Rights Issue and financial and other information relating to the Group is expected to be despatched by the Company together with the PAL on or before Monday, 15 May 2023. A copy of the Prospectus will also be made available on the websites of the Company ([www.windmill.hk](http://www.windmill.hk)) and the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)). To the extent reasonably practicable and subject to the advice of legal advisers in the relevant jurisdictions in respect of applicable local laws and regulations, the Company will send copies of the Prospectus to Non-Qualifying Shareholders for their information only but will not send the PAL to them.

### RECOMMENDATION

The Independent Board Committee, which comprises all the independent non-executive Directors has been established to advise the Independent Shareholders as to whether the terms of the Rights Issue and the Placing Agreement, and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole and to make recommendations to the Independent Shareholders on how to vote at the EGM on the relevant resolutions. Red Sun Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard. Your attention is drawn to the letter from the Independent Board Committee set out on pages 34 to 35 of this circular which contains its recommendation to the Independent Shareholders in relation to the Rights Issue, and the letter from the Independent Financial Adviser set out on pages 36 to 56 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders.

The Directors consider that the terms of the Increase in Authorised Share Capital and Share Consolidation are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Further, the Directors (including the independent non-executive Directors whose views are expressed in the letter from the Independent Board Committee) consider that the terms of the Rights Issue and the Placing Agreement, and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors (including the independent non-executive Directors whose views are expressed in the letter from the Independent Board Committee) recommend the Shareholders and the Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM.

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## LETTER FROM THE BOARD

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### ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular.

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

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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*The following is the text of the letter from the Independent Board Committee setting out its recommendation to the Independent Shareholders in relation to the Rights Issue and the Placing Agreement.*

### **WINDMILL GROUP LIMITED**

**(海鑫集團有限公司)**

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

**(Stock Code: 1850)**

3 April 2023

*To the Independent Shareholders*

Dear Sir or Madam,

- (1) PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL;  
(2) PROPOSED SHARE CONSOLIDATION;  
(3) PROPOSED RIGHTS ISSUE ON THE BASIS OF TWO (2) RIGHTS SHARES  
FOR EVERY ONE (1) CONSOLIDATED SHARE HELD  
AT THE CLOSE OF BUSINESS ON THE RECORD DATE  
ON A NON-UNDERWRITTEN BASIS; AND  
(4) NOTICE OF EGM**

We refer to the circular of the Company dated 3 April 2023 (the “**Circular**”) of which this letter forms part. Unless the context specifies otherwise, capitalised terms used herein have the same meanings as defined in the Circular.

We have been appointed by the Board as the Independent Board Committee to advise the Independent Shareholders as to whether the terms of the Rights Issue and the Placing Agreement, and the transactions contemplated thereunder are on normal commercial terms, in the interests of the Company and the Shareholders as a whole, and the terms of which are fair and reasonable insofar as the Independent Shareholders are concerned.

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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The Independent Financial Adviser has been appointed as the independent financial adviser to advise us and the Independent Shareholders in this respect. Having taken into account the terms of the Rights Issue and the Placing Agreement, and the advice from the Independent Financial Adviser, we are of the opinion that the terms of the Rights Issue and the Placing Agreement, and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable so far as the Company and the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend you to vote in favour of the resolutions to be proposed at the EGM to approve the Rights Issue, the Placing Agreement, and the transactions contemplated thereunder.

Yours faithfully,  
the Independent Board Committee

**Mr. YU Wai Chun**  
*Independent non-executive  
Director*

**Mr. LI Ka Chun Gordon**  
*Independent non-executive  
Director*

**Mr. XIAN Gonghua**  
*Independent non-executive  
Director*

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*The following is the full text of the letter from the Independent Financial Adviser which sets out its advice to the Independent Board Committee and the Independent Shareholders in relation to the Rights Issue and the transactions as contemplated thereunder, which has been prepared for the purpose of inclusion in this circular.*



**红日资本有限公司**  
**RED SUN CAPITAL LIMITED**

Room 310, 3/F.,  
China Insurance Group Building,  
141 Des Voeux Road Central,  
Hong Kong

Tel: (852) 2857 9208  
Fax: (852) 2857 9100

3 April 2023

*To: The independent board of committee and the independent shareholders of  
Windmill Group Limited*

### **PROPOSED RIGHTS ISSUE ON THE BASIS OF TWO (2) RIGHTS SHARES FOR EVERY ONE (1) CONSOLIDATED SHARE HELD AT THE CLOSE OF BUSINESS ON THE RECORD DATE ON A NON-UNDERWRITTEN BASIS**

#### **INTRODUCTION**

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Rights Issue and the transactions contemplated thereunder, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular dated 3 April 2023 issued by the Company to the Shareholders (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

Reference is made to the Letter from the Board, the Board proposed to conduct the Rights Issue on the basis of two (2) Rights Shares for every one (1) Consolidated Share held by the Qualifying Shareholders at the close of business on the Record Date. Subject to the fulfilment of the conditions of the Rights Issue, the Rights Issue will proceed on a non-underwritten basis irrespective of the level of acceptances of the provisionally allotted Rights Shares. In the event of an undersubscription of the Rights Issue, any Unsubscribed Rights Shares together with the NQS Unsold Shares will be placed on a best effort basis by the Placing Agent to independent places under the Placing. Any Unsubscribed Rights Shares and/or NQS Unsold Shares remain unplaced under the Placing will not be issued by the Company and the size of the Rights Issue will be reduced accordingly.

The Company, subject to, where applicable, the level of acceptances by the Qualifying Shareholders and the results of the placing of the Placing Shares (i.e. the Unsubscribed Rights Shares and the NQS Unsold Shares) by the Placing Agent on a best effort basis, the Company will allot and issue up to 96,000,000 Consolidated Shares at the Subscription Price of HK\$1.36 per Consolidated Share and raise up to an estimated net proceeds of approximately HK\$128.24 million.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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In this connection, on 10 February 2023, the Company entered into the Placing Agreement with the Placing Agent in relation to the placing of Placing Shares during the Placing Period to independent placees on a best effort basis, any premium over the Subscription Price for those Rights Shares that is realised will be paid to those No Action Shareholders on a pro-rata basis. Pursuant to the Placing Agreement, the placing price of each of the Placing Shares shall be not less than the Subscription Price. The final price determination will be dependent on the demand and market conditions of the Placing Shares during the process of placement. Any Unsubscribed Rights Shares and/or NQS Unsold Shares remain unplaced under the Placing will not be issued by the Company and the size of the Rights Issue will be reduced accordingly.

Pursuant to Rule 7.19A(1) and Rule 7.27A(1) of the Listing Rules, the Rights Issue must be made conditional on approval by the Shareholders at the EGM by a resolution on which any controlling Shareholders and their respective associates or, where there are no controlling Shareholders, the Directors (excluding the independent non-executive Directors) and the chief executive of the Company, and their respective associates shall abstain from voting in favour of the Rights Issue. As set out in the Letter from the Board, since there is no controlling Shareholder as at the Latest Practicable Date, the Directors (excluding the independent non-executive Directors) and the chief executive of the Company, and their respective associates shall abstain from voting in favour of the Rights Issue. As at the Latest Practicable Date, the Directors, the chief executive of the Company and their respective associates did not have any shareholding of the Company. Save as disclosed, no other Shareholders required to be abstained from voting.

### THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising three independent non-executive Directors, namely Mr. Yu Wai Chun, Mr. Li Ka Chun Gordon and Mr. Xian Gonghua, has been established to advise the Independent Shareholders as to whether the terms of the Rights Issue, and the transactions contemplated thereunder, are entered into in the usual and ordinary course of business, on normal commercial terms, fair and reasonable and in the interests of the Company and Shareholders as a whole and to advise the Independent Shareholders on how to vote at the EGM.

We have been appointed as the Independent Financial Adviser and approved by the Independent Board Committee to advise the Independent Board Committee and the Independent Shareholders in this regard.

### OUR INDEPENDENCE

We did not have any business relationship with or interest in the Company that could reasonably be regarded as relevant in assessing our independence as at the Latest Practicable Date. Save for our appointment as the Independent Financial Adviser, Red Sun Capital Limited did not act as an independent financial adviser to the Company under the Listing Rules in the past two years. Apart from the normal advisory fee payable to us in connection with our appointment as the Independent Financial Adviser, no arrangement exists whereby we shall receive any other fees or benefits from the Company or any other parties that could reasonably be regarded as relevant to our independence. Accordingly, we consider that we are independent pursuant to Rule 13.84 of the Listing Rules.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### **BASIS OF OUR ADVICE**

In order to formulate our advice, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations provided to us by the Group, the Directors and/or senior management of the Company (the “**Management**”). We have assumed that all information, representations and opinions contained or referred to in the Circular or made, given or provided to us by the Company, the Directors and the Management, for which they are solely and wholly responsible, were true and accurate and complete in all material respects at the time when they were made and continue to be so as at the Latest Practicable Date. We have assumed that all the opinions and representations made by the Directors in the Circular have been reasonably made after due and careful enquiry. The Directors and the Management confirmed that no material facts have been omitted from the information provided and referred to in the Circular.

However, we have not, carried out any independent verification of the information provided, nor have we conducted any independent investigation into the financial position, business and affairs of the Group or its respective history, experience and track records, or the prospects of the markets in which it operates.

We consider that we have been provided with sufficient information to enable us to reach an informed view and to provide a reasonable basis for our advice. We have no reason to doubt the truth, accuracy and completeness of the statements, information, opinions and representations provided to us by the Group, the Directors and/or the Management and their respective advisers or to believe that material information has been withheld or omitted from the information provided to us or referred to in the aforesaid documents.

This letter is issued to the Independent Board Committee and the Independent Shareholders solely for their consideration of the transactions as contemplated under the Rights Issue, and, except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

### **PRINCIPAL FACTORS AND REASONS CONSIDERED**

We have taken into consideration the following principal factors and reasons in arriving at our opinion in respect of the Rights Issue:

#### **1. BACKGROUND AND FINANCIAL INFORMATION OF THE GROUP**

As set out in the Letter from the Board, the Company is an investment holding company while its principal subsidiary, Windmill Engineering Company Limited, 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.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Set out below is a summary of (i) the audited consolidated financial performance of the Group for each of the years ended 30 April 2021 and 2022 as extracted from the Company’s annual report for the year ended 30 April 2022 (the “**2022 Annual Report**”); and (ii) the unaudited consolidated financial performance and positions of the Group for the six months ended 31 October 2021 and 2022, respectively, as extracted from the interim report of the Group for the six months ended 31 October 2022 (the “**2022 Interim Report**”).

### *Summary of the Group’s consolidated statement of comprehensive income*

	For the year ended		Year-on-year change	For the six months ended		Period-on- period change
	30 April			31 October		
	2022	2021		2022	2021	
	(audited)	(audited)	%	(unaudited)	(unaudited)	%
	HK\$’000	HK\$’000		HK\$’000	HK\$’000	
Revenue	<b>231,259</b>	197,598	17.0	<b>111,136</b>	108,912	2.0
Cost of sales	<b>(207,031)</b>	(170,144)	21.7	<b>(97,484)</b>	(92,516)	5.4
Gross profit	<b>24,228</b>	27,454	(11.8)	<b>13,652</b>	16,396	(16.7)
(Loss)/profit before taxation	<b>(6,939)</b>	6,006	Not applicable	<b>6,050</b>	6,852	(11.7)
(Loss)/profit and total comprehensive (expense)/income for the year/period attributable to owners of the Company	<b>(6,992)</b>	4,887	Not applicable	<b>5,457</b>	5,580	(2.2)

### *Financial performance for the year ended 30 April 2022*

As set out in the 2022 Annual Report, for the year ended 30 April 2022, the Group recorded revenue of approximately HK\$231.3 million, representing an increase of approximately 17.0% as compared to approximately HK\$197.6 million recorded for the year ended 31 March 2021. Such increase was mainly due to the increase in revenue derived from installation services amounted to approximately HK\$35.0 million.

For the year ended 31 March 2022, the Group recorded a loss attributable to owners of the Company of approximately HK\$7.0 million, compared to the profit attributable to owners of the Company of approximately HK\$4.9 million recorded for the year ended 31 March 2021. Based on the 2022 Annual Report, such financial results was mainly attributable to the increase in administrative expenses of approximately HK\$12.6 million, which was mainly attributable to the increase in professional fee and staff costs including directors emoluments, and the increase in cost of sales of approximately HK\$36.9 million, which was partially offset by the decrease in impairment loss under expected credit loss on trade receivables and contract assets.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### *Financial performance for the six months ended 31 October 2022*

As set out in the 2022 Interim Report, the Group recorded revenue of approximately HK\$111.1 million for the six months ended 31 October 2022, representing a slight increase of approximately 2.0% as compared to approximately HK\$108.9 million recorded for the six months ended 31 October 2021. Such increase in revenue derived was mainly attributable to an increase from installation services amounted to approximately HK\$3.6 million.

The Group recorded profit attributable to owners of the Company of approximately HK\$5.5 million for the six months ended 31 October 2022 compared to the profit attributable to owners of the Company of approximately HK\$5.6 million recorded for the six months ended 31 October 2021, which was mainly attributable to the net effect of (i) an increase in the cost of sales of approximately HK\$5.0 million; and (ii) an increase in other gain of approximately HK\$1.2 million and the increase in other income of approximately HK\$2.1 million.

### *Summary of the Group's consolidated statement of financial position*

	As at 31 October 2022 (unaudited) HK\$'000	As at 30 April 2022 (audited) HK\$'000	2021 (audited) HK\$'000
<b>Non-current assets</b>	<b>8,032</b>	<b>3,848</b>	<b>6,149</b>
– Plant and equipment	1,318	1,408	947
– Right-of-use assets	4,254	97	1,263
– Deferred tax asset	1,728	2,321	2,374
<b>Current assets</b>	<b>210,674</b>	<b>190,781</b>	<b>174,665</b>
– Trade receivables	25,636	19,464	33,966
– Contract assets	117,819	77,910	59,400
– Deposits, prepayments and other receivables	18,513	9,204	8,598
– Pledged bank deposits	21,120	21,104	21,097
– Bank balances and cash	22,556	59,113	51,223
<b>Current liabilities</b>	<b>73,538</b>	<b>57,569</b>	<b>65,925</b>
– Trade and retention payables	38,993	25,230	31,020
– Accruals and other payables	4,284	13,707	1,979
– Bank borrowings	28,469	18,166	31,137
<b>Non-current liabilities</b>	<b>2,651</b>	–	<b>96</b>
– Lease liabilities	2,651	–	96
<b>Total equity attributable to owners of the Company</b>	<b>142,517</b>	<b>137,060</b>	<b>114,793</b>

*Note:* For the avoidance of doubt, only selected major asset and liability components are disclosed in the table above

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### *Financial position as at 30 April 2022*

As at 30 April 2022, the Group's total assets amounted to approximately HK\$194.6 million, representing an increase of approximately 7.6% as compared to approximately HK\$180.8 million as at 30 April 2021, which mainly comprised (i) trade receivables of approximately HK\$19.5 million as compared to approximately HK\$34.0 million as at 30 April 2021; (ii) contract assets of approximately HK\$77.9 million as compared to approximately HK\$59.4 million as at 30 April 2021; (iii) pledged bank deposits of approximately HK\$21.1 million as compared to approximately HK\$21.1 million as at 30 April 2021; and (iv) bank balances and cash of approximately HK\$59.1 million as compared to approximately HK\$51.2 million as at 30 April 2021.

As at 30 April 2022, the Group's total liabilities amounted to approximately HK\$57.6 million, as compared to approximately HK\$66.0 million as at 30 April 2021, which comprised (i) trade and retention payables of approximately HK\$25.2 million, representing a decrease of approximately 18.7% as compared to approximately HK\$31.0 million as at 30 April 2021; (ii) accruals and other payables of approximately HK\$13.7 million, representing an increase of approximately 592.6% as compared to approximately HK\$2.0 million as at 30 April 2021; and (iii) bank borrowings of approximately HK\$18.2 million, representing a decrease of approximately 41.7% as compared to approximately HK\$31.1 million as at 30 April 2021.

As at 30 April 2022, total equity attributable to owners of the Company amounted to approximately HK\$137.1 million, as compared to approximately HK\$114.8 million at 30 April 2021.

### *Financial position as at 31 October 2022*

As at 31 October 2022, the Group's total assets amounted to approximately HK\$218.7 million, representing an increase of approximately 12.4% as compared to approximately HK\$194.6 million as at 30 April 2022, which mainly comprised (i) trade receivables of approximately HK\$25.6 million as compared to approximately HK\$19.5 million as at 30 April 2022; (ii) contract assets of approximately HK\$117.8 million as compared to approximately HK\$77.9 million as at 30 April 2022; (iii) pledged bank deposits of approximately HK\$21.1 million as compared to approximately HK\$21.1 million as at 30 April 2022; and (iv) bank balances and cash of approximately HK\$22.6 million as compared to approximately HK\$59.1 million as at 30 April 2022.

As at 31 October 2022, the Group's total liabilities amounted to approximately HK\$76.2 million, as compared to approximately HK\$57.6 million as at 30 April 2022, which mainly comprised (i) trade and retention payables of approximately HK\$39.0 million, representing an increase of approximately 54.6% as compared to approximately HK\$25.2 million as at 30 April 2022; (ii) accruals and other payables of approximately HK\$4.3 million, representing a decrease of approximately 68.7% as compared to approximately HK\$13.7 million as at 30 April 2022; and (iii) bank borrowings of approximately HK\$28.5 million, representing an increase of approximately 56.7% as compared to approximately HK\$18.2 million as at 30 April 2022.

As at 31 October 2022, total equity attributable to owners of the Company amounted to approximately HK\$142.5 million, as compared to approximately HK\$137.1 million at 30 April 2022.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### 2. RIGHTS ISSUE

#### *Reasons for the Rights Issue and Use of Proceeds*

With reference to the Letter from the Board, subject to the level of acceptances by the Qualifying Shareholders and the results of the Placing, where applicable, the net proceeds of the Rights Issue (after deduction of expenses) are expected to amount up to approximately HK\$128.24 million (assuming no change in the number of Shares in issue on or before the Record Date). The Group intends to further strengthen its market position in the fire safety system industry in Hong Kong by including but not limited to, strengthen its financial position by the Rights Issue, which will enable the Company to expand its capital base so that it is able to undertake more sizeable fire safety system projects. The Directors also consider that it is in the interests of the Company and its Shareholders to raise capital to meet the Group's funding requirements by way of the Rights Issue, which will allow all Qualifying Shareholders the opportunity to maintain their respective pro-rata shareholding interests in the Company. Please refer to the section headed "Reasons for the Rights Issue, the Placing and the use of proceeds" in the Letter from the Board for more details of the intended application of the net proceeds from the Rights Issue.

We also noted from the Letter from the Board that, as at the Latest Practicable Date, the Group had 12 fire safety system projects in Hong Kong with an aggregated contract sum of approximately HK\$490.27 million, six of which had a contract sum less than HK\$10.00 million each, five of which had a contract sum ranging from HK\$10.00 million to HK\$100.00 million each and the remaining project had a contract sum of approximately HK\$226.30 million. The Directors are of the view that the budgeted costs for the aforesaid 12 projects are approximately HK\$446.92 million. Among the 12 projects, 4 of which had been commenced and the remaining 8 projects are expected to commence by the second quarter of 2023. We have reviewed a schedule provided by the Management in relation to the fire safety system projects, including particulars of the subject projects, which are expected to utilise the proceeds from the Rights Issue. With reference to the abovementioned schedule, such fire safety system projects mainly included works for airport terminal, performance venue, housing estates and developments, and public transportation facilities.

Based on the Letter from the Board and after discussion with the Management, we noted that (i) approximately HK\$109.00 million shall be utilized to support the Group's forthcoming fire safety systems projects and its ancillary services, of which approximately HK\$24.44 million (representing approximately 19.06% of the net proceeds) for the prepayment to the subcontractors and/or supplies ranging from approximately HK\$0.10 million to approximately HK\$11.4 million for each project and approximately HK\$84.56 million (representing approximately 65.94% of the net proceeds) for the initial start-up costs of the abovementioned projects ranging from approximately HK\$0.10 million to approximately HK\$49.75 million for each project; and (ii) the remaining of the net proceeds from the Rights Issue shall be utilized as the general working capital of the Group, of which approximately HK\$15.22 million (representing approximately 11.87% of the net proceeds) for the staff cost, approximately HK\$2.84 million (representing approximately 2.21% of the net proceeds) for the rental expenses and approximately HK\$1.18 million (representing approximately 0.92% of the net proceeds) for other office overheads.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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We further understand from the Management that given the nature of fire safety system projects, the Group generally incurs project related costs prior to or during the performance of the relevant works, including salary of staff, subcontractors, suppliers, and project setup and other upfront costs. Meanwhile, customers of the Group generally make progress payments according to the works performed by the Group, and such progress payments are required to be certified by the customers prior to the issuance of relevant invoice(s) to the customers, which would in turn subject to the relevant customers' internal approval and payment procedures.

On this basis, it is not uncommon for the Group to experience timing differences between (i) the Group incurs and settles the relevant project costs for performance of works; and (ii) the Group receives the relevant payment(s) from customers for performing such works. As at 31 October 2022, the Group recorded (i) bank balances and cash of approximately HK\$22.55 million; (ii) pledged bank deposits of approximately HK\$21.12 million; and (iii) bank borrowings of approximately HK\$28.47 million, representing a net cash position of approximately HK\$15.2 million, being lower than the trade and retention payables balance under current liabilities of approximately HK\$38.99 million as at 31 October 2022. Furthermore, the Group is required to maintain sufficient working capital to ensure the settlement of the upcoming prepayment to the subcontractors and/or suppliers and initial start-up costs for the Group's fire safety system projects on hand as mentioned above. In this connection, it is justifiable to replenish working capital of the Group with a view to enhance the Group's ability to satisfy the estimated financial requirements of fire safety system projects on hand.

In light of the aforesaid analysis and the fact that the Rights Issue will give all the Qualifying Shareholders an equal opportunity to participate in the long-term development of the Company without diluting their corresponding shareholdings in the event that they take up their entitlement in full, we concur with the Board that the Rights Issue is in the interests of the Company and the Shareholders as a whole.

### *Fundraising alternatives considered by the Group*

As set out in the Letter from the Board, the Directors have considered other financing alternatives, such as debt and equity issues to raise funds including bank borrowings, placing and an open offer.

As mentioned in the Letter from the Board, for debt financing, such as bank borrowings, the Company is of the view that, if available, carry additional interest costs and create pressure to the liquidity of the Company. We have discussed with the Management and noted that debt financing would increase the interest burden of the Group, in particular, as the Federal Reserve of the U.S. government has been and is expected to continue to raise its benchmark interest rate further in the foreseeable future in 2023 barring unforeseen circumstances, which the base interest rate set by the Hong Kong Monetary Authority is also expected to move in the similar direction. In addition, we noted from the 2022 Annual Report and the 2022 Interim Report that non-current assets of the Company amounted to approximately HK\$6.1 million, HK\$3.8 million and HK\$8.0 million as at 30 April 2021 and 2022 and 31 October 2022, respectively, which may be of limited use as collaterals and/or securities for loans of a meaningful amount as compared to the expected settlement of project-related costs and other outgoings for projects on hand, such as prepayment to subcontractors and/or suppliers and other initial start-up costs of the projects as mentioned above.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Moreover, we have discussed with the Management and understand that, the Management has contacted several financial institutions regarding the possibilities of debt financing. However, based on the relevant feedback, the Management is of the view that there are uncertainties (in terms of the timing for negotiation, duration of financing, financial covenant, interest rate, and the amount to be raised, etc.) around obtaining new credit lines/facilities and the possible increase in the interest rates in the foreseeable future. Addition debt financing will increase the Group's financial burden due to potential increase in the finance costs. In this connection, the Directors considered that debt financing is a less preferable option for fund raising currently.

In relation to other equity fund raising methods, such as placement of Shares, with reference to the Letter form the Board, such may dilute the interests of existing Shareholders without giving them the opportunity to take part in the exercise. In relation to open offer, the Rights Issue enables the Shareholders to sell the nil-paid rights in the market but such is not typically available for open offers.

It is noted from the Management that they have contacted several financial institutions regarding the possibilities of equity fund raising exercise other than rights issue. However, based on the relevant feedback, the Board is of the view that the disadvantages and/or uncertainties associated with the abovementioned equity fund raising exercises (i.e. in terms of the timing for negotiation, duration, costs, and the amount to be raised, etc.) compared to fund raising through a rights issue makes it a less preferable option for the Group's fund raising exercise.

Having taken into consideration the above, including, (i) the Rights Issue will strengthen the capital base of the Company, thus enhancing the Group's financial capabilities to further develop its business by taking up more and/or larger scale fire safety system projects without incurring additional interest expenses, and also offers all Qualifying Shareholders the opportunity to maintain their pro rata shareholding interests in the Company and avoid dilution for those Shareholders who take up their entitlement under the Rights Issue in full, although Shareholder(s) who does not take up their provisional allotments under the Rights Issue will subject to dilution on their respective shareholding in the Company; (ii) the Rights Issue is the preferred option over the other alternatives since it would strengthen the capital base of the Company, enhance its cash position without the ongoing burden of interest expenses while allowing Qualifying Shareholders, who take up their entitlement under the Rights Issue in full, to maintain their respective pro-rata shareholdings in the Company; and (iii) the reasons for the Rights Issue as discussed above, we concur with the Directors that the Rights Issue are in the interests of the Company and the Independent Shareholders as a whole.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### *Principal terms of the Rights Issue*

Set out below is a summary of principal terms of the Rights Issue:

Basis of the Rights Issue:	Two (2) Rights Shares for every one (1) Consolidated Share held at the close of business on the Record Date
Subscription Price:	HK\$1.36 per Consolidated Share with nominal value of HK\$0.2 each after the Share Consolidation becoming effective
Number of Shares in issue as at the Latest Practicable Date:	960,000,000 Existing Shares
Number of Consolidated Shares in issue immediately upon the Share Consolidation having become effective:	48,000,000 Consolidated Shares (assuming there is no change in number of Shares in issue up to the effective date of the Share Consolidation)
Number of Rights Shares (Shares to be issued pursuant to the Rights Issue):	Up to 96,000,000 Consolidated Shares, assuming no further issue of new Share(s) and no repurchase of Share(s) on or before the Record Date
Number of Consolidated Shares in issue immediately upon completion of the Rights Issue:	Up to 144,000,000 Consolidated Shares, assuming no further issue of new Share(s) and no repurchase of Share(s) on or before the Record Date
Gross proceeds from the Rights Issue:	Up to approximately HK\$130.56 million before expenses (assuming no further issue of new Share(s) and no repurchase of Share(s) on or before the Record Date)

As at the Latest Practicable Date, the Company did not have any options outstanding under any share option scheme of the Company or any other derivatives, options, warrants and conversion rights or other similar rights which are convertible or exchangeable into Shares.

The nil-paid Rights Shares proposed to be provisionally allotted pursuant to the terms of the Rights Issue represents 200.00% of the Company's issued share capital as at the Latest Practicable Date and 66.67% of the Company's issued share capital as enlarged by the allotment and issue of the Rights Shares immediately after completion of the Rights Issue assuming no further issue of new Share(s) other than the Rights Shares and no repurchase of Share(s) on or before completion of the Rights Issue.

The Rights Issue will proceed on a non-underwritten basis irrespective of the level of acceptances of the provisionally allotted Rights Shares.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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The Board has not received any information from any Shareholders of their intention to take up the Rights Shares to be provisionally allotted to them under the Rights Issue as at the Latest Practicable Date.

### *The Subscription Price*

As set out in the Letter from the Board, the Subscription Price is HK\$1.36 per Consolidated Share with nominal value of HK\$0.20 each after the Share Consolidation becoming effective, shall be payable in full upon acceptance of the relevant provisional allotment of Rights Shares under the Rights Issue or when a transferee of nil-paid Rights Shares applies for the Rights Shares.

The Subscription Price represents:

- (i) a premium of approximately 3.03% over the closing price of HK\$0.066 per Existing Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a discount of approximately 1.45% to the closing price of HK\$0.069 per Existing Share as quoted on the Stock Exchange on the Last Trading Day;
- (iii) a discount of approximately 3.68% to the average closing price of approximately HK\$0.0706 per Existing Share for the last 5 consecutive trading days as quoted on the Stock Exchange up to and including the Last Trading Day;
- (iv) a discount of approximately 5.29% to the average closing price of approximately HK\$0.0718 per Existing Share for the last 10 consecutive trading days as quoted on the Stock Exchange up to and including the Last Trading Day;
- (v) the same as the theoretical ex-entitlement price of approximately HK\$0.068 per Existing Share based on the closing price of HK\$0.069 as quoted on the Stock Exchange on the Last Trading Day;
- (vi) a discount of approximately 54.05% to the unaudited consolidated net asset value per Existing Share of approximately HK\$0.148 as at 31 October 2022 (based on 960,000,000 Existing Shares in issue as at the Last Trading Day) and after taking into account the effects of the Share Consolidation; and
- (vii) theoretical dilution effect (as defined under Rule 7.27B of the Listing Rules) represented by a discount of approximately 2.82%, represented by the theoretical diluted price of approximately HK\$0.069 per Share to the benchmarked price of approximately HK\$0.071 per Consolidated Share (as defined under Rule 7.27B of the Listing Rules, taking into account the higher of (a) the closing price of the Existing Shares as quoted on the Stock Exchange on the Last Trading Day; and (b) the average of the closing prices of the Existing Shares as quoted on the Stock Exchange for the previous five consecutive trading days prior to the date of the Announcement.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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As set out in the Letter from the Board, the Subscription Price was determined with reference to, among other things, (i) the market price of the Shares under the prevailing market conditions; (ii) the current business performance and financial position of the Group; and (iii) the reasons for and benefits of proposed Rights Issue as discussed in the section head “Reasons for the Rights Issue, the Placing and the use of proceeds” in the Letter from the Board. As the Rights Shares are offered to all Qualifying Shareholders, the Directors wish to set the Subscription Price at a level that will attract Qualifying Shareholders to participate in the Rights Issue. As all Qualifying Shareholders are entitled to subscribe for the Rights Shares in the same proportion to his/her/its existing shareholding in the Company held on the Record Date, the Directors (excluding the independent non-executive Directors) consider that the discount of the Subscription Price would encourage the Qualifying Shareholders to take up their entitlements so as to maintain their shareholdings in the Company and participate in the future growth of the Group, particularly in view of (i) the historical trading prices of the Shares showed a downward trend during the past twelve months before the Last Trading Day; and (ii) the average trading volume of shares in the past twelve months before the Last Trading Day was very low.

### *Analysis on the Subscription Price*

We set out the following analysis for illustrative purposes with a view to assess the fairness and reasonableness of the Subscription Price:

#### *Analysis on historical Share price performance*

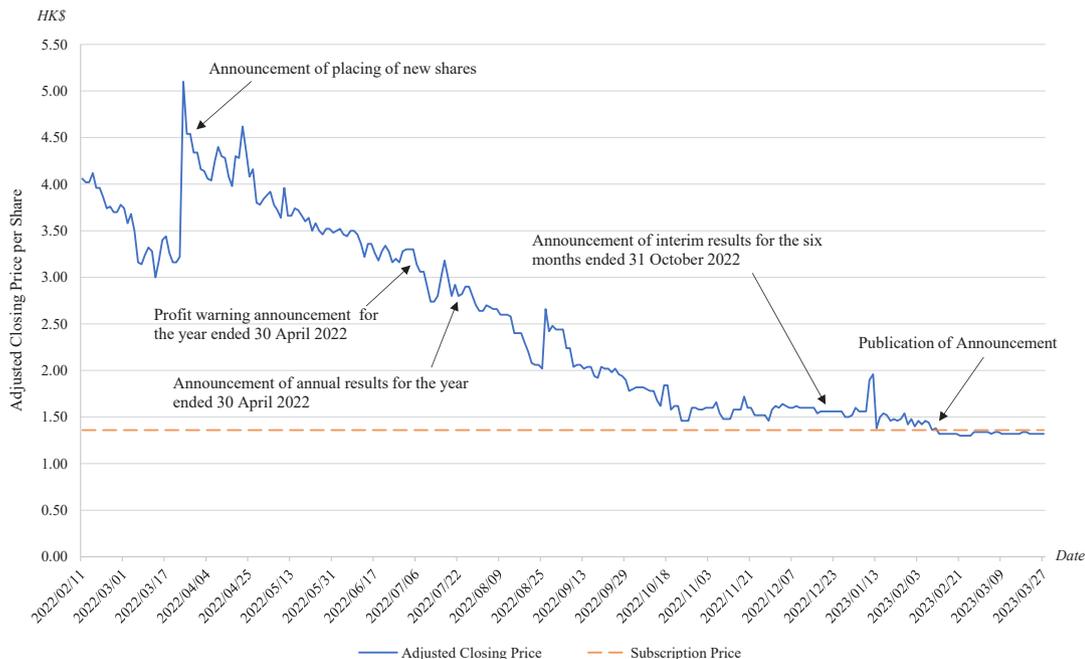
We have reviewed the movements in the adjusted closing price per Consolidated Share during the period from 11 February 2022, being 12 months immediately preceding the Last Trading Day, to the Latest Practicable Date (the “**Share Price Review Period**”) in order to assess the fairness and reasonableness of the Subscription Price. We consider that a period of 12 months is sufficient to illustrate the recent price movements of the Shares for conducting a reasonable comparison between the Subscription Price and the theoretical adjusted closing price of the Shares, calculated by aggregating the relevant closing price of 20 Existing Shares with a view to providing a meaningful comparison to the Subscription Price under the Rights Issue, which is conditional upon, among others, the completion of the Share Consolidation (the “**Adjusted Closing Price**”). It should be noted that the analysis on the Adjusted Closing Price is for illustration purposes only.

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*Share price chart during the Share Price Review Period*



Source: the website of the Stock Exchange (<http://www.hkex.com.hk>)

As illustrated in the above chart, since around late March 2022, the Adjusted Closing Price per Share has been on a decreasing trend in general during the Share Price Review Period from the Adjusted Closing Price of HK\$5.1 per Share on 24 March 2022 to the Adjusted Closing Price of HK\$1.38 per Share on the Last Trading Day, with the highest and lowest Adjusted Closing Price per Share being HK\$5.1 on 24 March 2022 and HK\$1.30 between 21 and 24 February 2023, respectively.

Since the commencement of the Share Price Review Period and up to the trading day immediately before the profit warning announcement for the year ended 30 April 2022 dated 6 July 2022, the Adjusted Closing Price per Share has been largely fluctuated in the range of HK\$3.0 and HK\$4.5, save for the following trading days, namely, 24, 25 and 28 March 2022 and 21 April 2022.

Subsequently, from July 2022 up to and including the Last Trading Day, the Adjusted Closing Price per Share generally experienced a downward trend and fluctuated between HK\$3.3 (4 and 5 July 2022) and HK\$1.36 (9 February 2023). The Adjusted Closing Price per Share was HK\$1.38 and HK\$1.32 as at the Last Trading Day and Latest Practicable Date, respectively.

Overall, the Adjusted Closing Price experienced a downward trend during the Share Price Review Period, in particular since around late March 2022, which may have been attributable to the market reactions on the financial performance/position and development of the Group at the relevant time.

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### *Analysis on historical trading volume and liquidity*

We have conducted analysis on the historical trading volume and liquidity of the Shares as well as setting out a summary of number of trading days, average daily trading volume of the Shares and the percentages of daily trading volume of the Shares as compared to the total number of issued Shares and the Shares held by the public during the Share Price Review Period in the table below.

Month/period	Number of trading days	Average daily trading volume	% of average daily trading volume to the total number of Shares in issue (Note 1)	% of average daily trading volume to the total number of Shares in the public hands (Note 2)
<b>2022</b>				
February <i>(from 11 February 2022)</i>	12	1,406,750	0.18%	0.23%
March	23	7,935,217	0.99%	1.27%
April	18	4,567,222	0.48%	0.73%
May	20	1,347,000	0.14%	0.22%
June	20	627,619	0.07%	0.10%
July	19	720,500	0.08%	0.12%
August	21	748,261	0.08%	0.12%
September	19	551,905	0.06%	0.09%
October	17	320,745	0.03%	0.05%
November	18	214,091	0.02%	0.03%
December	15	180,000	0.02%	0.03%
<b>2023</b>				
January	17	7,336,667	0.76%	1.18%
February	18	2,079,000	0.22%	0.33%
March <i>(up to the Latest Practicable Date)</i>	19	657,895	0.07%	0.11%
<b>Average</b>			0.23%	0.33%
<b>Maximum</b>			0.99%	1.27%
<b>Minimum</b>			0.02%	0.03%

Source: the website of the Stock Exchange (<http://www.hkex.com.hk>)

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*Notes:*

1. Calculated based on the total number of the Shares in issue at the end of month/period.
2. Calculated based on the total number of the Shares held by public Shareholders as set out in the Letter from the Board as at the Latest Practicable Date.

As set out in the table above, during the Share Price Review Period, the percentage of average daily trading volume of the Shares by month/period were in the range of approximately 0.02% to approximately 0.99% with an average of approximately 0.23% as to the total number of issued Shares and approximately 0.03% to approximately 1.27% with an average of approximately 0.33% as to the total number of Shares held by public Shareholders, respectively.

The above statistics illustrate that the trading liquidity of the Shares has been relatively low in the open market. On this basis and that the closing price of the Shares showed a decreasing trend during the Share Price Review Period, we concur with the Directors that the Subscription Price, which represents a discount to the Adjusted Closing Price as at the Last Trading Day would encourage Shareholders to participate in the Rights Issue and accordingly maintain their respective shareholdings in the Company. For this reason, we are of the view that the discount to the Adjusted Closing Price as represented by the Subscription Price is justifiable.

*Analysis on recent rights issue market comparables*

With a view to further assess the fairness and reasonableness of the terms of the Rights Issue, we have conducted market research on recent proposed rights issue transactions based on the following selection criteria: (i) the shares of the company are listed on the Stock Exchange; (ii) the rights issue transaction with gross proceeds less than HK\$300 million having considered the estimated size of gross proceeds from the Rights Issue, being up to approximately HK\$130.56 million; (iii) the exclusion of rights issue transactions of A-Shares and H-Shares; and (iv) the proposed rights issues announced during the 6-month period (the “**Review Period**”) commencing on 11 August 2022 up to and including the Last Trading Day, which we considered to be an appropriate timeframe to identify a representative sample set of similar rights issues conducted by other listed companies on the Stock Exchange which can serve as a general market reference for the purposes of our analysis (the “**Criteria**”).

We have, based on the Criteria, identified 19 rights issues (the “**Rights Issue Comparable(s)**”) for the purpose of our analysis. Although the Rights Issue Comparables may be different from the Group in terms of business nature, financial performance, financial position and fund raising purposes, we considered the Rights Issue Comparables to be a useful general market reference for recent market practice in relation to terms of other rights issues in the market during the Review Period for the purpose of our analysis.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Set out our findings in the following table:

Date of announcement	Company name (Stock code)	Basis of entitlement	Gross proceeds (HK\$ million)	Premium/Discount of subscription price over/to the closing price on the last trading day		Consolidated NAV per share (Note 1) (%)	Theoretical dilution effect (Note 2) (%)	Underwriting commission (Note 3) (%)	Placing commission (%)	Excess application (Yes/No)
				Theoretical ex-rights price (%)	Theoretical ex-rights price (%)					
27-Jan-23	Alco Holdings Limited (328)	4 for 1	90.69	(25.00)	(6.25)	N/A	(20.00)	N/A	0.50	No
11-Jan-23	Add New Energy Investment Holdings Group Limited (2623) (Note 4)	1 for 3	99.85	(13.60)	(10.90)	(10.50)	(3.40)	-	1.00	No
10-Jan-23	Kinetix Systems Holdings Limited (8606)	1 for 2	31.30	(29.35)	(21.69)	(47.01)	(9.78)	N/A	1.30	No
06-Jan-23	SDM Education Group Holdings Limited (8363)	1 for 2	23.84	-	-	N/A	-	4.00	N/A	Yes
28-Dec-22	New Amante Group Limited (8412)	1 for 2	12.60	(10.60)	(7.30)	N/A	(4.20)	1.50	N/A	Yes
28-Dec-22	Jiading International Group Holdings Limited (8153)	1 for 2	51.00	(50.00)	(40.12)	77.30	(17.28)	N/A	3.50	No
09-Dec-22	Hope Life International Holdings Limited (1683)	2 for 1	120.96	(16.67)	(6.04)	(77.00)	(11.11)	N/A	0.50	No
29-Nov-22	Enterprise Development Holdings Limited (1808)	3 for 2	106.16	(39.72)	(20.86)	(55.96)	(23.83)	1.00	N/A	Yes
28-Nov-22	CCIAM Future Energy Limited (145)	1 for 2	31.40	(21.88)	(15.97)	66.70	(7.63)	2.50	N/A	Yes
14-Nov-22	Contel Technology Company Limited (1912)	2 for 5	20.20	(23.20)	(18.20)	(80.90)	(7.10)	N/A	3.50	No
21-Oct-22	C&N Holdings Limited (8430)	3 for 1	32.50	(13.30)	(3.70)	(90.00)	(3.70)	N/A	1.50	No
21-Oct-22	E. Bon Holdings Limited (599)	1 for 4	28.80	(20.00)	(17.60)	(75.48)	(4.12)	2.50	N/A	Yes
20-Oct-22	Crocodile Garments Limited (122)	1 for 2	47.40	(66.10)	(56.50)	(93.70)	(22.80)	N/A	N/A	Yes
18-Oct-22	Cherish Sunshine International Limited (1094) (Note 4)	5 for 8	119.60	(13.70)	(11.27)	12.90	(6.64)	-	0.50	No
18-Oct-22	China Zenith Chemical Group Limited (362)	5 for 2	79.50	(28.57)	(9.10)	N/A	(21.43)	1.0	N/A	Yes
13-Oct-22	Great Wall Terroir Holdings Limited (524)	1 for 4	17.70	(6.30)	(5.10)	28.60	-	N/A	N/A	Yes
11-Oct-22	AMCO United Holding Limited (630)	1 for 1	48.40	(16.70)	(9.10)	(57.90)	(8.33)	N/A	2.50	No
26-Sep-22	Endurance RP Limited (575) (Note 4)	1 for 1	188.43	(21.50)	(15.59)	(38.19)	(13.89)	1.00	2.00	No
23-Sep-22	Tasty Concepts Holding Limited (8096)	5 for 2	41.30	(14.30)	(4.50)	200.00	(10.30)	N/A	2.50	No
	<b>Maximum</b>		188.43	0.00	0.00	200.00	0.00	4.00	3.50	
	<b>Minimum</b>		12.60	(66.10)	(56.50)	(93.70)	(23.83)	0.00	0.50	
	<b>Average</b>		62.72	(22.66)	(14.73)	(16.08)	(10.29)	1.50	1.75	
	<b>Median</b>		47.40	(20.00)	(10.90)	(47.01)	(8.33)	1.00	1.50	
	<b>The Company</b>	2 for 1	130.56	(1.45)	0.00	(54.05)	(2.82)	N/A	1.00	No
						(Note 5)		(Note 6)		

Source: the website of the Stock Exchange (<http://www.hkex.com.hk>)

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*Notes:*

1. The net asset value (the “NAV”) per share is calculated based on the latest published audited/unaudited consolidated NAV and total number of shares in issue as at the date of the respective announcements. “N/A” denotes that the NAV of the rights issue comparable company that has net liabilities according to their respective latest published audited/unaudited consolidated financial statements.
2. The theoretical dilution effect is calculated in accordance with Rule 7.27B of the Listing Rules.
3. “N/A” denotes that the rights issue was conducted on a non-underwritten basis.
4. Based on our research, the underwriter of Add New Energy Investment Holdings Group Limited, Cherish Sunshine International Limited and Endurance RP Limited were connected parties to the subject listed company, respectively, whereas the underwriters of the remaining Rights Issue Comparables were independent third parties.
5. This ratio is calculated based on (i) the Subscription Price; and (ii) the NAV per Consolidated Share after the Share Consolidation.
6. The Rights Issue is conducted on a non-underwritten basis and therefore the underwriting commission is not applicable. However, the Placing Agent shall be entitled to a commitment fee equal to 1.0% of the amount, which is equal to the Placing price multiplied by the Placing Shares that have been successfully placed by the Placing Agent, pursuant to the terms of the Placing Agreement.

As set out in the table above, we noted that:

- (i) the discount of subscription price over or to the closing price on the Last Trading Day of the Rights Issue Comparables ranged from a discount of approximately 66.10% to a discount of nil% (the “**Comparable LTD Range**”), with the average and median of discounts of approximately 22.66% and 20.00%, respectively. The Subscription Price represents a discount of approximately 1.45% to the adjusted closing price per Consolidated Share based on the closing per Existing Shares on the Last Trading Day, which is within the Comparable LTD Range and with a lower discount than the average and median;
- (ii) the discount of subscription price over or to the theoretical ex-rights price of the Rights Issue Comparables ranged from a discount of approximately 56.50% to a discount of nil% (the “**Comparable TERP Range**”), with the average and median of discounts of approximately 14.73% and 10.90%, respectively. The Subscription Price is the same as the theoretical ex-rights price per Consolidated Share on the Last Trading Day which is within the Comparable TERP Range and with a lower discount than the average and median;
- (iii) the premium or discount of subscription price over or to the consolidated NAV per share of the Rights Issue Comparables ranged from a discount of approximately 93.70% to a premium of approximately 200.00% (the “**Comparable NAV Range**”), with the average and median of discounts of approximately 16.08% and 47.01%, respectively. The Subscription Price represents a discount of approximately 54.05% to the unaudited consolidated net asset value per Existing Share of approximately HK\$0.148 as at 31 October 2022 (based on 960,000,000 Existing Shares in issue as at the Last Trading Day which is within the Comparable NAV Range but with a higher discount than the average and median;

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- (iv) the theoretical dilution effect of the Comparable Rights Issue ranged from approximately nil% to 23.83% (the “**Comparable Dilution Range**”), with average and median dilution effects of approximately 10.29% and 8.33%, respectively. The theoretical dilution effect of the Rights Issue of approximately 2.82% is within the Comparable Dilution Range, and lower than average and median dilution effects of the Comparable Rights Issue. As the theoretical dilution effect of the Rights Issue is below 25%, it is in compliance with Rule 7.27B of the Listing Rules;
- (v) it is noted from the Letter from the Board that the Qualifying Shareholders will not be entitled to subscribe for any Rights Shares in excess of their respective entitlements. Based on our analysis on the Rights Issue Comparables, we noted that 11 out of 19 Rights Issue Comparables, did not offer excess application as part of the rights issue. On this basis, we considered the absence of excess application to be not uncommon market practice. Furthermore, the Rights Issue will give the Qualifying Shareholders an equal and fair opportunity to maintain their respective pro rata shareholding interests in the Company, for Qualifying Shareholders who accept their respective entitlements under the Rights Issue in full, they would be able to maintain their respective existing shareholdings in the Company after completion of the Rights Issue. As such, we considered that the absence of excess application arrangement is acceptable so far as the Independent Shareholders are concerned;
- (vi) the Rights Issue is on a non-underwritten basis, which is considered to be in line with market practice, given 10 out of 19 Rights Issue Comparables were also conducted on a non-underwritten basis. Furthermore, under the Compensatory Arrangements, the Company entered into the Placing Agreement with the Placing Agent to place the Placing Shares during the Placing Period to independent places on a best effort basis; and
- (vii) the placing commission of the Rights Issue Comparables, where applicable, ranged from 0.50% to 3.50%, with the average and median of 1.75% and 1.50%, respectively. Pursuant to the terms of the Placing Agreement, the Placing Agent shall be entitled to a commitment fee equal to 1.00% of the amount, which is equal to the Placing price multiplied by the Placing Shares that have been successfully placed by the Placing Agent, such is within the aforesaid range of the Rights Issue Comparables.

In determining the current subscription ratio and the Subscription Price, we understand from the Management that the Company has considered various factors, including (i) other market precedents and that a reasonable discount to the closing price of the Consolidated Shares is necessary to attract the Qualifying Shareholders to participate in the Rights Issue; (ii) the funding needs of the Group; and (iii) the Subscription Price has to be set at a discount to the closing price of the Consolidated Shares that may be attractive to the Shareholders.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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In view of (i) the Subscription Price represents a discount of approximately 1.45% to the adjusted closing price per Consolidated Share on the Last Trading Day which is within the Comparable LTD Range; (ii) the theoretical ex-rights price per Consolidated Share on the Last Trading Day as represented by the Subscription Price is within the Comparable TERP Range; (iii) the consolidated NAV per Consolidated Share as represented by the Subscription Price is within the Comparable NAV Range; (iv) the theoretical dilution effect of the Rights Issue is within the Comparable Dilution Range and lower than the average and median dilution effects of the Comparable Rights Issue; (v) our analysis on the market practice of excess application arrangement and the Rights Issue is on a non-underwritten basis with Compensatory Arrangements; and (vi) the Subscription Price is available to all Qualifying Shareholders, we consider that the principal terms of the Rights Issue (including the Subscription Price) to be fair and reasonable to the Shareholders and in the interests of the Company and the Shareholders as a whole.

### *Possible financial effects of the Rights Issue*

#### *Net assets*

According to the unaudited pro forma financial information of the Group as set out in Appendix II to the Circular, assuming that the Rights Issue had been completed and subscribed in full on 31 October 2022, the unaudited consolidated net tangible assets attributable to equity holders of the Company would have increased from approximately HK\$142.4 million as at 31 October 2022 to an unaudited proforma adjusted consolidated net tangible assets attributable to equity holders of the Company of approximately HK\$270.7 million immediately after the completion of the Rights Issue.

#### *Working capital*

Upon completion of the Rights Issue and assuming it is subscribed in full and before utilising for the forthcoming fire safety systems projects and its ancillary services, the bank balances of the Group is expected to increase by an amount equivalent to the net proceeds from the Rights Issue, which is estimated to be approximately HK\$128.24 million.

#### *Gearing ratio*

According to the 2022 Annual Report, the gearing ratio of the Company, calculated based on total debts (include bank borrowings and lease liabilities) at the end of the year divided by total equity at the end of the year, was approximately 22.9% as at 31 October 2022. Since most of the net proceeds from the Rights Issue are intended to be used as prepayment to the subcontractors and/or supplies or initial start-up costs for the forthcoming fire safety systems projects and its ancillary services, the debt balance of the Company are not expected to be materially reduced directly as a result of the Rights Issue. However, the cash and bank balances shall be increased immediately after the completion of the Rights Issue.

It should be noted that the aforementioned analysis is for illustrative purposes only and does not purport to represent how the financial position of the Group will be upon completion of the Rights Issue.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### RECOMMENDATION

In respect to our recommendation to the Independent Board Committee and the Independent Shareholders, we have considered the above principal factors and reasons, in particular, the following:

- (i) our analysis on the working needs arising from the Group's operations, in particular, the fire safety system projects on hand and the limited bank balances and cash of the Group as set out under the section headed "Reasons for the Rights Issue and Use of Proceeds" in this letter;
- (ii) our analysis on the trading volume and liquidity of the Shares as set out under the section headed "Analysis on historical trading volume and liquidity" in this letter;
- (iii) our analysis on the Rights Issue Comparables, including our findings on the Subscription Price and the respective discounts it represents are in line with market practice based on our analysis, as set out under the section headed "Analysis on recent rights issue market comparables" in this letter;
- (iv) the expected financial effects attributable to the Rights Issue, including the improvement in working capital; and
- (v) the interests of the Qualifying Shareholders will not be prejudiced by the discount of the Subscription Price as long as they are offered with an equal opportunity to participate in the Rights Issue and subscribe for the Rights Shares, while those Qualifying Shareholders who do not wish to subscribe for their pro-rata entitlement of the Rights Shares can receive economic benefits from selling their nil-paid Rights Shares in the market.

In light of the above, we are of the view that the terms of the Rights Issue, including the Subscription Price, basis of the Rights Issue (i.e. two (2) Rights Shares for every one (1) Consolidated Shares held at the close of business on the Record Date), although is not entered into in the ordinary and usual course of business of the Company, but are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned, and therefore is in the interests of the Company and the Shareholders as a whole.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Taking into consideration the reasons for and possible benefits of the Rights Issue, we advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the resolution(s) to be proposed at the EGM to approve the Rights Issue and the underlying transactions contemplated thereunder.

Yours faithfully,  
For and on behalf of  
**Red Sun Capital Limited**  
**Lewis Lai**  
*Managing Director*

*Mr. Lewis Lai is a licensed person registered with the SFC and a responsible officer of Red Sun Capital Limited to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO and has over 15 years of experience in the corporate finance industry.*

## 1. FINANCIAL INFORMATION OF THE GROUP

Financial information of the Group for each of the three financial years ended 30 April 2020, 2021 and 2022 and the interim report for the period ended 31 October 2022 were disclosed in the following documents which have been published on the website of the Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk)) and the Company's website (<https://www.windmill.hk/>):

- annual report of the Company for the year ended 30 April 2020 published on 27 August 2020 (pages 59 to 127);  
  
(<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0827/2020082700498.pdf>)
- annual report of the Company for the year ended 30 April 2021 published on 30 August 2021 (pages 59 to 127);  
  
(<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0830/2021083000453.pdf>)
- annual report of the Company for the year ended 30 April 2022 published on 3 August 2022 (pages 52 to 115);  
  
(<https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0803/2022080300691.pdf>)
- interim report of the Company for six months ended 31 October 2022 published on 28 December 2022 (pages 4 to 25).  
  
(<https://www1.hkexnews.hk/listedco/listconews/sehk/2022/1229/2022122900721.pdf>)

## 2. INDEBTEDNESS OF THE GROUP

As at the close of business on 28 February 2023, being the latest practicable date for the purpose of ascertaining information contained in this statement of indebtedness prior to the printing of this circular, the details of the Group's indebtedness are as follows:

	<b>As at 28 February 2023 HK\$'000</b>
Bank borrowings – secured and guaranteed	45,870
Lease liabilities	3,924
	<hr/>
	49,794
	<hr/> <hr/>

As at 28 February 2023, bank borrowings with a carrying amount of approximately HK\$45.9 million were secured by pledged bank deposits of the Group and were under corporate guarantee by the Company.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities and normal payables and accruals in the ordinary course of business, the Group did not have any bank overdrafts or loans, or other similar indebtedness, guarantees, material capital commitment or other material contingent liabilities outstanding as at the close of business on 28 February 2023.

### **3. WORKING CAPITAL STATEMENT**

Taking into account the financial resources available to the Group including the estimated net proceeds from the Rights Issue of approximately HK\$128.24 million, cash and cash equivalents on hand, cash flows from operating activities and available banking facilities, the Directors are of the opinion that the Group will have sufficient working capital for its present requirements for at least the next twelve months from the date of this circular.

### **4. MATERIAL ADVERSE CHANGE**

As at the Latest Practicable Date, the Directors were not aware of any material adverse changes in the financial or trading position of the Group since 30 April 2022 (being the date to which the latest published audited consolidated financial statements of the Group were made up).

### **5. FINANCIAL AND TRADING PROSPECTS OF THE GROUP**

The Group is principally 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.

According to the Company's interim report for the six months ended 31 October 2022, the Group's revenue for the six months ended 31 October 2022 was approximately HK\$111.14 million, representing a slight increase of approximately HK\$2.2 million or 2.0% from approximately HK\$108.91 million for the six months ended 31 October 2021. The profit attributable to owners of the Company decreased from approximately HK\$5.58 million for the six months ended 31 October 2021 to approximately HK\$5.46 million for the six months ended 31 October 2022.

Despite the outbreak and rapid spread of COVID-19 in Hong Kong, the Group continues to explore the opportunities to further expand and increase the Group's capacity in providing its 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 (“Noah Ark”), 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, Noah Ark 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.

Looking forward, the Group’s service of providing installation, maintenance and repair of fire safety systems is positioned to be the key revenue driver of the Group. The Group will also continually seek potential opportunities to expand and develop its 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.

For illustrative purpose only, set out below is the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group after completion of the Rights Issue. Although reasonable care has been exercised in preparing the unaudited pro forma financial information, Shareholders who read the information should bear in mind that these figures are inherently subject to adjustments and may not give a complete picture of the Group's financial results and positions for the financial periods concerned.

**A. STATEMENT OF UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP**

The Unaudited pro forma statement of adjusted consolidated net tangible assets of the Group (the "Unaudited Pro Forma Financial Information") has been prepared by the Directors in accordance with Rule 4.29 of the Listing Rules to illustrate the effect of the Rights Issue on the consolidated net tangible assets of the Group as if the Rights Issue had taken place on 31 October 2022.

The Unaudited Pro Forma Financial Information is prepared for illustrative purpose only and based on the judgements, estimates and assumptions of the Directors, and because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group immediately after completion of the Rights Issue or any future date after completion of the Rights Issue.

	Unaudited consolidated net tangible assets of the Group as at 31 October 2022 <i>HK\$'000</i> <i>(Note 1)</i>	Estimated net proceeds from the Rights Issue <i>HK\$'000</i> <i>(Note 2)</i>	Unaudited pro forma adjusted consolidated net tangible assets of the Group immediately after completion of the Rights Issue <i>HK\$'000</i>	Unaudited consolidated net tangible assets of the Group per Share as at 31 October 2022 <i>HK\$</i> <i>(Note 3)</i>	Unaudited pro forma adjusted consolidated net tangible assets of the Group per Share immediately after completion of the Rights Issue <i>HK\$</i> <i>(Note 4)</i>
Based on 96,000,000 Rights Shares to be issued at Subscription Price of HK\$1.36 per Rights Share	142,432	128,243	270,675	2.97	1.88

*Notes:*

1. The unaudited consolidated net tangible assets of the Group as at 31 October 2022 is extracted from the published interim report of the Company for the period ended 31 October 2022, which is equal to the unaudited consolidated net assets attributable to owners as at 31 October 2022 of HK\$142,517,000, after deducting intangible assets of approximately HK\$85,000.
2. The estimated net proceeds from the Rights Issue of approximately HK\$128,243,000 is calculated based on 96,000,000 Rights Shares assuming to be issued on the completion of the Rights Issue (based on 960,000,000 Shares in issue as at the Latest Practicable Date) at the Subscription Price of HK\$1.36 per Rights Share and after deduction of estimated related expenses of approximately HK\$2,317,000.
3. The unaudited consolidated net tangible assets of the Group per Share as at 31 October 2022 was HK\$2.97, which was based on the unaudited consolidated net tangible assets of the Group as at 31 October 2022 of HK\$142,432,000, divided by 48,000,000 Consolidated Shares immediately after the Share Consolidation having become effective.
4. The unaudited pro forma adjusted consolidated net tangible assets of the Group per Share as at 31 October 2022 immediately after completion of the Rights Issue is calculated based on the unaudited pro forma adjusted consolidated net tangible assets of the Group immediately after completion of Rights Issues of approximately HK\$270,675,000, divided by 144,000,000 Shares which represents 48,000,000 Consolidated Shares immediately after the Share Consolidation having become effective and 96,000,000 Rights Shares, assuming the Share Consolidation has become effective and the Rights Issue has been completed on 31 October 2022.
5. Save as disclosed above, no adjustment has been made to reflect any trading results or other transactions of the Group entered into subsequent to 31 October 2022.

*The following is the text of the independent reporting accountants' assurance report received from CL Partners CPA Limited, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, in respect of the Group's unaudited pro forma financial information prepared for the purpose of incorporation in this circular.*

**B. ACCOUNTANTS REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION  
OF THE GROUP**



The Board of Directors  
Windmill Group Limited  
Unit 1603, 16/F., Tower 1  
Enterprise Square  
9 Sheung Yuet Road  
Kowloon Bay, Kowloon  
Hong Kong

Dear Sirs,

**INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE  
COMPILATION OF THE UNAUDITED PRO FORMA FINANCIAL INFORMATION**

We have completed our assurance engagement to report on the compilation of the unaudited pro forma financial information of Windmill Group Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group as at 31 October 2022 and related notes as set out in Appendix II to the circular issued by the Company dated 3 April 2023 (the "Circular"). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described in Appendix II to the Circular.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed Rights Issue on the Group's financial position as at 31 October 2022 as if the Rights Issue had taken place at 31 October 2022. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's financial information for the period ended 31 October 2022, on which no auditor's review report has been published.

**Directors' Responsibilities for the Unaudited Pro Forma Financial Information**

The Directors are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

**Our Independence and Quality Management**

We have complied with the independence and other ethical requirements of the "Code of Ethics for Professional Accountants" issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Management (HKSQM) 1 "Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements" issued by the HKICPA, which requires the firm to design, implement and operate a system of quality management including policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

**Reporting Accountants' Responsibilities**

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the unaudited pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of the unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 31 October 2022 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Opinion**

In our opinion:

- (a) the unaudited pro forma financial information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,

**CL Partners CPA Limited**

*Certified Public Accountants*

Fong Ho Keung

Practising Certificate Number: P08079

Hong Kong

3 April 2023



The Rights Shares, when issued and fully-paid, will be free from all liens, charges, encumbrances and third-party rights, interests or claims of any nature whatsoever and shall rank *pari passu* in all respects with the Shares then in issue, including as to the right to receive all dividends and distributions which may be declared, made or paid on or after the date of allotment of the fully-paid Rights Shares.

The Company did not have any options outstanding under any share option scheme of the Company or any other derivatives, options, warrants and conversion rights or other similar rights which are convertible or exchangeable into Shares as at the Latest Practicable Date.

The Rights Shares to be issued will be listed on the Stock Exchange. No part of the share capital or any other securities of the Company is listed or dealt in on any stock exchange other than the Stock Exchange and no application is being made or is currently proposed or sought for the Shares or the Rights Shares or any other securities of the Company to be listed or dealt in on any other stock exchange.

As at the Latest Practicable Date, there was no arrangement under which future dividends are waived or agreed to be waived.

### **3. DISCLOSURE OF INTERESTS**

#### **(a) Directors' and chief executive's interests in the Company**

As at the Latest Practicable Date, none of the directors, chief executive and their respective associates had any interest or short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were 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 any interests and short positions in which they are taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein (the "**Register**"), or (c) pursuant to the Model Code for Securities Transactions by Directors of the Listed Issuers contained in Appendix 10 to the Listing Rules (the "**Model Code**") to be notified to the Company and the Stock Exchange.

#### **(b) Substantial shareholders and other persons' interests in Shares and underlying Shares**

As at the Latest Practicable Date, the following persons (other than the Directors and the chief executive of the Company) who had, or was deemed to have, interests or short positions in the Shares or underlying Shares, which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO were as follows:

Name	Capacity in which the shares were held	Number of shares – long position	Percentage of the issued share capital of the Company
Garden Wealth Investment Limited ( <i>note 1</i> )	Beneficial owner	213,660,000	22.26
Ms. Li Minying ( <i>note 1</i> )	Interests in controlled corporation	213,660,000	22.26
Great Season Ventures Limited ( <i>note 2</i> )	Beneficial owner	123,660,000	12.88
Mr. Jiang Jianhui ( <i>note 2</i> )	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:*

- (1) 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.
- (2) 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 the Latest Practicable Date, the Company has not been notified by the persons (other than the Directors or chief executive of the Company) who had an interest or a short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provision of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO, or who was expected, directly or indirectly, to be interested in 10% or more of the nominal value of any class of the share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

**4. DIRECTORS' INTERESTS IN CONTRACTS AND ASSETS**

None of the Directors was materially interested, directly or indirectly, in any contract or arrangement entered into by any member of the Group which was subsisting as at the Latest Practicable Date and which was significant in relation to the business of the Group.

As at the Latest Practicable Date, none of the Directors has or had any direct or indirect interest in any assets which have been acquired or disposed of by or leased to any member of the Group or are proposed to be acquired or disposed of by or leased to any member of the Group since 30 April 2022, being the date to which the latest published audited consolidated accounts of the Group were made up.

**5. DIRECTORS' SERVICE CONTRACTS**

Each of the executive Directors has entered into a service agreement with the Company with no fixed term. Each of the independent non-executive Directors has entered into an appointment letter with the Company for a fixed term of three years and there after from year. The service contracts and appointment letters may be terminated in accordance with the terms of the individual service agreement, and is subject to termination provisions therein and retirement and re-election at the Annual General Meetings in accordance with the articles of the Company or any other applicable laws from time to time whereby he/she shall vacate his/her office.

As at the Latest Practicable Date, none of the Directors proposed for re-election at the forthcoming annual general meeting has entered into any service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

**6. COMPETING INTERESTS**

As at the Latest Practicable Date, so far as the Directors are aware, none of the Directors or controlling shareholders or their respective associates had any business or interest which competes or may compete with the business of the Group, or have or may have any other conflicts of interest with the Group.

**7. LITIGATION**

Neither the Company nor any other member of the Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened against the Company or any other member of the Group as at the Latest Practicable Date.

**8. MATERIAL ADVERSE CHANGE**

As at the Latest Practicable Date, the Directors confirm there is no material adverse change in the financial or trading position of the Group since 30 April 2022, being the date to which the latest published audited consolidated financial statements of the Group were made up.

## 9. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business carried on or intended to be carried on by the Group) were entered into by the members of the Group during two years preceding the date of this circular and are or may be material:

- (i) the placing agreement dated 27 March 2022 entered into between the Company (as issuer) and GLAM Capital Limited (as placing agent) in relation to the placing of up to 160,000,000 Shares at a placing price of HK\$0.185 per placing share;
- (ii) the sale and purchase agreement dated 8 December 2022 entered into between Market Star International Limited, a wholly-owned subsidiary of the Company (as purchaser) and AA Ocean Holdings Limited (as vendor) in relation to the acquisition of 78% of the entire issued share capital of Noah Ark Pipelines Company Limited; and
- (iii) the Placing Agreement.

## 10. EXPERTS AND CONSENTS

The following are the qualifications of the experts who have given their opinions, letters or advices which are contained in this circular:

<b>Name</b>	<b>Qualification</b>
CL Partners CPA Limited	Certified Public Accountants
Red Sun Capital Limited	a corporation licensed to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

As at the Latest Practicable Date, (i) each of the above Experts has given and has not withdrawn its written consent to the issue of this circular with the inclusion therein of its letter and references to its name and/or its advice in the form and context in which they respectively appear; (ii) each of the above Experts was not beneficially interested in any share of any member of the Group nor did it have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group; and (iii) each of the above Experts did not have any direct or indirect interest in any assets which have been acquired, or disposed of by, or leased to any member of the Group, or are proposed to be acquired, or disposed of by, or leased to any member of the Group since 30 April 2022 (being the date to which the latest published audited consolidated financial statements of the Group were made up).

## 11. CORPORATE INFORMATION

Directors	<i>Executive Directors</i> Mr. Liu Shihao ( <i>Chairman</i> ) Mr. Li Shing Kuen Alexander ( <i>Chief Executive Officer</i> ) Ms. Wang Ya  <i>Independent non-executive Directors</i> Mr. Yu Wai Chun Mr. Li Ka Chun Gordon Mr. Xian Gonghua
Company Secretary	Mr. Yau Yan Yuen ( <i>a member of the Hong Kong Institute of Certified Public Accountants</i> )
Authorised Representatives	Mr. Li Sing Kuen Alexander Mr. Yau Yan Yuen
Business address of Directors, senior management and authorised representatives	Unit 1603, 16/F., Tower 1 Enterprise Square 9 Sheung Yuet Road Kowloon Bay, Kowloon
Principal Bankers	The Hong Kong and Shanghai Banking Corporation Limited 1 Queen's Road Central, Hong Kong  DBS Bank (Hong Kong) Limited 7/F, Two Harbour Square, 180 Wai Yip Street, Kwun Tong, Hong Kong
Registered Office	Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Head Office and Principal Place of Business	Unit 1603, 16/F., Tower 1 Enterprise Square 9 Sheung Yuet Road Kowloon Bay, Kowloon Hong Kong

Principal Registrars  
Conyers Trust Company (Cayman) Limited  
Cricket Square  
Hutchins Drive  
P.O. Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

Registrars in Hong Kong  
Tricor Investor Services Limited  
17/F, Far East Finance Centre,  
16 Harcourt Road,  
Admiralty, Hong Kong

## 12. PARTIES INVOLVED IN THE RIGHTS ISSUE

The Company  
WINDMILL Group Limited  
Unit 1603,16/F., Tower 1  
Enterprise Square  
9 Sheung Yuet Road  
Kowloon Bay, Kowloon  
Hong Kong

Legal Advisors to the Company  
*As to Hong Kong law*  
ZM Lawyers  
20th Floor, Central 88  
Nos. 88-98 Des Voeux Road Central  
Central  
Hong Kong

*As to Cayman Islands law*  
Conyers Dill & Pearman  
29/F One Exchange Square  
8 Connaught Place  
Central  
Hong Kong

Financial adviser to the Company  
Advent Corporate Finance Limited  
Suites 1008-8A, 10th Floor  
Ocean Centre,  
Harbour City, Kowloon  
Hong Kong

Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders	Red Sun Capital Limited Room 310, 3/F China Insurance Group Building 141 Des Voeux Road Central Hong Kong
Reporting accountant of the Company	CL Partners CPA Limited 905-906, Tower 2 China Hong Kong City, Tsim Sha Tsui Kowloon
Placing agent	Space Securities Limited Suites 1008-8A, 10th Floor Ocean Centre, Harbour City, Kowloon Hong Kong

### 13. PARTICULARS OF DIRECTORS AND SENIOR MANAGEMENT

#### Executive Directors

**Mr. Liu Shihao (劉始豪)**, aged 29, was appointed as an executive Director on 1 November 2021 and as the chairman of the Board on 30 November 2021. Mr. Liu obtained his master's degree in Finance from City University of Hong Kong and bachelor's degree in mechatronic engineering from Chongqing University in the People's Republic of China. Mr. Liu was the executive Director and chairman of the Investment Committee of DeTai New Energy Group Limited (stock code: 559), a company listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), from August 2021 to March 2022. Mr. Liu worked for Cornerstone Financial Holdings Limited (stock code: 8112), a company listed on the GEM of the Hong Kong Stock Exchange, from July 2020 to November 2020, where his responsibilities included investment analyzing and post investment project supervising. Mr. Liu worked for PacRay International Holdings Limited (stock code: 1010), a company listed on the Main Board of the Hong Kong Stock Exchange, from July 2019 to July 2020, where his responsibilities included due diligence and research of some potential investment projects.

**Mr. Li Shing Kuen Alexander (李誠權)**, aged 62, is an executive Director, chairman of our Board and our chief executive officer. Mr. Li is responsible for the strategic planning and overall management of business operations and development of our Group. Mr. Li founded our Group when he acquired Windmill Engineering Company Limited on 30 June 1985. Mr. Li was appointed as a Director on 25 August 2016, and re-designated as an executive Director and appointed as chairman of the Board on 29 November 2016 and resigned as the chairman of the Board on 30 November 2021. He is also the sole director of Success Chariot Limited, Market Star International Limited and Windmill Engineering Company Limited.

Mr. Li has over 32 years of managerial experience in the fire services installation and maintenance industry gained from managing and developing our Group's business. He oversees the project planning, project management and execution of our fire services installation and maintenance projects, directs our business development and acts as a representative in our Group's communications with industry associations, key customers, government representatives and regulatory agencies. Mr. Li was awarded the Chief Executive's Commendation for Community Service in 2007, the Medal of Honour (MH) by The Chief Executive of the HKSAR in 2012 and Bronze Bauhinia Star (BBS) by The Chief Executive of the HKSAR in 2019 for his outstanding and dedicated community service in Wan Chai District.

He was appointed as the Chairman of District Fire Safety Committee (Wan Chai District) of the Home Affairs Department from 2010 to 2013, a non-official member of the Advisory Committee under the Fire Safety (Buildings) Ordinance (Chapter 572 of the Laws of Hong Kong) appointed by the Director of Fire Services from 2011 to 2017 and the Chairman of the District Fight Crime Committee (Wan Chai District) of the Home Affairs Department from 2014 to 2019.

**Ms. Wang Ya (王姪)**, aged 53, was appointed as an executive Director on 17 March 2022. Ms. Wang began her career since 1992 and was awarded the title of Intermediate Accountant by the Ministry of Finance of the People's Republic of China in May 2002. Ms. Wang Ya has nearly 30 years of working experience and has worked as the chief financial officer of various companies, such as Guangzhou Shidu Department Store (廣州世都百貨) and Guangzhou Qiaoyi Real Estate Development Company Limited (廣州僑誼房產開發有限公司). Since 2015, She has been the chairman of Guangzhou Xiangjing Cemetery Company Limited (廣州市祥景陵園有限公司) and has extensive experience in corporate management.

#### **Independent Non-executive Directors**

**Mr. Yu Wai Chun (余偉秦)**, aged 50, was appointed as an independent non-executive Director, the chairman of the Audit Committee and a member of the Remuneration Committee and the Nomination Committee of the Company on 30 November 2021. Mr. Yu graduated from The Hong Kong Polytechnic University with a Bachelor of Arts in Accountancy and with an MBA degree from the City, University of London. He is a fellow member of both the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants. Mr. Yu possesses more than 20 years executive experiences in accounting, corporate finance, risk management and internal controls. Mr. Yu held key corporate positions in various companies, including chief financial officer of Cornerstone Financial Holdings Limited (stock code: 8112) and Culture Landmark Investment Limited (now known as China Tangshang Holdings Limited, stock code: 674), Assistant General Manager of China Resources Enterprise Limited (now known as China Resources Beer (Holdings) Company Limited, stock code: 291) and Consultant at KPMG Consulting (Asia) Limited and Assistant Manager at KPMG. Mr. Yu was appointed as the independent non-executive director of China Carbon Neutral Development Group Limited (Formerly, Bisu Technology Group International Limited (stock code: 1372) between October 2020 and May 2022.

**Mr. Li Ka Chun Gordon (李家俊)**, aged 30, was appointed as an independent non-executive Director, the member of the Audit Committee, Remuneration Committee and Nomination Committee of the Company on 17 March 2022 and as the chairman of the Remuneration Committee of the Company on 25 April 2022. Mr. Li obtained his bachelor's degree in Accounting from The University of Hull. Mr. Li has over 8 years of experience in the areas of accounting and financial management in financial institutions and corporations, and led several large audit and financing projects.

**Mr. Xian Gonghua (冼公華)**, aged 56, was appointed as the independent non-executive Director, the chairman of the Nomination Committee and a member of the Audit Committee and Remuneration Committee of the Company on 10 May 2022. Mr. Xian graduated from the Guangzhou Caimao Administrative Cadres College (廣州市財貿管理幹部學院) and embarked on his career in 1993. Mr. Xian has nearly 20 years of extensive experience in corporate and financial management. Mr. Xian is currently an executive director of Guangzhou Zhongguang Investment Company Limited (廣州中光投資有限公司) since April 2012.

### Senior Management

**Ms. Ma Man Chi (馬敏姿)**, aged 39, has been our financial controller since May 2019, responsible for financial reporting, financial planning and analysis, treasury, taxation, internal controls and compliance with financial regulations. Ms. Ma joined the Group in November 2018 as Assistant Financial Controller. She has extensive experience in accounting and auditing, specifically more than 10 years of experience from the engineering and construction industry. Prior to joining the Group, Ms. Ma served PricewaterhouseCoopers and has led audit engagements and capital market transactions for multinational corporations and sizable listed companies in Hong Kong. Ms. Ma is a fellow member of the Hong Kong Institute of Chartered Public Accountants and holds a bachelor's degree of Business Administration in Accounting from the Open University of Hong Kong.

**Mr. Tang Wai Yin (鄧偉賢)**, aged 50, has been our head of Project since October 2020. Mr. Tang joined our Group as a project manager in March 2016 and was promoted to the position of head of projects in November 2020. Mr. Tang is primarily responsible for overall project management which includes quality control, master progress monitoring, value enhancement, overall site administration and site safety.

Mr. Tang graduated from the Hong Kong Polytechnic (now known as The Hong Kong Polytechnic University) with a Higher Certificate in Mechanical Engineering in November 1993. Mr. Tang has over 18 years of experience in the fire engineering field. Mr. Tang is a holder of the Construction Industry Safety Training Certificate. Mr. Tang joined our Group in February 1996 as a project engineer and was responsible for handling various systems of fire services installation, site supervision, design, testing and commissioning. Mr. Tang left our Group in August 2007 and worked for Thorn Security (Hong Kong) Limited as project engineer and senior project engineer from September 2008 to September 2013. Mr. Tang was our project manager from October 2013 to 2014. He worked for Tyco Fire, Security & Services (Macau) Limited as an assistant project manager from May 2014 to December 2015.

**Mr. Lam Tai Ming** (林泰銘), aged 53, has been a senior project manager of the Group since April 2014. Mr. Lam is primarily responsible for project execution which includes site supervision, and liaison with customers and relevant site agents, etc.

Mr. Lam has over 22 years of experience in the fire engineering field. Mr. Lam joined the Group in January 1995 as an assistant engineer and he was promoted to his current position in April 2014. Mr. Lam obtained from the Vocational Training Council an Ordinary Certificate in Electrical Engineering in September 1999 and a Higher Certificate in Building Services Engineering in July 2005. Mr. Lam is a holder of the Certificate for Safety and Health Supervisor (Construction) awarded by the Occupational Safety & Health Council in November 1999. He is a Class 3 Registered Fire Service Installation Contractor registered with the Fire Services Department since June 2012, an electrical worker (Grade B) registered with the Electrical and Mechanical Services Department (EMSD). Mr. Lam received from the Labour Department an Attendance Certificate in legal requirements of working in confined space in August 1996 and an Attendance Certificate in construction sites safety regulations in November 1996.

**Ms. Leung Wan Yi** (梁尹儀), aged 55, has been an administration manager of the Group since November 2016. Ms. Leung is primarily responsible for overseeing daily support operations and performing administrative duties. She joined our Group in October 1986 as a junior accounts clerk and was promoted to accounts clerk in February 1989. She was the account manager from January 2012 to October 2016.

Ms. Leung completed a 9-month full-time business secretarial studies course and received a diploma in business secretarial studies from the Professional & Business Youth Department of the Hong Kong Young Women's Christian Association in May 1986. She attended a higher accounting course organised by Caritas Adult Educational Centre from July 1986 to January 1987. She obtained a Certificate of Internal QMS Auditor from SGS United Kingdom Limited in April 2003 and a Certificate of Achievement — Integrated Management System: Internal Auditor for ISO 9001, ISO 14001 and OHSAS 18001 from SGS Hong Kong Limited in July 2012.

**Business address of the Directors and Senior Management**

The business address of the Directors and the senior management is the same as the Company's head office and principal place of business in Hong Kong at Unit 1603, 16/F., Tower 1, Enterprise Square, 9 Sheung Yuet Road, Kowloon Bay, Kowloon, Hong Kong.

**14. EXPENSES**

The expenses in connection with the Rights Issue, including financial advisory fees, placing commission (assuming nil acceptance of the Rights Shares by the Qualifying Shareholders and the placing of all Unsubscribed Rights Shares and the NQS Unsold Shares by the Placing Agent), printing, registration, translation, legal and accountancy charges are estimated to be approximately HK\$2.32 million, which are payable by the Company.

**15. DOCUMENTS ON DISPLAY**

Copies of the following documents will be published on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company (<https://www.windmill.hk/>) for 14 days from the date of this circular:

- (i) the letter from the Independent Financial Adviser, the text of which is set out on pages 36 to 56 of this circular;
- (ii) the letter issued by the reporting accountants regarding the unaudited pro forma financial information of the Group, the text of which is set out in Appendix II to this circular;
- (iii) the material contracts referred to in the paragraph headed "9. Material contracts" in this appendix; and
- (iv) the written consent from the Experts as referred to in the paragraph headed "10. Experts and consents" in this appendix.

**16. MISCELLANEOUS**

- (i) As at the Latest Practicable Date, to the best knowledge of the Directors, there was no restriction affecting the remittance of profit or repatriation of capital of the Company into Hong Kong from outside Hong Kong.
- (ii) As at the Latest Practicable Date, the Group had no exposure to foreign exchange liabilities.
- (iii) The English text of this circular shall prevail over the Chinese text in the event of inconsistency.

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## NOTICE OF THE EGM

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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)

### NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting (the “**Meeting**”) of WINDMILL Group Limited (the “**Company**”) will be held at Suite 2703, 27th Floor, Shui On Centre, 6-8 Harbour Road, Wanchai, Hong Kong, on Friday, 28 April 2023 at 11:00 a.m. to consider and, if thought fit, approve, with or without modifications the following resolutions:

#### ORDINARY RESOLUTION

1. “**THAT**
  - (a) the authorised share capital of the Company be increased from HK\$20,000,000 divided into 2,000,000,000 existing shares with a par value of HK\$0.01 each to HK\$40,000,000 divided into 4,000,000,000 existing shares with a par value of HK\$0.01 each (the “**Increase in Authorised Share Capital**”); and
  - (b) any one or more Directors be and is/are hereby authorised for and on behalf of the Company to execute all such documents, instruments and agreements and to do all such acts or things deemed by him/her/them to be incidental to, ancillary to or in connection with the matters contemplated in and for completion of the Increase in Authorised Share Capital.”
2. “**THAT** conditional upon the passing of the resolution numbered 1 as set out above, and subject to the satisfaction of the conditions set out in the letter from the board under the heading “Conditions of the Share Consolidation” in the circular of the Company dated 3 April 2023 (the “**Circular**”), with effect on the second Business Day immediately following the date of passing this resolution, being a date on which the shares of the Company are traded on The Stock Exchange of Hong Kong Limited:
  - (a) every twenty (20) issued and unissued existing Shares of par value of HK\$0.01 each in the authorised share capital of the Company be consolidated (the “**Share Consolidation**”) into one (1) ordinary share of par value of HK\$0.20 each (the “**Consolidated Share(s)**”), and such Consolidated Shares shall rank *pari passu* in all respect with each other in accordance with the Company’s articles of association; and
  - (b) no fractional Consolidated Shares will be issued by the Company. Any fractional entitlements of the Consolidated Shares will be aggregated and sold for the benefit of the Company; and

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## NOTICE OF THE EGM

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- (c) any one Director be and is hereby authorised to approve, sign and execute such documents and do and/or procure to be done any and all acts, deeds and things which in his/her opinion may be necessary, desirable or expedient to effect and implement this resolution.”
3. **“THAT** conditional upon the passing of resolutions number 1 and 2 as set out above, and subject to the satisfaction of the conditions set out in the letter from the board under the heading “Conditions of the Rights Issue” in the Circular:
- (a) the allotment and issue of 96,000,000 new Consolidated Shares (assuming no change in the number of Consolidated Shares in issue on or before the Record Date (as defined below) and that no new Consolidated Shares (other than the Rights Shares) will be allotted and issued on or before completion of the Rights Issue) (the **“Rights Shares”**) pursuant to an offer by way of rights to the shareholders of the Company (the **“Shareholders”**) at the subscription price of HK\$1.36 per Rights Share (the **“Subscription Price”**) on the basis of two (2) Rights Shares for every one (1) Consolidated Share held by the Shareholders (the **“Qualifying Shareholders”**) whose names appear on the register of members of the Company on 12 May 2023 or such other date as may be determined by the Company for determining entitlements of Shareholders to participate in the Rights Issue (as defined below) (the **“Record Date”**), as described in further details in a circular issued by the Company dated 3 April 2023 (a copy of which has been produced to the Meeting marked “A” and signed by the chairman of the Meeting for the purpose of identification), save for the Shareholders whose addresses as of the Record Date are outside of Hong Kong (if any) to whom the Directors, based on legal opinions to be provided by the legal advisers to the Company, consider it necessary or expedient not to offer the Rights Shares on account either of the legal restrictions under the laws of the relevant place(s) of their registered address(es) or the requirements of the relevant regulatory body(ies) or stock exchange(s) in such place(s) (the **“Excluded Shareholders”**), and on and subject to such terms and conditions as may be determined by the Directors (the **“Rights Issue”**), be and is hereby approved, confirmed and ratified;
- (b) the placing agreement dated 10 February 2023 (the **“Placing Agreement”**) and entered into between the Company and Space Securities Limited (a copy of which has been produced to the Meeting marked “B” and signed by the chairman of the Meeting for the purpose of identification), in relation to the placing of the Rights Shares not subscribed by the Qualifying Shareholders and/or the Rights Shares which would otherwise has/have been provisionally allotted to the Excluded Shareholder(s) in nil-paid form that has/have not been sold by the Company at the placing price of not less than the Subscription Price on a best effort basis, and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;

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## NOTICE OF THE EGM

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- (c) the board of Directors or a committee thereof be and is hereby authorised to allot and issue the Rights Shares pursuant to or in connection with the Rights Issue notwithstanding that the same may be offered, allotted or issued otherwise than pro-rata to the existing Shareholders and, in particular, the Directors may make such exclusions or other arrangements in relation to any Non-Qualifying Shareholders, and to do all such acts and things or make such arrangements as it considers necessary, desirable or expedient to give effect to any or all other transactions contemplated in this resolution; and
- (d) any one or more Directors be and is/are hereby authorised to do all such acts, deeds and things, to sign and execute all such further documents or deeds and to take such steps as he/they may in his/their absolute discretion consider necessary, appropriate, desirable or expedient to carry out or to give effect to or in connection with the Rights Issue, the Placing Agreement and the transactions contemplated thereunder.”

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

Hong Kong, 3 April 2023

*Registered Office:*

Cricket Square  
Hutchins Drive  
P.O. Box 2681  
Grand Cayman  
KY1-1111  
Cayman Islands

*Head Office and Principal Place of*

*Business in Hong Kong:*  
Unit 1603, 16/F., Tower 1,  
Enterprise Square,  
9 Sheung Yuet Road,  
Kowloon Bay,  
Kowloon,  
Hong Kong

*Notes:*

1. An eligible shareholder is entitled to appoint one or more proxies to attend, speak and vote in his/her stead at the Meeting (or at any adjournment of it) provided that each proxy is appointed to represent the respective number of shares held by the shareholder as specified in the relevant proxy forms. The proxy does not need to be a shareholder of the Company.
2. Where there are joint registered holders of any shares, any one of such persons may vote at the Meeting (or at any adjournment of it), either personally or by proxy, in respect of such shares as if he/she were solely entitled thereto but the vote of the senior holder who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the vote(s) of the other joint holders and, for this purpose, seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the relevant joint holding.
3. A form of proxy for use at the Meeting or its adjourned meeting is enclosed.

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## NOTICE OF THE EGM

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4. In order to be valid, the completed proxy form must be received by the Hong Kong branch share registrar and transfer office of the Company, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong at least 48 hours before the time appointed (i.e. Wednesday, 26 April 2023 at 11:00 a.m.) for holding the Meeting or adjourned meeting (as the case may be). If a proxy form is signed by an attorney of a shareholder who is not a corporation, the power of attorney or other authority under which it is signed or a certified copy of that power of attorney or authority (such certification to be made by either a notary public or a solicitor qualified to practice in Hong Kong) must be delivered to the Hong Kong branch share registrar and transfer office of the Company together with the proxy form. In the case of a corporation, the proxy form must either be executed under its common seal or be signed by an officer or agent duly authorised in writing.
5. For the purposes of determining shareholders' eligibility to attend, speak and vote at the Meeting (or at any adjournment of it), the register of members of the Company will be closed from Monday, 24 April 2023 to Friday, 28 April 2023, (both dates inclusive), during which period no transfer of shares of the Company will be registered. To be eligible to attend, speak and vote at the above meeting (or at any adjournment of it), all properly completed transfer documents accompanied by the relevant share certificate must be lodged with the Hong Kong branch share registrar and transfer office of the Company, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Friday, 21 April 2023.
6. The voting at the Meeting or its adjourned Meeting will be taken by poll.
7. If tropical cyclone warning signal No. 8 or above, or a "black" rainstorm warning or "extreme conditions after super typhoons" announced by the Government of Hong Kong is/are in effect any time after 7:00 a.m. on the date of the Meeting, the Meeting will be postponed. The Company will post an announcement on the website of the Company at [www.windmill.hk](http://www.windmill.hk) and on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) to notify the Shareholders of the date, time and place of the re-scheduled Meeting.

If a tropical cyclone warning signal No. 8 or above or a "black" rainstorm warning signal is lowered or cancelled at or before 7:00 a.m. on the date of the Meeting and where conditions permit, the Meeting will be held as scheduled.

The Meeting will be held as scheduled when an "amber" or "red" rainstorm warning signal is in force.

*As at the date of this circular, 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.*