



# Reliance Global Holdings Limited

信保環球控股有限公司\*

*(Incorporated in Bermuda with limited liability)*

(Stock Code : 723)

## Interim Report 2020

\* For identification purpose only



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## Abbreviations

In this interim report, the following abbreviations have the following meanings unless otherwise specified:

“Board”	Board of Directors of the Company
“Company”	Reliance Global Holdings Limited
“Director(s)”	directors of the Company
“Group”	the Company and its subsidiaries
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.01 each in the capital of the Company
“Shareholders”	shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HK\$” and “HK cent(s)”	Hong Kong dollars and cent(s)
“R\$”	Brazilian Reais
“US\$”	United States dollars
“%”	per cent.

*The Chinese version of this interim report is a translation of the English version and is for reference only. In case of any discrepancies or inconsistencies between the English version and the Chinese version, the English version shall prevail.*

# Corporate Information

## BOARD OF DIRECTORS

### Executive Directors

Ms. Wang Jingyu (*Chairlady*)  
Mr. Lai Ming Wai (*Chief Executive Officer*)  
Ms. Chan Yuk Yee

### Independent Non-executive Directors

Mr. Yam Kwong Chun  
Mr. Chiang Bun  
Mr. Chai Chi Keung

## BOARD COMMITTEES

### Executive Committee

Ms. Wang Jingyu (*Chairlady*)  
Mr. Lai Ming Wai  
Ms. Chan Yuk Yee

### Audit Committee

Mr. Yam Kwong Chun (*Chairman*)  
Mr. Chiang Bun  
Mr. Chai Chi Keung

### Remuneration Committee

Mr. Chiang Bun (*Chairman*)  
Mr. Yam Kwong Chun  
Mr. Chai Chi Keung

### Nomination Committee

Mr. Chai Chi Keung (*Chairman*)  
Mr. Yam Kwong Chun  
Mr. Chiang Bun

## COMPANY SECRETARY

Ms. Chan Yuk Yee

## REGISTERED OFFICE

Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

## PRINCIPAL BANKERS

Bank of Communications Co., Ltd.,  
Hong Kong Branch  
Bank of Communications (Hong Kong) Limited  
Dah Sing Bank, Limited

## HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 3201, 32nd Floor  
China Resources Building,  
26 Harbour Road  
Wanchai  
Hong Kong

## SHARE REGISTRARS

### Principal Share Registrar and Transfer Office

MUFG Fund Services (Bermuda) Limited  
4th Floor North  
Cedar House  
41 Cedar Avenue  
Bermuda

### Hong Kong Branch Share Registrar and Transfer Office

Tricor Tengis Limited  
Level 54, Hopewell Centre  
183 Queen's Road East  
Hong Kong

## AUDITOR

Crowe (HK) CPA Limited

## TRADING OF SHARES

Hong Kong Stock Exchange  
(Stock Code: 723)

## WEBSITE ADDRESS

<http://www.relianceglobal.com.hk>

# Management Discussion and Analysis

For the six months ended 30 September 2020, 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.

The Directors are pleased to report that the Group has managed to deliver an impressive financial performance by achieving a 130% increase in revenue to HK\$477,277,000 (30 September 2019: HK\$207,831,000) and a 64% increase in net profit to HK\$22,425,000 (30 September 2019: HK\$13,643,000), amid the adverse business impact brought by COVID-19 on a global scale, the trade war between China and the US, and the political and social events in Hong Kong. The timber supply chain and money lending businesses continued to register encouraging results, which respectively contributed HK\$15,758,000 and HK\$14,900,000 to the Group's profitable results for the period. The Group has demonstrated its businesses are sustainable and viable over the period, in the midst of slowdown of economic activities globally.

## Forest-related Business

### *Timber Supply Chain*

The Group's timber supply chain business has achieved remarkable progress during the period. Following the strategic move to build a global network of supply sources in Europe, Oceania and Africa to serve customers predominantly in China as well as in other Asian countries, and backed by the great efforts of the management teams stationed in the major timber supply sources in Europe, the operation generated a revenue of HK\$459,108,000 (30 September 2019: HK\$190,615,000) and profit of HK\$15,758,000 (30 September 2019: HK\$4,920,000) for the six months ended 30 September 2020, representing increases of 141% and 220% over their respective comparable in the prior period.

The substantial growth in the operation's revenue and profit were partly due to the additional volume of timber trades contributed by the Group's timber supply chain operation in Europe, which earns a much higher profit margin than the existing business; and partly due to the organic growth of the operation's existing business. The transaction volume of timber and wood products traded rose to over 255,000 m<sup>3</sup> or a 152% increase over the prior period (30 September 2019: 101,000 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 timber supply chain business 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 year which contributed to the continuing increase in transaction volume of the business.

Over the years, the Group has successfully developed a solid mutually beneficial relationship with all its customers. Currently, there are over 40 active customers sourcing timber and wood products from the Group, and to whom the Group provides a stable and quality supply to satisfy every aspect of their business needs. Most of the Group's customers are operating in China and are manufacturers, distributors and importers. The Group offers the customers a wide range of timber and wood products, including hardwood sourcing from Papua New Guinea, Republic of Congo, Croatia, Romania, Belgium and Serbia, and softwood with origins in Slovenia, Czech Republic, Germany, Italy, Austria, Croatia, Romania and Slovakia. The Group sources these timber and wood products from over 60 suppliers in Oceania, Africa and Europe and has established excellent business relationships with them. The solid supplier base that the Group has established which offers a large and increasing variety of timber and wood products, has in turn well placed the Group to best serve its customers, attract new businesses and further expand its customer base.

## Management Discussion and Analysis

The current business activities of the Group's timber supply chain operations can broadly be divided into two segments:

### *Conventional business model*

The business activities of this segment presently comprise sourcing timber logs from forest owners and suppliers in Oceania and Africa, and supplying to manufacturers, distributors and importers in China and other Asian countries. The Group is responsible for providing various procurement services including sourcing, quality inspection, logistics management, vessel chartering and on site delivery. During the period under review, business activities under the conventional business model generated a revenue of HK\$366,902,000 (30 September 2019: HK\$190,615,000).

### *Enhanced business model*

The business activities of this segment are originated from the Group's timber supply chain operation in Europe and can be broadly grouped under: (i) the business activities of the Group's distribution hubs set up in Slovenia, Romania and Croatia. The distribution hubs provide a comprehensive range of procurement services including sourcing, quality inspection, land transport, inventory management, custom clearance and sea transport to customers; and (ii) the business activities of the Group's timber processing venture in Romania, which is a vertically integrated operation producing wood lumber that encompasses the full value of a timber supply chain including harvesting, processing, inventory management, logistics and selling activities. During the period under review, business activities under the enhanced business model generated a revenue of HK\$92,206,000 (30 September 2019: nil). The Group's timber supply chain operation in Europe is effectively 51% owned by the Group and 49% owned by the partner of the business venture. At 30 September 2020, the operation kept inventories amounting to HK\$23,850,000 in order to serve its customers in the most efficient and effective manner.

■ Wood lumber produced by the Group's timber processing venture in Romania

■ The Group's distribution hub in Slovenia



The establishment of the distribution hubs in Slovenia, Romania and Croatia and the timber processing venture in Romania have significantly enhanced the competitive advantages of the Group's timber supply chain business, and effectively expanded and diversified the Group's customer base, revenue source, product type and market coverage. Europe timber logs and wood products are of high demand in China because of their high quality and wide usage. The diversity of the Group's timber supply chain business in terms of customer base, supply 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.

# Management Discussion and Analysis

## Sustainable Forest Management

Since the Group suspended its harvesting operations in the State of Acre, Brazil owing to the unfavourable business environment in 2012, the Group had continued to explore the optimal way to enhance the income stream from its forest assets. However, due to the unstable economic environment in Brazil and in view of the possibility of facing similar extortion threats from local parties in Brazil as the Group had experienced in previous years, operating the forest assets through own harvesting was considered to be unfavourable to the Group. As a result, the Board decided to change the operational model of the Group's forest assets to licensing of harvesting rights in June 2014 and since then, the Group has been actively looking for potential licensees for its forest assets. At 30 September 2020, the Group had accumulatively granted harvesting rights for over 50% of the 44,500 hectares forest areas owned by the Group.

For the six months ended 30 September 2020, the revenue of the sustainable forest management business, representing income from licensing of harvesting rights, was HK\$447,000 (30 September 2019: HK\$950,000), decreased by 53% when compared with the prior period and the business incurred a loss of HK\$347,000 (30 September 2019: HK\$127,000). The decrease of the licensing income was mainly caused by the depreciation of Brazilian Reais and the completion of a licensing contract during the review period. The Group will continue to solicit more licensees including sawmill owners so as to enhance the income stream of this business.

## Money Lending

For the six months ended 30 September 2020, the Group's money lending business continued to deliver encouraging results by generating a revenue of HK\$17,722,000 (30 September 2019: HK\$16,171,000) and operating profit of HK\$14,900,000 (30 September 2019: HK\$13,416,000), increased by 10% and 11% respectively over their comparable in the prior period, against the backdrop of the series of political and social events took place in Hong Kong and the outbreak of COVID-19. The increases in revenue and profit of the business corresponded to the higher average amount of loans advanced when compared to the prior period. During the review period, the Group granted new loans in an aggregate principal amount of HK\$64,000,000 at interest rates ranging from 10% to 13% per annum, and tenors from 6 to 24 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 2020, the Group's portfolio was constituted by 33 loans and finance lease with carrying amount totalling HK\$297,461,000 (31 March 2020: HK\$312,425,000) (net of impairment loss on loan receivables of HK\$2,734,000 (31 March 2020: HK\$1,980,000)). Details of the loan and finance lease portfolio are as follows:

## Management Discussion and Analysis

Type of loan/ finance lease	Approximate weighting to the carrying amount of the Group's loan and finance lease portfolio	Interest rate per annum	Original maturity	Remarks
First mortgage loans	83%	8.75%-14.5%	Within three years	Loans were secured by properties located in Hong Kong
Second mortgage loans	3%	13.5%-18%	Within two years	Loans were secured by properties located in Hong Kong
Corporate loans	12%	9%-12.5%	Within one year	Loans were mainly granted to listed companies in Hong Kong
Finance lease	2%	11%	Within three years	The finance lease was secured by a motor vehicle
Total	100%			

The Group's loan and finance lease portfolio was well spread with an average loan size of around HK\$9 million, credit healthy as 88% 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 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.

## Management Discussion and Analysis

The following flowchart depicts the typical operational procedures in processing a loan application



*Verification: documents and information provided by the loan applicant will be verified by the delegated loan officer and where appropriate, legal and credit search on the loan applicant will be conducted.*

*Assessment: credit assessment on the loan applicant will be performed by the delegated loan officer and reviewed by the supervising officer, by making reference to the financial background and credit history of the applicant, and value of collateral provided (if any), and where appropriate, the credit assessment on the applicant will be further reviewed by the responsible director.*

*Approval: if the loan application is approved, the delegated loan officer will arrange preparation and signing of the loan documentations and the supervising officer will ensure their proper executions, including drawdown of the loan proceeds by the applicant.*

*Monitoring: there will be continuous monitoring on loan repayments from individual borrower by the loan officer and regular review if there are material changes of the borrower's repayment ability by the supervising officer, where appropriate, impairment allowance on individual loan will be made if there is deterioration of credit quality of the loan with approval from the responsible director.*

*Collection: will make calls and send reminders to individual borrower for overdue loan repayment and where there is default of loan repayment, will take appropriate enforcement action, including legal action, to recover the loan.*

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 2020, the loan to value ratios of all mortgaged properties were within the safety margin. For unsecured corporate loans, the credit rating of the loans were analysed with reference to the borrowers' credit worthiness and credit history, including their financial position, previous records of default in payment, and prevailing market conditions. At 30 September 2020, expected credit losses totalling HK\$2,734,000 (31 March 2020: HK\$1,980,000) has been provided for the loan receivables.

In January 2020, the Company successfully issued interest bearing notes totalling HK\$50,000,000 to investors for funding the development of the money lending business. The notes are secured by a debenture over the assets of the Group's money lending subsidiary which effectively represents securitisation of 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.

# Management Discussion and Analysis

## Leasing of Properties

The Group had not held any investment property during the six months ended 30 September 2020. 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 year, 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 forest-related businesses which generate higher and good yields.

## OVERALL RESULTS

The Group continued to report profitable results for the interim period by achieving a 55% increase in both profit attributable to owners of the Company of HK\$21,085,000 (30 September 2019: HK\$13,643,000) and basic earnings per share of HK0.232 cent (30 September 2019: HK0.150 cent), and a 57% increase in total comprehensive income attributable to owners of the Company of HK\$21,144,000 (30 September 2019: HK\$13,483,000). The Group's administrative expenses increased by 39% to HK\$11,367,000 (30 September 2019: HK\$8,184,000) was mainly a result of the increase in staff costs and administrative expenses of the Group's timber supply chain operation in Europe.

## FINANCIAL REVIEW

In order to cope with the Group's expanding scale of operation and continuous business development, on 26 March 2018, Champion Alliance Enterprises Limited ("Champion Alliance"), a substantial shareholder of the Company, granted to the Company a loan facility to the extent of HK\$200,000,000 (the "Loan Facility") to meet its working capital requirements. The Loan Facility is unsecured and interest-free and has been mainly applied to the Group's money lending and forest-related businesses to facilitate their significant business developments. At 30 September 2020, the outstanding amount under the Loan Facility was HK\$190,000,000.

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

In January 2020, the Company entered into a placing agreement with a placing agent, on a best effort basis, to procure places 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 the Group's money lending subsidiary 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 outbreak of COVID-19, the placing exercise has been delayed. Accordingly, on 26 June 2020, the Company and the placing agent entered into an extension letter to extend the closing date (i.e. the last day of the placing period) under the Placing Agreement from 30 June 2020 to 31 December 2020.

# Management Discussion and Analysis

## Liquidity and Financial Resources

During the six months ended 30 September 2020, the Group financed its businesses mainly by cash generated from operations, the Trade Facilities provided by banks, the Loan Facility from Champion Alliance, the first tranche of the Three-Year Notes issued and the shareholders' funds.

At 30 September 2020, the Group had current assets of HK\$534,380,000 (31 March 2020: HK\$474,175,000) and cash and cash equivalents of HK\$122,591,000 (31 March 2020: HK\$96,981,000). The Group's current ratio, calculated based on current assets over current liabilities of HK\$283,742,000 (31 March 2020: HK\$306,591,000), was at a strong ratio of about 1.9 (31 March 2020: 1.5). The rise of the current ratio was mainly due to the increase in loan receivables that were due within one year, the higher cash level, and the decrease in trade and bill payables at the financial period end date.

At 30 September 2020, the Group's borrowings comprised the first tranche of the Three-Year Notes of HK\$50,000,000 (31 March 2020: HK\$50,000,000) and bank borrowings of HK\$69,655,000 (31 March 2020: HK\$66,997,000), 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\$119,655,000 (31 March 2020: HK\$116,997,000) over equity attributable to owners of the Company of HK\$219,061,000 (31 March 2020: HK\$197,917,000), slightly decreased to 55% at 30 September 2020 (31 March 2020: 59%). Such decrease was mainly due to the increase in the Group's reserve as a result of the profit earned for the period.

At 30 September 2020, the Group's total assets slightly decreased by HK\$1,662,000 or 0.3% to HK\$557,410,000 (31 March 2020: HK\$559,072,000). Backed by the Trade Facilities from banks, the Loan Facility from Champion Alliance, and the proceeds from the issuance of the first tranche of the Three-Year Notes, the management is confident that the Group has sufficient working capital to cope with its continuous business development and substantial asset base.

At 30 September 2020, the equity attributable to owners of the Company increased by 11% or HK\$21,144,000 to HK\$219,061,000 (31 March 2020: HK\$197,917,000). 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 Trade Facilities from banks, the Loan Facility from Champion Alliance, the management is of the view that the Group has sufficient financial resources to meet its ongoing operational requirement.

# Management Discussion and Analysis

## 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 2020, bill receivables of HK\$69,655,000 were pledged to banks to secure advances drawn on the bill receivables (31 March 2020: HK\$66,997,000).

## Contingent Liabilities

At 30 September 2020, except for the litigation as set out in note 21 to the condensed consolidated interim financial statements, the Group had no other significant contingent liability (31 March 2020: nil).

## Litigation

At 30 September 2020, there was a claim of approximately HK\$1,776,000 (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 21 to the condensed consolidated interim financial statements.

## Foreign Exchange Risk

The Group mainly operates in Europe, Brazil and Hong Kong. During the period, the revenue, costs and expenses of the Group's operations were denominated in Hong Kong dollar, United States dollar, Euro, Romanian Leu, Brazilian Reais 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, Brazilian Reais and Renminbi.

In addition, some of the Group's assets are located in Europe and Brazil and denominated in Euro and Brazilian Reais respectively 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 the period, the Group largely benefited from the approximate 9% appreciation in Euro against Hong Kong dollar by recording an exchange gain (included in comprehensive income) on translation of the financial position of its Europe operation. The Group's foreign exchange exposure to Romanian Leu was not significant as its exchange rate to Hong Kong dollar was relatively stable during the interim period. As for Renminbi and Brazilian Reais, the Group's exposure to their exchange rate fluctuations were not significant as their weightings to the Group's total transaction volume, assets and liabilities were low. For the Group's assets in 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 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.

# Management Discussion and Analysis

## HUMAN RESOURCES AND REMUNERATION POLICY

At 30 September 2020, the Group had 46 employees (including directors) (31 March 2020: 42) stationed in Hong Kong, China, Europe and Brazil. During the current period, the total remuneration paid by the Group to its employees (including directors) increased by 47% to HK\$5,448,000 (30 September 2019: HK\$3,718,000) and was mainly a result of the increase in headcount of the Group's timber supply chain operation in Europe. The Group rewards its employees (including directors) according to prevailing market practices, individual competence, experience and performance, and requirements under applicable labour laws where the Group's operations are located. In addition to the provision of paid holidays, annual bonus, provident fund scheme, medical insurance, subsidised training programmes, employees (including directors) may also be entitled to discretionary bonuses and share options.

## PROSPECTS

Since the change of the substantial shareholder of the Company to Champion Alliance on 12 October 2017 and the appointment of the new executive directors to the Board of the Company since October 2017, the directors and management team of the Company have used their best endeavour to improve the businesses of the Group. The results are very encouraging and the Group has been profit-making for three consecutive financial years ended 31 March 2020 and the six months interim period ended 30 September 2020. 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 forest-related business. During the interim period, the Group has set up a new distribution hub in Croatia to capture the ample business opportunities available there. In addition, the Group has signed up new supply contracts with over 30 suppliers located in various European countries including Slovakia and Serbia, hence extending its supplier list in Europe to over 50 active suppliers, and in turn, enable the Group to successfully solicit over 15 new customers in China, owing to these new sources of timber supply.

The Directors are pleased to report that the Group has managed to achieve an impressive results by reporting increases in revenue and profit comparing to the prior period, amid the adverse impact of COVID-19 and the political and social events in Hong Kong. Nevertheless, in light that the adverse impacts of COVID-19 still continue around the globe and are affecting economic activities worldwide, 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. Looking ahead, the management is prudently optimistic about its financial results for the year ending 31 March 2021.

# Management Discussion and Analysis

## LISTING STATUS

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

On 7 October 2020, the Company received a letter from the Listing Review Committee stating the Listing Review Committee remained unsatisfied with the viability and sustainability of the Company's business and decided to uphold the decision of the Listing Committee dated 25 May 2020 to place the Company in the second delisting stage pursuant to Practice Note 17 to the Listing Rules.

On 8 October 2020, the Company received a letter from the Listing Department stating that the second delisting stage would start on 8 October 2020 and expire on 7 April 2021. The Stock Exchange has requested that the Company should provide a viable resumption proposal to the Stock Exchange at least 10 business days before the expiry of the second delisting stage, that is, by 19 March 2021 to demonstrate that the Company has complied with Rule 13.24 of the Listing Rules. The Company is in the process of preparing a resumption proposal to the Stock Exchange to demonstrate that it has a business of substance and its business model is viable and sustainable. Further announcements will be made by the Company in respect of this matter as and when appropriate.

# Report on Review of Condensed Consolidated Interim Financial Statements



國富浩華（香港）會計師事務所有限公司  
**Crowe (HK) CPA Limited**  
香港 銅鑼灣 禮頓道77號 禮頓中心9樓  
9/F Leighton Centre,  
77 Leighton Road,  
Causeway Bay, Hong Kong

## **TO THE BOARD OF DIRECTORS OF RELIANCE GLOBAL HOLDINGS LIMITED**

*(Incorporated in Bermuda with limited liability)*

### **INTRODUCTION**

We have reviewed the condensed consolidated interim financial statements set out on pages 16 to 41, which comprise the condensed consolidated statement of financial position of Reliance Global Holdings Limited (the "Company") and its subsidiaries (together, the "Group") at 30 September 2020 and the related condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the six-month period then ended and explanatory note. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on the condensed consolidated interim financial statements to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting" issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to form a conclusion, based on our review, on the condensed consolidated interim financial statements and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

### **SCOPE OF REVIEW**

We conducted our review in accordance with Hong Kong Standard on Review Engagement 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

# Report on Review of Condensed Consolidated Interim Financial Statements

## CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated interim financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34 “Interim Financial Reporting”.

### **Crowe (HK) CPA Limited**

*Certified Public Accountants*

Hong Kong, 30 November 2020

### **Alvin Yeung Sik Hung**

Practising Certificate Number: P05206

## Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 September 2020

	Notes	For the six months ended 30 September	
		2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
<b>Revenue</b>	5	<b>477,277</b>	207,831
Cost of sales		<b>(437,881)</b>	(184,023)
Other income	6	<b>1,054</b>	–
Administrative expenses		<b>(11,367)</b>	(8,184)
Other operating expenses	7(c)	<b>(754)</b>	(1,136)
<b>Profit from operations</b>		<b>28,329</b>	14,488
Finance income		<b>250</b>	312
Finance costs		<b>(2,798)</b>	(539)
Net finance costs	7(a)	<b>(2,548)</b>	(227)
<b>Profit before taxation</b>	7	<b>25,781</b>	14,261
Income tax expense	8	<b>(3,356)</b>	(618)
<b>Profit for the period</b>		<b>22,425</b>	13,643
<b>Attributable to:</b>			
Owners of the Company		<b>21,085</b>	13,643
Non-controlling interests		<b>1,340</b>	–
		<b>22,425</b>	13,643
<b>Earnings per share</b>	10		
– Basic		<b>HK0.232 cent</b>	HK0.150 cent
– Diluted		<b>HK0.229 cent</b>	HK0.148 cent

The notes on pages 21 to 41 form an integral part of these financial statements.

# Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 September 2020

	For the six months ended 30 September	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
<b>Profit for the period</b>	<b>22,425</b>	13,643
<b>Other comprehensive income/(expense) for the period:</b> <i>Item that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of foreign operations	248	(160)
<b>Total comprehensive income for the period</b>	<b>22,673</b>	13,483
<b>Total comprehensive income attributable to:</b>		
Owners of the Company	21,144	13,483
Non-controlling interests	1,529	–
	<b>22,673</b>	13,483

The notes on pages 21 to 41 form an integral part of these financial statements.

# Condensed Consolidated Statement of Financial Position

At 30 September 2020

	Notes	At 30 September 2020 HK\$'000 (Unaudited)	At 31 March 2020 HK\$'000 (Audited)
<b>Non-current assets</b>			
Property, plant and equipment	11	1,251	1,111
Right-of-use assets		2,938	3,819
Intangible assets		4,799	5,119
Loan receivables	13	13,144	72,660
Finance lease receivables	14	898	2,188
		<b>23,030</b>	<b>84,897</b>
<b>Current assets</b>			
Inventories		23,850	33,397
Trade and other receivables	12	104,520	106,220
Loan receivables	13	279,017	234,230
Finance lease receivables	14	4,402	3,347
Cash and cash equivalents		122,591	96,981
		<b>534,380</b>	<b>474,175</b>
<b>Current liabilities</b>			
Trade and other payables	15	17,286	45,128
Bank borrowings	16	69,655	66,997
Lease liabilities	18	1,898	1,864
Provision for taxation		4,903	2,602
Amounts received from a shareholder	19	190,000	190,000
		<b>283,742</b>	<b>306,591</b>
<b>Net current assets</b>		<b>250,638</b>	<b>167,584</b>
<b>Total assets less current liabilities</b>		<b>273,668</b>	<b>252,481</b>
<b>Non-current liabilities</b>			
Notes payable	17	50,000	50,000
Lease liabilities	18	1,139	2,097
Deferred tax liabilities		1,572	1,708
		<b>52,711</b>	<b>53,805</b>
<b>Net assets</b>		<b>220,957</b>	<b>198,676</b>
<b>Capital and reserves</b>			
Share capital	20	125,068	125,068
Reserves		93,993	72,849
<b>Total equity attributable to owners of the Company</b>		<b>219,061</b>	<b>197,917</b>
<b>Non-controlling interests</b>		<b>1,896</b>	<b>759</b>
<b>Total equity</b>		<b>220,957</b>	<b>198,676</b>

The notes on pages 21 to 41 form an integral part of these financial statements.

# Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 September 2020

	Attributable to owners of the Company										
	Share capital HK\$'000	Share premium HK\$'000	Shares held by the Company for settlement of acquisition consideration HK\$'000	Contributed surplus HK\$'000	Distributable reserve HK\$'000	Capital redemption reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Accumulated losses HK\$'000	Sub-total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
At 1 April 2019 (Audited)	125,068	67,546	(114,579)	2,885,431	2,216	8,000	(64,055)	(2,744,697)	164,930	(14)	164,916
Profit for the period	-	-	-	-	-	-	-	13,643	13,643	-	13,643
Exchange differences on translation of financial statements of overseas subsidiaries	-	-	-	-	-	-	(160)	-	(160)	-	(160)
Total other comprehensive expense	-	-	-	-	-	-	(160)	-	(160)	-	(160)
Total comprehensive (expense)/income for the period	-	-	-	-	-	-	(160)	13,643	13,483	-	13,483
At 30 September 2019 (Unaudited)	125,068	67,546	(114,579)	2,885,431	2,216	8,000	(64,215)	(2,731,054)	178,413	(14)	178,399
At 1 April 2020 (Audited)	125,068	67,546	(114,579)	2,885,431	2,288	8,000	(64,777)	(2,711,060)	197,917	759	198,676
Profit for the period	-	-	-	-	-	-	-	21,085	21,085	1,340	22,425
Exchange differences on translation of financial statements of overseas subsidiaries	-	-	-	-	-	-	59	-	59	189	248
Total other comprehensive income	-	-	-	-	-	-	59	-	59	189	248
Total comprehensive income for the period	-	-	-	-	-	-	59	21,085	21,144	1,529	22,673
Dividend paid to non-controlling shareholder	-	-	-	-	-	-	-	-	-	(392)	(392)
At 30 September 2020 (Unaudited)	125,068	67,546	(114,579)	2,885,431	2,288	8,000	(64,718)	(2,689,975)	219,061	1,896	220,957

The notes on pages 21 to 41 form an integral part of these financial statements.

# Condensed Consolidated Statement of Cash Flows

For the six months ended 30 September 2020

	For the six months ended 30 September	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
<b>Net cash generated from operating activities</b>	<b>26,622</b>	2,373
<b>Net cash (used in)/generated from investing activities</b>	<b>(46)</b>	21,778
<b>Financing activities</b>		
Proceeds from bank advances on bill receivables discounted with full recourse	<b>390,963</b>	215,463
Repayment of bank advances on bill receivables discounted with full recourse	<b>(388,305)</b>	(208,419)
Dividend paid to non-controlling shareholder	<b>(392)</b>	–
Other cash flows arising from financing activities	<b>(3,722)</b>	(1,140)
<b>Net cash (used in)/generated from financing activities</b>	<b>(1,456)</b>	5,904
<b>Net increase in cash and cash equivalents</b>	<b>25,120</b>	30,055
<b>Cash and cash equivalents at beginning of the period</b>	<b>96,981</b>	25,433
<b>Effect of foreign exchange rate changes</b>	<b>490</b>	111
<b>Cash and cash equivalents at end of the period</b>	<b>122,591</b>	55,599

The notes on pages 21 to 41 form an integral part of these financial statements.

# Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 September 2020

## 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. Trading in shares of the Company has been suspended since 10 October 2018.

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

## 2. BASIS OF PREPARATION

The condensed consolidated interim financial statements for the six months ended 30 September 2020 have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to 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 (“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 independent review report of Crowe (HK) CPA Limited to the Company’s Board of Directors is included on pages 14 to 15 of this Interim Report.

The condensed consolidated interim financial statements should be read in conjunction with the Group’s annual financial statements for the year ended 31 March 2020.

The condensed consolidated interim financial statements are denominated in Hong Kong dollars. 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 2020, except as described below.

# Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 September 2020

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

In the current interim period, the Group has applied, for the first time, the following new and revised standards, amendments and interpretations issued by the IASB:

Amendments to IFRS 3	Definition of a Business
Amendments to IFRS 16	COVID-19-Related Rent Concessions
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform
Amendments to IAS 1 and IAS 8	Definition of Material

None of the above developments have a material impact on the Group's results and financial position for the current and prior periods and/or on the disclosures set out in these 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 wood products including processed timber products.
- Leasing of properties: lease of premises to generate rental income and to gain from the appreciation in property values.

# Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 September 2020

## 4. SEGMENT INFORMATION (continued)

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 other corporate assets.

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

### Segment revenue, results, assets and liabilities

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

#### For the six months ended 30 September 2020 (Unaudited)

	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		
<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>					
Depreciation of property, plant and equipment	-	(15)	(39)	-	(54)
Interest income	-	1	62	-	63

# Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 September 2020

## 4. SEGMENT INFORMATION (continued)

### Segment revenue, results, assets and liabilities (continued)

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

#### At 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 assets</b>	<b>317,108</b>	<b>4,946</b>	<b>161,968</b>	<b>-</b>	<b>484,022</b>
Unallocated:					
– Right-of-use assets					2,938
– Other corporate assets					70,450
					<b>557,410</b>
<b>Segment liabilities</b>	<b>50,218</b>	<b>2,713</b>	<b>83,891</b>	<b>-</b>	<b>136,822</b>
Unallocated:					
– Lease liabilities					3,037
– Deferred tax liabilities					1,572
– Amounts received from a shareholder					190,000
– Other corporate liabilities					5,022
					<b>336,453</b>

# Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 September 2020

## 4. SEGMENT INFORMATION (continued)

### Segment revenue, results, assets and liabilities (continued)

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

For the six months ended 30 September 2019 (Unaudited)

	Money lending <i>HK\$'000</i>	Forest-related business		Leasing of properties <i>HK\$'000</i>	Total <i>HK\$'000</i>
		Sustainable forest management <i>HK\$'000</i>	Timber supply chain <i>HK\$'000</i>		
<b>Segment revenue</b>					
Revenue from external customers	16,171	950	190,615	95	207,831
<b>Results</b>					
Segment results	13,416	(127)	4,920	13	18,222
Unallocated corporate income					74
Unallocated corporate expenses					(3,496)
Finance costs					(539)
Profit before taxation					14,261
<b>Other segment information</b>					
Depreciation of property, plant and equipment	-	(21)	-	(2)	(23)
Interest income	14	8	214	2	238

# Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 September 2020

## 4. SEGMENT INFORMATION (continued)

### Segment revenue, results, assets and liabilities (continued)

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

At 31 March 2020 (Audited)

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

# Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 September 2020

## 5. REVENUE

	For the six months ended 30 September	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Sales from timber supply chain business	459,108	190,615
Interest income from money lending business	17,605	15,554
Arrangement fee income from money lending business	117	617
Income from licensing of harvesting rights	447	950
Income from leasing of properties	–	95
	<b>477,277</b>	<b>207,831</b>

Note:

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

## 6. OTHER INCOME

	For the six months ended 30 September	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Government subsidies (note)	864	–
Sundry income	190	–
	<b>1,054</b>	<b>–</b>

Note:

The amount represents 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.

# Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 September 2020

## 7. PROFIT BEFORE TAXATION

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

	For the six months ended 30 September	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
<b>(a) Net finance costs</b>		
Finance income:		
Interest income from bank deposits	(250)	(312)
Finance costs:		
Interest on lease liabilities	62	45
Interest on advances drawn on bill receivables discounted with full recourse	950	494
Interest on notes payable	1,786	–
	<b>2,798</b>	539
	<b>2,548</b>	227
<b>(b) Staff costs (including directors' emoluments)</b>		
Salaries, wages and other benefits	5,253	3,563
Contributions to retirement benefits scheme	195	155
	<b>5,448</b>	3,718
<b>(c) Other items</b>		
Cost of inventories	403,792	170,501
Depreciation of property, plant and equipment	105	44
Depreciation of right-of-use assets	881	762
Impairment losses under expected credit losses ("ECL") model		
– Trade receivables (note 12)*	–	82
– Loan receivables (note 13)*	863	1,054
Reversal of impairment loss on loan receivables under ECL model (note 13)*	(109)	–
	<b>754</b>	1,136
Lease payments not included in the measurement of lease liabilities	487	290

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

# Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 September 2020

## 8. INCOME TAX EXPENSE

	For the six months ended	
	30 September	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current tax		
– Hong Kong Profits Tax	3,306	618
– Romanian corporate income tax	50	–
	<b>3,356</b>	<b>618</b>

For the six months ended 30 September 2020, the provision for Hong Kong Profits Tax is calculated at a flat rate of 16.5% (30 September 2019: 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 2019.

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

## 9. DIVIDEND

The Directors do not recommend the payment or declaration of any dividend for the six months ended 30 September 2020 (30 September 2019: nil).

# Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 September 2020

## 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 as follows and the reconciliation of the weighted average number of shares as shown in note 10(b):

	For the six months ended 30 September	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
<b>Profit</b>		
Profit for the purpose of calculating basic and diluted earnings per share	<b>21,085</b>	13,643

- (b) Weighted average number of shares

	For the six months ended 30 September	
	2020 '000 (Unaudited)	2019 '000 (Unaudited)
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	<b>9,105,710</b>	9,105,710
Effect of dilutive potential ordinary shares arising from conversion of convertible preferred shares	<b>106,283</b>	106,283
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	<b>9,211,993</b>	9,211,993

## 11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2020, the Group acquired property, plant and equipment of HK\$216,000 (30 September 2019: HK\$676,000).

# Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 September 2020

## 12. TRADE AND OTHER RECEIVABLES

		At 30 September 2020 HK\$'000 (Unaudited)	At 31 March 2020 HK\$'000 (Audited)
Trade receivables		3,415	7,115
Less: impairment allowances		(916)	(916)
	(i)	2,499	6,199
Bill receivables	(ii)	73,849	77,628
Interest receivables		10,223	6,664
Other receivables		1,115	5,805
Amounts due from non-controlling interests		–	150
Financial assets at amortised costs		87,686	96,446
Trade and logging deposits	(iii)	15,023	7,681
Other deposits and prepayments		1,811	2,093
		<b>104,520</b>	<b>106,220</b>

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 allowances, is as follows:

	At 30 September 2020 HK\$'000 (Unaudited)	At 31 March 2020 HK\$'000 (Audited)
0 to 30 days	205	3,450
31 to 90 days	–	–
Over 90 days	2,294	2,749
	<b>2,499</b>	<b>6,199</b>

# Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 September 2020

## 12. TRADE AND OTHER RECEIVABLES (continued)

Notes: (continued)

### (i) Trade receivables (continued)

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 to 90 days after issuance. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by management.

At 30 September 2020, trade receivables with aggregate carrying amount of HK\$2,294,000 (net of impairment allowances) were past due (31 March 2020: HK\$2,749,000). The Group does not hold any collateral over the balances (31 March 2020: nil).

### (ii) Bill receivables

At 30 September 2020, included in the amount of HK\$73,849,000 (31 March 2020: HK\$77,628,000), bill receivables of HK\$69,655,000 (31 March 2020: HK\$66,997,000) were discounted to banks with full recourse with a maturity period of less than 90 days (31 March 2020: less than 90 days). The Group recognised the full amount of the discounted proceeds as liabilities as set out in note 16.

The following were the Group's financial assets at 30 September 2020 and 31 March 2020 that were transferred to banks by discounting those receivables on a full recourse basis. As the Group had not transferred the significant risks and rewards relating to these receivables, it continued to recognise the full carrying amount of the receivables and had recognised the cash received on the transfer as secured borrowings. These financial assets were carried at amortised cost.

	At 30 September 2020 HK\$'000 (Unaudited)	At 31 March 2020 HK\$'000 (Audited)
Carrying amount of the transferred assets	69,655	66,997
Carrying amount of the associated liabilities	(69,655)	(66,997)
	—	—

### (iii) Trade and logging deposits

At 30 September 2020, trade and logging deposits of HK\$15,023,000 (31 March 2020: HK\$7,681,000) were prepaid in relation to the Group's timber supply chain business.

# Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 September 2020

## 13. LOAN RECEIVABLES

	At 30 September 2020 <i>HK\$'000</i> (Unaudited)	At 31 March 2020 <i>HK\$'000</i> (Audited)
Fixed-rate loan receivables	294,895	308,870
Less: impairment allowance	(2,734)	(1,980)
	<b>292,161</b>	<b>306,890</b>
Analysed as:		
Current portion	279,017	234,230
Non-current portion	13,144	72,660
	<b>292,161</b>	<b>306,890</b>
Analysed as:		
Secured	256,346	276,471
Unsecured	35,815	30,419
	<b>292,161</b>	<b>306,890</b>

All loans were denominated in Hong Kong dollars. At 30 September 2020, the loan receivables carried interest rates ranging from 8.75% to 18% per annum (31 March 2020: 8.75% to 18% per annum).

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

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

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

# Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 September 2020

## 13. LOAN RECEIVABLES (continued)

At 30 September 2020, loan receivables with an aggregate carrying amount of HK\$256,346,000 (31 March 2020: HK\$276,471,000) were secured by the properties of the borrowers. At the end of the reporting period, loan receivables with aggregate carrying amount of HK\$267,321,000 (31 March 2020: HK\$291,395,000) 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\$2,734,000 had been provided at 30 September 2020 (31 March 2020: HK\$1,980,000).

## 14. FINANCE LEASE RECEIVABLES

	Minimum lease payments		Present value of minimum lease payments	
	At 30 September 2020 HK\$'000 (Unaudited)	At 31 March 2020 HK\$'000 (Audited)	At 30 September 2020 HK\$'000 (Unaudited)	At 31 March 2020 HK\$'000 (Audited)
Finance lease receivables comprise:				
Within one year	5,042	3,908	4,402	3,347
After one year but within five years	917	2,291	898	2,188
	<b>5,959</b>	6,199	<b>5,300</b>	5,535
Less: unearned finance income	(659)	(664)	-	-
	<b>5,300</b>	5,535	<b>5,300</b>	5,535
Analysed as:				
Current assets			4,402	3,347
Non-current assets			898	2,188
			<b>5,300</b>	5,535

# Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 September 2020

## 14. FINANCE LEASE RECEIVABLES (continued)

The Group's finance lease receivables were denominated in Hong Kong dollars. At 30 September 2020, the effective interest rate of the finance lease receivables was 11% per annum (31 March 2020: 9% to 11%).

At 30 September 2020, all finance lease receivables were neither past due nor impaired (31 March 2020: nil). Finance lease receivables were secured by leased assets. There was no unguaranteed residual value of leased assets and no contingent rent arrangement that needed to be recognised for the six months ended 30 September 2020 (30 September 2019: nil).

## 15. TRADE AND OTHER PAYABLES

	At 30 September 2020 HK\$'000 (Unaudited)	At 31 March 2020 HK\$'000 (Audited)
Trade and bill payables ( <i>note</i> )	8,124	34,754
Other payables and accruals	8,121	8,881
Amounts due to related parties	899	1,493
Amounts due to non-controlling interests	142	–
	<b>17,286</b>	<b>45,128</b>

*Note:*

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

	At 30 September 2020 HK\$'000 (Unaudited)	At 31 March 2020 HK\$'000 (Audited)
0 to 30 days	7,965	33,470
31 to 90 days	159	1,284
	<b>8,124</b>	<b>34,754</b>

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

# Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 September 2020

## 16. BANK BORROWINGS

	At 30 September 2020 HK\$'000 (Unaudited)	At 31 March 2020 HK\$'000 (Audited)
Advances drawn on bill receivables discounted with full recourse	<u>69,655</u>	<u>66,997</u>

Note:

The amount represented the Group's borrowings secured by the bill receivables discounted to banks with full recourse (note 12(ii)) and the amount was repayable within one year.

The analysis of the carrying amount of bank borrowings is as follows:

	At 30 September 2020 HK\$'000 (Unaudited)	At 31 March 2020 HK\$'000 (Audited)
<b>The carrying amount of bank borrowings that contain a repayable on demand clause (classified under current liabilities)</b>		
Within one year	<u>69,655</u>	<u>66,997</u>
Less: amounts shown under current liabilities	<u>(69,655)</u>	<u>(66,997)</u>
Amounts shown under non-current liabilities	<u>-</u>	<u>-</u>

# Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 September 2020

## 16. BANK BORROWINGS (continued)

All of the banking facilities are subject to the fulfilment of covenants. If the Group is in breach of the covenants, the drawn down facilities will become repayable on demand. In addition, certain of the Group's bank loan agreements contain clauses which give the lender the right at its sole discretion to demand immediate repayment at any time irrespective of whether the Group has complied with the covenants and met the scheduled repayment obligations.

The Group regularly monitors its compliance with the covenants of the banking facilities and does not consider it is probable that the banks will exercise their discretion to demand repayment so long as the Group continues to meet the requirements. At 30 September 2020, none of the covenants relating to drawn down facilities had been breached (31 March 2020: nil).

All of the bank borrowings are carried at amortised cost.

## 17. 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 that will be due on 16 January 2023 of an aggregate principal amount of HK\$50,000,000. The notes payable are secured by a debenture which incorporating a first floating charge over all the undertakings, property and assets of a subsidiary of the Group engaging in money lending business in favour of a security trustee as trustee for and on behalf of the noteholders.

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

# Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 September 2020

## 18. LEASE LIABILITIES

The following table shows the remaining contractual maturities of the Group's lease liabilities at 30 September 2020. There were no newly capitalised leases during the period.

	Present value of the minimum lease payments		Total minimum lease payments	
	At 30 September 2020 HK\$'000 (Unaudited)	At 31 March 2020 HK\$'000 (Audited)	At 30 September 2020 HK\$'000 (Unaudited)	At 31 March 2020 HK\$'000 (Audited)
Within one year	1,898	1,864	1,970	1,970
After one year but within two years	1,139	1,933	1,150	1,970
After two years but within five years	-	164	-	164
	1,139	2,097	1,150	2,134
	3,037	3,961	3,120	4,104
Less: total future interest expenses			(83)	(143)
Present value of lease liabilities			3,037	3,961

## 19. AMOUNTS RECEIVED FROM A SHAREHOLDER

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

# Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 September 2020

## 20. 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 2019 (Audited), 31 March 2020 (Audited), 1 April 2020 (Audited) and 30 September 2020 (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 2019 (Audited), 31 March 2020 (Audited), 1 April 2020 (Audited) and 30 September 2020 (Unaudited)	<b>9,105,710</b>	<b>91,057</b>	<b>3,401,055</b>	<b>34,011</b>	<b>125,068</b>

## 21. LITIGATION

On 30 May 2010, Universal Timber Resources do 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 the hydropower plant in Rondonia, Brazil for a service fee of 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 alleged outstanding service fee of approximately R\$1,291,000 and filed a precautionary injunction to prevent UTRB of selling certain area of its freehold land. Such injunction was awarded by the court during the year ended 31 March 2015. Two witness hearings were held in May 2016 and in March 2017, the court served the notice to both Terraplanagem and UTRB to present their final arguments. In May 2017, the court awarded Terraplanagem's claim in full (the "Court Decision"). In June 2017, UTRB filed petition to the court presenting its arguments on the ruling by the court, however, the petition was rejected by the court. In late July 2017, UTRB filed an appeal against the Court Decision with the High Court. In late September 2019, the High Court ruled the case, ratifying the Court Decision. Subsequently, UTRB filed an appeal against the High Court decision with the Court of Final Appeal and is still awaiting the outcome of the appeal. The claim of approximately R\$1,291,000 (approximately HK\$1,776,000) has been included in other payables.

# Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 September 2020

## 22. MATERIAL RELATED PARTY TRANSACTIONS

The Group had the following transactions with related parties during the six months ended 30 September 2020.

### (a) Key management personnel remuneration

The key management personnel of the Group included the directors of the Company. Details of key management personal remuneration are summarised below:

	For the six months ended	
	30 September	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Salaries and other short-term employee benefits	2,100	1,906
Post-employment benefits	96	83
	<b>2,196</b>	<b>1,989</b>

### (b) Outstanding balances with related parties

- (i) Details of the amounts received from a shareholder is disclosed in note 19.
- (ii) The amounts due from/(to) non-controlling interests disclosed in notes 12 and 15 are unsecured, interest-free and repayable on demand.
- (iii) The amounts due to related parties disclosed in note 15 are unsecured, interest-free and repayable on demand.

### (c) Transaction with a related party

During the six months ended 30 September 2020, management fee of approximately HK\$489,000 (30 September 2019: nil) was paid to a company controlled by a person who is a director of a subsidiary of the Company.

# Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 September 2020

## **23. APPROVAL OF UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR ISSUE**

The unaudited condensed consolidated interim financial statements for the six months ended 30 September 2020 are authorised for issue by the Board on 30 November 2020.

## **24. EVENT AFTER THE REPORTING PERIOD**

The global outbreak of COVID-19 continued to affect many nations, the global and local credit markets and the international timber market, and has to a certain extent, adversely affected the Group's operations. The management considered it is difficult to predict the evolution and duration of the pandemic on a global basis and that at the reporting date, the extent of its impact to the Group's future operation cannot be reliably quantified or estimated. The management will continue to closely monitor the situation and will take all necessary and appropriate measures to reduce the adverse impact of the pandemic to the Group.

## Other Information

### INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend for the six months ended 30 September 2020 (30 September 2019: nil).

### DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

At 30 September 2020, the interests and short positions of the directors and the chief executive in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Listing Rules, were as follows:

#### Long position in the Shares:

Name of Director	Capacity and nature of interest	Number of Shares held	Approximate percentage of the Company's issued Shares
Wang Jingyu ("Ms. Wang")	Interests of controlled corporation	2,444,359,944 (Note 2)	26.84%

#### Notes:

1. The approximate percentage of the Company's issued Shares was calculated on the basis of 9,105,709,503 Shares in issue at 30 September 2020.
2. These interests were held by Champion Alliance Enterprises Limited ("Champion Alliance"), which was a wholly owned subsidiary of Elite Prosperous Enterprises Limited ("Elite Prosperous") which in turn was wholly owned by Ms. Wang. Ms. Wang was also the sole director of Champion Alliance and Elite Prosperous. Accordingly, Ms. Wang was deemed to be interested in the 2,444,359,944 Shares under the SFO.

Save as disclosed above, at 30 September 2020, none of the directors or the chief executive of the Company had registered an interest or short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) that was required to be recorded pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

## Other Information

### DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the six months ended 30 September 2020 was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the directors of the Company or their spouse or minor children had any rights to subscribe for the securities of the Company, or had exercised any such rights during the six months ended 30 September 2020.

### INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

At 30 September 2020, the following interests of more than 5% of the issued Shares were recorded in the register of interests required to be kept by the Company pursuant to section 336 of the SFO:

#### Long positions in the Shares:

Name of Shareholders	Capacity and nature of interest	Number of Shares held	Approximate percentage of the Company's issued Shares
Ms. Wang	Interest of controlled corporation	2,444,359,944 (Note 2)	26.84%
Elite Prosperous	Interest of controlled corporation	2,444,359,944 (Note 2)	26.84%
Champion Alliance	Beneficial owner	2,444,359,944 (Note 2)	26.84%
Loh Jiah Yee, Katherine ("Ms. Loh")	Interest of controlled corporation	1,294,849,338 (Note 3)	14.22%
Lau Jack ("Mr. Lau")	Interest of spouse	1,294,849,338 (Note 4)	14.22%
Assure Gain International Limited ("Assure Gain")	Beneficial owner	822,176,547 (Note 5)	13.80%
	Interest of controlled corporation	434,094,363 (Note 5)	

## Other Information

### Notes:

1. The approximate percentage of the Company's issued Shares was calculated on the basis of 9,105,709,503 Shares in issue at 30 September 2020.
2. These interests were held by Champion Alliance which was a wholly owned subsidiary of Elite Prosperous which in turn was wholly owned by Ms. Wang. Ms. Wang was also the sole director of Champion Alliance and Elite Prosperous. Accordingly, Ms. Wang and Elite Prosperous were deemed to be interested in the 2,444,359,944 Shares under the SFO.
3. Ms. Loh was beneficially interested in 100% of the issued share capital of Assure Gain, which held 100% of the issued share capital of Winner Global Holdings Limited ("Winner Global") and Splendid Asset Holdings Limited ("Splendid Asset") respectively. Ms. Loh was also beneficially interested in 50% of the issued share capital of Corp Insights Holdings Inc. ("Corp Insights") held through Corporate Insights Limited. Assure Gain was the registered holder of 822,176,547 Shares, Winner Global was the registered holder of 213,360,741 Shares, Splendid Asset was the registered holder of 220,733,622 Shares and Corp Insights was the registered holder of 38,578,428 Shares. Accordingly, Ms. Loh was deemed to be interested in the 1,294,849,338 Shares under the SFO.
4. Mr. Lau, being the spouse of Ms. Loh, was deemed to have an interest in the same parcel of the Shares in which Ms. Loh was interested under the SFO.
5. Assure Gain held 100% of the issued share capital of Winner Global and Splendid Asset respectively. Assure Gain was the registered holder of 822,176,547 Shares, Winner Global was the registered holder of 213,360,741 Shares and Splendid Asset was the registered holder of 220,733,622 Shares. Accordingly, Assure Gain was deemed to be interested in the 434,094,363 Shares held by Winner Global and Splendid Asset under the SFO.

Save as disclosed above, the Company had not been notified of any other relevant interests or short positions in the Shares and underlying Shares at 30 September 2020 as required pursuant to section 336 of the SFO.

## Other Information

### MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by directors of the Company. Having made specific enquiry of the directors, all of them confirmed that they have complied with the required standards set out in the Model Code during the six months ended 30 September 2020.

### CORPORATE GOVERNANCE

The Company has 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 throughout the six months ended 30 September 2020 except for the following deviation:

#### Code Provision E.1.2

Under code provision E.1.2 of the CG Code, the chairman of the board should attend the annual general meeting. Ms. Wang Jingyu, the Chairlady of the Board, was unable to attend the annual general meeting of the Company held on 25 September 2020 (the “2020 AGM”) due to her other business engagement. However, Mr. Lai Ming Wai, the Chief Executive Officer and an Executive Director of the Company, took the chair of the 2020 AGM in accordance with Article 63 of the Bye-laws of the Company.

### UPDATES ON DIRECTORS’ INFORMATION

The following is the updated information of the Directors required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules since the date of the Company’s last published annual report up to 21 December 2020, being the latest practicable date before printing of this Interim Report:

Mr. Chiang Bun, an Independent Non-executive Director of the Company, has not renewed his CFA membership since 1 July 2020.

### REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The Group’s condensed consolidated interim financial statements for the six months ended 30 September 2020 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 Hong Kong Institute of Certified Public Accountants. The report on review of the condensed consolidated interim financial statements by the auditor is set out on pages 14 to 15 of this Interim Report.

## Other Information

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

During the six months ended 30 September 2020, 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 2020