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**RELIANCE GLOBAL HOLDINGS LIMITED**

**信保環球控股有限公司\***

*(Incorporated in Bermuda with limited liability)*

**(Stock code: 723)**

**ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS  
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2021**

The Board of Directors (the “**Board**” or the “**Directors**”) of Reliance Global Holdings Limited (the “**Company**”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the six months ended 30 September 2021 together with comparative figures as follows:

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND  
OTHER COMPREHENSIVE INCOME**

*For the six months ended 30 September 2021*

		<b>For the six months ended 30 September</b>	
		<b>2021</b>	<b>2020</b>
	<i>Notes</i>	<b>HK\$’000</b>	<b>HK\$’000</b>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Revenue</b>	5	<b>416,564</b>	477,277
Cost of sales		<b>(381,371)</b>	(437,881)
Other income		<b>676</b>	1,054
Administrative expenses		<b>(15,124)</b>	(11,367)
Other operating expenses	6(c)	<b>(4,268)</b>	(754)
<b>Profit from operations</b>		<b>16,477</b>	28,329

\* *For identification purpose only*

		<b>For the six months ended</b>	
		<b>30 September</b>	
		<b>2021</b>	2020
	<i>Notes</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
Finance income		45	250
Finance costs		<u>(4,338)</u>	<u>(2,798)</u>
Net finance costs	6(a)	<u>(4,293)</u>	<u>(2,548)</u>
<b>Profit before taxation</b>	6	<b>12,184</b>	25,781
Income tax expense	7	<u>(1,191)</u>	<u>(3,356)</u>
<b>Profit for the period</b>		<b><u>10,993</u></b>	<b><u>22,425</u></b>
<b>Attributable to:</b>			
Owners of the Company		<b>8,938</b>	21,085
Non-controlling interests		<u>2,055</u>	<u>1,340</u>
		<b><u>10,993</u></b>	<b><u>22,425</u></b>
<b>Earnings per share</b>	9		
– Basic		<b><u>HK0.098 cent</u></b>	<u>HK0.232 cent</u>
– Diluted		<b><u>HK0.097 cent</u></b>	<u>HK0.229 cent</u>

	<b>For the six months ended</b>	
	<b>30 September</b>	
	<b>2021</b>	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>(Unaudited)</b>	(Unaudited)
<b>Profit for the period</b>	<b>10,993</b>	22,425
<b>Other comprehensive (expense)/income for the period:</b>		
<i>Item that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of foreign operations	<b>(394)</b>	248
<b>Total comprehensive income for the period</b>	<b>10,599</b>	22,673
<b>Total comprehensive income attributable to:</b>		
Owners of the Company	<b>8,806</b>	21,144
Non-controlling interests	<b>1,793</b>	1,529
	<b>10,599</b>	22,673

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2021

		At 30 September 2021 <i>HK\$'000</i> (Unaudited)	At 31 March 2021 <i>HK\$'000</i> (Audited)
<b>Non-current assets</b>			
Property, plant and equipment		1,286	841
Right-of-use assets		1,176	2,057
Intangible assets		5,256	4,796
Loan receivables	11	468	46,690
		8,186	54,384
<b>Current assets</b>			
Inventories		27,646	41,148
Trade and other receivables	10	201,933	94,470
Loan receivables	11	193,138	234,002
Finance lease receivables	12	1,440	3,212
Cash and cash equivalents		120,041	109,198
		544,198	482,030
<b>Current liabilities</b>			
Trade and other payables	13	16,204	25,666
Bank and other borrowings	14	186,999	62,396
Lease liabilities		1,139	1,933
Provision for taxation		2,498	2,547
Amounts received from a shareholder	16	50,000	155,000
		256,840	247,542
<b>Net current assets</b>		287,358	234,488
<b>Total assets less current liabilities</b>		295,544	288,872

		At 30 September 2021 <i>HK\$'000</i> (Unaudited)	At 31 March 2021 <i>HK\$'000</i> (Audited)
<b>Non-current liabilities</b>			
Notes payable	15	50,000	50,000
Lease liabilities		–	164
Deferred tax liabilities		1,728	1,571
		<u>51,728</u>	<u>51,735</u>
<b>Net assets</b>		<u>243,816</u>	<u>237,137</u>
<b>Capital and reserves</b>			
Share capital	17	124,975	125,068
Reserves		114,843	105,944
		<u>239,818</u>	<u>231,012</u>
<b>Total equity attributable to owners of the Company</b>		<u>239,818</u>	<u>231,012</u>
<b>Non-controlling interests</b>		<u>3,998</u>	<u>6,125</u>
		<u>243,816</u>	<u>237,137</u>
<b>Total equity</b>		<u>243,816</u>	<u>237,137</u>

*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**”).

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**

The condensed consolidated interim financial statements for the six months ended 30 September 2021 have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”), applicable International Financial Reporting Standards (“**IFRSs**”) and International Accounting Standards (“**IASs**”) 34 “Interim Financial Reporting” issued by the International Accounting Standards Board (the “**IASB**”).

The condensed consolidated interim financial statements have not been audited, but have been reviewed by Crowe (HK) CPA Limited, in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”, issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”).

The condensed consolidated interim financial statements should be read in conjunction with the Group’s annual financial statements for the year ended 31 March 2021.

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

### 3. Summary of significant accounting policies

The condensed consolidated interim financial statements have been prepared under the historical cost convention.

The accounting policies and basis of preparation adopted in the preparation of the condensed consolidated interim financial statements are consistent with those used in the Group's annual financial statements for the year ended 31 March 2021, except as described below.

In the current interim period, the Group has applied, the following amendments to IFRSs issued by the IASB, for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2021 for the preparation of the Group's condensed consolidated interim financial statements:

Amendments to IFRS 16	COVID-19-Related Rent Concessions beyond 30 June 2021
Amendments to IFRS 9, IAS 39 and IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform – Phase 2

The application of the amendments to IFRSs in the current interim period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in the condensed consolidated interim financial statements.

### 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 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 corporate assets.

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

### Segment revenue, results, assets and liabilities

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

#### For the six months ended 30 September 2021 (Unaudited)

	<u>Forest-related business</u>				Total <i>HK\$'000</i>
	Money lending <i>HK\$'000</i>	Sustainable forest management <i>HK\$'000</i>	Timber supply chain <i>HK\$'000</i>	Leasing of properties <i>HK\$'000</i>	
<b>Segment revenue</b>					
Revenue from external customers	<u>16,449</u>	<u>412</u>	<u>399,703</u>	<u>-</u>	<u>416,564</u>
<b>Results</b>					
Segment results	<u>10,381</u>	<u>(140)</u>	<u>11,487</u>	<u>-</u>	<u>21,728</u>
Unallocated corporate income					7
Unallocated corporate expenses					(5,213)
Finance costs					<u>(4,338)</u>
Profit before taxation					<u>12,184</u>
<b>Other segment information</b>					
Capital expenditure	-	-	(669)	-	(669)
Depreciation of property, plant and equipment	-	(16)	(75)	-	(91)
Interest income	<u>2</u>	<u>12</u>	<u>23</u>	<u>-</u>	<u>37</u>



**At 30 September 2021 (Unaudited)**

	<b>Forest-related business</b>				<b>Total</b>
	<b>Money lending</b>	<b>Sustainable forest management</b>	<b>Timber supply chain</b>	<b>Leasing of properties</b>	
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Segment assets</b>	<b>222,427</b>	<b>5,645</b>	<b>290,928</b>	<b>–</b>	<b>519,000</b>
Unallocated:					
– Right-of-use assets					1,176
– Corporate assets					32,208
					<b>552,384</b>
<b>Segment liabilities</b>	<b>63,918</b>	<b>2,556</b>	<b>186,949</b>	<b>–</b>	<b>253,423</b>
Unallocated:					
– Lease liabilities					1,139
– Deferred tax liabilities					1,728
– Amounts received from a shareholder					50,000
– Corporate liabilities					2,278
					<b>308,568</b>

For the six months ended 30 September 2020 (Unaudited)

	Forest-related business				Total HK\$'000
	Money lending HK\$'000	Sustainable forest management HK\$'000	Timber supply chain HK\$'000	Leasing of properties HK\$'000	
<b>Segment revenue</b>					
Revenue from external customers	17,722	447	459,108	–	477,277
<b>Results</b>					
Segment results	14,900	(347)	15,758	–	30,311
Unallocated corporate income					835
Unallocated corporate expenses					(2,567)
Finance costs					(2,798)
Profit before taxation					25,781
<b>Other segment information</b>					
Capital expenditure	–	–	(216)	–	(216)
Depreciation of property, plant and equipment	–	(15)	(39)	–	(54)
Interest income	–	1	62	–	63

At 31 March 2021 (Audited)

	Forest-related business				Total <i>HK\$'000</i>
	Money lending <i>HK\$'000</i>	Sustainable forest management <i>HK\$'000</i>	Timber supply chain <i>HK\$'000</i>	Leasing of properties <i>HK\$'000</i>	
<b>Segment assets</b>	<u>309,342</u>	<u>4,960</u>	<u>186,750</u>	<u>–</u>	501,052
Unallocated:					
– Right-of-use assets					2,057
– Corporate assets					<u>33,305</u>
					<u>536,414</u>
<b>Segment liabilities</b>	<u>50,267</u>	<u>2,705</u>	<u>84,366</u>	<u>–</u>	137,338
Unallocated:					
– Lease liabilities					2,097
– Deferred tax liabilities					1,571
– Amounts received from a shareholder					155,000
– Corporate liabilities					<u>3,271</u>
					<u>299,277</u>

## 5. Revenue

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

	For the six months ended 30 September	
	2021 <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Unaudited)
Sales from timber supply chain business	<b>399,703</b>	459,108
Interest income from money lending business	<b>16,384</b>	17,605
Arrangement fee income from money lending business	<b>65</b>	117
Income from licensing of harvesting rights	<b>412</b>	447
	<u><b>416,564</b></u>	<u>477,277</u>

*Note:*

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

## 6. Profit before taxation

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

	<b>For the six months ended</b>	
	<b>2021</b>	<b>2020</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
<b>(a) Net finance costs</b>		
Finance income:		
Interest income from bank deposits	(45)	(250)
Finance costs:		
Interest on lease liabilities	28	62
Interest on advances drawn on bill receivables discounted with full recourse	1,926	950
Interest on notes payable	1,786	1,786
Interest on other borrowings	598	–
	<u>4,338</u>	<u>2,798</u>
	<u>4,293</u>	<u>2,548</u>
<b>(b) Staff costs (including directors' emoluments)</b>		
Salaries, wages and other benefits	6,994	5,253
Contributions to retirement benefits scheme <sup>#</sup>	270	195
	<u>7,264</u>	<u>5,448</u>
<b>(c) Other items</b>		
Cost of inventories	337,858	403,792
Depreciation of property, plant and equipment	141	105
Depreciation of right-of-use assets	881	881
Loss on disposal of property, plant and equipment*	70	–
Impairment losses under expected credit losses ("ECL") model		
– Trade receivables ( <i>note 10</i> )*	601	–
– Loan receivables ( <i>note 11</i> )*	3,730	863
Reversal of impairment loss on loan receivables under ECL model ( <i>note 11</i> )*	(133)	(109)
	<u>4,268</u>	<u>754</u>
Lease payments not included in the measurement of lease liabilities	<u>293</u>	<u>487</u>

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

# The Group operates a Mandatory Provident Fund retirement benefits scheme (the “**MPF Scheme**”) under the Mandatory Provident Fund Schemes Ordinance for all of its employees in Hong Kong and participates in central pension schemes operated by the government authorities (the “**Central Pension Schemes**”) for its employees in Brazil, Slovenia, Romania and Croatia. The Group’s contributions to the MPF Scheme and the Central Pension Schemes vest fully and immediately with the employees. Accordingly, there were no forfeited contributions available for the Group to reduce its existing level of contributions to the MPF Scheme and the Central Pension Schemes.

## 7. Income tax expense

	<b>For the six months ended</b>	
	<b>30 September</b>	
	<b>2021</b>	2020
	<b>HK\$’000</b>	HK\$’000
	<b>(Unaudited)</b>	(Unaudited)
Hong Kong Profits Tax		
– current tax	<b>2,776</b>	3,306
– over-provision in prior year	<b>(799)</b>	–
	<b>1,977</b>	3,306
Romania corporate income tax		
– current tax	–	50
– over-provision in prior year	<b>(65)</b>	–
Slovenia corporate income tax		
– over-provision in prior year	<b>(721)</b>	–
	<b>1,191</b>	3,356

For the six months ended 30 September 2021, the provision for Hong Kong Profits Tax is calculated at a flat rate of 16.5% (30 September 2020: 16.5%) of the estimated assessable profits for the period, 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 for this subsidiary for the six months ended 30 September 2020.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

## 8. Dividend

The Directors do not recommend the payment or declaration of any dividend for the six months ended 30 September 2021 (30 September 2020: 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):

	For the six months ended 30 September	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
<b>Profit</b>		
Profit for the purpose of calculating basic and diluted earnings per share	<u>8,938</u>	<u>21,085</u>

- (b) Weighted average number of shares

	For the six months ended 30 September	
	2021	2020
	'000	'000
	(Unaudited)	(Unaudited)
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	<u>9,105,854</u>	9,105,710
Effect of dilutive potential ordinary shares arising from conversion of convertible preferred shares	<u>105,982</u>	<u>106,283</u>
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	<u>9,211,836</u>	<u>9,211,993</u>

## 10. Trade and other receivables

	At 30 September 2021 <i>HK\$'000</i> (Unaudited)	At 31 March 2021 <i>HK\$'000</i> (Audited)
Trade receivables	7,702	5,904
Less: impairment allowance	<u>(2,163)</u>	<u>(1,562)</u>
	(i) 5,539	4,342
Bill receivables	(ii) 174,536	67,416
Interest receivables	10,201	8,468
Other receivables	2,996	2,898
Amounts due from non-controlling interests	<u>168</u>	<u>161</u>
Financial assets at amortised costs	193,440	83,285
Trade and logging deposits	6,818	8,910
Other deposits and prepayments	<u>1,675</u>	<u>2,275</u>
	<u>201,933</u>	<u>94,470</u>

*Notes:*

### (i) Trade receivables

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

	At 30 September 2021 <i>HK\$'000</i> (Unaudited)	At 31 March 2021 <i>HK\$'000</i> (Audited)
0 to 30 days	3,946	55
31 to 90 days	–	193
91 to 180 days	–	2,532
Over 180 days	<u>1,593</u>	<u>1,562</u>
	<u>5,539</u>	<u>4,342</u>

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 120 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.

At 30 September 2021, trade receivables with aggregate carrying amount of HK\$1,593,000 (net of impairment allowance) were past due (31 March 2021: HK\$1,562,000). The Group does not hold any collateral over the balances (31 March 2021: nil).

**(ii) Bill receivables**

At 30 September 2021, included in bill receivables of HK\$174,536,000 (31 March 2021: HK\$67,416,000), bill receivables of HK\$173,471,000 (31 March 2021: HK\$62,396,000) were discounted to banks with full recourse with a maturity period of less than 90 days (31 March 2021: less than 90 days). The Group recognised the full amount of the discounted proceeds as liabilities as set out in note 14(i).

The following were the Group's financial assets at 30 September 2021 and 31 March 2021 that were transferred to banks by discounting these 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 recognised the cash received on the transfer as a secured borrowing. These financial assets were carried at amortised cost.

	<b>At</b>	<b>At</b>
	<b>30 September</b>	<b>31 March</b>
	<b>2021</b>	<b>2021</b>
	<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
Carrying amount of the transferred assets	<b>173,471</b>	62,396
Carrying amount of the associated liabilities	<b>(173,471)</b>	(62,396)
	<u><u>          -</u></u>	<u><u>          -</u></u>



## 11. Loan receivables

	At 30 September 2021 <i>HK\$'000</i> (Unaudited)	At 31 March 2021 <i>HK\$'000</i> (Audited)
Fixed-rate loan receivables	202,344	285,833
Less: impairment allowance	<u>(8,738)</u>	<u>(5,141)</u>
	<b><u>193,606</u></b>	<b><u>280,692</u></b>
Analysed as:		
Current portion	193,138	234,002
Non-current portion	<u>468</u>	<u>46,690</u>
	<b><u>193,606</u></b>	<b><u>280,692</u></b>
Analysed as:		
Secured	180,635	250,388
Unsecured	<u>12,971</u>	<u>30,304</u>
	<b><u>193,606</u></b>	<b><u>280,692</u></b>

All loans were denominated in Hong Kong dollars. At 30 September 2021, the loan receivables carried interest rates ranging from 8% to 18% per annum (31 March 2021: 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, current creditworthiness, aging analysis of account and past collection history of each borrower as well as the value of collateral provided, 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 30 September 2021, loan receivables with an aggregate carrying amount of HK\$180,635,000 (31 March 2021: HK\$250,388,000) were secured by the collaterals of the borrowers. At the end of the reporting period, loan receivables with aggregate carrying amount of HK\$182,575,000 (31 March 2021: HK\$258,625,000) were not past due.

At the end of each reporting period, the Group's loan receivables were individually and collectively assessed for impairment. An impairment allowance of HK\$8,738,000 had been provided at 30 September 2021 (31 March 2021: HK\$5,141,000).

## 12. Finance lease receivables

	Minimum lease payments		Present value of minimum lease payments	
	At 30 September 2021 HK\$'000 (Unaudited)	At 31 March 2021 HK\$'000 (Audited)	At 30 September 2021 HK\$'000 (Unaudited)	At 31 March 2021 HK\$'000 (Audited)
Finance lease receivables comprise:				
Within one year	<u>1,467</u>	<u>3,437</u>	<u>1,440</u>	<u>3,212</u>
	1,467	3,437	1,440	3,212
Less: unearned finance income	<u>(27)</u>	<u>(225)</u>	<u>-</u>	<u>-</u>
	<u>1,440</u>	<u>3,212</u>	<u>1,440</u>	<u>3,212</u>
Analysed as:				
Current assets			1,440	3,212
Non-current assets			<u>-</u>	<u>-</u>
			<u>1,440</u>	<u>3,212</u>

The Group's finance lease receivables were denominated in Hong Kong dollars. At 30 September 2021, the effective interest rate of the finance lease receivables was 11% per annum (31 March 2021: 11%).

At 30 September 2021, all finance lease receivables were neither past due nor impaired (31 March 2021: nil). Finance lease receivables were secured by a leased asset. There was no guaranteed residual value of the leased assets and no contingent rent arrangement that needed to be recognised for the six months ended 30 September 2021 (30 September 2020: nil).

### 13. Trade and other payables

	At 30 September 2021 <i>HK\$'000</i> (Unaudited)	At 31 March 2021 <i>HK\$'000</i> (Audited)
Trade payables ( <i>note</i> )	5,881	13,654
Other payables and accruals	7,035	6,549
Receipt in advance	3,288	5,463
	<u>16,204</u>	<u>25,666</u>

*Note:*

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

	At 30 September 2021 <i>HK\$'000</i> (Unaudited)	At 31 March 2021 <i>HK\$'000</i> (Audited)
0 to 30 days	5,459	13,468
31 to 90 days	334	64
91 to 180 days	88	122
	<u>5,881</u>	<u>13,654</u>

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

#### 14. Bank and other borrowings

		At 30 September 2021 HK\$'000 (Unaudited)	At 31 March 2021 HK\$'000 (Audited)
Advances drawn on bill receivables discounted with full recourse	(i)	173,471	62,396
Other borrowings	(ii)	13,528	–
		<u>186,999</u>	<u>62,396</u>

Notes:

##### (i) Advances drawn on bill receivables discounted with full recourse

The amount represented the Group's borrowings secured by the bill receivables discounted to banks with full recourse (note 10(ii)), the amount was repayable within one year and carried interest at the banks' lending rate plus certain basis points.

##### (ii) Other borrowings

In March 2021, the Group entered into a revolving loan facility of up to HK\$70,000,000 (the "Revolving Loan Facility") with a finance company which carrying interest at the finance company's best lending rate or cost of fund plus certain basis points. At 30 September 2021, the Revolving Loan Facility was secured by (i) the pledge of a property mortgaged to a subsidiary of the Company for the loan granted to its customer, the fair value of this property was approximately HK\$34,500,000 (31 March 2021: nil) and (ii) a corporate guarantee in favour of the finance company granted by the Company. At 30 September 2021, the unutilised amount of the Revolving Loan Facility amounted to HK\$56,472,000 (31 March 2021: nil).

#### 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 three-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 Company completed the issue of the first tranche notes of an aggregate principal amount of HK\$50,000,000 that will be due on 16 January 2023. 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 Company engaging in money lending business in favour of a security trustee as trustee for and on behalf of the noteholders.

Owing to the continuation of the COVID-19 pandemic, the placing exercise has been further deferred as agreed between the Company and the placing agent. Accordingly, on 25 June 2021, 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 2021 to 30 June 2022. Save for the extension of the closing date, all the terms and conditions of the Placing Agreement 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, is unsecured, interest-free and repayable at the end of the twelve months from the date of the loan facility agreement. Under the agreement, the loan 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. The funds received from Champion Alliance have been applied as working capital of the Group to support its business development. Champion Alliance has undertaken not to demand for repayment of the amounts due to it (which are unsecured and interest-free) until the Group is financially viable to do so.

## 17. Share capital

	Number of ordinary shares of HK\$0.01 per share '000	HK\$'000	Number of convertible preferred shares of HK\$0.01 per share '000	HK\$'000	Total HK\$'000
<b>Authorised:</b>					
At 1 April 2020 (Audited), 31 March 2021 (Audited), 1 April 2021 (Audited) and 30 September 2021 (Unaudited)	<b>30,000,000</b>	<b>300,000</b>	<b>27,534,000</b>	<b>275,340</b>	<b>575,340</b>
<b>Issued and fully paid:</b>					
At 1 April 2020 (Audited), 31 March 2021 (Audited) and 1 April 2021 (Audited)	9,105,710	91,057	3,401,055	34,011	125,068
Conversion of convertible preferred shares ( <i>note</i> )	301	3	(9,621)	(96)	(93)
At 30 September 2021 (Unaudited)	<b>9,106,011</b>	<b>91,060</b>	<b>3,391,434</b>	<b>33,915</b>	<b>124,975</b>

### *Note:*

During the six months ended 30 September 2021, an aggregate of 300,654 ordinary shares of HK\$0.01 each of the Company were issued upon conversion of 9,620,931 convertible preferred shares of HK\$0.01 each, pursuant to which HK\$3,000 was credited to share capital and the balance of HK\$93,000 was credited to share premium account.

## 18. Litigation

On 30 May 2010, Universal Timber Resources da Brasil Ltda. (“**UTRB**”), a wholly-owned subsidiary of the Company, entered into a service agreement (“**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\$**”) 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. Witness hearings were held in May 2016 and in March 2017, the court had 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\$1,952,000) had been included in other payables at 30 September 2021 (31 March 2021: R\$1,291,000 (approximately HK\$1,775,000)).

## **INTERIM DIVIDEND**

The Board has resolved not to declare an interim dividend for the six months ended 30 September 2021 (30 September 2020: nil).

## **BUSINESS REVIEW**

For the six months ended 30 September 2021 (“**HY2021**”), the Group continued to operate in four business segments, namely, forest-related business comprising timber supply chain and sustainable forest management, money lending business and leasing of properties.

For HY2021, the Group’s revenue decreased by 13% to HK\$416,564,000 (30 September 2020: HK\$477,277,000) whilst the Group’s net profit decreased by 51% to HK\$10,993,000 (30 September 2020: HK\$22,425,000). The decrease in the Group’s profit was mainly due to (i) the decrease in profit generated by the Group’s timber supply chain operation (the “**TSC Operation**”) primarily owing to the decline in its revenue and the general rise in transportation and freight costs; (ii) the decrease in profit generated by the Group’s money lending operation primarily owing to the increase in impairment loss on loan receivables; and (iii) the increases in the Group’s administrative expenses and finance costs. In spite of the above, supported by the great efforts of the management, the timber supply chain and money lending businesses continued to register profitable results, which respectively contributed HK\$11,487,000 (30 September 2020: HK\$15,758,000) and HK\$10,381,000 (30 September 2020: HK\$14,900,000) to the Group’s profitable results for the period.

### **Forest-related Business**

#### ***Timber Supply Chain***

For HY2021, the Group’s TSC Operation generated a revenue of HK\$399,703,000 (30 September 2020: HK\$459,108,000) and a profit of HK\$11,487,000 (30 September 2020: HK\$15,758,000) which showed a decline of 13% and 27% from their respective comparable in the prior period. During the review period, the Group continued with its strategic plan to build a global network of supply sources in Europe, Oceania and Africa to serve its customers predominantly in China as well as in other Asian countries. The transaction volume of timber and wood products traded was over 186,000 m<sup>3</sup> (30 September 2020: 255,000 m<sup>3</sup>), and a majority of the transactions were conducted on CFR (Cost & Freight) basis with logistics support provided by the Group. The Group’s TSC Operation is led by experienced management teams stationed in Hong Kong and Europe with extensive business network in the industry. With their great efforts, a solid supplier and customer base has been built over the years which contributes a strong recurrent business flow to the Group.

The TSC Operation is currently running two lines of business: the Conventional Business Model (the “**CBM**”) and the Enhanced Business Model (the “**EBM**”):

### ***CBM***

Geographically, the CBM essentially represents the existing business of the TSC Operation other than its operation in Europe. Currently under the CBM, the operation principally performs a wholesaler role which sources mainly tropical domain hardwood timber from suppliers/forest owners in Republic of Congo and Papua New Guinea and sells or distributes to customers predominately in China and other overseas countries, and being fully responsible for all the logistics of the sea transport which usually involves the chartering of dry bulk vessels. For HY2021, the CBM running under the TSC Operation generated a revenue of HK\$290,965,000 (30 September 2020: HK\$366,902,000) and a profit of HK\$7,414,000 (30 September 2020: HK\$11,381,000), representing over 132,000 m<sup>3</sup> (30 September 2020: 178,000 m<sup>3</sup>) of hardwood logs traded. The declines in the CBM’s revenue, profit and volume of logs traded was to a certain extent due to the slowdown of economic growth in China and the tightened regulation on its property sector.

### ***EBM***

The EBM principally represents the business activities of the TSC Operation in Europe (the “**European Operation**”). The EBM is essentially a vertically-integrated timber supply chain operation which has coverage on every value-added works and services of a typical timber supply chain, including plantation & harvesting right, sourcing & procurement, timber harvesting & logging, quality inspection & land/sea transport, wood processing, inventory management, custom clearance, selling & marketing and after-sales services. The TSC Operation is currently running the EBM via its three distribution hubs in Slovenia, Romania and Croatia and its two wood processing ventures in Romania and Croatia. For HY2021, the EBM running under the TSC Operation generated a revenue of HK\$108,738,000 (30 September 2020: HK\$92,206,000) and a profit of HK\$4,073,000 (30 September 2020: HK\$4,377,000), representing over 54,000 m<sup>3</sup> (30 September 2020: 77,000 m<sup>3</sup>) of logs and wood products traded. The EBM recorded an increase in revenue whilst a decrease in volume traded as there was a change in trade mix during the period where more processed wood products with higher sale value and profit margin were sold, notwithstanding that the higher profit margin earned was partly offset by the general rise in transportation and freight costs. The rise of such costs was primarily resulting from the shortage of containers due to delays and disruptions to the usual logistics of the Europe-China shipping route, which in turn was due to the prolonged continuation of the COVID-19 pandemic.



### **Distribution hubs in Slovenia, Romania and Croatia**

The TSC Operation has set up its distribution hubs in Maribor in Slovenia, Oituz in Romania and Ravna Gora in Croatia. The operation currently sources temperate domain softwood and hardwood timber (including spruce logs, pine logs, oak logs and beech logs) and wood products (including beech lumber and ash lumber) from timber suppliers/ forest owners in countries including Germany, Czech Republic, Romania, Croatia, Slovenia, Italy, Austria, Poland, Slovakia, Hungary and Serbia and sells or distributes to customers predominately in China and other Asian countries with logistics support providing by the operation, which usually involves land transport via rails and trucks and sea transport via containers.

### **Wood processing venture in Romania**

The TSC Operation has established a wood processing venture in Oituz in Romania and has entered into a harvesting right agreement with a Finnish leading forest management group for conducting timber logging in its forest interest in Oituz for a term of four years. The operation has engaged local logging teams to conduct the logging activities and a wood processing plant for producing lumber. The wood harvested by the logging teams, together with wood purchased from other forest owners (depending on the ordered quantity of sales orders on hand, the operation may purchase wood from other forest owners in order to fulfill the sales orders in case that the wood harvested by the logging teams is not sufficient to fulfill the orders), are used as inputs to the processing plant engaged to produce wood lumber. At times when customers' sales orders exceed the production capacity of the processing plant the Group engaged, the operation may purchase lumber from other local suppliers in order to fulfill the customers' orders. The lumber produced or purchased are then stored and kept as inventories until sold and delivered to customers under logistic arrangements providing by the operation.

### **Wood processing venture in Croatia**

The TSC Operation has completed the set-up of another lumber processing venture in Croatia in January 2021. The operation entered into a service agreement with a wood processing plant in Croatia for a term of three years to produce beech and ash lumber in order to take advantage of the abundant local supply of beech and ash timber.

As the European Operation captures the additional monetary benefits through providing many value-added works and services in a typical timber supply chain, the gross profit generating under the EBM is higher than that of the CBM. The establishment of the distribution hubs in Slovenia, Romania and Croatia and the timber processing ventures in Romania and Croatia have significantly enhanced the competitive advantages of the Group's timber supply chain business, and effectively expanded and diversified the operation'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. At 30 September 2021, the TSC Operation kept inventories amounting to HK\$27,646,000 (31 March 2021: HK\$41,148,000) in order to serve its customers in an efficient and effective manner. The diversity of the Group's timber supply chain business in terms of customer base, supply source and product type substantially enhances its strength and resilience to weather market challenges, and forms a solid base for its further development and growth.

The European Operation is effectively 51% owned by the Group and 49% owned by the partner of the business venture.

### ***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 granted harvesting rights to licensees for its forest assets in Brazil. At 30 September 2021, the Group had accumulatively granted harvesting rights for over 48% of the 44,500 hectares forest areas owned by the Group.

For HY2021, the revenue of the sustainable forest management business, representing income from licensing of harvesting rights, was HK\$412,000 (30 September 2020: HK\$447,000), decreased by 8% when compared with the prior period and the business incurred a loss of HK\$140,000 (30 September 2020: HK\$347,000). The decrease in licensing income was mainly due to a decrease in forest areas on which harvesting rights were granted during the review period.

### **Money Lending Business**

For HY2021, the Group's money lending business generated a revenue of HK\$16,449,000 (30 September 2020: HK\$17,722,000) and an operating profit of HK\$10,381,000 (30 September 2020: HK\$14,900,000) which decreased by 7% and 30% respectively over their comparable in the prior period. The decrease in profit of the business was partly due to the increase in impairment loss on loan receivables by 3.3 times to HK\$3,730,000 (30 September 2020: HK\$863,000), which was determined after performing assessment on the current creditworthiness of the borrowers on an individual basis by considering factors including their repayment history and value of collateral provided, if any, and the credit status of the Group's loan and finance lease portfolio on a collective basis in view of the current economic and market conditions, in particular, the negative impact on the Hong Kong economy owing to the continuation of the COVID-19 pandemic.

During the review period, the Group granted new loans in an aggregate principal amount of HK\$22,000,000 at interest rate of 12% per annum and tenor from 12 months to 18 months. The management continued to put great efforts in strategically expanding the business's sales channels via traditional and digital media, sales agents and cooperation with property agents. At 30 September 2021, the Group's portfolio was constituted by 25 (31 March 2021: 28) loans and finance lease with carrying amount totalling HK\$195,046,000 (31 March 2021: HK\$283,904,000) (net of impairment loss on loan receivables of HK\$8,738,000 (31 March 2021: HK\$5,141,000)). The size of the Group's loan portfolio has reduced considerably during the period as less new loans were granted owing, to a certain extent, the adverse impact to the Hong Kong economy due to the prolonged continuation of the COVID-19 pandemic, and the repayment of loans with total outstanding principal of HK\$107,261,000 during the review period. Details of the loan and finance lease portfolio are as follows:

<b>Type of loan/ finance lease</b>	<b>Approximate weighting to the carrying amount of the Group's loan and finance lease portfolio</b>	<b>Interest rate per annum</b>	<b>Original maturity</b>	<b>Remarks</b>
First mortgage loans	83%	8%-14.5%	Within three years	Loans were secured by properties located in Hong Kong
Second mortgage loans	2%	18%	Within two years	Loans were secured by properties located in Hong Kong
Corporate loans	14%	9%-12.5%	Within one year	Loans were granted to listed companies in Hong Kong or were secured by collaterals
Finance lease	1%	11%	Within three years	The finance lease was secured by a motor vehicle
<b>Total</b>	<b>100%</b>			

The Group's loan and finance lease portfolio was well spread with an average loan size of around HK\$7.8 million, credit healthy as 93% of the portfolio was secured by collaterals, and earning a good return with weighted average interest rate amounting to approximately 11%.

Before granting loans to potential borrowers, the Group performs credit assessment process to assess the 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 a team of 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 30 September 2021, the loan to value ratios of all mortgaged properties were within the safety margin. For corporate loans, the credit rating of the loans were analysed with reference to the borrowers' creditworthiness and credit history, including their financial positions, previous records of default in payment, value of collaterals pledged and prevailing market conditions. During HY2021, an impairment loss on loan receivables of HK\$3,730,000 (30 September 2020: HK\$863,000) had been provided in accordance with the Group's credit impairment policy and resulted in accumulated expected credit losses totalling HK\$8,738,000 at 30 September 2021 (31 March 2021: HK\$5,141,000).

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 a money lending subsidiary of the Company which effectively represents securitisation 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**

The Group was not holding any investment property during HY2021. The Group has been seeking acquisition opportunities of investment properties with good yield and/or high appreciation potential. However, as the conditions of the property market in Hong Kong have been volatile during the past years, the management has acted prudently in evaluating potential acquisition opportunities. The Group's present business strategy is to allocate its financial resources to the money lending and timber supply chain businesses which generate higher and good yields.

## OVERALL RESULTS

The Group continued to report profitable results for the interim period by achieving a profit attributable to owners of the Company of HK\$8,938,000 (30 September 2020: HK\$21,085,000) and basic earnings per share of HK0.098 cent (30 September 2020: HK0.232 cent), and a total comprehensive income attributable to owners of the Company of HK\$8,806,000 (30 September 2020: HK\$21,144,000). The Group's administrative expenses increased by 33% to HK\$15,124,000 (30 September 2020: HK\$11,367,000) was mainly a result of the increase in staff costs and the legal and professional fees incurred in relation to the resumption of trading of the Company's shares on the Stock Exchange.

## 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 timber supply chain businesses to facilitate their significant business developments. At 30 September 2021, the outstanding amount under the Loan Facility was HK\$50,000,000 (31 March 2021: HK\$155,000,000).

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 bills discounting facilities of US\$200,000,000 and HK\$100,000,000 (the "**Bills Discounting Facilities**"). The Bills Discounting Facilities obtained have substantially strengthened the Group's financial flexibility in conducting its timber supply chain business. At 30 September 2021, the advances drawn under the Bills Discounting Facilities amounted to HK\$173,471,000 (31 March 2021: HK\$62,396,000).

In January 2020, the Company entered into a placing agreement with a placing agent, on a best effort basis, to procure placees to subscribe for notes with an 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 Reliance Credit Limited ("**Reliance Credit**"), one of the Group's money lending subsidiaries, has been issued in favour of a security trustee as trustee for the noteholders. The first tranche of the Three-Year Notes which amounted to HK\$50,000,000 has been issued in January 2020. Owing to the continuation of the COVID-19 pandemic, the placing exercise has been deferred. Accordingly, on 25 June 2021, the Company and the placing agent entered into an extension letter to further extend the closing date (i.e. the last day of the placing period) under the placing agreement to 30 June 2022.

In addition, in March 2021, the Group has successfully solicited a Revolving Loan Facility of up to HK\$70,000,000 from a reputable finance company to replenish its working capital for the continuous expansion of its money lending business. The loan facility has been entered into in May 2021 with Reliance Capital Finance Limited (“**Reliance Capital**”), the other money lending subsidiary of the Group, as the borrower and the Company as the guarantor. The loan(s) drawdown under the facility will be secured by sub-mortgage the property collaterals obtained by Reliance Capital from granting first mortgage loans. Reliance Capital has made its first drawdown of approximately HK\$59,739,000 in June 2021 by sub-mortgage the property collaterals obtained under two first mortgage loans.

The increase in the Group’s finance costs to HK\$4,338,000 for the period (30 September 2020: HK\$2,798,000) was partly a result that interests amounting to HK\$1,926,000, increased by 103% (30 September 2020: HK\$950,000), were paid for advances drawn on bill receivables discounted with full recourse; and partly a result that interests amounting to HK\$598,000 (30 September 2020: nil) were paid for the drawdown of a revolving loan under the Revolving Loan Facility.

### **Liquidity and Financial Resources**

For HY2021, the Group financed its businesses mainly by cash generated from operations, the Bills Discounting Facilities provided by banks, the Loan Facility from Champion Alliance, the first tranche of the Three-Year Notes issued, the Revolving Loan Facility from a reputable finance company and the shareholders’ funds.

At 30 September 2021, the Group had current assets of HK\$544,198,000 (31 March 2021: HK\$482,030,000) and cash and cash equivalents of HK\$120,041,000 (31 March 2021: HK\$109,198,000). The Group’s current ratio, calculated based on current assets over current liabilities of HK\$256,840,000 (31 March 2021: HK\$247,542,000), was at a strong ratio of about 2.1 (31 March 2021: 1.9). The rise of the current ratio was mainly due to the decrease in amounts received from a shareholder at the financial period end date.

At 30 September 2021, the Group’s borrowings comprised the first tranche of the Three-Year Notes of HK\$50,000,000 (31 March 2021: HK\$50,000,000), other borrowings of HK\$13,528,000 (31 March 2021: nil) from the Revolving Loan Facility and bank borrowings of HK\$173,471,000 (31 March 2021: HK\$62,396,000), 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\$236,999,000 (31 March 2021: HK\$112,396,000) over equity attributable to owners of the Company of HK\$239,818,000 (31 March 2021: HK\$231,012,000), increased to 99% at 30 September 2021 (31 March 2021: 49%). Such increase was mainly due to the increase in bill receivables discounted to bank with full recourse to the Group.

At 30 September 2021, the Group's total assets slightly increased by HK\$15,970,000 or 3% to HK\$552,384,000 (31 March 2021: HK\$536,414,000). Backed by the Bills Discounting Facilities from banks, the Loan Facility from Champion Alliance, the proceeds from the issuance of the first tranche of the Three-Year Notes and the Revolving Loan Facility obtained from a reputable finance company, the management is confident that the Group has sufficient working capital to finance its continuous business development and substantial asset base.

At 30 September 2021, the equity attributable to owners of the Company increased by 4% or HK\$8,806,000 to HK\$239,818,000 (31 March 2021: HK\$231,012,000). The increase was mainly due to the profit earned by the Group's timber supply chain and money lending businesses.

With the amount of liquid assets on hand, the Bills Discounting Facilities from banks, the Loan Facility from Champion Alliance, the Revolving Loan Facility from a reputable finance company, 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 30 September 2021, the property collateral obtained by Reliance Capital from granting first mortgage loan was charged to secure the other borrowings of HK\$13,528,000 from the Revolving Loan Facility (31 March 2021: nil).

At 30 September 2021, bill receivables of HK\$173,471,000 were pledged to banks to secure advances drawn on the bill receivables (31 March 2021: HK\$62,396,000).

### **Contingent Liabilities**

At 30 September 2021, except for the litigation as set out in note 18 above, the Group had no other significant contingent liability.

### **Litigation**

At 30 September 2021, there was a claim of approximately HK\$1,952,000 (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 18 above.

## **Foreign Exchange Risk**

The Group mainly operates in Hong Kong, Europe and Brazil. During HY2021, the revenue, costs and expenses of the Group's operations were denominated in Hong Kong dollar, United States dollar, Euro, Romanian Leu, Croatian Kuna, Brazilian Real 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 dollar as it is pegged with Hong Kong dollar, the Group is nevertheless exposed to potential foreign exchange risk as a result of fluctuations of Euro, Romanian Leu, Croatian Kuna, Brazilian Real and Renminbi. In addition, some of the Group's assets are located in Europe and Brazil and denominated in Euro, Romanian Leu, Croatian Kuna and Brazilian Real while the Group's reporting currency is in Hong Kong dollar, this also exposes the Group to potential foreign exchange risk upon translation of these assets on each reporting date.

During HY2021, the Group had not experienced any significant exposure to exchange rate appreciation of Euro since the Euro denominated expenditures were largely matched with the Euro denominated revenues. As for Romanian Leu, Croatian Kuna, Brazilian Real and Renminbi, 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 Europe and Brazil, any foreign exchange gains or losses due to translation of the carrying value of these assets to the Group's reporting currency on the 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.

## **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 four consecutive financial years ended 31 March 2021 as well as the current review period. 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.



The Group has continued to opening up new business ventures in Europe in order to diversify and strengthen its timber supply chain business. During the year ended 31 March 2021, the Group's distribution hub and wood lumber processing venture in Croatia have commenced operation in order to capture the ample business opportunities available there. The TSC Operation will continue with its business expansion plan in setting up more distribution hubs and wood processing ventures in strategic locations in Europe for the purpose of further enlarging its supplier and customer base, as well as expanding its product type and revenue source.

Looking ahead, notwithstanding the launch of vaccination programs in China and Hong Kong and many countries in Europe have paved the way for their economies to fully reactivate, the emergence of the new variant virus and the new waves of outbreak in some European countries have made it very difficult to predict the evolution and duration of the COVID-19 pandemic and its potential impact to the Group. Against this backdrop, the Group will continue to adopt a prudent approach in managing its timber supply chain and money lending businesses and be cautious in seizing new business opportunities.

## **CORPORATE GOVERNANCE**

The Company had complied with all the applicable code provisions of the Corporate Governance Code (the “**CG Code**”) set out in Appendix 14 to the Listing Rules throughout the six months ended 30 September 2021 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 28 September 2021 (the “**2021 AGM**”) due to her other business engagement. However, Mr. Lai Ming Wai, the Chief Executive Officer and Executive Director of the Company, took the chair of the 2021 AGM in accordance with Article 63 of the bye-laws of the Company.

## **REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

The Group's condensed consolidated interim financial statements for the six months ended 30 September 2021 have not been audited, but have been reviewed by the Audit Committee and the Company's auditor, Crowe (HK) CPA Limited, in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. The report on review of the condensed consolidated interim financial statements by the auditor will be included in the 2021 Interim Report to be despatched to the shareholders of the Company.

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

During the six months ended 30 September 2021, neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

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

Hong Kong, 30 November 2021

*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.*