RELIANCE GLOBAL HOLDINGS LIMITED
信保環球控股有限公司*

(Incorporated in Bermuda with limited liability)
(Stock code: 723)

FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2020

The Board of Directors (the "**Board**" or the "**Directors**") of Reliance Global Holdings Limited (the "**Company**") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 March 2020 together with comparative figures as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2020

	Notes	**2020** *HK$'000*	2019 *HK$'000*
Revenue	*5*	**619,241**	589,114
Cost of sales		**(560,845)**	(546,154)
Change in fair value of investment properties reclassified as assets classified as held-for-sale		**–**	480
Change in fair value of investment properties		**–**	2,180
Other income		**38**	1,759
Other net gains		**–**	67
Administrative expenses		**(19,592)**	(18,385)
Other operating expenses	*6(c)*	**(1,929)**	(979)
Profit from operations		**36,913**	28,082

* *For identification purpose only*

	Notes	2020 HK$'000	2019 HK$'000
Finance income		**599**	242
Finance costs		**(1,942)**	(1,498)
Net finance costs	*6(a)*	**(1,343)**	(1,256)
Profit before taxation	*6*	**35,570**	26,826
Income tax expense	*7*	**(1,009)**	(454)
Profit for the year		**34,561**	26,372
Attributable to:			
Owners of the Company		**33,709**	26,372
Non-controlling interests		**852**	–
		34,561	26,372
Earnings per share	*9*		
– Basic		**HK0.37 cent**	HK0.29 cent
– Diluted		**HK0.37 cent**	HK0.29 cent

	2020	2019
	HK$'000	*HK$'000*
Profit for the year	**34,561**	26,372
Other comprehensive (expense)/income for the year:		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	**(801)**	265
Total comprehensive income for the year	**33,760**	26,637
Total comprehensive income attributable to:		
Owners of the Company	**32,987**	26,637
Non-controlling interests	**773**	–
	33,760	26,637

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2020

	Notes	**2020**	2019
		HK$'000	*HK$'000*
Non-current assets			
Property, plant and equipment		**1,111**	42
Right-of-use assets		**3,819**	–
Intangible assets		**5,119**	6,820
Loan receivables	*11*	**72,660**	219,800
Finance lease receivables	*12*	**2,188**	6,252
		84,897	232,914
Current assets			
Inventories		**33,397**	–
Trade and other receivables	*10*	**106,220**	109,229
Loan receivables	*11*	**234,230**	76,078
Finance lease receivables	*12*	**3,347**	3,923
Cash and cash equivalents		**96,981**	25,433
		474,175	214,663
Assets classified as held-for-sale		**–**	23,400
		474,175	238,063
Current liabilities			
Trade and other payables	*13*	**45,128**	52,494
Bank borrowings	*14*	**66,997**	48,151
Lease liabilities		**1,864**	–
Provision for taxation		**2,602**	1,293
Amounts received from a shareholder	*16*	**190,000**	200,000
		306,591	301,938
Liabilities directly associated with assets classified as held-for-sale		**–**	1,836
		306,591	303,774
Net current assets/(liabilities)		**167,584**	(65,711)
Total assets less current liabilities		**252,481**	167,203

	Notes	**2020**	2019
		HK$'000	*HK$'000*
Non-current liabilities			
Notes payable	*15*	**50,000**	–
Lease liabilities		**2,097**	–
Deferred tax liabilities		**1,708**	2,287
		53,805	2,287
Net assets		**198,676**	164,916
Capital and reserves			
Share capital		**125,068**	125,068
Reserves		**72,849**	39,862
Total equity attributable to owners of the Company		**197,917**	164,930
Non-controlling interests		**759**	(14)
Total equity		**198,676**	164,916

Notes:

1. **Corporate information**

The Company was incorporated in Bermuda as an exempted company with limited liability under the Companies Act 1981 of Bermuda and its ordinary shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). Trading in shares of the Company has been suspended since 10 October 2018.

The principal activities of the Company are investment holding and provision of management services. The principal activities of the subsidiaries of the Company comprise money lending business conducted pursuant to the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong), forest-related business comprising sustainable forest management and timber supply chain, and leasing of properties.

2. **Basis of preparation of the financial statements**

The consolidated financial statements have been prepared in accordance with all applicable International Financial Reporting Standards ("**IFRSs**"), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards ("**IASs**") and Interpretations issued by the International Accounting Standards Board ("**IASB**"), and the disclosure requirements of the Hong Kong Companies Ordinance. The consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**").

The consolidated financial statements have been prepared under the historical cost basis except for investment properties reclassified as assets classified as held-for-sale which are stated at fair values.

The consolidated financial statements are denominated in Hong Kong dollars ("**HK$**"). Unless otherwise specifically stated, all amounts are presented in thousand.

3. **Application of new and revised IFRSs**

The Group has applied, for the first time, the following new and revised standards, amendments and interpretations issued by the IASB:

IFRS 16	Leases
IFRIC 23	Uncertainty over Income Tax Treatments
Amendments to IFRS 9	Prepayment Features with Negative Compensation
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures
Annual Improvements 2015-2017 Cycle	Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23

Except for IFRS 16 "Leases", none of the above developments have a material effect on the Group's results and financial position for the current and prior periods and/or on the disclosures set out in the consolidated financial statements.

IFRS 16 "Leases"

IFRS 16 replaces IAS 17 "Leases", and the related interpretations, IFRIC 4 "Determining whether an Arrangement contains a Lease", SIC 15 "Operating Leases – Incentives", and SIC 27 "Evaluating the Substance of Transactions involving the Legal Form of a Lease". It introduces a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less ("**short-term leases**") and leases of low-value assets. The lessor accounting requirements brought forward from IAS 17 are substantially unchanged.

IFRS 16 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.

The Group has initially applied IFRS 16 as from 1 April 2019. The Group has elected to use the modified retrospective approach and therefore comparative information has not been restated and continues to be reported under IAS 17. As the Group only had a short-term lease at 1 April 2019, the initial adoption of IFRS 16 had no impact on the Group's balances at 1 April 2019.

Further details of the nature and effect of the changes to previous accounting policies and the transition options applied are set out below:

(a) *Changes in the accounting policies*

(i) New definition of a lease

The change in the definition of a lease mainly relates to the concept of control. IFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all the economic benefits from that use.

The Group applies the new definition of a lease in IFRS 16 only to contracts that were entered into or changed on or after 1 April 2019. For contracts entered into before 1 April 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases.

Accordingly, contracts that were previously assessed as leases under IAS 17 continue to be accounted for as leases under IFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

(ii) Lessee accounting

IFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by IAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under IAS 17, other than those short-term leases and leases of low-value assets which are exempted.

Where the contract contains lease components and non-lease components, the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received.

The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

(b) *Transitional impact*

At the date of transition to IFRS 16 (i.e. 1 April 2019), the Group determined the length of the remaining lease terms and measured the lease liabilities for the leases previously classified as operating leases at the present value of the remaining lease payments, discounted using the relevant incremental borrowing rates at 1 April 2019.

To ease the transition to IFRS 16, the Group applied the following recognition exemption and practical expedients at the date of initial application of IFRS 16:

(i) the Group elected not to apply the requirements of IFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of IFRS 16, i.e. where the lease term ends on or before 31 March 2020; and

(ii) when measuring the lease liabilities at the date of initial application of IFRS 16, the Group applied a single discount rate to a portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment).

(c) *Impact on the financial result, segment results and cash flows of the Group*

Except for the short-term lease that the Group elects to use the lease recognition exemption, the Group has a three-year lease agreement (commenced during the year ended 31 March 2020) as a lessee which is capitalised as required under IFRS 16.

After the initial recognition of right-of-use assets and lease liabilities in relation to the capitalised lease, the Group as a lessee is required to recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. This results in a negative impact on the reported profit before taxation in the Group's consolidated statement of profit or loss and other comprehensive income, as compared to the results if IAS 17 had been applied during the year.

In the consolidated statement of cash flows, the Group as a lessee is required to split rentals paid under capitalised leases into their capital element and interest element. These elements are classified as financing cash outflows, similar to how leases previously classified as finance leases under IAS 17 were treated, rather than as operating cash outflows, as was the case for operating leases under IAS 17. Although total cash flows are unaffected, the adoption of IFRS 16 therefore results in a change in presentation of cash flows within the consolidated statement of cash flows. The adoption of IFRS 16 has no significant impact on the financial results, and cash flow of the Group.

4. Segment information

The Group manages its businesses by divisions, which are organised by a mixture of both business lines (products and services) and geographical location. In a manner consistent with the way in which information is reported internally to the Board of Directors for the purposes of resource allocation and performance assessment, the Group has presented the following reportable segments. No operating segments have been aggregated to form the following reportable segments.

Specifically, the Group's reportable and operating segments under IFRS 8 are as follows:

- Money lending: money lending business conducted pursuant to the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong).

- Forest-related business:

  (i) Sustainable forest management: sustainable forest management of and investment in natural forests, licensing of harvesting rights, timber and wood processing, trading and sales of forestry and timber products.

  (ii) Timber supply chain: sales of timber and wooden products including processed timber products.

- Leasing of properties: leasing of premises to generate rental income and to gain from the appreciation in the property values.

Segment results represent the profit/loss from each segment without allocation of corporate income, corporate expenses, change in fair value of financial liabilities and finance costs.

Segment assets include all non-current assets and current assets attributable to an individual reportable segment with the exception of right-of-use assets and certain other corporate assets.

All liabilities are allocated to reportable segments other than lease liabilities, deferred tax liabilities, amounts received from a shareholder and other corporate liabilities.

Segment revenue, results, assets and liabilities

An analysis of the Group's reportable segments is reported below:

For the year ended 31 March 2020

		Forest-related business			
	Money lending *HK$'000*	Sustainable forest management *HK$'000*	Timber supply chain *HK$'000*	Leasing of properties *HK$'000*	Total *HK$'000*
Segment revenue					
Revenue from external customers	34,193	1,369	583,584	95	619,241
Results					
Segment results	29,275	(663)	15,634	46	44,292
Unallocated corporate income					231
Unallocated corporate expenses					(7,011)
Finance costs					(1,942)
Profit before taxation					35,570
Other segment information					
Capital expenditure	–	202	246	–	448
Depreciation of property, plant and equipment	–	40	9	2	51
Interest income	15	16	334	13	378

At 31 March 2020

	Money lending *HK$'000*	Sustainable forest management *HK$'000*	Timber supply chain *HK$'000*	Leasing of properties *HK$'000*	Total *HK$'000*
Segment assets	319,489	5,877	169,406	23	494,795
Unallocated:					
– Right-of-use assets					3,819
– Other corporate assets					60,458
					559,072
Segment liabilities	50,040	3,105	108,423	–	161,568
Unallocated:					
– Lease liabilities					3,961
– Deferred tax liabilities					1,708
– Amounts received from a shareholder					190,000
– Other corporate liabilities					3,159
					360,396

For the year ended 31 March 2019

	Money lending	Forest-related business: Sustainable forest management	Forest-related business: Timber supply chain	Leasing of properties	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue					
Revenue from external customers	22,319	3,244	562,777	774	589,114
Results					
Segment results	18,958	2,634	13,600	2,806	37,998
Unallocated corporate income					9
Unallocated corporate expenses					(9,693)
Change in fair value of financial liabilities					10
Finance costs					(1,498)
Profit before taxation					26,826
Other segment information					
Capital expenditure	–	–	–	8	8
Depreciation of property, plant and equipment	–	–	–	9	9
Interest income	7	10	219	–	236

At 31 March 2019

	Money lending	Sustainable forest management	Timber supply chain	Leasing of properties	Total
Segment assets	309,376	8,606	127,488	23,431	468,901
Unallocated corporate assets					2,076
					470,977
Segment liabilities	422	4,672	93,454	1,848	100,396
Unallocated:					
– Deferred tax liabilities					2,287
– Amounts received from a shareholder					200,000
– Other corporate liabilities					3,378
					306,061

Geographical information

The following is an analysis of geographical location of (i) the Group's revenue from external customers and (ii) the Group's non-current assets. The geographical locations of customers refer to the locations at which the customers reside. The geographical locations of property, plant and equipment are based on the physical locations of the assets under consideration. In the case of intangible assets, the allocation is based on the location of the operation to which they are allocated.

	Revenue from external customers Year ended 31 March		**Non-current assets At 31 March**	
	2020	2019	**2020**	2019
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
People's Republic of China ("**PRC**"), excluding Hong Kong	**563,455**	518,171	**–**	–
Hong Kong	**34,288**	23,093	**79,189**	226,188
Asia (other than Hong Kong and the PRC)	**16,785**	36,758	**–**	–
Europe	**–**	7,848	**555**	–
South America	**4,713**	3,244	**5,153**	6,726
	619,241	589,114	**84,897**	232,914

5. Revenue

An analysis of the Group's revenue for the year is as follows:

	2020	2019
	HK$'000	*HK$'000*
Sales from timber supply chain business	**583,584**	562,777
Interest income from money lending business	**33,444**	21,276
Arrangement fee income from money lending business	**749**	1,043
Income from licensing of harvesting rights	**1,369**	3,244
Income from leasing of properties	**95**	774
	619,241	589,114

Note:

During the year, revenue is recognised at a point in time except for interest income from money lending business, income from licensing of harvesting rights and leasing of properties which fall outside the scope of IFRS 15.

6. Profit before taxation

The Group's profit before taxation is arrived at after charging/(crediting):

		2020	2019
		HK$'000	*HK$'000*
(a)	**Net finance costs**		
	Finance income:		
	Interest income from bank deposits	**(599)**	(242)
	Finance costs:		
	Interest on lease liabilities	**156**	–
	Interest on notes payable	**752**	–
	Interest on advances drawn on bill receivables discounted with full recourse	**1,034**	1,498
		1,942	1,498
		1,343	1,256
(b)	**Staff costs (including directors' emoluments)**		
	Salaries, wages and other benefits	**9,010**	5,095
	Contributions to retirement benefits scheme	**284**	156
		9,294	5,251
(c)	**Other items**		
	Cost of inventories	**510,878**	493,830
	Depreciation of property, plant and equipment	**122**	13
	Depreciation of right-of-use assets	**1,616**	–
	Minimum lease payments under operating leases for land and buildings	**–**	849
	Lease payments not included in the measurement of lease liabilities	**575**	–
	Loss on disposal of property, plant and equipment*	**12**	–
	Impairment loss on trade receivables *(note 10)**	**592**	324
	Impairment loss on loan receivables *(note 11)**	**1,685**	655
	Reversal of impairment loss on loan receivables *(note 11)**	**(360)**	–
		1,929	979
	Auditor's remuneration		
	– audit services	**1,392**	1,313
	– other services	**290**	450
		1,682	1,763
	Gross rental income from investment properties less direct outgoings of HK$20,000 (2019: HK$104,000)	**(75)**	(670)

* These items are included in "Other operating expenses" on the face of the consolidated statement of profit or loss and other comprehensive income.

7. Income tax expense

	2020	2019
	HK$'000	*HK$'000*
Current tax		
– Hong Kong Profits Tax		
– current year	**986**	454
– Slovenia corporate income tax		
– current year	**23**	–
Deferred tax		
– Reversal of temporary differences	**–**	–
Income tax expense	**1,009**	454

For the year ended 31 March 2020, the provision for Hong Kong Profits Tax is calculated at a flat rate of 16.5% (2019: 16.5%) of the estimated assessable profits for the year, except for a subsidiary of the Group which is a qualifying corporation under the two-tiered profits tax rates regime. For this subsidiary, the first HK$2,000,000 of assessable profits are taxed at 8.25%, and the remaining assessable profits are taxed at 16.5%. Such basis had been applied for the calculation of the provision for Hong Kong Profits Tax of this subsidiary for the year ended 31 March 2019.

Slovenia corporate income tax is charged at 19% on the estimated assessable profits arising in Slovenia for the year.

Brazil income tax is charged at 34% (2019: 34%) on the estimated assessable profits arising in Brazil. Brazil income tax has not been provided for the year ended 31 March 2020 as there was no assessable profit (2019: the assessable profit was wholly absorbed by tax losses brought forward).

8. Dividend

The Directors do not recommend the payment or declaration of any dividend for the year ended 31 March 2020 (2019: nil).

9. Earnings per share

(a) The calculation of basic and diluted earnings per share is based on the profit attributable to owners of the Company as follows and the reconciliation of the weighted average number of shares as shown in note 9(b):

	2020	2019
	HK$'000	*HK$'000*
Profit		
Profit for the purpose of calculating basic and diluted earnings per share	**33,709**	26,372

(b) Weighted average number of shares

	2020	2019
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**9,105,710**	9,105,708
Effect of dilutive potential ordinary shares arising from conversion of convertible preferred shares	**106,283**	106,283
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	**9,211,993**	9,211,991

For the year ended 31 March 2019, as the exercise price of the warrants exceeded the average market price of the ordinary shares of the Company during the period before they expired on 6 May 2018, they had no dilutive effect in calculating the diluted earnings per share.

10. Trade and other receivables

		2020	2019
	Notes	***HK$'000***	*HK$'000*
Trade receivables		**7,115**	51,990
Less: impairment allowances		**(916)**	(324)
	(i)	**6,199**	51,666
Bill receivables	*(ii)*	**77,628**	48,151
Interest receivables		**6,664**	2,142
Other receivables		**5,805**	236
Amount due from non-controlling interests		**150**	–
Financial assets at amortised costs		**96,446**	102,195
Trade and logging deposits		**7,681**	5,095
Other deposits and prepayments		**2,093**	1,939
		106,220	109,229

Notes:

(i) Trade receivables

The aging analysis of the trade receivables as of the end of the reporting period, based on invoice date, and net of impairment allowance, is as follows:

	2020	2019
	HK$'000	*HK$'000*
0 to 30 days	**3,450**	46,362
31 to 90 days	**–**	207
Over 90 days	**2,749**	5,097
	6,199	51,666

The Group's trading terms with its customers are mainly on credit, except for new customers where payment in advance and cash on delivery are normally required. Invoices are normally payable between 30 and 90 days after issuance. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by management.

(ii) Bill receivables

At 31 March 2020, included in the amounts represented bill receivables discounted to banks with full recourse with a maturity period of less than 90 days (2019: less than 90 days). The Group recognised the full amount of the discounted proceeds as liabilities as set out in note 14.

The following were the Group's financial assets at 31 March 2020 and 31 March 2019 that were transferred to banks by discounting those receivables on a full recourse basis. As the Group had not transferred the significant risks and rewards relating to these receivables, it continued to recognise the full carrying amount of the receivables and had recognised the cash received on the transfer as a secured borrowing. These financial assets were carried at amortised cost.

	2020	2019
	HK$'000	*HK$'000*
Carrying amount of the transferred assets	**66,997**	48,151
Carrying amount of the associated liabilities	**(66,997)**	(48,151)
	–	–

11. Loan receivables

	2020	2019
	HK$'000	*HK$'000*
Fixed-rate loan receivables	**308,870**	296,533
Less: impairment allowance	**(1,980)**	(655)
	306,890	295,878
Analysed as:		
Current portion	**234,230**	76,078
Non-current portion	**72,660**	219,800
	306,890	295,878
Analysed as:		
Secured	**276,471**	250,234
Unsecured	**30,419**	45,644
	306,890	295,878

All loans were denominated in Hong Kong dollars. At 31 March 2020, the loan receivables carried interest rates ranging from 8.75% to 18% per annum (2019: 8.75% to 18% per annum).

Before granting loans to potential borrowers, the Group performs internal credit assessment process to assess the potential borrowers' credit quality individually and defines the credit limits granted to the borrowers. The credit limits attributed to the borrowers are reviewed by the management regularly.

The Group has a policy for assessing the impairment on loan receivables on an individual basis. The assessment includes evaluation of collectability, aging analysis of account and current creditworthiness, collateral and past collection history of each borrower under the Group's credit risk rating system.

In determining the recoverability of loan receivables on a collective basis, the Group considers any change in the credit quality of the loan receivables from the date the credit was initially granted up to the reporting date. This includes assessing the credit history of the borrowers, such as financial difficulties or default in payments, and current market conditions.

At 31 March 2020, loans receivables with aggregate carrying amount of HK$276,471,000 (2019: HK$250,234,000) were secured by properties of the borrowers. At the end of the reporting period, loan receivables with aggregate carrying amount of HK$291,395,000 (2019: HK$296,533,000) were not past due.

At the end of each reporting date, the Group's loan receivables were individually and collectively assessed for impairment. An impairment allowance of HK$1,980,000 (2019: HK$655,000) had been provided at the year end.

12. Finance lease receivables

	Minimum lease payments		Present value of minimum lease payments	
	2020	2019	**2020**	2019
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Finance lease receivables comprise:				
Within one year	**3,908**	4,737	**3,347**	3,923
After one year but within five years	**2,291**	6,827	**2,188**	6,252
	6,199	11,564	**5,535**	10,175
Less: unearned finance income	**(664)**	(1,389)	**–**	–
	5,535	10,175	**5,535**	10,175
Analysed as:				
Current assets			**3,347**	3,923
Non-current assets			**2,188**	6,252
			5,535	10,175

The Group's finance lease receivables were denominated in Hong Kong dollars. At 31 March 2020, the effective interest rate of the finance lease receivables ranged from 9% to 11% per annum (2019: 8.75% to 11% per annum).

In the event that an instalment repayment of a finance lease receivable is past due, the entire outstanding balance of the finance lease receivable will be classified as past due. At 31 March 2020, all finance lease receivables were neither past due nor impaired (2019: nil).

Finance lease receivables are secured by leased assets and customers' deposits. Customers' deposits are collected and calculated based on a certain percentage of the entire value of the lease contract. The deposits are returned to the customers by instalments over the lease contract or in full at the end of lease period according to the terms of the lease contract. When the lease contract expires and all liabilities and obligations under the lease contract have been fulfilled, the lessor must return the full lease deposits to the lessee. The balance of the customers' deposits can also be applied and used to settle any outstanding lease payments under the lease contract. At 31 March 2020, no customers' deposits were received in advance (2019: HK$324,000). There was no contingent rent arrangement that needed to be recognised for the year ended 31 March 2020 (2019: nil).

13. Trade and other payables

	2020	2019
	HK$'000	*HK$'000*
Trade and bill payables *(note)*	**34,754**	37,490
Other payables and accruals	**8,881**	15,004
Amounts due to related parties	**1,493**	–
	45,128	52,494

Note:

An aging analysis of the Group's trade and bill payables as of the end of the reporting period, based on invoice date, is as follows:

	2020	2019
	HK$'000	*HK$'000*
0 to 30 days	**33,470**	37,490
31 to 90 days	**1,284**	–
	34,754	37,490

The average credit period is within 30 days for both years.

14. Bank borrowings

	2020	2019
	HK$'000	*HK$'000*
Advances drawn on bill receivables discounted with full recourse	**66,997**	48,151

Note:

The amount represented the Group's borrowings secured by bill receivables discounted to banks with full recourse (note 10(ii)) and the amount was repayable within one year.

15. Notes payable

On 2 January 2020, the Company entered into a placing agreement (the "**Placing Agreement**") with an independent placing agent, pursuant to which the Company agreed to place through the placing agent, on a best effort basis, to independent third parties the 3-year secured notes with an aggregate principal amount of up to HK$300,000,000 which carry interest at 7.125% per annum.

On 15 January 2020, the Group completed the issue of the first tranche of the notes that will be due on 16 January 2023 of an aggregate principal amount of HK$50,000,000. The notes payable are secured by a debenture which incorporating a first floating charge over all the undertakings, property and assets of a subsidiary of the Group in favour of a security trustee as trustee for and on behalf of the noteholders.

Due to the outbreak of COVID-19, the placing exercise has been delayed. Accordingly, on 26 June 2020, the Company and the placing agent entered into an extension letter to extend the closing date (that is the last day of the placing period) under the Placing Agreement from 30 June 2020 to 31 December 2020. Save for the extension of the closing date, all the terms and conditions of the Placing Agreement shall remain the same.

16. Amounts received from a shareholder

The amounts received from a shareholder, Champion Alliance Enterprises Limited ("**Champion Alliance**"), which was accounted for as a loan from a shareholder initially, is unsecured, interest-free and repayable at the end of the twelve months from the date of the loan facility agreement, the facility is extendable for another twelve months and subsequent twelve month period(s), or on such other date at the request of the Company and agreed by the shareholder in writing. On 1 February 2019, the shareholder confirmed that the amount due to it up to HK$200,000,000 will be fully utilised for the subscription of new shares under a fund raising exercise to be conducted by the Company for the purpose of enlarging its capital base, with such fund raising exercise being subject to the approval of the Stock Exchange. In the case of failing to get the approval from the Stock Exchange, Champion Alliance has undertaken not to demand for repayment of the amount due to it (which is unsecured and interest-free) until the Group is financially viable to do so.

17. Litigation

On 30 May 2010, Universal Timber Resources do Brasil Ltda. ("**UTRB**"), a wholly owned subsidiary of the Company, entered into a service agreement (the "**Service Agreement**") with F Um Terraplanagem ("**Terraplanagem**"). Under the Service Agreement, Terraplanagem would carry out earthwork service in a hydropower plant in Rondonia, Brazil for a service fee of Brazilian Reais ("**R$**") R$892,500. After signing the Service Agreement, Terraplanagem did not provide any earthwork service and UTRB had to hire another company to complete the earthworks. However, in the land search of the freehold land of UTRB, it was revealed that Terraplanagem submitted a claim to a court against UTRB to pay for the alleged outstanding service fee of approximately R$1,291,000 and filed a precautionary injunction to prevent UTRB of selling certain area of its freehold land. Such injunction was awarded by the court during the year ended 31 March 2015. Two witness hearings were held in May 2016 and in March 2017, the court served the notice to both Terraplanagem and UTRB to present their final arguments. In May 2017, the court awarded Terraplanagem's claim in full (the "**Court Decision**"). In June 2017, UTRB filed petition to the court presenting its arguments on the ruling by the court, however, the petition was rejected by the court. In late July 2017, UTRB filed an appeal against the Court Decision with the High Court. In late September 2019, the High Court ruled the case, ratifying the Court Decision. Subsequently, UTRB filed an appeal against the High Court decision with the Court of Final Appeal and is still awaiting the outcome of the appeal. The claim of approximately R$1,291,000 (approximately HK$1,930,000) has been included in other payables.

18. Event after the reporting period

The global outbreak of COVID-19 in early 2020 that is affecting many nations, the global and local credit markets and the international timber market has to a certain extent, adversely affected the Group's operations. The management considered it is difficult to predict the evolution and duration of the pandemic on a global basis and that at the reporting date, the extent of its impact to the Group's future operation cannot be reliably quantified or estimated. Nevertheless, given that there are recent signs that the conditions of the pandemic in Hong Kong have been under control and that the tension of the China-US trade war has eased since the signing of the first phase trade agreement in January 2020, barring unforeseeable circumstances, the management is optimistic about its financial results for the year ending 31 March 2021. The management will continue to closely monitor the situation and will take all necessary and appropriate measures to reduce the adverse impact of the pandemic to the Group.

FINAL DIVIDEND

The Board has resolved not to declare a final dividend for the year ended 31 March 2020 (2019: nil).

BUSINESS REVIEW

For the year ended 31 March 2020 ("**FY2020**"), the Group continued to principally engage in four business segments, namely, forest-related business comprising timber supply chain and sustainable forest management, money lending business and leasing of properties. The Group has managed to report very encouraging results by achieving a 5% increase in revenue to HK$619,241,000 (2019: HK$589,114,000), a 31% increase in profit for the year to HK$34,561,000 (2019: HK$26,372,000), and a 28% increase in basic earnings per share to HK0.37 cent (2019: HK0.29 cent), amid all the challenges faced by the Group resulting from the global outbreak of COVID-19, the trade war between China and the US, and the political and social events in Hong Kong. Supported by the great efforts of the management, the Group has demonstrated the strength and resilience of its businesses in weathering the negative impact from these unprecedented market conditions.

Forest-related Business

Timber supply chain

For FY2020, the Group's timber supply chain business registered growth in both revenue and operating profit reaching HK$583,584,000 (2019: HK$562,777,000) and HK$15,634,000 (2019: HK$13,600,000) respectively, representing a year-on-year increase of 4% and 15%. The growth in revenue was primarily due to the 24% increase in volume of timber traded, being over 329,000 m^3 (2019: 265,000 m^3), amid the general drop in timber selling price owing to the escalated trade tension between China and the US and the COVID-19 pandemic. The growth in operating profit was the combined effect of the commencement of the Group's timber supply chain operation in Europe and the rise of the operation's overall profit margin, mainly attributed to the stronger bargaining power of the management in negotiating with suppliers and customers which resulted from the increasing deal flow of the operation.

The Group's timber supply chain business has achieved significant business development in successfully established a supply chain operation in Europe in November 2019. This represents the Group's strategic move to build a global network of supply sources in Europe, Oceania and Africa to serve its customers predominantly in China and other Asian countries. The Europe operation so far comprises a distribution hub in Slovenia as well as a distribution hub and a timber processing venture in Romania. The Group has a team of sourcing and procurement expertise stationed in Europe to deal with forest owners and suppliers directly, and inventories are kept in distribution hubs in Slovenia and Romania to ensure a stable and efficient supply to customers. The operation of the Group's distribution hub in Slovenia and Romania encompasses sourcing, land transport, inventory management, custom clearance and sea transport to customers. The Group now sources hardwood from Papua New Guinea and Republic of Congo and both hardwood and softwood from Slovenia, Czech Republic, Germany, Italy, Austria, Croatia and Romania.

The Group's timber processing venture in Romania is a vertically integrated operation which encompasses harvesting, processing, inventory management, logistics and selling. The Group has obtained the harvesting rights for conducting logging on a forest asset in Oituz, Romania for a term of four years. The timber harvested, together with timber purchased from other forest owners, will then be used as input to the subcontracting plant engaged by the Group for processing into wood lumber. The wood lumber produced will then be stored and kept as inventories until sold and delivered to customers under logistic arrangement provided by the Group. The wood lumber is principally for the use of making house furniture and is well received by customers in China.

The timber supply chain business is led by an experienced management team with extensive business network in the industry. With their good efforts, a large and solid supplier and customer base has been built over the years which led to the significant increase in transaction volume of the business. For FY2020, sales volume of timber and wood products increased by 24% to over 329,000 m^3 (2019: 265,000 m^3) and a majority was sold on CFR (Cost & Freight) basis with logistics support provided by the Group. The Group's subsidiary in Slovenia has obtained the Forest Stewardship Council ("**FSC**") certification which provides assurance to customers when they are looking for FSC-certified timber exporters. FSC-certified timbers and products are in growing demand as the end users can demonstrate their corporate social responsibility and sustainability.

The establishment of the distribution hubs and the timber processing venture in Slovenia and Romania have significantly enhanced the competitive advantages of the Group's timber supply chain business, and effectively expand and diversify the Group's customer base, revenue source, product type and market coverage. European timber logs and wood products are of high demand in China because of their high quality and wide usage. The diversity of the Group's timber supply chain business in terms of customer base, supply sources and product type substantially enhances its strength and resilience to weather unanticipated market challenges, and forms a solid base for its further development and growth.

Sustainable forest management

Since the Group suspended its harvesting operations in the State of Acre, Brazil owing to the unfavourable business environment in 2012, the Group had continued to explore the optimal way to enhance the income stream from its forest assets. However, due to the unstable economic environment in Brazil and in view of the possibility of facing similar extortion threats from local parties in Brazil as the Group had experienced in previous years, operating the forest assets through own harvesting was considered to be unfavourable to the Group. As a result, the Board decided to change the operational model of the Group's forest assets to licensing of harvesting rights in June 2014 and since then, the Group has been actively looking for potential licensees for its forest assets. During the year, the Group has accumulatively granted harvesting rights for over 60% of the 44,500 hectares forest areas owned by the Group.

For FY2020, the revenue of the sustainable forest management business, representing income from licensing of harvesting rights, decreased by 58% to HK$1,369,000 (2019: HK$3,244,000) and the business incurred loss of HK$663,000 (2019: profit of HK$2,634,000). The decrease of the licensing income was caused by the delay of commencement of one of the licenses granted which mainly led to the loss results of the operation. The Group will continue to solicit more licensees including sawmill owners so as to enhance the income stream of this business.

Money Lending

For FY2020, the Group's money lending business continued to achieve remarkable results by generating a revenue of HK$34,193,000 (2019: HK$22,319,000) and an operating profit of HK$29,275,000 (2019: HK$18,958,000), representing a year-on-year increase of 53% and 54% respectively, against the backdrop of the challenges brought by the series of political and social events took place in Hong Kong and the outbreak of COVID-19. The substantial increases in revenue and operating profit were mainly due to continuous expansion of the Group's loan and finance lease portfolio, which brought by the concrete efforts of the management in strategically expanding the operation's sales channels including traditional and digital media, sales agents as well as cooperation with property agents and property developers, and with the weighted interest rate of the portfolio remained largely the same at about 11% for the two years.

During FY2020, the Group granted new loans in aggregate principal amount of HK$133,100,000, at interest rates ranging from 10% to 14.5% per annum and with tenors ranging from 6 to 36 months. At 31 March 2020, the Group's portfolio constituted of 36 loans and finance leases with carrying amount totalling HK$312,425,000 (2019: HK$306,053,000) (net of impairment loss on loan receivables of HK$1,980,000 (2019: HK$655,000)). Details of the loan and finance lease portfolio are as follows:

Type of loans/finance lease	Approximate weighting to the carrying amount of the Group's loan and finance lease portfolio	Interest rate per annum	Original maturity	Remarks
First mortgage loans	85%	8.75%-14.5%	Within three years	Loans were secured by properties located in Hong Kong
Second mortgage loans	3%	13.5%-18%	Within two years	Loans were secured by properties located in Hong Kong
Corporate loans	10%	9%-12.5%	Within one year	Loans were granted to listed companies in Hong Kong
Finance leases	2%	9%-11%	Within three years	The finance leases were secured by motor vehicles
Total	100%			

The Group's loans and finance lease portfolio was well diversified with an average loan size of around HK$8.7 million, credit healthy as 90% of the portfolio was secured by collaterals, and earning a good return with the weighted average interest rate amounting to approximately 11%.

Before granting loans to potential borrowers, the Group performs credit assessment process to assess potential borrowers' credit quality individually and defines the credit limits granted to the borrowers. The credit limits granted to the borrowers are reviewed by the management regularly.

Risk management is an integral part of the success of the money lending business. The Group has clear credit policies, guidelines, controls and procedures in place which cover every aspect of the operation from information verification, credit assessment, loan approval, monitoring to collection. The operation has clear authorisation and approval hierarchy and is led and managed by qualified and experienced personnel. The management team is able to deliver expedite credit approval process to customers without compromising commercial benefits of lending decisions made.

In assessing expected credit losses, the loan receivables have been assessed with reference to the latest analysis on credit rating of the loans on individual and collective basis. The Group's portfolio mainly comprised mortgage loans, and the loan to value ratio for each of the mortgaged properties has been under regular review. At 31 March 2020, the loan to value ratio of all mortgaged properties were within the safety margin. For unsecured corporate loans, the credit rating of the loans were analysed with reference to the borrowers' credit worthiness and credit history, including their financial position, previous records of default in payment, and prevailing market conditions. At 31 March 2020, expected credit losses totalling HK$1,980,000 (2019: HK$655,000) has been provided for the loan receivables.

In January 2020, the Company successfully issued interest bearing notes totalling HK$50,000,000 to investors for funding the development of the money lending business. The notes are secured by a debenture over the assets of the Group's money lending subsidiary which effectively represents securitisation of part of its loan and finance lease portfolio. This financing arrangement strategically paves the way for the Group to raise further funding from the Hong Kong capital market for developing its money lending business.

Leasing of Properties

For FY2020, the leasing of properties business contributed rental income of HK$95,000 (2019: HK$774,000) and an operating profit of HK$46,000 (2019: HK$2,806,000 which included an increase in fair value of investment properties of HK$2,660,000) to the Group.

Taking the opportunity of realising the cumulative gains embedded in the Group's investment properties, the Group had entered into agreements with independent third parties during the year ended 31 March 2019 ("**FY2019**") to dispose of all three of its investment properties at an aggregate consideration of HK$34,260,000. The disposal of one of the properties was completed during FY2019 and the remaining two were completed in FY2020. The principal reasons of these disposals are to fully realise the cumulative gains embedded in these properties and to allow the Group to reallocate its financial resources to the money lending and forest-related businesses which generate higher yields. The investment properties were originally acquired by the Group at a total cost of approximately HK$23,700,000, and an aggregate gain of HK$10,560,000 has been realised upon completion of all the disposals. At 31 March 2020, the Group did not hold any investment property.

FINANCIAL REVIEW

In order to cope with the Group's expanding scale of operation and continuous business development, on 26 March 2018, Champion Alliance, a substantial shareholder of the Company, granted to the Company a loan facility to the extent of HK$200,000,000 (the "**Loan Facility**") to meet its working capital requirements. The Loan Facility is unsecured and interest-free and has been mainly applied to the Group's money lending and forest-related businesses to facilitate their significant business developments. At 31 March 2020, the outstanding amount under the Loan Facility was HK$190,000,000.

For the purpose of financing the operation of the timber supply chain business, the Group has also obtained from well established banks in Hong Kong general trade facilities of HK$314 million and bills discounting facilities of US$150 million and HK$50 million (collectively named as the "**Trade Facilities**"). The Trade Facilities obtained have substantially strengthened the Group's financial flexibility in conducting its timber supply chain business.

In January 2020, the Company entered into the Placing Agreement with a placing agent, on a best effort basis, to procure placees to subscribe for notes with aggregate principal amount of up to HK$300,000,000, carrying interest at 7.125% per annum, and maturing on the third anniversary of the issue date for each tranche of the notes (the "**Three-Year Notes**") issued. A debenture incorporating a first floating charge over all the undertakings, property and assets of the Group's money lending subsidiary has been issued in favour of a security trustee as trustee for the noteholders. Up to 31 March 2020, the first tranche of the Three-Year Notes amounted to HK$50,000,000 has been placed.

Liquidity and Financial Resources

For FY2020, the Group financed its businesses mainly by cash generated from operations, the Trade Facilities provided by banks, the Loan Facility from Champion Alliance, the first tranche of the Three-Year Notes issued and the shareholders' funds.

At 31 March 2020, the Group had current assets of HK$474,175,000 (2019: HK$238,063,000) and cash and cash equivalents of HK$96,981,000 (2019: HK$25,433,000). The Group's current ratio, calculated based on current assets over current liabilities of HK$306,591,000 (2019: HK$303,774,000), was at a strong ratio of about 1.5 (2019: 0.8). The rise of the current ratio was mainly due to the increase in loan receivables that were due within one year and the higher cash level at the year end date.

At 31 March 2020, the Group's borrowings comprised the first tranche of the Three-Year Notes of HK$50,000,000 and bank borrowings of HK$66,997,000 (2019: HK$48,151,000), which represented the advances for bill receivables discounted to bank with full recourse to the Group. The bank borrowings bore interests at floating rates, secured by the relevant bill receivables and were repayable within one year.

The Group's gearing ratio expressed as a percentage of total borrowings of HK$116,997,000 (2019: HK$48,151,000) over equity attributable to owners of the Company of HK$197,917,000 (2019: HK$164,930,000), increased to 59% at 31 March 2020 (2019: 29%). Such increase was mainly due to the increase in bank borrowings of HK$18,846,000 as a result of the expanded scale of operation of the timber supply chain business, and the issuance of the first tranche of the Three-Year Notes of HK$50,000,000 to support the business development of the money lending business.

At 31 March 2020, the Group's total assets increased by HK$88,095,000 to HK$559,072,000 (2019: HK$470,977,000). Backed by the Trade Facilities from banks, the Loan Facility from Champion Alliance, and the proceeds from the issuance of the first tranche of the Three-Year Notes, the management is confident that the Group has sufficient working capital to cope with its continuous business development and substantial asset base.

At 31 March 2020, the equity attributable to owners of the Company increased by 20% or HK$32,987,000 to HK$197,917,000 (2019: HK$164,930,000). The increase was mainly due to the profit earned by the Group's money lending and timber supply chain businesses.

With the amount of liquid assets on hand, the Trade Facilities from banks, the Loan Facility from Champion Alliance, the management is of the view that the Group has sufficient financial resources to meet its ongoing operational requirement.

Charge on Assets

A debenture incorporating a first floating charge over all the undertakings, property and assets of a wholly owned subsidiary of the Company engaging in money lending business has been issued in favour of a security trustee as trustee for the noteholders in relation to the Three-Year Notes. On 15 January 2020, the first tranche of the Three-Year Notes amounted to HK$50,000,000 has been issued.

At 31 March 2020, bill receivables of HK$66,997,000 (2019: HK$48,151,000) were pledged to banks to secure advances drawn on the bill receivables.

Contingent Liabilities

At 31 March 2020, except for the litigation set out in note 17 above, the Group had no other significant contingent liability (2019: nil).

Litigation

At 31 March 2020, there was a claim of approximately HK$1,930,000 (approximately R$1,291,000) against the Group which had been included in other payables, details of the ongoing litigation are set out in note 17 above.

Foreign Exchange Risk

The Group mainly operates in Brazil, Europe and Hong Kong. During FY2020, the revenue, costs and expenses of the Group's operations were denominated in Hong Kong dollars, Brazilian Reais, Euro dollars, United States dollars and Renminbi. The Group maintains a prudent strategy in its foreign currency risk management, where possible, foreign exchange risks are minimised via balancing the foreign currency monetary assets versus the corresponding currency liabilities, and foreign currency revenues versus the corresponding currency expenditures. The Group is not subject to foreign exchange risk of United States dollars as it is pegged with Hong Kong dollars, the Group is nevertheless exposed to potential foreign exchange risk as a result of fluctuations of Brazilian Reais, Euro dollars and Renminbi.

In addition, some of the Group's assets are located in Brazil and Europe and denominated in Brazilian Reais and Euro dollars respectively while the Group's reporting currency is in Hong Kong dollars, this also exposes the Group to potential foreign exchange risk upon translation of these assets on each reporting date.

During FY2020, the Group had not experienced any significant exposure to exchange rate fluctuations of Euro dollars, Renminbi and Brazilian Reais. For Euro dollars, the Group's exposure to its exchange rate fluctuation was not significant as the exchange rate of the currency to Hong Kong dollars was relatively stable throughout the year, as for Renminbi and Brazilian Reais, the Group's exposure to their exchange rate fluctuations were not significant as their weightings to the Group's total transaction volume, assets and liabilities were low. For the Group's assets in Brazil and Europe, any foreign exchange gains or losses due to translation of the carrying value of these assets to the Group's reporting currency on reporting dates are unrealised and non-cash in nature, accordingly, the Group has not entered into any arrangements or financial instruments for the purpose of hedging against these potential foreign exchange risks. The Group will closely monitor its foreign currency exposure and undertake appropriate hedging measures should significant exposure arise.

OVERALL RESULTS

The Group continued to report profitable results by reporting a 28% increase in profit attributable to owners of the Company to HK$33,709,000 (2019: HK$26,372,000), and a 24% increase in total comprehensive income attributable to owners of the Company to HK$32,987,000 (2019: HK$26,637,000). The significant advancement of the Group's results was mainly attributed to the growth of the timber supply chain and money lending businesses, notwithstanding the absence in the current year of the increase in fair value of investment properties (2019: HK$2,660,000) and the reversal of provision for litigation claim (2019: HK$1,611,000), and the increase in administrative and other operating expenses of HK$2,157,000 to HK$21,521,000 (2019: HK$19,364,000). The increase in administrative and other operating expenses was mainly due to the increase in remuneration of directors and employees, and the expenses incurred in setting up the business ventures in Slovenia and Romania.

PROSPECTS

Since the change of the substantial shareholder of the Company to Champion Alliance on 12 October 2017 and the appointment of the new executive directors to the Board of the Company since October 2017, the directors and management team of the Company have used their best endeavour to improve the businesses of the Group. The results are very encouraging and the Group has been profit-making for three consecutive financial years ended FY2020. The scale of the Group's operation, in particular the timber supply chain and the money lending businesses, have expanded significantly. It is the mission of the management to continuously explore organic growth and vertical expansion business opportunities with the aim to further expand the scale of the Group's operations, and to create new value to shareholders.

Looking ahead, given the recent signs that the conditions of COVID-19 in Hong Kong have been under control and that the tension of the China-US trade war has eased since the signing of the first phase trade agreement in January 2020, barring unforeseeable circumstances, the Group is optimistic about its financial results for the year ending 31 March 2021.

CHANGE OF COMPANY NAME

Pursuant to a special resolution passed by the shareholders of the Company at the annual general meeting of the Company held on 27 September 2019 and the subsequent approvals of the Registrar of the Companies in Bermuda and the Registrar of Companies in Hong Kong, the English name of the Company has been changed from "Sustainable Forest Holdings Limited" to "Reliance Global Holdings Limited" and the Chinese name "信保環球控股有限公司" has been adopted for identification purpose only in place of the former Chinese name "永保林業控股有限公司" which was adopted for identification purpose only.

LISTING STATUS

References are made to (i) the announcements of the Company dated 9 February 2018, 21 February 2018, 5 July 2018, 13 July 2018, 21 September 2018, 9 October 2018 and 12 October 2018 in relation to, among others, the Stock Exchange's decision to place the Company into the first delisting stage; and (ii) the announcements of the Company dated 10 March 2020 and 29 May 2020 in relation to, among others, the Stock Exchange's decision to place the Company into the second delisting stage and the Company's request for review of such decision.

On 6 May 2020, the Listing Committee of the Stock Exchange considered an application from the Company for a review of the decision of the Listing Department dated 3 March 2020 (the "**LD Decision**") to place the Company into the second delisting stage pursuant to Practice Note 17 to the Listing Rules. On 25 May 2020, the Company received a letter from the Listing Committee stating the Listing Committee remained unsatisfied with the viability and sustainability of the Company's business and decided to uphold the LD Decision to place the Company into the second delisting stage pursuant to Practice Note 17 to the Listing Rules (the "**LC Decision**").

Having considered the LC Decision, the Company has on 29 May 2020 submitted a written request to the Listing Review Committee pursuant to Rule 2B.06(2) of the Listing Rules for reviewing of the LC Decision. The Listing Review Committee may endorse, modify or vary the LC Decision or make its own decision. Further announcements will be made by the Company in respect of this matter as and when appropriate and in accordance with the Listing Rules.

CORPORATE GOVERNANCE

The Company had complied with all the applicable code provisions of the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the Listing Rules for the year ended 31 March 2020 except for the following deviation:

Code Provision E.1.2

Under code provision E.1.2 of the CG Code, the chairman of the board should attend the annual general meeting. Ms. Wang Jingyu, the Chairlady of the Board, was unable to attend the annual general meeting of the Company held on 27 September 2019 (the "**2019 AGM**") due to other business engagement. However, Mr. Lai Ming Wai, the Chief Executive Officer and an Executive Director of the Company, took the chair of the 2019 AGM in accordance with Article 63 of the bye-laws of the Company.

AUDIT COMMITTEE

The audited consolidated financial statements of the Company for the year ended 31 March 2020 have been reviewed by the Audit Committee and duly approved by the Board under the recommendation of the Audit Committee.

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

During the year ended 31 March 2020, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

SUSPENSION OF TRADING

Trading in shares of the Company has been suspended commencing from 9:00 a.m. on 10 October 2018 as the Company has been placed in the first delisting stage under Practice Note 17 of the Listing Rules referred to in the Company's announcement dated 12 October 2018.

By Order of the Board
Reliance Global Holdings Limited
Wang Jingyu
Chairlady

Hong Kong, 29 June 2020

As at the date of this announcement, the Board comprises Ms. Wang Jingyu (Chairlady), Mr. Lai Ming Wai (Chief Executive Officer) and Ms. Chan Yuk Yee as Executive Directors and Mr. Yam Kwong Chun, Mr. Chiang Bun and Mr. Chai Chi Keung as Independent Non-executive Directors.