

WINDMILL GROUP LIMITED

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



**INTERIM
REPORT
2021**

CONTENTS

Corporate Information	2
Financial Highlights	3
Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income	4
Condensed Consolidated Statement of Financial Position	5
Condensed Consolidated Statement of Changes in Equity	7
Condensed Consolidated Statement of Cash Flows	8
Notes to the Unaudited Condensed Consolidated Interim Financial Information	9
Management Discussion and Analysis	17
Other Information	23

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Liu Shihao (*Chairman*)

Mr. Li Shing Kuen Alexander

(*Chief Executive Officer*)

Ms. Qiao Qiuxian

Independent non-executive Directors

Mr. Yu Wai Chun

Mr. Chan Chi Yeung Nicholas

Mr. Pau Ka Tat Patrick

AUDIT COMMITTEE

Mr. Yu Wai Chun (*Chairman*)

Mr. Chan Chi Yeung Nicholas

Mr. Pau Ka Tat Patrick

REMUNERATION COMMITTEE

Mr. Chan Chi Yeung Nicholas (*Chairman*)

Mr. Yu Wai Chun

Mr. Pau Ka Tat Patrick

NOMINATION COMMITTEE

Mr. Pau Ka Tat Patrick (*Chairman*)

Mr. Yu Wai Chun

Mr. Chan Chi Yeung Nicholas

COMPANY SECRETARY

Ms. Ho Wing Yan *ACG HKACG (PE)*

AUTHORISED REPRESENTATIVES

Mr. Li Shing Kuen Alexander

Ms. Ho Wing Yan

REGISTERED OFFICE

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 1603,16/F., Tower 1

Enterprise Square

9 Sheung Yuet Road

Kowloon Bay, Kowloon

Hong Kong

PRINCIPAL BANKERS

The Hong Kong and Shanghai

Banking Corporation Limited

DBS Bank (Hong Kong) Limited

AUDITOR

SHINEWING (HK) CPA Limited

SHARE REGISTRARS

*Cayman Islands Share Registrar and
Transfer Office*

Conyers Trust Company (Cayman) Limited

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

*Hong Kong Branch Share Registrar and
Transfer Office*

Tricor Investor Services Limited

Level 54, Hopewell Centre

183 Queen's Road East

Hong Kong

STOCK CODE

1850

COMPANY'S WEBSITE

www.windmill.hk

FINANCIAL HIGHLIGHTS

For the six months ended 31 October 2021, operating results of WINDMILL Group Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) were as follows:

- Revenue reached to approximately HK\$108.9 million (2020: HK\$121.3 million), representing a decrease of 10.2% as compared with that of the corresponding period in 2020;
- Profit for the six months ended 31 October 2021 amounted to approximately HK\$5.6 million (2020: profit of approximately HK\$14.9 million) representing a decrease of approximately 62.4% as compared with that of corresponding period in 2020;
- Basic and diluted earnings per share for the six months ended 31 October 2021 based on weighted average number of ordinary shares of approximately 800,000,000 shares (2020: approximately 800,000,000 shares) in issue was 0.70 HK cent per share (2020: 1.86 HK cent per share); and
- The Directors have resolved not to declare an interim dividend for the six months ended 31 October 2021 (2020: Nil).

INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 OCTOBER 2021

The board (the “Board”) of directors (the “Directors”) of the Company is pleased to announce the unaudited condensed consolidated results of the Group for the six months ended 31 October 2021 together with the comparative unaudited figures for the corresponding period in 2020 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 31 October 2021

		Six months ended	
		31 October	
		2021	2020
		HK\$'000	HK\$'000
	<i>Notes</i>	(Unaudited)	<i>(Unaudited)</i>
Revenue	3	108,912	121,302
Cost of sales		<u>(92,516)</u>	<u>(101,371)</u>
Gross profit		16,396	19,931
Other income		139	3,800
Administrative expenses		(9,323)	(6,156)
Other gain		–	926
Finance costs		<u>(360)</u>	<u>(829)</u>
Profit before taxation		6,852	17,672
Income tax expense	5	<u>(1,272)</u>	<u>(2,787)</u>
Profit and total comprehensive income for the period attributable to owners of the Company	6	<u>5,580</u>	<u>14,885</u>
Earnings per share	7		
Basic and diluted (HK cent)		<u>0.70</u>	<u>1.86</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION*At 31 October 2021*

		31 October 2021	30 April 2021
		<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>Notes</i>	<i>(Unaudited)</i>	<i>(Audited)</i>
Non-current assets			
Plant and equipment	9	832	947
Intangible assets		290	1,185
Right-of-use assets		680	1,263
Deferred tax assets		1,102	2,374
Deposit		–	380
		<hr/>	<hr/>
		2,904	6,149
Current assets			
Trade receivables	10	10,618	33,966
Contract assets		60,106	59,400
Deposits, prepayments and other receivables		6,460	8,598
Tax recoverable		381	381
Pledged bank deposits		21,101	21,097
Bank balances and cash		81,956	51,223
		<hr/>	<hr/>
		180,622	174,665
Current liabilities			
Trade and retention payables	11	30,178	31,020
Contract liabilities		727	658
Accruals and other payables		2,183	1,979
Lease liabilities		665	1,131
Bank borrowings		29,400	31,137
		<hr/>	<hr/>
		63,153	65,925

		31 October 2021 HK\$'000 (Unaudited)	30 April 2021 HK\$'000 (Audited)
	<i>Notes</i>		
Net current assets		<u>117,469</u>	<u>108,740</u>
Total assets less current liabilities		<u>120,373</u>	<u>114,889</u>
Non-current liabilities			
Lease liabilities		<u>–</u>	<u>96</u>
		<u>–</u>	<u>96</u>
Net assets		<u><u>120,373</u></u>	<u><u>114,793</u></u>
Capital and reserves			
Share capital	<i>12</i>	8,000	8,000
Reserves		<u>112,373</u>	<u>106,793</u>
Total equity		<u><u>120,373</u></u>	<u><u>114,793</u></u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY*For the six months ended 31 October 2021*

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Other reserve <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 May 2021 (audited)	8,000	50,585	10,148	46,060	114,793
Profit and total comprehensive income for the period	—	—	—	5,580	5,580
At 31 October 2021 (unaudited)	<u>8,000</u>	<u>50,585</u>	<u>10,148</u>	<u>51,640</u>	<u>120,373</u>
At 1 May 2020 (audited)	8,000	50,585	10,148	41,173	109,906
Profit and total comprehensive income for the period	—	—	—	14,885	14,885
At 31 October 2020 (unaudited)	<u>8,000</u>	<u>50,585</u>	<u>10,148</u>	<u>56,058</u>	<u>124,791</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS*For the six months ended 31 October 2021*

	For the six months ended	
	31 October	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Net cash generated from / (used in) operating activities	33,554	15,427
Investing activities		
Purchase of plant and equipment	(225)	(24)
Proceeds from disposal of plant and equipment	63	–
Proceeds from sale of financial asset at FVTPL	–	14,979
Dividend received	–	325
Net cash (used in) / generated from investing activities	(162)	15,280
Financing activities		
Repayment of bank borrowings	(61,084)	(106,294)
Drawdown of bank borrowings	59,347	76,402
Payment of lease liabilities	(562)	(636)
Interest element of lease rentals paid	(7)	(26)
Bank interest paid	(353)	(803)
Net cash (used in) / generated from financing activities	(2,659)	(31,357)
Net increase / (decrease) in cash and cash equivalents	30,733	(650)
Cash and cash equivalents at the beginning of the period	51,223	44,880
Cash and cash equivalents at the end of the period represented by bank balances and cash	81,956	44,230

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 31 October 2021

1. CORPORATE INFORMATION AND BASIS OF PREPARATION

Corporate Information

The Company was incorporated in the Cayman Islands under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands as an exempted company with limited liability on 25 August 2016. The shares of the Company were listed on Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 14 February 2019.

The address of the registered office and the principal place of business of the Company are Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and Unit 1603, 16/F., Tower 1, Enterprise Square, 9 Sheung Yuet Road, Kowloon Bay, Kowloon, Hong Kong, respectively.

The Company is an investment holding company while the principal subsidiary, Windmill Engineering Company Limited (“Windmill Engineering”), is mainly engaged in design, supply and installation of fire safety systems for buildings under construction or re-development, maintenance and repair of fire safety systems for built premises and trading of fire service accessories.

This unaudited condensed consolidated interim financial information is presented in Hong Kong dollars (“HK\$”), which is also the functional currency of the Group.

Basis of Preparation

This unaudited condensed consolidated interim financial information has been prepared in accordance with the applicable disclosure provision of Appendix 16 of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) and with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). The unaudited condensed consolidated interim financial information should be read in conjunctions with annual consolidated financial statements for year ended 30 April 2021, which have been prepared in accordance with Hong Kong Financial Reporting Standards, HKAS and interpretations (collectively, the “HKFRSs”) issued by the HKICPA.

2. PRINCIPAL ACCOUNTING POLICIES AND CHANGE IN ACCOUNTING POLICIES

This unaudited condensed consolidated interim financial information has been prepared on the historical cost basis.

The accounting policies used in this unaudited condensed consolidated interim financial information are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 30 April 2021.

In the current interim period, the Group has applied, for the first time, the following new standards, amendments and interpretation ("new HKFRSs") issued by the HKICPA which are effective for the Group's financial year beginning 1 May 2021:

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform
Amendment to HKFRS 16	COVID-19-Related Rent Concession beyond 30 June 2021

The directors of the Company anticipate that the application of amendments to HKFRSs in the current interim period has had no material effect on the Group's financial performance and positions for the current and prior periods and/or on the disclosures set out in these unaudited condensed consolidated interim financial information.

3. REVENUE

Revenue represent the amounts received and receivable arising on services provided and sales of goods in the normal course of business, net of discounts. An analysis of the Group's revenue for the period is as follows:

	Six months ended	
	31 October	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Revenue from design, supply and installation services	97,052	97,855
Revenue from maintenance and repair services	11,754	23,376
Trading of fire service accessories	106	71
	108,912	121,302
Timing of revenue recognition		
At a point in time	106	71
Over time	108,806	121,231
	108,912	121,302

4. SEGMENT INFORMATION

The Group's operating activities are attributable to a single operating segment focusing on the design, supply and installation of fire safety systems for buildings under construction or re-development and maintenance and repair of fire safety systems for built premises. This operating segment has been identified on the basis of internal management reports prepared in accordance with accounting policies which conform to HKFRSs that is regularly reviewed by the directors of the Company, being the chief operating decision maker (the "CODM"), for the purposes of resource allocation and assessment of segment performance. The CODM monitors the revenue from the engagement in design, supply and installation of fire safety systems for buildings under construction or re-development and maintenance and repair of fire safety systems for built premises with no discrete information available to the CODM. The CODM reviews the profit for the period of the Group as a whole for performance assessment.

Geographical information

The Group's revenue from external customers based on the location of the operation is derived solely in Hong Kong (place of domicile). Non-current assets of the Group based on the location of assets are all located in Hong Kong. Accordingly, no segment analysis by geographical information is presented.

Information about major customers

Revenue from customers of the corresponding periods contributing over 10% of the total revenue of the Group are as follows:

	Six months ended	
	31 October	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Customer A	49,828	23,756
Customer B	N/A ¹	12,533
Customer C	12,500	N/A ¹
	_____	_____

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

5. INCOME TAX EXPENSE

	Six months ended	
	31 October	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current tax:		
Hong Kong Profits Tax	<u>1,272</u>	<u>2,787</u>

Hong Kong Profits Tax is calculated under the two-tiered profits tax rates regime where the first HK\$2 million of profits of qualifying corporation will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5% for the six months ended 31 October 2021. Hong Kong profits tax of the qualified entity of the Company is calculated in accordance with the two-tiered profits tax rates regime.

Pursuant to the rules and regulation of the BVI and the Cayman Islands, the Group is not subject to any income tax in these jurisdictions.

6. PROFIT FOR THE PERIOD

	Six months ended	
	31 October	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Profit for the period has been arrived at after crediting:		
Interest expense on lease liabilities	7	26
Amortisation of intangible asset	895	32
Depreciation of plant and equipments	185	152
Depreciation of right-of-use assets	583	577
Gain on fair value change of financial asset at FVTPL	–	(926)
Loss on disposal of plant and equipments	92	–
Government subsidy (<i>note</i>)	–	(2,843)

Note:

A cash subsidy of HK\$2,843,000 was granted by The Government of the Hong Kong Special Administrative Region (the “HKSAR Government”) under the Anti-Epidemic Fund for relieving financial burdens of the businesses for the period ended 31 October 2020. There were no unfulfilled conditions and other contingencies attached to the receipts of those subsidies.

7. EARNINGS PER SHARE

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

	Six months ended	
	31 October	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Earnings		
Profit for the period attributable to owners of the Company for the purpose of basic earnings per share	5,580	14,885
Number of shares		
	2021	2020
	'000	'000
Weighted average number of ordinary shares for the purpose of basic earnings per share	800,000	800,000

The diluted earnings per share is the same as the basic earnings per share as there were no diluted potential ordinary shares outstanding during the six months ended 31 October 2021 (2020: nil).

8. DIVIDEND

The Directors do not declare the payment of interim dividend for the six months ended 31 October 2021 (2020: nil).

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

9. PLANT AND EQUIPMENT

During the six months ended 31 October 2021, the Group acquired approximately HK\$225,000 (2020: HK\$24,000) of plant and equipment.

10. TRADE RECEIVABLES

	31 October 2021 <i>HK\$'000</i> (Unaudited)	30 April 2021 <i>HK\$'000</i> (Audited)
Trade receivables	30,618	53,966
Less: impairment loss	(20,000)	(20,000)
	10,618	33,966

The Group does not hold any collateral over these balances.

The Group allows a credit period of 30-60 days (30 April 2021: 30-60 days) to its customers. The following is an ageing analysis of trade receivables net of impairment, presented based on the date of progress certificates or completion certificates and invoice date, which approximates the respective revenue recognition dates, at the end of the reporting period:

	31 October 2021 <i>HK\$'000</i> (Unaudited)	30 April 2021 <i>HK\$'000</i> (Audited)
0 to 30 days	7,437	18,570
31 to 60 days	643	745
61 to 90 days	1,074	122
91 to 180 days	103	14,429
181 to 365 days	1,355	66
Over 1 year	6	34
	10,618	33,966

11. TRADE AND RETENTION PAYABLES

	31 October 2021	30 April 2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
Trade payables	14,566	15,725
Retention payables	15,612	15,295
	<u>30,178</u>	<u>31,020</u>

The following is an ageing analysis of trade payables presented based on the invoice date at the end of the reporting period:

	31 October 2021	30 April 2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
0 to 30 days	14,214	14,471
31 to 60 days	352	735
61 to 90 days	–	55
91 to 180 days	–	2
Over 180 days	–	462
	<u>14,566</u>	<u>15,725</u>

Trade payables represented payables to suppliers and subcontractors. The credit terms granted by suppliers and subcontractors were stipulated in the relevant contracts and the payables were usually due for the settlement within 30-60 days (30 April 2021: 30-60 days). The Group has financial risk management policies in place to ensure that all payables are settled within the credit time-frame.

12. SHARE CAPITAL

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

	Number of ordinary shares	Share capital <i>HK\$'000</i>
Ordinary shares of HK\$0.01 each		
Authorised:		
At 30 April 2021 (audited) and 31 October 2021 (unaudited)	2,000,000,000	20,000
Issued and fully paid:		
At 30 April 2021 (audited) and 31 October 2021 (unaudited)	800,000,000	8,000

13. CONTINGENT LIABILITIES

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

	31 October 2021 <i>HK\$'000</i> (Unaudited)	30 April 2021 <i>HK\$'000</i> (Audited)
Guarantees in respect of performance bonds in favour of its clients	5,766	5,496

In the opinion of the Directors, it was not probable that a claim would be made against the Group under the guarantees. Therefore, no provision for such guarantee was made for the six months ended 31 October 2021 (30 April 2021: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

We are a registered fire service installation contractor, qualified to undertake works in respect of the installation, maintenance, repair or inspection of fire safety systems in Hong Kong. Fire safety systems mainly consist of fire alarm systems, water and gas expression systems, fire hydrant and hose reel systems, emergency lighting systems and portable fire equipment.

Our services mainly include (i) design, supply and installation of fire safety systems for building under construction or re-development (referred to as “installation services”); (ii) maintenance and repair of fire safety systems for built premises (referred to as “maintenance services”); and (iii) trading of fire service accessories including branded fire services equipment under a distributorship agreement with an internationally branded fire service equipment supplier (referred to as “others”).

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

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

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

As the Group has successfully been listed in the Main Board of the Stock Exchange in 2019, our brand name awareness has been further enhanced. The Group may leverage this to explore other new attractive business opportunities outside Hong Kong which may be value-enhancing to the Group and its shareholders. Furthermore, the Group will also continue to look at opportunities to strengthen our investor and shareholder base to support our Group’s business and expansion plans.

FINANCIAL REVIEW

Revenue

The Group's revenue for the six months ended 31 October 2021 recorded amounted to approximately HK\$108.9 million which represented a decrease of approximately HK\$12.4 million or 10.2% from approximately HK\$121.3 million for the six months ended 31 October 2020. The decrease in total revenue was mainly due to a decrease from installation services and maintenance services amounted to approximately HK\$0.8 million and HK\$11.6 million respectively.

Revenue

Analysis of revenue is as follows:

	Six months ended 31 October		2020	
	2021	% of total	2020	% of total
	<i>HK\$'000</i>	<i>revenue</i>	<i>HK\$'000</i>	<i>revenue</i>
Installation services	97,052	89.1	97,855	80.7
Maintenance services	11,754	10.8	23,376	19.3
	108,806	99.9	121,231	100.0
Others	106	0.1	71	0.0
Total	108,912	100.0	121,302	100.0

Installation services

Revenue decreased by approximately 0.8% from approximately HK\$97.9 million for the six months ended 31 October 2020 to approximately HK\$97.1 million for the six months ended 31 October 2021. The slight decrease by approximately HK\$0.8 million was mainly due to the completion of installation projects by the Group during the six months ended 31 October 2021 as compared to the corresponding 2020 reporting period.

Maintenance services

Revenue decreased by approximately 49.6% from approximately HK\$23.4 million for the six months ended 31 October 2020 to approximately HK\$11.8 million for the six months ended 31 October 2021. The decrease by approximately HK\$11.6 million was mainly due to the completion of maintenance contracts in the premises of various government department as compared to the corresponding 2020 reporting period.

Others

For the six months ended 31 October 2021, revenue recorded amounted to approximately HK\$0.1 million (2020: HK\$0.07 million).

Cost of sales

Our cost of sales decreased by approximately 8.8% from approximately HK\$101.4 million for the six months ended 31 October 2020 to approximately HK\$92.5 million for the six months ended 31 October 2021. The decrease was mainly attributed to the decrease in subcontracting costs resulting from the completion of both installation contracts and maintenance contracts undertaken by the Group during the six months ended 31 October 2021.

Gross profit and gross profit margin

Our gross profit decreased by approximately HK\$3.5 million or 17.6% from approximately HK\$19.9 million for the six months ended 31 October 2020 to approximately HK\$16.4 million for the six months ended 31 October 2021. During the six months ended 31 October 2021, the gross profit margin was approximately 15.1% (2020: 16.4%).

Other income

The Group recorded other income of approximately HK\$0.1 million for the six months ended 31 October 2021 (2020: HK\$3.8 million). The decrease was mainly due to an “Anti-epidemic Fund” of the “Employment Support Scheme” launched by the HKSAR Government with approximately HK\$2.8 million in the corresponding 2020 reporting period only.

Administrative expenses

Administrative expenses mainly represented the salaries and benefits of the administrative and management staff, rental expenses, insurance, legal and professional fees, depreciation of plant and equipments and other miscellaneous administrative expenses. Our administrative expenses increased by approximately HK\$3.2 million or 52.5% from approximately HK\$6.1 million for the six months ended 31 October 2020 to approximately HK\$9.3 million for the six months ended 31 October 2021. The increase was mainly attributable to an increase in staff costs as well as an increase in legal and professional fees for the six months ended 31 October 2021.

Other gain

No other gain was recognised for the period ended 31 October 2021, while HK\$0.9 million was arose from the fair value change of the financial assets at fair value through profit or loss in the corresponding 2020 reporting period.

Finance costs

Our finance costs decreased by approximately 56.6% from approximately HK\$829,000 for the six months ended 31 October 2020 to approximately HK\$360,000 for the six months ended 31 October 2021. The decrease was primarily attributed to our decreased level of bank borrowings.

Income tax expense

Our income tax expense decreased from approximately HK\$2.8 million for the six months ended 31 October 2020 to approximately HK\$1.3 million for the six months ended 31 October 2021. The decrease was due to the decrease in taxable profits.

Profit for the period attributable to owners of the Company

As a result of the foregoing, the profit attributable to owners of the Company decreased from approximately HK\$14.9 million for the six months ended 31 October 2020 to approximately HK\$5.6 million for the six months ended 31 October 2021.

LIQUIDITY AND FINANCIAL RESOURCES AND TREASURY POLICY

	As at 31 October 2021	As at 30 April 2021
Current ratio	2.9	2.6
Gearing ratio*	25.0%	28.2%

* Calculated based on total debts at the end of the period/year divided by total equity at the end of the period/year. Total debts are defined as bank borrowings and total lease liabilities.

The current ratio of the Group as at 31 October 2021 was 2.9 times as compared to that of 2.6 times as at 30 April 2021. The gearing ratio of the Group as at 31 October 2021 was 25.0% as compared to that of 28.2% as at 30 April 2021. The increase in current ratio and decrease in gearing ratio were mainly due to the decrease in bank borrowings.

The Group's finance department closely monitors the Group's cash flow position to ensure the Group has sufficient working capital available to meet the operational needs. The finance department takes into account the trade receivables, trade payables, pledged bank deposit, bank borrowings, bank balances and cash, administrative and capital expenditures to prepare the cash flow forecast to forecast the Group's future financial liquidity.

The Group generally finance its operations through a combination of owner's equity, internally generated cash flows, net proceeds from the share offer of the Company's shares in listing, other reserve and bank borrowing from the international banks.

CAPITAL COMMITMENTS

As at 31 October 2021, the Group has no capital commitments (30 April 2021: Nil).

PLEDGE OF ASSETS

As at 31 October 2021, the Group pledged its bank deposit to banks of HK\$21.1 million as collateral to secure bank facilities granted to the Group. Save for the above disclosed, the Group did not have any charges on its assets.

CONTINGENT LIABILITIES

As at 31 October 2021, performance bonds of approximately HK\$5.8 million (30 April 2021: HK\$5.5 million), were given by the bank in favour of some of our customers as a security for the due performance and observance of our obligations under the contracts entered into between us and our customers. If the Group fails to provide satisfactory performance to our customers to whom performance bonds have been given, such customers may demand the bank to pay to them the sum or sums stipulated in such demand. The Group will then become liable to compensate such bank accordingly. The performance bonds will be released upon completion of the contract work. The performance bonds were granted under the banking facilities. As at 31 October 2021, in the opinion of the Directors, it was not probable that a claim would be made against our Group under the guarantees, and hence no provision for such guarantees was made in respect of the aforesaid performance bonds.

EVENT AFTER THE REPORTING PERIOD

The wide spread of the novel Coronavirus since the beginning of 2020 is a fluid and challenging situation facing all the industries of the society. The Group has already assessed the overall impact of the situation on the operation of the Group and taken all possible effective measures to limit and keep the impact in control. The Group will keep continuous attention on the change of situation and make timely response and adjustments in the future.

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

MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

The Group had no material acquisitions or disposals of subsidiaries, associates and joint ventures during the six months ended 31 October 2021.

CAPITAL STRUCTURE

The Group's shares were successfully listed on GEM on the Listing Date and have been transferred from GEM to the Main Board of the Stock Exchange on 14 February 2019. There has been no change in the capital structure of the Group since that Listing Date. The capital of the Group only comprises of bank borrowings, net of bank balances and cash, issued share capital and reserves.

SIGNIFICANT INVESTMENTS

As at 31 October 2021, there was no significant investment held by the Group (30 April 2021: Nil).

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

As at 31 October 2021, the Group currently does not have any future plans for material investments or capital assets.

FOREIGN CURRENCY EXPOSURE

During the six months ended 31 October 2021, the Group's monetary assets and transactions were mainly denominated in HK\$. The Group's exposure to exchange rate fluctuation was not significant and therefore the Group currently does not have a foreign currency hedging policy.

EMPLOYEES AND EMOLUMENT POLICY

The Group recognises the importance of good relationship with employees. The Directors believe that the working environment and benefits offered to employees have contributed to build good staff relations and retention. The Group continues to provide training for new staff and existing staff to enhance their technical knowledge. The Directors believe such initiatives have contributed to increase productivity and efficiency.

The Group's remuneration policies are formulated based on the performance of individual employees and are reviewed regularly. Subject to the Group's profitability and the staff performance, the Group may also provide a discretionary bonus to employees as an incentive for their contributions to the Group. The primary goal of the remuneration policy with regard to the remuneration packages of the Group's executive Directors is to enable the Group to retain and motivate executive Directors by linking their compensation with performance as measured against corporate objectives achieved.

A remuneration committee is set up for reviewing the Group's emolument policy and the structure of all remuneration of the Directors and senior management of the Group, having regard to the Group's operating results, individual performance and comparable market practices.

The Company adopted a share option scheme (the "Share Option Scheme") to attract and retain individuals with experience and ability and/or to reward them for their past contributions.

As at 31 October 2021, the Group employed 57 employees, the total staff costs amounted to approximately HK\$18.3 million (2020: HK\$14.1 million). The Company maintains the Share Option Scheme for the purpose of providing incentives and rewards to the participants for their contributions to the Group. As at the date of this report, no option has been granted under the Share Option Scheme.

OTHER INFORMATION

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF THE LISTED ISSUERS (THE “MODEL CODE”)

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as the code of conduct governing dealings by all Directors in the securities of the Company on terms no less exacting than the required standard of dealings as set out in the Model Code. After specific enquiries have been made with all Directors, all Directors declared that they have complied with the required standards as set out in the Model Code throughout the six months ended 31 October 2021.

DIVIDENDS

The Board does not declare the payment of dividend for the six months ended 31 October 2021 (2020: nil).

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

As at 31 October 2021, none of the Directors and their respective associates had any interests or short positions in the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the “SFO”)) which are required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were deemed or taken to have under the provisions of the SFO); (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the Model Code for Securities Transaction by Directors of Listed Issuers to be notified to the Company and the Stock Exchange; or (d) to be disclosed in this report pursuant to the Takeovers Code.

DIRECTORS’ RIGHT TO ACQUIRE SHARES

At no time during the six months ended 31 October 2021 was the Company, or its holding company, subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors and chief executives of the Company (including their spouses and children under 18 years of age) to hold any interest or short positions in the shares, or underlying shares, or debentures, of the Company or its associated corporations (with the meaning of Part XV of the SFO).

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 October 2021, the following persons (other than Directors or chief executive of the Company) were interested in 5% or more of the shares and underlying shares of the Company which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

Name of Substantial Shareholder	Nature of interest	Total number of Shares interested	Approximate percentage of the existing issued share capital of the Company (%)
Great Season Ventures Limited (Note 1)	Beneficial Owner	240,000,000	30.00
Mr. Jiang Jianhui (Note 1)	Interests in controlled corporation	240,000,000	30.00
Lianteng Group Limited (Note 2)	Beneficial Owner	108,000,000	13.50
Mr. Yu Lixiong (Note 2)	Interests in controlled corporation	108,000,000	13.50
Mr. Ren Guisheng	Beneficial Owner	252,000,000	31.50

Notes:

- 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.
- Lianteng Group Limited is wholly and beneficially owned by Mr. Yu Lixiong. By virtue of the SFO, Mr. Yu Lixiong is deemed to be interested in all the shares in which Lianteng Group Limited is interested or deemed to be interested under the SFO. Mr. Yu Lixiong is also the sole director of Lianteng Group Limited.

Save as disclosed above, as at 31 October 2021, the Company had not been notified by any persons (other than Directors or chief executive of the Company) who had interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

COMPETING INTERESTS

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

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

No transaction, arrangement or contract of significance to which the Company, any of its holding company, subsidiaries or fellow subsidiaries was a party, and in which a Director and a connected entity of a Director had a material interest, subsisted at the end of the period or at any time during the six months ended 31 October 2021.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 31 October 2021.

SHARE OPTION SCHEME

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

For the six months ended 31 October 2021, no share option was granted, exercised, cancelled or lapsed and there is no outstanding share option under the Share Option Scheme.

CORPORATE GOVERNANCE PRACTICES

The Board is of the view that the Company has complied with the code provisions set out in the Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Listing Rules during the six months ended 31 October 2021 except the code provision A.2.1.

Deviation from code provision of the CG Code

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

For the six months ended 31 October 2021, Mr. Li Shing Kuen Alexander (“Mr. Li”) is the chairman of the Board and the chief executive officer of the Company. Given that Mr. Li has been leading the operations and management of the Group since 1985 when the Group was founded by him and taking into consideration our current scale of operations and management structure, the Board believes that it is more appropriate to have Mr. Li performing both functions of the chief executive officer and leader of the Board for more efficient management and strategic planning of the Group. Therefore, the Board considers that the deviation from the code provision A.2.1 of the CG Code is appropriate in the circumstances and currently does not propose to separate the functions of chairman and chief executive officer of the Company.

On 30 November 2021, Mr. Li Shing Kuen Alexander has ceased to act as the chairman of the Board and remain as a Chief Executive officer of the Company. Mr. Liu Shihao has been appointed as the chairman of the Board. The code provision A.2.1 has been complied.

AUDIT COMMITTEE

The Company has established its audit committee (the “Audit Committee”) on 27 March 2017 with terms of reference in compliance with the Listing Rules and CG Code as set out in Appendix 14 to the Listing Rules. The primary duties of the Audit Committee are to, without limitation, to assist the Board in providing an independent view of the effectiveness of the financial reporting process, internal control and risk management systems of the Group, overseeing audit process and performing other duties and responsibilities as assigned by the Board. The Audit Committee has three members comprising the Company’s three independent non-executive Directors, namely Mr. Yu Wai Chun, Mr. Chan Chi Yeung Nicholas and Mr. Pau Ka Tat Patrick. The chairman of the Audit Committee is Mr. Yu Wai Chun. The unaudited condensed consolidated results of the Group for the six months ended 31 October 2021 have not been audited by the auditor of the Company but have been reviewed by the Audit Committee.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This report will be published on the respective websites of the Stock Exchange (www.hkex.com.hk) and the Company (www.windmill.hk). The interim report for the six months ended 31 October 2021 containing all the information required by the Listing Rules will be published on the website of the Company and the Stock Exchange and despatched to the Company’s shareholders in due course.

By order of the Board
WINDMILL Group Limited
Liu Shihao
Chairman

Hong Kong, 23 December 2021

As at the date of this report, the executive Directors are Mr. Liu Shihao, Mr. Li Shing Kuen Alexander and Ms. Qiao Qiuxian; and the independent non-executive Directors are Mr. Yu Wai Chun, Mr. Chan Chi Yeung Nicholas and Mr. Pau Ka Tat Patrick.