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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)

FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2022

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 2022 together with comparative figures as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2022

	<i>Notes</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Revenue	5	761,776	842,631
Cost of sales		(697,601)	(767,270)
Other income	6	1,263	1,345
Other gains	6	2,845	–
Administrative expenses		(34,809)	(23,363)
Other operating expenses	7(c)	(8,259)	(3,308)
Profit from operations		25,215	50,035

* *For identification purpose only*

	<i>Notes</i>	2022 HK\$'000	2021 <i>HK\$'000</i>
Finance income		86	325
Finance costs		<u>(7,655)</u>	<u>(5,393)</u>
Net finance costs	<i>7(a)</i>	<u>(7,569)</u>	<u>(5,068)</u>
Profit before taxation	<i>7</i>	17,646	44,967
Income tax expense	<i>8</i>	<u>(2,663)</u>	<u>(6,278)</u>
Profit for the year		<u>14,983</u>	<u>38,689</u>
Attributable to:			
Owners of the Company		12,758	33,080
Non-controlling interests		<u>2,225</u>	<u>5,609</u>
		<u>14,983</u>	<u>38,689</u>
Earnings per share	<i>10</i>		
– Basic		<u>HK0.14 cent</u>	<u>HK0.36 cent</u>
– Diluted		<u>HK0.14 cent</u>	<u>HK0.36 cent</u>

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Profit for the year	<u>14,983</u>	<u>38,689</u>
Other comprehensive (expense)/income for the year:		
<i>Item that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of foreign operations, net	<u>(1,713)</u>	<u>164</u>
Total comprehensive income for the year	<u>13,270</u>	<u>38,853</u>
Total comprehensive income attributable to:		
Owners of the Company	<u>11,916</u>	<u>33,095</u>
Non-controlling interests	<u>1,354</u>	<u>5,758</u>
	<u>13,270</u>	<u>38,853</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2022

	<i>Notes</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		22,167	841
Right-of-use assets		1,435	2,057
Intangible assets		174	4,796
Loan receivables	12	<u>34,059</u>	<u>46,690</u>
		<u>57,835</u>	<u>54,384</u>
Current assets			
Inventories		59,324	41,148
Trade and other receivables	11	59,514	94,470
Loan receivables	12	148,504	234,002
Finance lease receivables		–	3,212
Repossessed assets		10,054	–
Tax recoverable		2,250	–
Cash and cash equivalents		<u>70,713</u>	<u>109,198</u>
		<u>350,359</u>	<u>482,030</u>
Current liabilities			
Trade and other payables	13	34,124	25,666
Bank and other borrowings	14	26,808	62,396
Notes payable	15	50,000	–
Lease liabilities		1,303	1,933
Provision for taxation		–	2,547
Amounts received from a shareholder	16	<u>47,000</u>	<u>155,000</u>
		<u>159,235</u>	<u>247,542</u>
Net current assets		<u>191,124</u>	<u>234,488</u>
Total assets less current liabilities		<u>248,959</u>	<u>288,872</u>

	<i>Notes</i>	2022 HK\$'000	2021 <i>HK\$'000</i>
Non-current liabilities			
Notes payable	15	–	50,000
Lease liabilities		–	164
Deferred tax liabilities		651	1,571
		<u>651</u>	<u>51,735</u>
Net assets		<u>248,308</u>	<u>237,137</u>
Capital and reserves			
Share capital		122,886	125,068
Reserves		121,863	105,944
Total equity attributable to owners of the Company		244,749	231,012
Non-controlling interests		3,559	6,125
Total equity		<u>248,308</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 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.

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

3. Application of amendments to IFRSs

The Group has applied the following amendments to IFRSs issued by the IASB to the consolidated financial statements for the current accounting period:

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

The application of the Amendments to IFRSs in the current year has had no material impact on the Group’s financial positions and performance for the current and prior years and/or on the disclosures set out in the consolidated 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 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 wood products including processed timber products.
- Leasing of properties: leasing of premises to generate rental income and to gain from the appreciation in property values.

Segment results represent the profit/loss from each segment without allocation of gain on bargain purchase, gain on disposal of subsidiaries, 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 year ended 31 March 2022

	Forest-related business			Leasing of properties HK\$'000	Total HK\$'000
	Money lending HK\$'000	Sustainable forest management HK\$'000	Timber supply chain HK\$'000		
Segment revenue					
Revenue from external customers	26,491	412	734,873	–	761,776
Results					
Segment results	14,463	(366)	16,831	–	30,928
Gain on bargain purchase					1,921
Gain on disposal of subsidiaries					924
Unallocated corporate income					10
Unallocated corporate expenses					(8,482)
Finance costs					(7,655)
Profit before taxation					17,646
Other segment information					
Capital expenditure	–	–	(22,897)	–	(22,897)
Depreciation of property, plant and equipment	–	(16)	(796)	–	(812)
Interest income	3	12	60	–	75
At 31 March 2022					
Segment assets	226,409	–	172,579	–	398,988
Unallocated:					
– Right-of-use assets					1,435
– Corporate assets					7,771
					408,194
Segment liabilities	49,457	–	56,633	–	106,090
Unallocated:					
– Lease liabilities					1,303
– Deferred tax liabilities					651
– Amounts received from a shareholder					47,000
– Corporate liabilities					4,842
					159,886

For the year ended 31 March 2021

	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	
Segment revenue					
Revenue from external customers	34,001	800	807,830	–	842,631
Results					
Segment results	26,466	(599)	30,619	–	56,486
Unallocated corporate income					356
Unallocated corporate expenses					(6,482)
Finance costs					(5,393)
Profit before taxation					44,967
Other segment information					
Capital expenditure	–	–	(260)	–	(260)
Depreciation of property, plant and equipment	–	(30)	(97)	–	(127)
Interest income	1	1	96	–	98
At 31 March 2021					
Segment assets	309,342	4,960	186,750	–	501,052
Unallocated:					
– Right-of-use assets					2,057
– Corporate assets					33,305
					536,414
Segment liabilities	50,267	2,705	84,366	–	137,338
Unallocated:					
– Lease liabilities					2,097
– Deferred tax liabilities					1,571
– Amounts received from a shareholder					155,000
– Corporate liabilities					3,271
					299,277

5. Revenue

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Sales from timber supply chain business	734,873	807,830
Interest income from money lending business	26,426	33,786
Arrangement fee income from money lending business	65	215
Income from licensing of harvesting rights	412	800
	<u>761,776</u>	<u>842,631</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. Other income and other gains

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Other income		
Government subsidies (<i>note</i>)	–	864
Sales of residual products	792	207
Sundry income	471	274
	<u>1,263</u>	<u>1,345</u>
Other gains		
Gain on bargain purchase (<i>note 17</i>)	1,921	–
Gain on disposal of subsidiaries (<i>note 18</i>)	924	–
	<u>2,845</u>	<u>–</u>

Note:

The amount represented cash subsidies received from The Government of the HKSAR under the Anti-Epidemic Fund for the purpose of relieving financial burdens of the businesses operating in Hong Kong.

7. Profit before taxation

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
(a) Net finance costs		
Finance income:		
Interest income from bank deposits	<u>(86)</u>	<u>(325)</u>
Finance costs:		
Interest on lease liabilities	51	107
Interest on advances drawn on bill receivables discounted with full recourse	3,140	1,724
Interest on notes payable	3,562	3,562
Interest on other borrowings	<u>902</u>	<u>–</u>
	<u>7,655</u>	<u>5,393</u>
	<u>7,569</u>	<u>5,068</u>
(b) Staff costs (including directors' emoluments)		
Salaries, wages and other benefits	15,388	11,712
Contributions to retirement benefits scheme	<u>617</u>	<u>438</u>
	<u>16,005</u>	<u>12,150</u>

	2022 HK\$'000	2021 HK\$'000
(c) Other items		
Cost of inventories	598,280	679,064
Depreciation of property, plant and equipment	914	229
Depreciation of right-of-use assets	1,970	1,762
Lease payments not included in the measurement of lease liabilities	744	934
Net exchange loss/(gain)	5,100	(2,215)
Loss/(gain) on disposal of property, plant and equipment*	69	(499)
Impairment losses under expected credit losses (“ECL”) model		
– Trade receivables (note 11)*	–	646
– Loan receivables (note 12)*	6,775	3,478
– Interest receivables (note 11)*	226	–
Reversal of impairment loss on loan receivables under ECL model (note 12)*	(133)	(317)
Trade receivables written off*	1,322	–
	8,259	3,308
Auditor’s remuneration		
– Audit services	1,450	1,421
– Other services	300	300
	1,750	1,721

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

8. Income tax expense

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Hong Kong Profits Tax		
– current tax	3,275	5,505
– underprovision/(overprovision) in prior year	58	(23)
	<u>3,333</u>	<u>5,482</u>
Slovenia corporate income tax		
– current tax	11	669
– overprovision in prior year	(704)	–
	<u>(693)</u>	<u>669</u>
Romania corporate income tax		
– current tax	31	127
Croatia corporate income tax		
– current tax	28	–
Deferred tax	(36)	–
	<u>2,663</u>	<u>6,278</u>

For the year ended 31 March 2022, the provision for Hong Kong Profits Tax is calculated at a flat rate of 16.5% (2021: 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 for this subsidiary for the year ended 31 March 2021.

Slovenia corporate income tax is charged at 19% on the estimated assessable profits arising in Slovenia for the years ended 31 March 2022 and 2021.

Romania corporate income tax is charged at 16% on the estimated assessable profits arising in Romania for the years ended 31 March 2022 and 2021.

Croatia corporate income tax is charged at 18% (2021: 18%) on the estimated assessable profits arising in Croatia for the year ended 31 March 2022 (2021: no assessable profits).

Brazil income tax is charged at 34% (2021: 34%) on the estimated assessable profits arising in Brazil. Brazil income tax has not been provided for the years ended 31 March 2022 and 2021 as there was no assessable profit.

9. Dividend

The Directors do not recommend the payment or declaration of any dividend for the year ended 31 March 2022 (2021: nil).

10. Earnings per share

- (a) The calculation of basic and diluted earnings per share is based on the profit attributable to owners of the Company and the reconciliation of the weighted average number of shares as shown in note 10(b) below:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Profit		
Profit for the purpose of calculating basic and diluted earnings per share	<u>12,758</u>	<u>33,080</u>

- (b) Weighted average number of shares

	2022 <i>'000</i>	2021 <i>'000</i>
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	9,107,224	9,105,710
Effect of dilutive potential ordinary shares arising from conversion of convertible preferred shares	<u>99,247</u>	<u>106,283</u>
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	<u>9,206,471</u>	<u>9,211,993</u>

11. Trade and other receivables

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
	<i>Notes</i>	
Trade receivables	1,624	5,904
Less: impairment allowance	–	(1,562)
	<u>1,624</u>	<u>4,342</u>
	<i>(i)</i>	
Interest receivables	11,963	8,468
Less: impairment allowance	(226)	–
	<u>11,737</u>	<u>8,468</u>
	<i>(ii)</i>	
Bill receivables	29,015	67,416
Other receivables	3,263	2,898
Amounts due from non-controlling interests	–	161
	<u>45,639</u>	<u>83,285</u>
Financial assets at amortised costs	45,639	83,285
Trade and logging deposits	11,565	8,910
Other deposits and prepayments	2,310	2,275
	<u>59,514</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 the invoice date, and net of impairment allowance, is as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
0 to 30 days	904	55
31 to 90 days	250	193
91 to 180 days	470	2,532
Over 180 days	—	1,562
	<u>1,624</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.

(ii) **Bill receivables**

At 31 March 2022, included in bill receivables of HK\$29,015,000 (2021: HK\$67,416,000), bill receivables of HK\$26,808,000 (2021: HK\$62,396,000) were discounted to banks with full recourse with a maturity period of less than 180 days (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 31 March 2022 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.

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Carrying amount of the transferred assets	26,808	62,396
Carrying amount of the associated liabilities	<u>(26,808)</u>	<u>(62,396)</u>
	<u>—</u>	<u>—</u>

12. Loan receivables

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Fixed-rate loan receivables	194,346	285,833
Less: impairment allowance	<u>(11,783)</u>	<u>(5,141)</u>
	<u>182,563</u>	<u>280,692</u>
Analysed as:		
Current portion	148,504	234,002
Non-current portion	<u>34,059</u>	<u>46,690</u>
	<u>182,563</u>	<u>280,692</u>
Analysed as:		
Secured	177,077	250,388
Unsecured	<u>5,486</u>	<u>30,304</u>
	<u>182,563</u>	<u>280,692</u>

All loans were denominated in Hong Kong dollars. At 31 March 2022, the loan receivables carried interest rates ranging from 8.5% to 18% per annum (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 31 March 2022, loan receivables with an aggregate carrying amount of HK\$177,077,000 (2021: HK\$250,388,000) were secured by collaterals provided by the borrowers. At the end of the reporting period, loan receivables with aggregate carrying amount of HK\$157,562,000 (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\$11,783,000 had been provided at 31 March 2022 (2021: HK\$5,141,000).

13. Trade and other payables

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade payables (<i>note</i>)	20,359	13,654
Other payables and accruals	5,692	6,549
Receipt in advance	7,035	5,463
Amounts due to non-controlling interests	1,038	–
	<u>34,124</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 the invoice date, is as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
0 to 30 days	19,986	13,468
31 to 90 days	121	64
91 to 180 days	252	122
	<u>20,359</u>	<u>13,654</u>

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

14. Bank and other borrowings

	<i>Notes</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Advances drawn on bill receivables discounted			
with full recourse	<i>(i)</i>	26,808	62,396
Other borrowings	<i>(ii)</i>	–	–
		<u>26,808</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 11(ii)), the amount was repayable within one year and carried interest at the banks' lending rate plus certain basis points.

(ii) Other borrowings

In May 2021, the Group entered into a revolving loan facility (the "**Revolving Loan Facility**") of up to HK\$70,000,000 with a finance company which carrying interest at the finance company's best lending rate or cost of fund plus certain basis points. During the year, the Group had made a drawdown of approximately HK\$59,739,000, which was secured by (i) the pledge of properties mortgaged to a subsidiary of the Company for the loan granted to its customers and (ii) a corporate guarantee in favour of the finance company granted by the Company. At 31 March 2022, all outstanding balances were settled and the unutilised amount of the Revolving Loan Facility amounted to HK\$70,000,000 (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 deferred as agreed between the Company and the placing agent. Accordingly, on 22 June 2022, the Company and the placing agent entered into an extension letter to further extend the closing date (that is, the last day of the placing period) under the Placing Agreement from 30 June 2022 to 30 June 2023. 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 were accounted for as a loan from a shareholder, are unsecured, interest-free and repayable at the end of the twelve-month period from the date of the loan facility agreement. Under the agreement, the loan facility is extendable for another twelve-month period 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. Acquisition of a subsidiary

On 17 January 2022, the Group completed the acquisition of the entire equity interests in JWC ROMWOOD S.R.L. (“JWC”) (now known as WLG Woodlands Production S.R.L.), a company incorporated in Romania whose principal activity is the production of wood lumber. The consideration for the acquisition was Euro 2,286,000 (equivalent to approximately HK\$20,873,000), which was determined based on the financial position of JWC at the date of acquisition. The fair value of the identifiable assets and liabilities of JWC at the date of acquisition were as follows:

	<i>HK\$'000</i>
Property, plant and equipment	21,731
Inventories	268
Trade and other receivables	611
Cash and cash equivalents	1,651
Trade and other payables	(766)
Deferred tax liabilities	(701)
	<hr/>
Net assets acquired	22,794
Gain on bargain purchase (<i>note 6</i>)	(1,921)
	<hr/>
Purchase consideration settled in cash	20,873
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No significant acquisition-related costs were incurred.

The gain on bargain purchase represents the shortfall of the purchase price paid by the Group for the acquisition of the entire equity interests in JWC compared to the net assets of JWC. As the utilisation rate of the lumber processing plant owned by JWC was low and it was difficult for its former shareholder to obtain any reasonable return from its investment in JWC, the purchase price offered by the Group for the acquisition of JWC was considered acceptable by its former shareholder as the offer presented an immediate opportunity for it to realise its investment. The Group expected the lumber processing plant of JWC could turn from loss to profit-making in the future by increasing its utilisation rate through leveraging on the Group’s extensive business network as well as the good industry knowledge of its sourcing team and marketing team in Europe.

An analysis of the net outflow of cash and cash equivalents in respect of the acquisition of JWC is as follows:

	<i>HK\$'000</i>
Purchase consideration settled in cash	(20,873)
Less: cash and cash equivalents acquired	<u>1,651</u>
Net cash outflow on acquisition	<u><u>(19,222)</u></u>

From the date of acquisition to 31 March 2022, JWC had contributed revenue of approximately HK\$1,077,000 to the Group's revenue and recorded loss after taxation of approximately HK\$250,000.

Had the acquisition of JWC been completed on 1 April 2021, the Group's revenue and profit for the year would have been approximately HK\$767,930,000 and HK\$12,407,000 respectively. This pro forma information is for illustrative purposes only and is not necessarily an indication of the Group's revenue and results that would have been recorded had the acquisition been completed on 1 April 2021, nor is it intended to be a projection of future results.

18. Disposal of subsidiaries

On 5 October 2021, the Group entered into a sale and purchase agreement with an independent third party to dispose of the entire shareholding interest in, and the shareholder's loan to, a former wholly-owned subsidiary of the Company, Amplewell Holdings Limited, together with its wholly-owned subsidiary, Universal Timber Resources do Brasil Ltda (the "**Disposed Group**"), at a cash consideration of HK\$2,300,000. The major assets of the Disposed Group were intangible assets representing harvesting rights of forests located in Brazil. The disposal was completed on 5 October 2021 and the gain on disposal of subsidiaries amounted to HK\$924,000.

The net assets of the Disposed Group at the date of disposal were as follows:

	<i>HK\$'000</i>
Property, plant and equipment	85
Intangible assets	5,011
Prepayments and other receivables	137
Cash and cash equivalents	234
Accruals and other payables	(2,447)
Provision for taxation	(799)
Deferred tax liabilities	(1,704)
	<u>517</u>
Cash consideration received	2,300
Release of translation reserve	(859)
Net assets disposed of	<u>(517)</u>
Gain on disposal of subsidiaries (<i>note 6</i>)	<u>924</u>
Net cash inflow arising on disposal of subsidiaries:	
Cash consideration received	2,300
Less: cash and cash equivalents disposed of	<u>(234)</u>
Net cash inflow on disposal	<u>2,066</u>

FINAL DIVIDEND

The Board has resolved not to recommend the payment of a final dividend for the year ended 31 March 2022 (2021: nil).

BUSINESS REVIEW

For the year ended 31 March 2022 (“FY2022”), 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 FY2022, the Group’s revenue decreased by 10% to HK\$761,776,000 (2021: HK\$842,631,000) whilst the Group’s net profit decreased by 61% to HK\$14,983,000 (2021: HK\$38,689,000). 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 decline in its revenue and the increase in impairment loss on loan receivables; (iii) the increases in the Group’s administrative expenses and finance costs; and (iv) the exchange loss incurred by the Group owing to the depreciation of Euro. 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\$16,831,000 (2021: HK\$30,619,000) and HK\$14,463,000 (2021: HK\$26,466,000) to the Group’s profitable results for the year.

Forest-related Business

Timber Supply Chain

The Group’s timber supply chain business 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 countries. Backed by the great efforts of the management teams stationed in Europe, the Group’s TSC Operation in Europe continued to register encouraging business development during the year and has so far successfully established three distribution hubs in Slovenia, Romania and Croatia as well as two wood lumber processing ventures in Romania and one in Croatia including the newly acquired lumber processing plant in Romania as announced by the Company on 2 December 2021.

For FY2022, the Group's TSC Operation generated a revenue of HK\$734,873,000 (2021: HK\$807,830,000) and a profit of HK\$16,831,000 (2021: HK\$30,619,000) which showed a decline of 9% and 45% from their respective comparable in the prior year. The decreases in revenue and profit of the TSC Operation were partly due to (i) the prolonged continuation of the COVID-19 pandemic which lowered the level of economic activities in Europe and China and caused delays and disruptions to the usual logistics of the Europe-China shipping route that resulted in lengthened delivery time and significantly higher transportation and freight costs, and partly due to (ii) the depreciation of Euro primarily as a result of the slowing economic conditions in Europe and the Russia-Ukraine war. For FY2022, the transaction volume of timber and wood products traded by the operation was over 342,000 m³ (2021: 493,000 m³), decreased by 31% from last year, 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 countries, and being fully responsible for all the logistics of sea transport which usually involves the chartering of dry bulk vessels.

For FY2022, the CBM running under the TSC Operation generated a revenue of HK\$511,739,000 (2021: HK\$551,002,000) and a profit of HK\$12,424,000 (2021: HK\$13,242,000), representing over 232,000 m³ (2021: 274,000 m³) of hardwood logs traded. The respective 7%, 6% and 15% declines in the revenue, profit and volume of logs traded under the CBM was to a certain extent due to the slowdown of economic growth in China and the tightened regulatory regime of 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 three wood processing ventures in Romania and Croatia, including the newly acquired lumber processing plant referred to in the Company's announcement dated 2 December 2021.

For FY2022, the EBM running under the TSC Operation generated a revenue of HK\$223,134,000 (2021: HK\$256,828,000) and a profit of HK\$4,407,000 (2021: HK\$17,377,000), representing over 110,000 m³ (2021: 219,000 m³) of logs and wood products traded. The EBM recorded a 13% decrease in revenue with a 50% decrease in volume traded as there was a change in trade mix during the year where more processed wood products with higher sale value and profit margin were sold, whilst the 75% decline in profit was the combined effect of (i) the decrease in its revenue primarily due to the drop in demand from its customers in China, which in turn to a certain extent due to the slowdown of economic growth in China and the tightened regulatory regime of its property sector; (ii) the general rise in transportation and freight costs resulting from the shortage of containers due to delays and disruptions to the usual logistics of the Europe-China shipping route, which in turn due to the prolonged continuation of the COVID-19 pandemic, the transportation and freight costs accounted for about 30% of the costs of sales of the European Operation, when compared to the prior financial year, such costs rose by about 25% on average per cubic meter of logs and wood products shipped, which significantly reduced the profit margin of the EBM for FY2022; and (iii) the net exchange loss of HK\$5,100,000 incurred by the Group largely owing to the depreciation of Euro primarily as a result of the slowing economic conditions in Europe and the Russia-Ukraine war.

Distribution hubs in Slovenia, Romania and Croatia

The TSC Operation has established 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 countries with logistics support providing by the operation, which usually involves land transport via rails and trucks and sea transport via containers.

Wood processing ventures 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 from January 2020. 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 engaged by the Group, 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.

As announced by the Company on 2 December 2021, the Group has entered into an agreement to acquire a lumber processing plant in Covasna, Romania in order to expand its production capacity for wood lumber as well as to continue with its business expansion plan in the timber supply chain business, the acquisition was completed in January 2022. The lumber processing plant is fully operational and has a designed production capacity of up to 8,000 m³ of wood lumber per annum. The Group has fully integrated the operation of this newly acquired plant with its EBM and the plant has contributed revenue to the Group since January 2022.

Wood processing venture in Croatia

The TSC Operation has established 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 margin of 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 31 March 2022, the TSC Operation kept inventories amounting to HK\$59,324,000 (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 the Group's 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 the past, 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 had granted harvesting rights to licensees for its forest assets in Brazil and had received licensing income in return. Nevertheless, this mode of operation had been incurring losses since the financial year ended 31 March 2020 as the licensing income received was decreasing, and such decrease was in turn owing to harvesting rights of reducing area of the forest assets were granted under commercially acceptable terms over the past years. In view of the unfavourable financial performance of the Group's forest assets in Brazil, during FY2022, the management decided to dispose of the forest assets at a consideration of HK\$2,300,000 and a gain on disposal of HK\$924,000 was recognised. Accordingly, for FY2022, before the disposal of the forest assets, the operation recognised income from licensing of harvesting rights amounted to HK\$412,000 (2021: HK\$800,000), decreased by 49% when compared with the prior year, and incurred a loss of HK\$366,000 (2021: HK\$599,000). As mentioned above, the decrease of the licensing income was mainly due to the decrease in forest areas on which harvesting rights were granted before the disposal of the forest assets took place.

Notwithstanding the disposal of the forest assets in Brazil, the Group continues to seize investment opportunities in forest assets in Europe for the development of its sustainable forest management business.

Money Lending Business

The Group's money lending business is conducted through Reliance Credit Limited ("**Reliance Credit**") and Reliance Capital Finance Limited ("**Reliance Capital**"), both are wholly-owned subsidiaries of the Company, and are licensed to conduct money lending activities under the Money Lenders Ordinance. The Group aims to make loans that could be covered by sufficient collaterals, preferably commercial and residential properties in Hong Kong, and to borrowers with good credit history. The Group has a stable source of loan deals through referrals from its marketing agents, cooperation with property agents and participation in co-lending activities, as well as through advertisements in traditional and digital media.

For FY2022, the Group's money lending business generated a revenue of HK\$26,491,000 (2021: HK\$34,001,000) and an operating profit of HK\$14,463,000 (2021: HK\$26,466,000) which decreased by 22% and 45% respectively over their comparable in the prior year. The decrease in profit of the business was partly due to the decline in its revenue, which in turn was a result of the reduced size of the Group's loan portfolio owing to the cautious approach of the management in granting new loans in view of the prevailing economic conditions in Hong Kong; and partly due to the increase in impairment loss on loan receivables by 95% to HK\$6,775,000 (2021: HK\$3,478,000), 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 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 FY2022, the Group granted new loans in an aggregate principal amount of HK\$55,000,000 at interest rates ranging from 8.5% to 13% per annum and tenor from 12 months to 18 months. At 31 March 2022, the Group's portfolio was constituted by 23 loans (2021: 28 loans and finance lease) with carrying amount totalling HK\$182,563,000 (2021: HK\$283,904,000) (net of impairment loss on loan receivables of HK\$11,783,000 (2021: HK\$5,141,000)), with two loans being reclassified as repossessed assets with carrying amount totalling HK\$10,054,000 after the Group took ownership and control of the collateral assets. Details of the loan portfolio are as follows:

Type of loan	Approximate weighting to the carrying amount of the Group's loan portfolio	Interest rate per annum	Original maturity	Remarks
First mortgage loans	84%	8.5%-14.5%	Within three years	Loans were secured by properties located in Hong Kong
Second mortgage loans	4%	12%-18%	Within two years	Loans were secured by properties located in Hong Kong
Corporate loans	12%	9%-12.5%	Within one year	Loans were granted to listed companies in Hong Kong or were secured by collaterals
Total	100%			

The Group's loan portfolio was well spread with an average loan size of around HK\$8.7 million, credit healthy as 97% of the portfolio was secured by collaterals, and earning a good return with weighted average interest rate amounting to approximately 11%. At 31 March 2022, the loan made to the largest borrower and the five largest borrowers accounted for 11% and 42% of the Group's loan portfolio (on a net of impairment allowance basis).

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 assessment process encompasses detailed assessment on the credit history and financial background of the potential borrowers, as well as the value and nature of the collaterals to be pledged. The credit limits of loans successfully granted to the borrowers are reviewed by the management regularly as part of the ongoing loan monitoring process.

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, loan 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 loan 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 2022, 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. For FY2022, a net impairment loss on loan receivables of HK\$6,642,000 (2021: HK\$3,161,000) was recognised with the balance of the impairment allowance increased by 129% or HK\$6,642,000 to HK\$11,783,000 (2021: HK\$5,141,000) at 31 March 2022. The net impairment loss comprised a sum of HK\$6,775,000 being impairment allowance on loan receivables for the year and a reversal of impairment loss of HK\$133,000, which were determined in accordance with the Group's impairment policy.

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 portfolio. This financing arrangement strategically paves the way for the Group to raise further funding from the capital market in Hong Kong for developing its money lending business.

Leasing of Properties

The Group was not holding any investment property during FY2022. 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 unstable 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 better yields.

OVERALL RESULTS

The Group continued to report profitable results for FY2022 by achieving a profit attributable to owners of the Company of HK\$12,758,000 (2021: HK\$33,080,000), basic earnings per share of HK0.14 cent (2021: HK0.36 cent), and a total comprehensive income attributable to owners of the Company of HK\$11,916,000 (2021: HK\$33,095,000). The Group's administrative expenses increased by 49% to HK\$34,809,000 (2021: HK\$23,363,000) was mainly a result of the increase in staff costs of HK\$3,855,000 and legal and professional fees incurred of HK\$3,862,000 in relation to the resumption of trading of the Company's shares on the Stock Exchange, and the net exchange loss of HK\$5,100,000 incurred by the Group largely due to the depreciation of Euro during the year.

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 31 March 2022, the outstanding amount under the Loan Facility was HK\$47,000,000 (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 31 March 2022, the advances drawn under the Bills Discounting Facilities amounted to HK\$26,808,000 (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, 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 22 June 2022, 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 2023.

In addition, in March 2021, the Group 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 was entered into in May 2021 with 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 would be secured by sub-mortgage the property collaterals obtained by Reliance Capital from granting first mortgage loans. Reliance Capital 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. At 31 March 2022, all outstanding loans drawn under the Revolving Loan Facility were settled as the related first mortgage loans were fully repaid during the year. The Revolving Loan Facility is subject to annual review by the lender and Reliance Capital is in negotiation with the lender for terms of the renewed facility.

The increase in the Group’s finance costs to HK\$7,655,000 for the year (2021: HK\$5,393,000) was partly a result that interests amounting to HK\$3,140,000 (2021: HK\$1,724,000), increased by 82%, were paid for advances drawn on bill receivables discounted with full recourse; and partly a result that interests amounting to HK\$902,000 (2021: nil) were paid for a revolving loan drawn under the Revolving Loan Facility.

Liquidity and Financial Resources

For FY2022, 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 31 March 2022, the Group had current assets of HK\$350,359,000 (2021: HK\$482,030,000) and cash and cash equivalents of HK\$70,713,000 (2021: HK\$109,198,000). The Group’s current ratio, calculated based on current assets over current liabilities of HK\$159,235,000 (2021: HK\$247,542,000), was at a strong ratio of about 2.2 (2021: 1.9).

At 31 March 2022, the Group's borrowings comprised the first tranche of the Three-Year Notes of HK\$50,000,000 (2021: HK\$50,000,000) and bank borrowings of HK\$26,808,000 (2021: HK\$62,396,000), which represented the advances for bill receivables discounted to banks 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\$76,808,000 (2021: HK\$112,396,000) over the equity attributable to owners of the Company of HK\$244,749,000 (2021: HK\$231,012,000), decreased to 31% at 31 March 2022 (2021: 49%) that was mainly due to the increase in the Group's reserves as a result of the profit earned during the year and the decrease in bank borrowings as at the year end date.

At 31 March 2022, the equity attributable to owners of the Company increased by 6% or HK\$13,737,000 to HK\$244,749,000 (2021: HK\$231,012,000). The increase was mainly due to the profits 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, and the proceeds from issuance of the first tranche of the Three-Year Notes, the management is of the view that the Group has sufficient financial resources to meet its ongoing operational requirement and continuous business development.

Charge on Assets

A debenture incorporating a first floating charge over all the undertakings, property and assets of Reliance Credit, 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 2022, bill receivables of HK\$26,808,000 (2021: HK\$62,396,000) were pledged to banks to secure advances drawn on the bill receivables.

Contingent Liabilities

At 31 March 2022, the Group had no significant contingent liability.

Litigation

At 31 March 2022, there was no litigation claim against the Group.

Foreign Exchange Risk

The Group mainly operates in Hong Kong, Europe and China. During FY2022, the revenue, costs and expenses of the Group's operations were mainly denominated in Hong Kong dollar, United States dollar, Euro, Romanian Leu, Croatian Kuna 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 and Renminbi. In addition, some of the Group's assets are located in Europe and denominated in Euro, Romanian Leu and Croatian Kuna 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 FY2022, the Group incurred net exchange loss of HK\$5,100,000 largely due to the depreciation of Euro primarily as a result of the slowing economic conditions in Europe and the Russia-Ukraine war. As for Romanian Leu, Croatian Kuna 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, 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 is aware of the continual depreciation of Euro and 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 five consecutive financial years ended 31 March 2022. The scale of the Group's operation, in particular the timber supply chain and 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 the 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 2022, the Group completed the acquisition of a wood lumber processing plant in Covasna, Romania in order to increase the Group's production capacity of wood lumber in fulfilling the customers' order from China. 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, 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. However, the emergence of the new variant virus and the new waves of outbreak in Hong Kong, China and 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**”) as set out in Appendix 14 to the Listing Rules for the year ended 31 March 2022 except for the following deviation:

Code Provision E.1.2 (renumbered as Code Provision F.2.2 since 1 January 2022)

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.

AUDIT COMMITTEE

The audited consolidated financial statements of the Company for the year ended 31 March 2022 have been reviewed by the Audit Committee and duly approved by the Board under the recommendation of the Audit Committee.

SCOPE OF WORK OF CROWE (HK) CPA LIMITED

The amounts in respect of the Group’s consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position and the related notes thereto for the year ended 31 March 2022 as set out above in this announcement have been agreed by the Group’s auditor, Crowe (HK) CPA Limited (“**Crowe (HK)**”), to the amounts as set out in the Group’s audited consolidated financial statements for the year ended 31 March 2022 as approved by the Board on 28 June 2022. The work performed by Crowe (HK) in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Crowe (HK) on this announcement.

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

During the year ended 31 March 2022, neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities except that 46,126,666 ordinary shares of the Company, being shares returned to the Group, were disposed of by a subsidiary of the Company. Pursuant to the settlement of an acquisition agreement in relation to a group of companies during the year ended 31 March 2013, resulted from the failure of the vendor in meeting the net profit guarantee, 46,666,666 ordinary shares of the Company (after adjustments for share consolidation and capital reorganisation conducted in previous years) (the "**Returned Ordinary Shares**") were returned to the Group awaiting disposal with proceeds to be returned to the Group. During the year, 46,126,666 Returned Ordinary Shares were disposed of on the Stock Exchange for a consideration of approximately HK\$962,000.

PUBLICATION OF FINAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This announcement is published on the website of the Company at <http://www.relianceglobal.com.hk> and of the Stock Exchange at <http://www.hkexnews.hk>. The annual report of the Company will be published on the website of the Company and of the Stock Exchange and will be despatched to the shareholders of the Company in due course.

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

Hong Kong, 28 June 2022

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.