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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)

FULFILLMENT OF ALL RESUMPTION CONDITIONS AND RESUMPTION OF TRADING

Financial Adviser to the Company



This announcement is made by Reliance Global Holdings Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) pursuant to Rule 13.09 and Rule 13.24A of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

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 suspension of trading in the shares of the Company (the “**Shares**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) and the Stock Exchange’s decision to place the Company into the first delisting stage; and (ii) the announcements of the Company dated 10 March 2020, 29 May 2020 and 9 October 2020 in relation to, among others, the Stock Exchange’s decision to place the Company into the second delisting stage (collectively, the “**Announcements**”). Capitalised terms used in this announcement shall bear the same meanings as defined in the Announcements unless otherwise stated.

* For identification purpose only

BACKGROUND

Trading in the Shares on the Stock Exchange has been suspended with effect from 9:00 a.m. on 10 October 2018.

On 9 February 2018, the Company received a letter from the listing department of the Stock Exchange (the “**Listing Department**”) that the Stock Exchange had decided to suspend trading in the Shares under Rule 6.01(3) of the Listing Rules and place the Company in the first delisting stage under Practice Note 17 of the Listing Rules after having considered, among others, (i) low level of business operations of the Group; (ii) no substantial improvement of the business operations of the Group; and (iii) insufficient value of assets to warrant the continued listing of the Shares.

On 5 July 2018, the Company received a letter from the listing committee of the Stock Exchange (the “**Listing Committee**”) that the Listing Committee had decided to uphold the decision from the Listing Department issued on 9 February 2018 given that the Company failed to maintain a sufficient level of operations or had tangible assets of sufficient value and/or intangible assets for which a sufficient potential value could be demonstrated under Rule 13.24 of the Listing Rules to warrant the continued listing of its shares.

On 9 October 2018, the Company received a letter from the listing (review) committee of the Stock Exchange (the “**Listing (Review) Committee**”) that the Listing (Review) Committee decided to uphold the decision from the Listing Committee issued on 5 July 2018 due to the same reason as mentioned above.

On 11 October 2018, the Company received a letter from the Listing Department that the Company had been placed into the first delisting stage under Practice Note 17 of the Listing Rules.

On 3 March 2020, the Company received a letter from the listing division of the Stock Exchange (the “**Listing Division**”) that the Company had not demonstrated its compliance with Rule 13.24 of the Listing Rules and been placed into the second delisting stage under Practice Note 17 of the Listing Rules.

On 25 May 2020, the Company received a letter from the Listing Committee that the Listing Committee decided to uphold the decision from the Listing Division issued on 3 March 2020 due to the non-compliance with Rule 13.24 of the Listing Rules by the Company.

On 7 October 2020, the Company received a letter (the “**Letter**”) from the Listing (Review) Committee that the Listing (Review) Committee decided to uphold the decision from the Listing Committee issued on 25 May 2020 due to the non-compliance with Rule 13.24 of the Listing Rules by the Company.

On 8 October 2020, the Company received a letter from the Listing Division that the Company had been placed into the second delisting stage under Practice Note 17 of the Listing Rules.

On 26 March 2021, the Company submitted a resumption proposal (the “**Resumption Proposal**”) to the Stock Exchange addressing the concerns referred to in the Letter from the Listing (Review) Committee.

FULFILLMENT OF THE RESUMPTION CONDITIONS

The Company is pleased to announce that, on 26 May 2021, the Company has fulfilled all the resumption conditions by demonstrating that it has a business of substance and its business model is viable and sustainable, details of which are summarised as follows:

1. Timber supply chain operation

(1) Overview on the development of the Group’s timber supply chain operation

(i) Business development

The Group’s timber supply chain operation (“**TSC Operation**”) is currently running two lines of business: the Conventional Business Model (“**CBM**”) and the Enhanced Business Model (“**EBM**”).

CBM

Currently under the CBM, the operation principally performs a wholesaler role which sources mainly tropical domain hardwood timber from suppliers/forest owners in Africa and Oceania and sells or distributes to customers predominately in China and other overseas customers, being fully responsible for all the logistics of the sea transport which usually involves the chartering of dry bulk vessels.

EBM

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 operation is running the EBM via the three distribution hubs in Slovenia, Romania and Croatia and its wood processing ventures in Romania and Croatia.

Distribution hubs

The EBM running under the TSC Operation set up its first distribution hub in Slovenia in November 2019, then in Romania and Croatia for the other two. The distribution hubs set up in Maribor, Slovenia and Ravna Gora, Croatia are in close proximity to the two largest ports in North Adriatic Sea, Port Koper in Slovenia and Port Rijeka in Croatia, whilst the distribution hub in Oituz, Romania is using

the close-by Port Constanta in Romania for exports. The operation currently sources temperate domain softwood timber and wood products from timber suppliers/forest owners in countries including Germany, Czech Republic, Romania, Croatia, Slovenia, Italy, Austria, Poland, Slovakia, Hungary and Serbia and sells or distributes to customers predominately in China and other Asian countries with logistics support providing by the operation, which usually involves land transport via rails and trucks and sea transport via containers.

Timber processing venture in Romania

The TSC Operation has established a business venture in Oituz, Romania in producing wood lumber in November 2019. The operation has entered into a harvesting right agreement with a Finnish leading forest management group which owns forest interests in Finland, Estonia and Romania, for conducting timber logging in its forest interest in Oituz for a term of four years. The operation will pay royalties to the management group according to the harvesting plan and timber logged.

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 manufacturing plant engaged to produce wood lumber. The lumber is produced in accordance with customers' specifications in terms of length, width, thickness and grading. At times when customers' sales orders exceed the production capacity of the manufacturing plant the operation engaged, the operation may purchase lumber from other local suppliers in order to fulfill the customers' orders. The lumber produced or purchased are then stored and kept as inventories until sold and delivered to customers under logistic arrangement providing by the operation.

Timber processing venture in Croatia

As the business model of establishing and operating the lumber processing venture in Romania is proved to be a great success, which now producing beech lumber, the TSC Operation has completed the set-up of another lumber processing venture in Croatia in January 2021 to produce beech and ash lumber in order to take advantage of the abundant local supply of beech and ash timber.

In December 2020, Woodlands Croatia d.o.o. ("**Woodlands Croatia**"), a subsidiary of the Group, entered into a service agreement with a wood processing plant in Croatia, pursuant to which the processing plant will provide lumber processing services to Woodlands Croatia. Woodlands Croatia is responsible to supply wood from sawmills to the processing plant and it will provide processing and other

services on the wood including: (i) kiln drying (a drying process to control the moisture level of the lumber which will improve the physical strength of the lumber and avoid deformation); (ii) sorting & grading; (iii) cutting & measurement; (iv) painting; (v) storage and (vi) loading onto containers. A processing service fee calculated based on the quantity of lumber processed is payable by Woodlands Croatia to the processing plant. The service agreement with the processing plant has a term of three years and it is extendable by both parties in writing three months prior to its expiry date.

(ii) Customer base

The business of the TSC Operation has continued to grow over the years following the commencement of the EBM during the year ended 31 March 2020 (“**FY2020**”). The accumulated number of customers of the operation has significantly increased from 13 for the year ended 31 March 2019 (“**FY2019**”) to 52 for the nine months ended 31 December 2020 (“**9M2021**”).

Profile of customers

The customers of the TSC Operation can be categorised as direct customers and ultimate customers.

The ultimate customers of the operation are the “end users” of the timber logs and lumber such as furniture manufacturers. The ultimate customers may sometimes contract with the operation through: (a) their affiliated group members; or (b) other designated parties that are registered as a trading company or are permitted to engage in trading business in the People’s Republic of China (the “**PRC**”) and has the relevant import and export licenses to enter into sales contract with the operation. The aforesaid affiliated group members or other designated parties that entered into contracts with the operation on behalf of the ultimate customers are regarded as the direct customers of the operation.

Recurring customers

The TSC Operation has developed excellent business relationship with its customers. The wide variety of timber logs and lumber supplying by the operation are well received by the customers and there are also many positive feedbacks on the logistic support providing by the operation.

The following table sets forth the revenue generated from the recurring customers for FY2019, FY2020, the six months ended 30 September 2020 (“HY2021”) and 9M2021:

	FY2019	FY2020	HY2021	9M2021
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue from recurring customers	13,674	520,420	374,060	469,188
Total revenue of the TSC				
Operation	562,777	583,584	459,108	671,913
Proportion	2.4%	89.2%	81.5%	69.8%

The proportions of revenue from recurring customers are very high for FY2020, HY2021 and 9M2021, which indicate that the goods and services providing by the operation are well received by the customers and there is a high degree of “customer stickiness”. This in turn demonstrates the competitive strength of the operation against other players in the business. The operation recorded a significant increase in revenue in FY2019 as such most of the revenue was generated from new customers solicited in that year.

Top 5 and top 10 customers

The following table sets forth a summary of the top 10 and top 5 customers of the TSC Operation by revenue for FY2019, FY2020, HY2021 and 9M2021:

Customer/Revenue	FY2019	FY2020	HY2021	9M2021
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Total revenue for the year/period	562,777	583,584	459,108	671,913
Total revenue from Top 10				
customers	562,078	573,293	428,329	566,907
Proportion attributable to Top 10				
customers	99.9%	98.2%	93.3%	84.4%
Total revenue from Top 5				
customers	518,623	520,420	348,188	416,645
Proportion attributable to Top 5				
customers	92.2%	89.2%	75.8%	62.0%

- The portion of revenue from the top 5 customers group decreased from 92.2% in FY2019 to 62.0% in 9M2021 which demonstrates the decrease in customer’s concentration over the years.
- The trend of decreasing customer concentration is expected to continue following the increasing contribution of revenue from the EBM which has a much larger group of customers.

The following table sets forth a summary of the top 10 and top 5 customers of the TSC Operation by gross profit for HY2021 and 9M2021:

Customer/Proportion of gross profit	HY2021 <i>HK\$'000</i>	9M2021 <i>HK\$'000</i>
Total gross profit for the period	21,227	35,325
Total gross profit from Top 10 customers	18,702	24,549
Proportion attributable to Top 10 customers	88.1%	69.5%
Total gross profit from Top 5 customers	12,752	15,906
Proportion attributable to Top 5 customers	60.1%	45.0%

- In contrast to the revenue contribution by the top 10 customers group being 84.4% for 9M2021, the gross profit contribution from the top 10 customers group is only 69.5% which demonstrates that customer concentration in terms of gross profit contribution is much less.
- The revenue contribution from the top 5 customers group is 62.0% for 9M2021, while the gross profit contribution from the top 5 customers is even less being only 45.0%, it demonstrates that the operation has no significant reliance on any single customer.

Long-term contracts

As at 26 March 2021, the submission date of the Resumption Proposal to the Stock Exchange, the TSC Operation has successfully entered into long-term contracts with 14 customers, which require a stable supply of quality timbers and wood products. Pursuant to these long-term contracts, for the year ending 31 March 2022 (“**FY2022**”), the customers have, in aggregate, committed to make purchase of about 724,500 m³ of a variety of timbers and wood products with an estimated value of HK\$1,130.9 million.

The following table sets forth a summary of the quantity and type of timber/wood products committed to be purchased by the customers under the long-term contracts:

Timber/wood product type	Number of ultimate customers	Quantity committed <i>m</i>³	Approximate contract value <i>HK\$'000</i>
Tropical wood logs (under the CBM)	6	330,000	635,778
Spruce logs/Pine logs/Beech lumber/Oak logs/ Beech logs/Ash lumber (under the EBM)	8	394,500	495,086
Total	14	724,500	1,130,864

(iii) Financial highlights of the TSC Operation

Revenue contribution by business models under the TSC Operation

The following table sets forth the revenue generated under the CBM and EBM of the TSC Operation for the years/periods indicated:

	FY2019		FY2020		HY2021		9M2021	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
CBM	562,777	100	542,023	93	366,902	80	481,823	72
EBM	-	-	41,561	7	92,206	20	190,090	28
- Slovenia (distribution hub)	-	-	41,561	7	78,210	17	165,265	25
- Romania (distribution hub)	-	-	-	-	8,866	2	8,866	1
- Romania (processing venture)	-	-	-	-	5,130	1	15,959	2
Total revenue	562,777	100	583,584	100	459,108	100	671,913	100

- The revenue of the TSC Operation continues to grow over the years/periods from HK\$562.8 million in FY2019 to HK\$671.9 million for 9M2021.
- The weighting of the revenue generated under the EBM significantly increased from 7% in FY2020 to 28% for 9M2021.
- The revenue generated under the EBM is the main driver of the revenue growth of the TSC Operation.
- The distribution hub in Croatia started to generate revenue from February 2021 onwards.

Revenue contribution by customers

The following table sets forth the revenue generated by customers in the PRC and other regions under the CBM and EBM of the TSC Operation during the years/ periods indicated:

	FY2019 <i>HK\$'000</i>	FY2020 <i>HK\$'000</i>	HY2021 <i>HK\$'000</i>	9M2021 <i>HK\$'000</i>
CBM				
Revenue from recurring customers in:				
PRC	13,674	520,420	326,349	405,149
Revenue from new customers in:				
PRC	541,255	1,473	40,553	76,674
Other regions	7,848	20,130	–	–
EBM				
Revenue from recurring customers in:				
PRC	–	–	47,711	63,605
Other regions	–	–	–	434
Revenue from new customers in:				
PRC	–	41,118	42,775	110,039
Other regions	–	443	1,720	16,012
Total revenue	<u>562,777</u>	<u>583,584</u>	<u>459,108</u>	<u>671,913</u>
Accumulated number of customers	13	25	39	52

- Following the commencement of the EBM in FY2020, the accumulated number of customers of the TSC Operation as a whole has significantly increased from 13 in FY2019 to 52 in 9M2021.
- Comparing to the CBM, the lesser amount involves in each sale under the EBM lowers the entry threshold of buyers to participate in the business, as such, the EBM has a much larger group of customers.

Gross profit and gross profit margin

The following table sets forth the gross profit (“GP”) and the gross profit margin (“GP%”) generated under the CBM and EBM of the TSC Operation for the years/ periods indicated:

	FY2019		FY2020		HY2021		9M2021	
	GP	GP %						
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
CBM	16,623	3.0	17,930	3.3	12,964	3.5	17,290	3.6
EBM	-	-	4,809	11.6	8,263	9.0	18,035	9.5
- Slovenia (distribution hub)	-	-	4,809	11.6	6,709	8.6	15,627	9.5
- Romania (distribution hub)	-	-	-	-	1,155	13.0	1,155	13.0
- Romania (processing venture)	-	-	-	-	399	7.8	1,253	7.9
Total gross profit	<u>16,623</u>	<u>3.0</u>	<u>22,739</u>	<u>3.9</u>	<u>21,227</u>	<u>4.6</u>	<u>35,325</u>	<u>5.3</u>

- The overall gross profit of the TSC Operation continues to grow over the years/periods, it grows significantly from HK\$16.6 million in FY2019 to HK\$35.3 million for 9M2021.
- The gross profit generated under the EBM significantly increased from HK\$4.8 million in FY2020 to HK\$18.0 million for 9M2021.
- Over the years/periods concerned, the gross profit margin generated by the respective business segments under the EBM ranged from 7.8% to 13%, higher than the gross profit margin of 3.0% to 3.6% generated under the CBM.
- In terms of absolute amount, the gross profit of HK\$18.0 million generated under the EBM for 9M2021 out-weighted the gross profit of HK\$17.3 million generated under the CBM and this trend is expected to continue.
- As the businesses running by the operation's distribution hubs and wood lumber processing ventures capture the additional monetary benefits through providing many value-added services in a typical timber supply chain, the gross profit generating under the EBM of the TSC Operation in Europe (the "European Operation") is much higher than that of the CBM, and is in fact the main driver of the gross profit growth of the TSC Operation. This trend is expected to continue as it is the Group's plan to allocate additional financial and human resources to develop and expand its European Operation via setting up more distribution hubs and business ventures.

(2) Business model

(i) Value-added services

Set out below is the typical operation flow of a timber supply chain business and the value-added services providing under the two business models of the TSC Operation:

		CBM	EBM	
			DH	WPV
Plantation & Harvesting rights	<ul style="list-style-type: none"> Plantation plan Forest management Sustainability management Harvesting rights management 			✓
Sourcing & Procurement	<ul style="list-style-type: none"> Perform research on demand of timber and wood products and identify suppliers/forest resources based on analysis of market demand Interact with the sales team which maintains dialogue with customers and potential customers for their individual requirements Purchase timber and wood products at the best price after negotiation with suppliers 	✓	✓	✓
Harvesting & Logging	<ul style="list-style-type: none"> On-site selection of forest area to be harvested Harvesting plan, forest sustainability management Manpower, machinery and equipment set up Log yard management 			✓
Quality check & Land transport	<ul style="list-style-type: none"> On-site quality check on timber and wood products before land transport Responsible for all logistics cost including freight, insurance, government duties etc Land transport to log yard via rails and/or trucks 		✓	✓
Processing	<ul style="list-style-type: none"> Deliver the timber to processing plant for processing into wood products Production management Quality control management 			✓
Inventory management	<ul style="list-style-type: none"> Advise the sales team in respect of the availability of inventories Warehousing/quality maintenance of inventories Maintain inventories in the distribution hubs and processing plant to readily meet the orders from customers 	✓	✓	✓
Custom clearance	<ul style="list-style-type: none"> Prepare and submit documents required to facilitate export from the place of origin to the buyer's country Represent clients during custom examination, assessment, payment of duty and delivery of cargo Assist customers in importing cargoes in the buyer's country 	✓	✓	✓
Quality check & Sea transport	<ul style="list-style-type: none"> Quality check on timber and wood products before delivery to customers Responsible for all logistics costs including freight, insurance and government duties etc Handle all sea logistics including cargo loading, quality maintenance, cargo safety, time scheduling, custom clearance, cargo discharging Deliver the timber and wood products to customers via vessels or containers 	✓	✓	✓
Selling	<ul style="list-style-type: none"> Sales & marketing and provide after-sales services to customers 	✓	✓	✓

Legends:

CBM – Conventional Business Model
DH – Distribution Hub

EBM – Enhanced Business Model
WPV – Wood Lumber Processing Venture

Plantation & Harvesting rights

The wood lumber processing venture in Romania under the TSC Operation has entered into a harvesting right agreement with a Finnish leading forest management group, which owns forest interests in Finland, Estonia and Romania, for conducting timber logging in its forest resources in Oituz, Romania for a term of four years. The operation will pay royalties to the management group according to the harvesting plan and timber logged.

Under the harvesting right agreement, the operation does not own the forest land concerned, but has the right to harvest the trees on the land under an agreed harvesting plan and subject to restrictions like tree height, tree diameter and tree species etc., which is an essential part of sustainable and responsible forest management. The Group has experience in dealing with harvesting right arrangement as its forest interests in Brazil are currently licensed to various licensees.

Sourcing & Procurement

The TSC Operation currently has a team of sourcing and procurement expertise to work with the forest owners/suppliers directly. The expertise team performs research and analysis on the supply and demand of different types of timber and wood products based on market intelligence, news, published data etc. The team members are also in regular contacts with the operation's sales team which maintains dialogue with the existing and potential customers to understand their individual requirements. Based on their results of research and analysis and the interactions with the sales team, the sourcing and procurement team will then proceed to identify and source forest owners/suppliers which can supply the timber and wood products at the best available price. After making the purchases under this dynamic process, the sourcing and procurement team will then regularly update the sales team the availability of the inventories.

Harvesting and Logging

The operation's management will work under the harvesting right agreement with the forest owner/manager and first agreed between them a harvesting plan, which involves the on-site selection of forest areas depending on tree height, tree diameter, tree species etc. The harvesting plan will also be subject to all applicable environmental rules and regulations as well as subsequent work on forest sustainability management. After the harvesting plan is agreed, the operation's management will then organise the manpower, machinery and equipment for commencing the logging work. The operation's management will supervise and monitor the work of the logging team and ensure effective communication with the forest owner/manager along the progress of the logging work. The quantity of timber logged will then be checked with the forest owner/manager and royalties will be paid according to the agreed pricing scheme.

Quality check & Land transport

Timber logs and wood products purchased by the operation will undergo on-site quality checking before they are loaded on trains and/or trucks for land transport to log yards of the distribution hubs or sometimes directly to ports. The supervisors of log yards will again perform quality check on the cargos upon unloading by referencing to the grade, diameter, and length of the timber logs and size and quality of the wood products.

Timber logged by own harvesting will be transported to the manufacturing plant engaged for processing, quality check will be performed upon unloading to ensure the timber logs are not damaged during transportation.

The operation is responsible for all the logistics costs including freight, insurance, government duties etc.

The logistic teams arrange transport on a daily basis from forests or supplier sites to the log yards or ports in accordance with the procurement plan with reference to trucks and/or rails schedule as well as forecast weather conditions and local transportation rules to ensure road safety in different weather conditions.

Processing

The timber logged by own harvesting, together with logs purchased from other forest owners, will be delivered to the manufacturing plant engaged by the operation for processing into wood lumber. The operation's management will monitor the production process, in particular the sawmill cutting work to ensure there will be a high yield output and low scrap level. After the cutting process, wood lumber would be put into the steaming chamber and then air dried in order to stabilise the quality and the color of the wood lumber. Wood lumber would then be put into the heated chamber to reduce the moist to an acceptable moisture level. Final quality checking and sorting of wood lumber produced would be performed before storage. The wood lumber produced are kept as inventories in the manufacturing plant until sold and delivered to customers under logistic arrangement providing by the operation. Wood lumber is mainly for the use of making house furniture and lumber from Europe is very well received by customers in the PRC.

Inventory management

The TSC Operation has set up distribution hub operation in Slovenia, Romania and Croatia to source timber logs and wood products of different tree species from forest owners or suppliers in countries including Germany, Czech Republic, Romania, Croatia, Slovenia, Italy, Austria, Poland, Slovakia, Hungary and Serbia.

Timber logs and wood products purchased by the operation will be delivered to the log yards operating under any one of the distribution hubs (i.e. Maribor in Slovenia, Oituz in Romania and Ravna Gora in Croatia) by rails and/or by trucks depending on the geographic origin of the supplies and the most economical way of transporting the cargoes will be adopted. The cargoes received by the log yards will first be quality checked and then stored in the warehouse in the log yards. There will be measures in maintaining the quality of timber logs and wood products including temperature and moisture control. There will also be controlling measures in ensuring the safe custody of the inventories.

The operation's sales team is regularly updated with the availability of inventories and certain inventories are kept in order to readily meet the orders from customers. The operation's inventory control team will also closely monitor the level of inventories to avoid any stock up of slow moving and obsolete items.

Custom clearance

The operation's logistic and procurement team will arrange all documents and participate in all processes required to facilitate exports of cargoes from the country of origin and assist customers in importing cargoes in the buyer's country.

The operation's logistic and sales team will assist customers in all custom examination, assessment, payment of duty, provision of documents and receipts of cargoes in the buyer's country.

Quality check & Sea transport

The operation's logistic and sales team will arrange quality check on the cargoes before loading and will also ensure customers' special packing requirements, if any, are met.

The cargoes from Europe are usually delivered to customers in China or other overseas countries via sea transport by containers. The logistic team of the Group will agree with the shipping agency of different ports the monthly delivery plan in advance in respect of freight costs, number of containers, time schedule etc. The cargoes from Africa and Oceania are usually shipped by dry bulk vessels arranged by the operation.

The logistic team will ensure all cargoes are properly loaded on board of vessels and are on-time.

The operation is responsible for all the logistics costs for cargoes shipped including freight, insurance, government duties etc. for shipments via containers or vessels arranged by the operation.

Selling

The timber logs and wood products offering by the operation are usually sold to customers in China and other overseas countries. The operation's sales team maintains regular dialogues with existing and potential customers to understand their individual requirements. Other than timber logs and wood products of common standards, the operation is also able to supply FSC/PEFC-certified timber or wood products (i.e. FSC/PEFC-certified represent an endorsement that the timber or wood products are from forests under sustainability management) upon requests from customers. The operation is a trusted partner for all its customers for being able to supply a stable flow of a variety of quality timber logs and wood products, which in turn supports its customers to achieve competitive advantages and grow their businesses. The operation also provides after-sales services to ensure that the customers are 100% satisfied with the timber logs, wood products and logistic services the operation provides.

(ii) Source of funds to finance TSC Operation

The funds for financing the TSC Operation are mainly from cash generated from the operating activities of the TSC Operation and bank facilities provided by banks. As at 26 March 2021, the date of the Resumption Proposal, the Group has obtained general trade facilities of HK\$314 million and bills discounting facilities of US\$150 million and HK\$50 million from well-established banks in Hong Kong.

Given that the TSC Operation is a volume-driven business, ample general trade facilities and bills discounting facilities obtained from banks could significantly enhance the operation's financial flexibility and its competitive position in the market for being able to conduct timber transactions in an expedient manner, which would ultimately result in the increase of the operation's revenue and profit. It is the industry practice to carry out transactions by letter of credit among timber suppliers, forest owners and manufacturers to secure money flows of timber transactions. With the ample trade facilities obtained from banks, the Group is able to further increase the trade volume of its timber supply chain business and revenue.

(3) Management team and relevant experience

(i) Introduction of procurement and sales teams under TSC Operation

The sourcing and procurement team of the TSC Operation in Europe is leading by the Chief Operating Officer of the European Operation, Mr. Damir Budimir, and overseeing by the Chief Executive Officer of the operation Mr. Julian Zhu (who has been resided in Europe for over 20 years), the operation has employed a team of local procurement expertise in Slovenia, Romania and Croatia to conduct procurement activities across over 11 European countries. As the members of the procurement teams are local people residing in Europe, they have the same ethnic origin, speak some common languages and share the same business culture with the local forest owners/timber suppliers. The members of the procurement team are familiar with the timber market conditions in Europe and the compliance requirements of FSC/PEFC.

The selling & marketing and sea logistics activities of the TSC Operation are centralised and controlled in Hong Kong and serving customers mainly in China. The sales team of the TSC Operation is leading by Mr. Hii Soon Teck, the Director of Procurement and Marketing of the operation, and assisted by Mr. Peter Huang, Business Development Manager, who stationed in Hong Kong and China, as well as Ms. Tina Tao, the Head of Marketing of the European Operation. The team members in Hong Kong are all Chinese and have the same ethnic origin and share the same business culture with the customers in China. They are familiar with the timber market conditions in the PRC and have extensive work experience in the timber industry.

The Group considered that having the right local talents who have the same ethnic origins, languages and business culture to work with suppliers and customers is a distinct competitive advantage and is conducive to business success.

(ii) Profiles of key management members

All members of the operation’s senior management team have extensive experience and strong business connection in the timber industry. Their job responsibilities and biographical details are set forth below:

Name	Responsibilities	Present position in the Group
Mr. Hii Soon Teck	<ul style="list-style-type: none">• Procurement & Inventory Management• Sales & Marketing	Director of Procurement and Marketing of the TSC Operation
Mr. Julian Zhu	<ul style="list-style-type: none">• Procurement & Inventory Management• Sales & Marketing	Sales Director and Chief Executive Officer of the European Operation
Mr. Damir Budimir	<ul style="list-style-type: none">• Procurement & Inventory Management	Procurement Director and Chief Operating Officer of the European Operation
Ms. Tina Tao	<ul style="list-style-type: none">• Sales & Marketing	Head of Marketing and Deputy Chief Executive Officer of the European Operation
Mr. Peter Huang	<ul style="list-style-type: none">• Sales & Marketing	Business Development Manager of the TSC Operation
Mr. Kazem Najib	<ul style="list-style-type: none">• Procurement & Inventory Management• Lumber Processing Venture in Croatia	Procurement and Operation Manager in Croatia
Mr. Ioan Ilie Ursulean	<ul style="list-style-type: none">• Procurement & Inventory Management• Lumber Processing Venture in Romania	Procurement and Operation Manager in Romania

Mr. Hii Soon Teck (“**Mr. Hii**”) is the Director of Procurement and Marketing of the TSC Operation. He has over 27 years of experience in timber business.

Mr. Hii had worked in Nissho Iwai Corporation (which subsequently merged with Nichimen and changed its name to Sojitz Corporation in 2004) for nine years, where he was in charge of the sourcing and exporting of timber logs, plywood and veneer to Japan, Korea, and the PRC. Mr. Hii later worked as a commission-based trader who solicited customers for major logging companies that had forest assets in South East Asia, Africa, and South America. He has rich knowledge in worldwide timber logging business and has extensive business networks in timber markets in Vietnam, India, and the PRC.

Mr. Julian Zhu (“**Mr. Zhu**”) is the Sales Director and Chief Executive Officer of the European Operation. He has vast experience in timber business and has been in the industry for over 15 years.

Mr. Zhu holds a Master of Science degree in Business Administration from Budapest University of Economic Sciences and Public Administration (now known as Corvinus University of Budapest) in Hungary. Mr. Zhu is specialised in international trading as well as the logistics and wholesaling of European wood products in the PRC. He was the chairman of China Croatian Timber Exchange Association of the Croatian Wood Cluster until the end of 2019. Mr. Zhu is responsible to oversee the procurement activities of the European Operation as well as its sales and marketing activities.

Mr. Damir Budimir (“**Mr. Budimir**”) is the Procurement Director and Chief Operating Officer of the European Operation. He has over 10 years of experience in timber business.

Mr. Budimir graduated from the University of Maribor in Slovenia with a bachelor’s degree in arts, studying linguistics and majoring in German. He worked as head of sales and marketing in Tovarna Meril, Kovine d.o.o. in Slovenj Gradec for 7 years, during which he managed customers covering 23 countries, including customers in Western Europe, Middle East, Far East, Australia, Russia and the United States.

Mr. Peter Huang (“**Mr. Huang**”) is the Business Development Manager of the TSC Operation. He has over 15 years of working experience in customer relationship building in the PRC for various industries.

Mr. Huang obtained a bachelor’s degree in engineering from Guangdong University of Technology. He is responsible for relationship building with the operation’s customers in the PRC.

Ms. Tina Tao (“**Ms. Tao**”) is the Head of Marketing and Deputy Chief Executive Officer of the European Operation. Ms. Tao holds a Master of Science degree in Philosophy and Public Policy from the London School of Economics and Political Science in the United Kingdom. She gained more than ten years of experience handling public relation matters when worked for a prominent US company engaging in packaging business and also gained experience in brand building when worked for several top tier property construction companies in China. She has developed excellent business connections with media companies in China and has extensive project management experience with strong execution capabilities. Ms. Tao is currently responsible for the marketing and brand building activities of the European Operation in the international timber market.

Mr. Kazem Najib (“**Mr. Najib**”) is the Procurement and Operation Manager in Croatia. He has over 15 years of experience in timber business.

Mr. Najib has expert knowledge in logistics and wholesaling of European wood products. He holds a Master of Science degree in International Economics and European Studies from Budapest University of Economic Sciences and Public Administration (now known as Corvinus University of Budapest) in Hungary and speak fluently in Persian, English, French, Hungarian, and is capable of communicating well in Romanian and Croatian.

Mr. Ioan Ilie Ursulean (“**Mr. Ursulean**”) is the Procurement and Operation Manager in Romania. He has over 10 years of experience in timber business.

Mr. Ursulean graduated from Transilvania University, Brasov in Romania with a bachelor’s degree in forest engineering and Spiru Haret University, Bucuresti in Romania with a bachelor’s degree in economics. He previously worked as forestry engineer and purchasing manager for a group company of Kronospan Trading Srl, Brasvo in Romania, and was responsible to oversee the whole manufacturing operation of oriented strand board covering purchasing and production activities as well as logistic arrangement.

(4) Future business plan

After years of business development supported by solid efforts of management members at all levels, the TSC Operation is now running a very successful and sustainable timber supply chain business. It is the business strategy of the TSC Operation to continue developing the business under the CBM and EBM business models with emphasis on the latter which earns a higher profit margin. The European Operation will continue with its business expansion plan in setting up more distribution hubs and wood processing ventures in strategic locations in Europe.

The establishment of the distribution hubs in Slovenia, Romania and Croatia and the timber processing venture 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. Europe timber logs and wood products are of high demand in the PRC 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 enhance its strength and resilience to weather market challenges, and forms a solid base for its further development and growth.

The strategic business goal of the TSC Operation is to build a global network of supply sources in Europe, Oceania and Africa to serve its customers predominately in the PRC as well as in other Asian countries. This vision is well supported by well-established banks in Hong Kong which provide ample general trade and bills discounting facilities to the operation.

The TSC Operation has been running a successful business model with proven results as recorded in FY2019, FY2020, HY2021 and 9M2021. Coupled with a highly competent management team and ample bank facilities providing by banks to support the continuous development of its business, the directors of the Company considered that the business of the TSC Operation is viable and sustainable.

2. Money lending business

(1) Development of the money lending operation of the Group

The Company commenced its money lending business in 2014 and it has been one of the principal businesses of the Group since then. The money lending operation of the Group (“**ML Operation**”) is currently conducted through its two wholly owned subsidiaries, namely, Reliance Credit Limited (“**Reliance Credit**”) and Reliance Capital Finance Limited (“**Reliance Capital**”). The ML Operation provides loan products including mortgage loan, corporate loan, unsecured personal loan and finance lease, with emphasis on the provision of mortgage loans since FY2019.

(2) Capital base of the ML Operation

The capital base of the operation is primarily formed by three funding sources: (i) the equity of the Company; (ii) the profit earned by the operation; and (iii) through external fund raising.

The ML Operation continues to seek attractive opportunities to enlarge its capital case for continuous development and expansion of its money lending business.

(i) Three-year notes

In January 2020, the Company entered into a placing agreement with the placing agent, pursuant to which the placing agent has agreed, on a best effort basis, to procure places to subscribe for three-year notes with an aggregate principal amount of up to HK\$300 million at an interest rate of 7.125% per annum. The notes issued are secured by a debenture incorporating a first floating charge over all the undertakings, property and assets of Reliance Credit. The first tranche of the notes of HK\$50 million has been issued in January 2020.

As disclosed in the Company's announcement dated 31 December 2020, the closing date of the placing exercise has been extended to 30 June 2021 owing to the outbreak of COVID which adversely affected market sentiments. Upon request by the Company, the placing agent can reactivate the placing exercise and the placing agent has confidence to successfully solicit places in light of the recent recovery of market conditions. The placing can take place in multiple tranches during the extended period till 30 June 2021.

The Company currently has sufficient financial resources to support its money lending business. For the purpose of interest-saving, the Company decided to put the placing exercise on hold and would reinstate it when the Company is in need of capital to grant new loans.

(ii) Revolving loan from a reputable finance company

In addition, in March 2021, the Group has successfully solicited a revolving loan facility of up to HK\$70 million from a reputable finance company to replenish its working capital for continuous expansion of its money lending business. The loan facility has been entered into in May 2021 with Reliance Capital as the borrower and the Company as the guarantor. The pricing of the loan facility is on attractive terms and loan(s) drawdown under the facility will be secured by sub-mortgage the property collaterals obtained by Reliance Capital from granting first mortgage loans. The tenor of the loan(s) drawdown is revolving on an annual basis subject to the availability of the underlying property collateral. If a borrower/customer of Reliance Capital fully repaid a loan and the underlying mortgaged property is to be released, Reliance Capital will need to fully repay the corresponding loan to the finance company.

The HK\$70 million loan facility will be the first tranche of revolving facility granted by the finance company. Further tranches may be granted depending on the availability of property collaterals the quality of which are acceptable to the finance company. In other words, the Group will be able to secure a stable source of refinancing capital from the finance company to replenish its working capital for further expansion of its money lending business. Reliance Capital is considering to make a first drawdown of HK\$50 million in June 2021 by sub-mortgage the property collaterals obtained under two first mortgage loans. The finance company has reviewed the property collaterals and in-principle agreed with the proposed drawdown. This is in fact an endorsement of the quality of the property collaterals obtained by the Group.

(3) Customer base of the ML Operation

Since 1 April 2018 and up to 26 March 2021, the submission date of the Resumption Proposal, the current management team has managed and granted 72 loans with aggregate principal amount of over HK\$679.8 million solicited through different revenue channels. The operation has a proven record during the period from FY2019 to 9M2021 that it is able to secure a constant inflow of loan deals to support its continuous business development. The Group has essentially established the following revenue channels to secure a continuous and stable source of deal flow for its money lending business:

(i) Co-lending activities

The Group has commenced its co-lending activities during 9M2021 and is contemplated to enter its first co-lending loan deal in June 2021. The co-lending arrangement is essentially a syndicate loan to be made by a group of lenders in which Reliance Capital will participate as one of the lender. The loan is to be fully secured by properties in Hong Kong. This deal is referred to the Group by a reputable listed finance company in Hong Kong which the Group has been cooperating with in co-lending activities.

The Group considers that co-operating with other reputable lenders in the market under syndicate loan arrangement is a good way to tap into quality deal, especially sizeable ones. The Group has been in discussions with reputable lenders including listed finance companies in Hong Kong for potential co-lending opportunities.

(ii) Referral from sales agents

The Group has assigned a team of three senior management members to lead the sales and marketing team of 12 sales agents in developing the sales channel of the money lending business. The team of 12 sales agents will source deals from the market, and will be entitled to a commission based on the loan principal of the deals accepted by the Group after it has conducted its own credit assessment and entered into loan agreement with the respective borrowers. The commission is usually payable to the agent upon drawdown of the relevant loan.

During 9M2021 and up to 26 March 2021, the submission date of the Resumption Proposal, the Group has received 86 referrals from the sales team and has approved 8 loans with an aggregate principal amount of HK\$85.6 million.

(iii) Referral from major property agents

The Group has entered into a co-operation agreement with a reputable property agency company, pursuant to which the property agency company shall refer loans to the Group. The Group may, after conducting its own necessary due diligence and credit assessments, follow such referrals in granting loans to the potential borrowers.

During 9M2021 and up to 26 March 2021, the submission date of the Resumption Proposal, the Group has received 16 referrals from the property agents and has approved 4 loans with an aggregate principal amount of HK\$82.5 million.

(iv) Cooperation with property developers

The Group has entered into memorandum of understanding with two property developers for their respective residential development in Sham Shui Po and Kowloon Tong to offer to their prospective buyers tailored-made loan terms as an alternative choice to loan offers from banks.

The operation has received over 10 enquiries from potential or property buyers although so far, no firm loan offer has been made. There are remaining units available for sale from both projects and the operation will continue to cooperate with the developers when they launch the next phase of sales campaigns.

(v) Other referrals

The sales and marketing team continues to solicit customers through referrals from existing or previous customers, and enquiries from prospective borrowers through traditional and digital media.

KEY FINANCIAL RESULTS OF THE GROUP

(1) Consolidated profit and loss statement of the Group

The following table sets forth information extracted from the consolidated statement of profit and loss of the Group for FY2019, FY2020, HY2021 and 9M2021, which are extracted from the Company's annual report for FY2019 and FY2020, the Company's interim report for HY2021, and the Group's management accounts for 9M2021:

	FY2019 <i>HK\$'000</i> (Audited)	FY2020 <i>HK\$'000</i> (Audited)	HY2021 <i>HK\$'000</i> (Reviewed)	9M2021 <i>HK\$'000</i> (Actual)
<i>Revenue generated from forest-related business</i>				
Revenue generated from timber supply chain business	562,777	583,584	459,108	671,913
Licensing of harvesting rights	3,244	1,369	447	747
	<u>566,021</u>	<u>584,953</u>	<u>459,555</u>	<u>672,660</u>
<i>Revenue generated from money lending business</i>				
Interest income from money lending	21,276	33,444	17,605	23,564
Arrangement fee from money lending	1,043	749	117	118
	<u>22,319</u>	<u>34,193</u>	<u>17,722</u>	<u>23,682</u>
<i>Revenue generated from other business</i>				
Leasing of properties	774	95	–	–
Total revenue	589,114	619,241	477,277	696,342
Cost of sales	(546,154)	(560,845)	(437,881)	(636,588)
Net profit for the year/period	26,372	34,561	22,425	33,801
Gross profit generated from the TSC Operation	16,623	22,739	21,227	35,325
<i>Gross profit margin</i>	3.0%	3.9%	4.6%	5.3%

A brief review on the financial performance of the Group over the financial years/ periods indicated is as follows:

(i) Revenue

The revenue of the timber supply chain business significantly increased from HK\$562.8 million for FY2019 to HK\$671.9 million for 9M2021, which already exceeded the full year revenue for FY2020 and FY2019 respectively. The significant increase in revenue is mainly contributed by the revenue generated from the European Operation, which recorded a revenue of HK\$190.1 million in 9M2021 comparing to HK\$41.6 million in FY2020 and nil in FY2019.

(ii) **Gross profit and gross profit margin**

The gross profit generated from the TSC Operation significantly increased from HK\$16.6 million for FY2019 to HK\$35.3 million for 9M2021, whereas the gross profit margin increased from 3.0% for FY2019 to 5.3% for 9M2021. The gross profit of the timber supply chain business for 9M2021 of HK\$35.3 million already exceeded the full year gross profit in FY2020 of HK\$22.7 million. The significant increase in gross profit is mainly contributed by the gross profit generated by the European Operation, which covers many value-added processes in a timber supply chain through the distribution hubs and wood lumber processing ventures.

(2) **Consolidated statement of financial position of the Group**

The following table sets forth the information extracted from the consolidated statement of financial position of the Group as at 31 March 2019, 31 March 2020, 30 September 2020 and 31 December 2020, which are extracted from the Company's annual report for FY2019 and FY2020, the Company's interim report for HY2021, and the Group's management accounts for 9M2021:

	As at 31 March 2019 HK\$'000 (Audited)	As at 31 March 2020 HK\$'000 (Audited)	As at 30 September 2020 HK\$'000 (Reviewed)	As at 31 December 2020 HK\$'000 (Actual)
Total non-current assets	232,914	84,897	23,030	28,503
Including: Loan receivables	219,800	72,660	13,144	20,056
Finance lease receivables	6,252	2,188	898	227
Total current assets	238,063	474,175	534,380	580,578
Including: Inventories	–	33,397	23,850	45,353
Trade and other receivables	109,229	106,220	104,520	181,541
Loan receivables	76,078	234,230	279,017	224,651
Finance lease receivables	3,923	3,347	4,402	4,339
Cash and cash equivalents	25,433	96,981	122,591	124,694
Total current liabilities	303,774	306,591	283,742	325,056
Total non-current liabilities	2,287	53,805	52,711	52,226
Net assets	164,916	198,676	220,957	231,799

A brief review on the financial position of the Group for the financial year/period end dates indicated is as follows:

(i) Inventories

The Group held inventories of HK\$45.4 million at its distribution hubs in Slovenia and Romania as at 31 December 2020. It is the Group's inventory management policy to keep a reasonable level of inventories in order to readily meet the demand of customers.

(ii) Loan and finance lease receivables

The Group's long and short-term loan and finance lease receivables were in total of HK\$249.3 million as at 31 December 2020, down from its comparable of HK\$312.4 million as at 31 March 2020 mainly due to the prudent attitude of management in granting new loans against the backdrop of the series of political and social events took place in Hong Kong, and the adverse impact on the Hong Kong economy brought by the global outbreak of COVID during the financial year ended 31 March 2021. The management expects the Group's loan portfolio will grow again in FY2022.

(iii) Total assets

As at 31 December 2020, the Group's assets mainly consist of (a) inventories of HK\$45.4 million; (b) loan and finance lease receivables of HK\$249.3 million; (c) trade and other receivables of HK\$181.5 million; and (d) cash and cash equivalents of HK\$124.7 million.

The management is of the view that the Group has maintained sufficient assets to support its operation in accordance with Rule 13.24 of the Listing Rules due to the following reasons:

- (a) inventories are maintained to readily meet the demand from customers under the timber supply chain business;
- (b) the loan portfolio under the money lending business is recoverable; and
- (c) the Group is not suffering any financial difficulty and is nowhere near insolvent.

RESUMPTION OF TRADING

Trading in the Shares on the Stock Exchange has been suspended since 10 October 2018. Since all the resumption conditions have been fulfilled, the Company has made an application to the Stock Exchange for the resumption of trading of the Shares with effect from 9:00 a.m. on 27 May 2021 on the Stock Exchange.

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

Hong Kong, 26 May 2021

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