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RELIANCE GLOBAL HOLDINGS LIMITED

信保環球控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock code: 723)

**FINAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 MARCH 2021**

The Board of Directors (the “**Board**” or the “**Directors**”) of Reliance Global Holdings Limited (the “**Company**”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the year ended 31 March 2021 together with comparative figures as follows:

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

For the year ended 31 March 2021

	<i>Notes</i>	2021 <i>HK\$’000</i>	2020 <i>HK\$’000</i>
Revenue	5	842,631	619,241
Cost of sales		(767,270)	(560,845)
Other income	6	1,345	38
Administrative expenses		(23,363)	(19,592)
Other operating expenses	7(c)	(3,308)	(1,929)
Profit from operations		50,035	36,913

* *For identification purpose only*

	<i>Notes</i>	2021 HK\$'000	2020 <i>HK\$'000</i>
Finance income		325	599
Finance costs		(5,393)	(1,942)
Net finance costs	7(a)	(5,068)	(1,343)
Profit before taxation	7	44,967	35,570
Income tax expense	8	(6,278)	(1,009)
Profit for the year		38,689	34,561
Attributable to:			
Owners of the Company		33,080	33,709
Non-controlling interests		5,609	852
		38,689	34,561
Earnings per share	10		
– Basic		HK0.36 cent	HK0.37 cent
– Diluted		HK0.36 cent	HK0.37 cent

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Profit for the year	<u>38,689</u>	<u>34,561</u>
Other comprehensive income/(expense) for the year:		
<i>Item that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of foreign operations, net	<u>164</u>	<u>(801)</u>
Total comprehensive income for the year	<u>38,853</u>	<u>33,760</u>
Total comprehensive income attributable to:		
Owners of the Company	<u>33,095</u>	<u>32,987</u>
Non-controlling interests	<u>5,758</u>	<u>773</u>
	<u>38,853</u>	<u>33,760</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2021

	<i>Notes</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		841	1,111
Right-of-use assets		2,057	3,819
Intangible assets		4,796	5,119
Loan receivables	<i>12</i>	46,690	72,660
Finance lease receivables	<i>13</i>	–	2,188
		<hr/> 54,384	<hr/> 84,897
Current assets			
Inventories		41,148	33,397
Trade and other receivables	<i>11</i>	94,470	106,220
Loan receivables	<i>12</i>	234,002	234,230
Finance lease receivables	<i>13</i>	3,212	3,347
Cash and cash equivalents		109,198	96,981
		<hr/> 482,030	<hr/> 474,175
Current liabilities			
Trade and other payables	<i>14</i>	25,666	45,128
Bank borrowings	<i>15</i>	62,396	66,997
Lease liabilities		1,933	1,864
Provision for taxation		2,547	2,602
Amounts received from a shareholder	<i>17</i>	155,000	190,000
		<hr/> 247,542	<hr/> 306,591
Net current assets		<hr/> 234,488	<hr/> 167,584
Total assets less current liabilities		<hr/> 288,872	<hr/> 252,481

	<i>Notes</i>	2021 HK\$'000	2020 HK\$'000
Non-current liabilities			
Notes payable	16	50,000	50,000
Lease liabilities		164	2,097
Deferred tax liabilities		1,571	1,708
		<u>51,735</u>	<u>53,805</u>
Net assets		<u>237,137</u>	<u>198,676</u>
Capital and reserves			
Share capital		125,068	125,068
Reserves		105,944	72,849
Total equity attributable to owners of the Company		231,012	197,917
Non-controlling interests		6,125	759
Total equity		<u>237,137</u>	<u>198,676</u>

Notes:

1. Corporate information

The Company was incorporated in Bermuda as an exempted company with limited liability under the Companies Act 1981 of Bermuda and its ordinary shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

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

2. Basis of preparation of the financial statements

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

The consolidated financial statements have been prepared under the historical cost basis.

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

3. Application of amendments to IFRSs

In the current year, the Group has applied the Amendments to References to the Conceptual Framework in IFRS Standards and the following amendments to IFRSs issued by the IASB that are first effective for the current accounting period of the Group:

Amendments to IAS 1 and IAS 8	Definition of Material
Amendments to IFRS 3	Definition of a Business
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform

Except as described below, the application of the Amendments to References to the Conceptual Framework in IFRS Standards and the amendments to IFRSs in the current year has had no material impact on the Group’s financial positions and performance for the current and prior years and/or on the disclosures set out in the consolidated financial statements.

Amendments to IFRS 3, Definition of a Business

The amendments clarify the definition of a business and provide further guidance on how to determine whether a transaction represents a business combination. In addition, the amendments introduce an optional “concentration test” that permits a simplified assessment of whether an acquired set of activities and assets is an asset rather than business acquisition, when substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

The Group has applied the amendments prospectively to transactions for which the acquisition date is on or after the beginning of the current accounting period on 1 April 2020. In particular, the Group has elected to apply the concentration test to an acquisition during the year.

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.

Segment results represent the profit/loss from each segment without allocation of corporate income, corporate expenses and finance costs.

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

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

Segment revenue, results, assets and liabilities

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

For the year ended 31 March 2021

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

For the year ended 31 March 2020

	Forest-related business				Total HK\$'000
	Money lending HK\$'000	Sustainable forest management HK\$'000	Timber supply chain HK\$'000	Leasing of properties HK\$'000	
Segment revenue					
Revenue from external customers	34,193	1,369	583,584	95	619,241
Results					
Segment results	29,275	(663)	15,634	46	44,292
Unallocated corporate income					231
Unallocated corporate expenses					(7,011)
Finance costs					(1,942)
Profit before taxation					35,570
Other segment information					
Capital expenditure	–	202	246	–	448
Depreciation of property, plant and equipment	–	40	9	2	51
Interest income	15	16	334	13	378
At 31 March 2020					
Segment assets	319,489	5,877	169,406	23	494,795
Unallocated:					
– Right-of-use assets					3,819
– Corporate assets					60,458
					559,072
Segment liabilities	50,040	3,105	108,423	–	161,568
Unallocated:					
– Lease liabilities					3,961
– Deferred tax liabilities					1,708
– Amounts received from a shareholder					190,000
– Corporate liabilities					3,159
					360,396

5. Revenue

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Sales from timber supply chain business	807,830	583,584
Interest income from money lending business	33,786	33,444
Arrangement fee income from money lending business	215	749
Income from licensing of harvesting rights	800	1,369
Income from leasing of properties	–	95
	<u>842,631</u>	<u>619,241</u>

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Government subsidies (<i>note</i>)	864	–
Sundry income	481	38
	<u>1,345</u>	<u>38</u>

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 businesses operating in Hong Kong.

7. Profit before taxation

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

	2021 HK\$'000	2020 HK\$'000
(a) Net finance costs		
Finance income:		
Interest income from bank deposits	(325)	(599)
Finance costs:		
Interest on lease liabilities	107	156
Interest on advances drawn on bill receivables discounted with full recourse	1,724	1,034
Interest on notes payable	3,562	752
	<u>5,393</u>	<u>1,942</u>
	<u>5,068</u>	<u>1,343</u>
(b) Staff costs (including directors' emoluments)		
Salaries, wages and other benefits	11,712	9,010
Contributions to retirement benefits scheme	438	284
	<u>12,150</u>	<u>9,294</u>
(c) Other items		
Cost of inventories	679,064	510,878
Depreciation of property, plant and equipment	229	122
Depreciation of right-of-use assets	1,762	1,616
Lease payments not included in the measurement of lease liabilities	934	575
(Gain)/loss on disposal of property, plant and equipment*	(499)	12
Impairment losses under expected credit losses ("ECL") model		
– Trade receivables (note 11)*	646	592
– Loan receivables (note 12)*	3,478	1,685
Reversal of impairment loss on loan receivables under ECL model (note 12)*	(317)	(360)
	<u>3,308</u>	<u>1,929</u>
Auditor's remuneration		
– Audit services	1,421	1,392
– Other services	300	290
	<u>1,721</u>	<u>1,682</u>
Gross rental income from investment properties less direct outgoings of nil (2020: HK\$20,000)	–	(75)

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

8. Income tax expense

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Hong Kong Profits Tax		
– current tax	5,505	986
– over-provision in prior year	(23)	–
	<u>5,482</u>	<u>986</u>
Slovenia corporate income tax		
– current tax	669	23
Romania corporate income tax		
– current tax	127	–
	<u>6,278</u>	<u>1,009</u>

For the year ended 31 March 2021, the provision for Hong Kong Profits Tax is calculated at a flat rate of 16.5% (2020: 16.5%) of the estimated assessable profits for the year, except for a subsidiary of the Group which is a qualifying corporation under the two-tiered profits tax rates regime. For this subsidiary, the first HK\$2,000,000 of assessable profits are taxed at 8.25%, and the remaining assessable profits are taxed at 16.5%. Such basis had been applied for the calculation of the provision for Hong Kong Profits Tax for this subsidiary for the year ended 31 March 2020.

Slovenia corporate income tax is charged at 19% on the estimated assessable profits arising in Slovenia for the year ended 31 March 2021 and 2020.

Romania corporate income tax is charged at 16% (2020: 16%) on the estimated assessable profits arising in Romania for the year ended 31 March 2021 (2020: no assessable profit).

Brazil income tax is charged at 34% (2020: 34%) on the estimated assessable profits arising in Brazil. Brazil income tax has not been provided for the year ended 31 March 2021 and 2020 as there was no assessable profit.

9. Dividends

The Directors do not recommend the payment or declaration of any dividend for the year ended 31 March 2021 (2020: nil).

10. Earnings per share

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Profit		
Profit for the purpose of calculating basic and diluted earnings per share	<u>33,080</u>	<u>33,709</u>

- (b) Weighted average number of shares

	2021 <i>'000</i>	2020 <i>'000</i>
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	9,105,710	9,105,710
Effect of dilutive potential ordinary shares arising from conversion of convertible preferred shares	<u>106,283</u>	<u>106,283</u>
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	<u>9,211,993</u>	<u>9,211,993</u>

11. Trade and other receivables

	<i>Notes</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade receivables		5,904	7,115
Less: impairment allowance		(1,562)	(916)
		<hr/>	<hr/>
	<i>(i)</i>	4,342	6,199
Bill receivables	<i>(ii)</i>	67,416	77,628
Interest receivables		8,468	6,664
Other receivables		2,898	5,805
Amounts due from non-controlling interests		161	150
		<hr/>	<hr/>
Financial assets at amortised costs		83,285	96,446
Trade and logging deposits		8,910	7,681
Other deposits and prepayments		2,275	2,093
		<hr/>	<hr/>
		94,470	106,220
		<hr/> <hr/>	<hr/> <hr/>

Notes:

(i) Trade receivables

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
0 to 30 days	55	3,450
31 to 90 days	193	–
91 to 180 days	2,532	–
Over 180 days	1,562	2,749
	<hr/>	<hr/>
	4,342	6,199
	<hr/> <hr/>	<hr/> <hr/>

The Group's trading terms with its customers are mainly on credit, except for new customers where payment in advance and cash on delivery are normally required. Invoices are normally payable between 30 and 120 days after issuance. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by management.

(ii) **Bill receivables**

At 31 March 2021, included in bill receivables of HK\$67,416,000 (2020: HK\$77,628,000), bill receivables of HK\$62,396,000 (2020: HK\$66,997,000) were discounted to banks with full recourse with a maturity period of less than 90 days (2020: less than 90 days). The Group recognised the full amount of the discounted proceeds as liabilities as set out in note 15.

The following were the Group's financial assets at 31 March 2021 and 31 March 2020 that were transferred to banks by discounting these receivables on a full recourse basis. As the Group had not transferred the significant risks and rewards relating to these receivables, it continued to recognise the full carrying amount of the receivables and recognised the cash received on the transfer as a secured borrowing. These financial assets were carried at amortised cost.

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Carrying amount of the transferred assets	62,396	66,997
Carrying amount of the associated liabilities	<u>(62,396)</u>	<u>(66,997)</u>
	<u>—</u>	<u>—</u>

12. Loan receivables

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Fixed-rate loan receivables	285,833	308,870
Less: impairment allowance	<u>(5,141)</u>	<u>(1,980)</u>
	<u>280,692</u>	<u>306,890</u>
Analysed as:		
Current portion	234,002	234,230
Non-current portion	<u>46,690</u>	<u>72,660</u>
	<u>280,692</u>	<u>306,890</u>
Analysed as:		
Secured	250,388	276,471
Unsecured	<u>30,304</u>	<u>30,419</u>
	<u>280,692</u>	<u>306,890</u>

All loans were denominated in Hong Kong dollars. At 31 March 2021, the loan receivables carried interest rates ranging from 8.75% to 18% per annum (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, current creditworthiness, aging analysis of account and past collection history of each borrower as well as the value of collateral provided, under the Group's credit risk rating system.

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

At 31 March 2021, loan receivables with an aggregate carrying amount of HK\$250,388,000 (2020: HK\$276,471,000) were secured by properties provided by the borrowers. At the end of the reporting period, loan receivables with aggregate carrying amount of HK\$258,625,000 (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\$5,141,000 had been provided at 31 March 2021 (2020: HK\$1,980,000).

13. Finance lease receivables

	Minimum lease payments		Present value of minimum lease payments	
	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000
Finance lease receivables comprise:				
Within one year	3,437	3,908	3,212	3,347
After one year but within five years	–	2,291	–	2,188
	<u>3,437</u>	<u>6,199</u>	<u>3,212</u>	<u>5,535</u>
Less: unearned finance income	<u>(225)</u>	<u>(664)</u>	<u>–</u>	<u>–</u>
	<u><u>3,212</u></u>	<u><u>5,535</u></u>	<u><u>3,212</u></u>	<u><u>5,535</u></u>
Analysed as:				
Current assets			3,212	3,347
Non-current assets			–	2,188
			<u><u>3,212</u></u>	<u><u>5,535</u></u>

The Group's finance lease receivables were denominated in Hong Kong dollars. At 31 March 2021, the effective interest rate of the finance lease receivables was 11% per annum (2020: 9% to 11%).

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

14. Trade and other payables

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade and bill payables (<i>note</i>)	13,654	34,754
Other payables and accruals	6,549	6,907
Receipt in advance	5,463	1,974
Amounts due to related parties	–	1,493
	<u>25,666</u>	<u>45,128</u>

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:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
0 to 30 days	13,468	33,470
31 to 90 days	64	1,284
91 to 180 days	122	–
	<u>13,654</u>	<u>34,754</u>

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

15. Bank borrowings

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Advances drawn on bill receivables discounted with full recourse	<u>62,396</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 11(ii)) and the amount was repayable within one year.

16. 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.

Owing to the continuation of the COVID-19 pandemic, the placing exercise has been further delayed as agreed between the Company and the placing agent. Accordingly, on 25 June 2021, the Company and the placing agent entered into an extension letter to further extend the closing date (that is, the last day of the placing period) under the Placing Agreement from 30 June 2021 to 30 June 2022. Save for the extension of the closing date, all the terms and conditions of the Placing Agreement remain the same.

17. Amounts received from a shareholder

The amounts received from a shareholder, Champion Alliance Enterprises Limited (“**Champion Alliance**”), which was accounted for as a loan from a shareholder, is unsecured, interest-free and repayable at the end of the twelve months from the date of the loan facility agreement. 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. The funds received from Champion Alliance have been applied as working capital of the Group to support its business development. Champion Alliance has undertaken not to demand for repayment of the amounts due to it (which is unsecured and interest-free) until the Group is financially viable to do so.

18. Litigation

On 30 May 2010, Universal Timber Resources da Brasil Ltda. (“**UTRB**”), a wholly owned subsidiary of the Company, entered into a service agreement (“**Service Agreement**”) with F Um Terraplanagem (“**Terraplanagem**”). Under the Service Agreement, Terraplanagem would carry out earthwork service in a hydropower plant in Rondonia, Brazil for a service fee of Brazilian Real (“**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 an alleged outstanding service fee of approximately R\$1,291,000 and filed a precautionary injunction to prevent UTRB of selling certain area of its freehold land. Such injunction was awarded by the court during the year ended 31 March 2015. Witness hearings were held in May 2016 and March 2017, and the court had served the notice to both Terraplanagem and UTRB to present their final arguments. In May 2017, the court awarded Terraplanagem’s claim in full (the “**Court Decision**”). In June 2017, UTRB filed petition to the court presenting its arguments on the ruling by the court, however, the petition was rejected by the court. In late July 2017, UTRB filed an appeal against the Court Decision with the High Court. In late September 2019, the High Court ruled the case, ratifying the Court Decision. Subsequently, UTRB filed an appeal against the High Court decision with the Court of Final Appeal and is still awaiting the outcome of the appeal. The claim of approximately R\$1,291,000 (approximately HK\$1,775,000) had been included in other payables at 31 March 2021.

19. Events after the reporting period

- (a) In May 2021, a revolving loan facility of up to HK\$70,000,000 (the “**Revolving Loan Facility**”) has been entered into by Reliance Capital Finance Limited (“**Reliance Capital**”), one of the money lending subsidiaries of the Group, as the borrower and the Company as the guarantor, with a reputable finance company for the purpose of replenishing its working capital for the continuous expansion of its money lending business. The loan(s) drawdown under the facility will be secured by sub-mortgage the property collaterals obtained by Reliance Capital from granting first mortgage loans. Reliance Capital has made its first drawdown of approximately HK\$59,739,000 in June 2021 by sub-mortgage the property collaterals obtained under two first mortgage loans.
- (b) The global outbreak of COVID-19 continues to affect many nations, the global and local credit markets and the international timber market, and has to a certain extent 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 on 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.

FINAL DIVIDEND

The Board has resolved not to recommend the payment of a final dividend for the year ended 31 March 2021 (2020: nil).

BUSINESS REVIEW

For the year ended 31 March 2021 (“**FY2021**”), the Group continued to operate in four business segments, namely, forest-related business comprising timber supply chain and sustainable forest management, money lending and leasing of properties.

The Directors are pleased to report that the Group continued to deliver an impressive financial performance by achieving a 36% increase in revenue to HK\$842,631,000 (2020: HK\$619,241,000) and a 12% increase in net profit to HK\$38,689,000 (2020: HK\$34,561,000), amid the adverse business impact brought by the COVID-19 pandemic on a global scale, the trade disputes between China and the US, and the political and social events took place in Hong Kong. Supported by the great efforts of the management, the timber supply chain and money lending businesses continued to register encouraging results, which respectively contributed HK\$30,619,000 and HK\$26,466,000 to the Group’s profitable results for the year. The Group has demonstrated the strength and resilience of its businesses in weathering the unprecedented market challenges and the slowdown of economic activities globally.

Forest-related Business

Timber Supply Chain

The Group’s timber supply chain operation (the “**TSC Operation**”) has achieved remarkable progress during the year 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. For FY2021, the TSC Operation achieved a revenue of HK\$807,830,000 (2020: HK\$583,584,000) and a profit of HK\$30,619,000 (2020: HK\$15,634,000), representing significant increases of 38% and 96% over their respective comparable in the prior year.

The substantial growth in revenue and profit of the TSC Operation was partly due to the additional volume of timber trades contributed by its operation in Europe, which earns a higher profit margin than its 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 493,000 m³ or a 50% increase over the prior year (2020: 329,000 m³), and a majority of the transactions were conducted on CFR (Cost & Freight) basis with logistics support provided by the Group. The TSC Operation is leading 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 have been built over the years which contributed to the continuing increase in transaction volume of the operation.

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

CBM

The CBM essentially represents the existing business of the TSC Operation other than its operation in Europe. Currently under the CBM, the operation principally performs a wholesaler role which sources mainly tropical domain hardwood timber from suppliers/ forest owners in Republic of Congo and Papua New Guinea and sells or distributes to customers predominately in China and other overseas countries, being fully responsible for all the logistics of the sea transport which usually involves the chartering of dry bulk vessels. For FY2021, the CBM running under the TSC Operation generated a revenue of HK\$551,002,000 (2020: HK\$542,023,000) and a profit of HK\$13,242,000 (2020: HK\$13,282,000), representing approximately 274,000 m³ (2020: 285,000 m³) of hardwood logs traded.

EBM

The EBM principally represents the business activities of the TSC Operation in Europe (the “**European Operation**”). The EBM is essentially a vertically-integrated timber supply chain operation which has coverage on every value-added works and services of a typical timber supply chain, including plantation & harvesting right, sourcing & procurement, timber harvesting & logging, quality inspection & land/sea transport, wood processing, inventory management, custom clearance, selling & marketing and after-sales services. The TSC Operation is currently running the EBM via its three distribution hubs in Slovenia, Romania and Croatia and its wood processing ventures in Romania and Croatia. For FY2021, the EBM running under the TSC Operation generated a revenue of HK\$256,828,000 (2020: HK\$41,561,000) and a profit of HK\$17,377,000 (2020: HK\$2,352,000), representing approximately 219,000 m³ (2020: 44,000 m³) of logs and wood products traded.

Distribution hubs in Slovenia, Romania and Croatia

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

Wood processing venture in Romania

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

Wood processing venture in Croatia

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

As the European Operation captures the additional monetary benefits through providing many value-added works and services in a typical timber supply chain, the gross profit generating under the EBM is higher than that of the CBM. The establishment of the distribution hubs in Slovenia, Romania and Croatia and the timber processing ventures in Romania and Croatia have significantly enhanced the competitive advantages of the Group's timber supply chain business, and effectively expanded and diversified the operation's customer base, revenue source, product type and market coverage. European timber logs and wood products are of high demand in China because of their high quality and wide usage. At 31 March 2021, the TSC Operation kept inventories amounting to HK\$41,148,000 (2020: HK\$33,397,000) in order to serve its customers in an efficient and effective manner. The diversity of the Group's timber supply chain business in terms of customer base, supply source and product type substantially enhance its strength and resilience to weather market challenges, and forms a solid base for its further development and growth.

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

Sustainable Forest Management

Since the Group suspended its harvesting operations in the State of Acre, Brazil owing to the unfavourable business environment in 2012, the Group had continued to explore the optimal way to enhance the income stream from its forest assets. However, due to the unstable economic environment in Brazil and in view of the possibility of facing similar extortion threats from local parties in Brazil as the Group had experienced in the past, operating the forest assets through own harvesting was considered to be unfavourable to the Group. As a result, the Board decided to change the operational model of the Group's forest assets to licensing of harvesting rights in June 2014 and since then, the Group has been actively looking for potential licensees for its forest assets. At 31 March 2021, the Group has accumulatively granted harvesting rights for over 50% of the 44,500 hectares of forest areas owned by the Group.

For FY2021, the revenue of the sustainable forest management business, representing income from licensing of harvesting rights, decreased by 42% to HK\$800,000 (2020: HK\$1,369,000) and the business incurred loss of HK\$599,000 (2020: HK\$663,000). The decrease of the licensing income was mainly caused by the depreciation of Brazilian Real and the completion of a licensing contract during FY2021. The Group will continue to solicit more licensees including sawmill owners so as to enhance the income stream of this business.

Money Lending Business

For FY2021, the Group's money lending business continued to achieve encouraging results by generating a revenue of HK\$34,001,000 (2020: HK\$34,193,000) and an operating profit of HK\$26,466,000 (2020: HK\$29,275,000). The decrease in profit of the operation by 10% was mainly a result of the increase in impairment losses on loan receivables by 106% to HK\$3,478,000 (2020: HK\$1,685,000), which was determined after performing assessment on the current creditworthiness of the borrowers on an individual basis by considering factors including their repayment history and value of collateral provided, and the credit status of the Group's loan and finance lease portfolio on a collective basis in view of the current economic and market conditions, in particular, the negative impact on the Hong Kong economy owing to the continuation of the COVID-19 pandemic, and the series of political and social events took place in Hong Kong. During the year, the Group granted new loans in an aggregate principal amount of HK\$168,863,000 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, cooperation with property agents and participation in co-lending activities. At 31 March 2021, the Group's portfolio was constituted by 28 loans and finance lease with carrying amount totalling HK\$283,904,000 (2020: HK\$312,425,000) (net of impairment loss on loan receivables of HK\$5,141,000 (2020: HK\$1,980,000)). Details of the loan and finance lease portfolio are as follows:

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	84%	8.75%-14.5%	Within three years	Loans were secured by properties located in Hong Kong
Second mortgage loans	4%	13.5%-18%	Within two years	Loans were secured by properties located in Hong Kong
Corporate loans	11%	9%-12.5%	Within one year	Loans were granted to listed companies in Hong Kong or were secured by collaterals
Finance lease	1%	11%	Within three years	The finance lease was secured by a motor vehicle
Total	<u>100%</u>			

The Group's loan and finance lease portfolio was well spread with an average loan size of around HK\$10 million, credit healthy as 93% of the portfolio was secured by collaterals, and earning a good return with weighted average interest rate amounting to approximately 11%.

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

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

In assessing expected credit losses, the loan receivables have been assessed with reference to the latest analysis on credit rating of the loans on individual and collective basis. The Group's portfolio mainly comprised mortgage loans, and the loan to value ratio for each of the mortgaged properties has been under regular review. At 31 March 2021, the loan to value ratios of all mortgaged properties were within the safety margin. For corporate loans, the credit rating of the loans were analysed with reference to the borrowers' creditworthiness and credit history, including their financial positions, previous records of default in payment, value of collaterals pledged and prevailing market conditions. During FY2021, an impairment loss on loan receivables of HK\$3,478,000 (2020: HK\$1,685,000) had been provided in accordance with the Group's credit impairment policy and resulted in accumulated expected credit losses totalling HK\$5,141,000 (2020: HK\$1,980,000) at 31 March 2021.

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

Leasing of Properties

The Group was not holding any investment property during FY2021. The Group has been seeking acquisition opportunities of investment properties with good yield and/or high appreciation potential. However, as the conditions of the property market in Hong Kong have been volatile during the past years, the management has acted prudently in evaluating potential acquisition opportunities. The Group's present business strategy is to allocate its financial resources to the money lending and timber supply chain businesses which generate higher and good yields.

OVERALL RESULTS

The Group continued to report profitable results for FY2021 by achieving profit attributable to owners of the Company of HK\$33,080,000 (2020: HK\$33,709,000), basic earnings per share of HK0.36 cent (2020: HK0.37 cent), and a total comprehensive income attributable to owners of the Company of HK\$33,095,000 (2020: HK\$32,987,000). The Group's administrative expenses increased by 19% to HK\$23,363,000 (2020: HK\$19,592,000) was mainly a result of the increase in staff costs and administrative expenses of the Group's European Operation.

FINANCIAL REVIEW

In order to cope with the Group's expanding scale of operation and continuous business development, on 26 March 2018, Champion Alliance, a substantial shareholder of the Company, granted to the Company a loan facility to the extent of HK\$200,000,000 (the "**Loan Facility**") to meet its working capital requirements. The Loan Facility is unsecured and interest-free and has been mainly applied to the Group's money lending and timber supply chain businesses to facilitate their significant business developments. At 31 March 2021, the outstanding amount under the Loan Facility was HK\$155,000,000.

For the purpose of financing the operation of the timber supply chain business, the Group has also obtained from well-established banks in Hong Kong bills discounting facilities of US\$200,000,000 and HK\$50,000,000 (the "**Bills Discounting Facilities**"). The Bills Discounting Facilities obtained have substantially strengthened the Group's financial flexibility in conducting its timber supply chain business. At 31 March 2021, the advances drawn under the Bills Discounting Facilities amounted to HK\$62,396,000 (2020: HK\$66,997,000).

In January 2020, the Company entered into a placing agreement with a placing agent, on a best effort basis, to procure placees to subscribe for notes with an aggregate principal amount of up to HK\$300,000,000, carrying interest at 7.125% per annum, and maturing on the third anniversary of the issue date for each tranche of the notes (the "**Three-Year Notes**") issued. A debenture incorporating a first floating charge over all the undertakings, property and assets of Reliance Credit Limited ("**Reliance Credit**"), one of the Group's money lending subsidiaries, has been issued in favour of a security trustee as trustee for the noteholders. The first tranche of the Three-Year Notes which amounted to HK\$50,000,000 has been issued in January 2020. Owing to the continuation of the COVID-19 pandemic, the placing exercise has been delayed. Accordingly, on 25 June 2021, the Company and the placing agent entered into an extension letter to further extend the closing date (i.e. the last day of the placing period) under the Placing Agreement to 30 June 2022.

The increase in the Group's finance costs to HK\$5,393,000 for the year (2020: HK\$1,942,000) was mainly a result that full-year interests amounting to HK\$3,562,000 (2020: HK\$752,000) were paid for the first tranche of the Three-Year Notes of HK\$50,000,000 issued in January 2020.

In addition, in March 2021, the Group has successfully solicited the Revolving Loan Facility of up to HK\$70,000,000 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, the other money lending subsidiary of the Group, as the borrower and the Company as the guarantor. The loan(s) drawdown under the facility will be secured by sub-mortgage the property collaterals obtained by Reliance Capital from granting first mortgage loans. Reliance Capital has made its first drawdown of approximately HK\$59,739,000 in June 2021 by sub-mortgage the property collaterals obtained under two first mortgage loans.

Liquidity and Financial Resources

For FY2021, the Group financed its businesses mainly by cash generated from operations, the Bills Discounting Facilities provided by banks, the Loan Facility from Champion Alliance, the first tranche of the Three-Year Notes issued and the shareholders' funds.

At 31 March 2021, the Group had current assets of HK\$482,030,000 (2020: HK\$474,175,000) and cash and cash equivalents of HK\$109,198,000 (2020: HK\$96,981,000). The Group's current ratio, calculated based on current assets over current liabilities of HK\$247,542,000 (2020: HK\$306,591,000), was at a strong ratio of about 1.9 (2020: 1.5). The rise of the current ratio was mainly due to the decrease of advance received from Champion Alliance by HK\$35,000,000 resulting from the repayments made during the year from the Group's surplus funds on hand.

At 31 March 2021, the Group's borrowings comprised the first tranche of the Three-Year Notes of HK\$50,000,000 (2020: HK\$50,000,000) and bank borrowings of HK\$62,396,000 (2020: HK\$66,997,000) which represented the advances for bill receivables discounted to banks with full recourse to the Group. The bank borrowings bore interests at floating rates, secured by the relevant bill receivables and were repayable within one year.

The Group's gearing ratio, expressed as a percentage of total borrowings of HK\$112,396,000 (2020: HK\$116,997,000) over equity attributable to owners of the Company of HK\$231,012,000 (2020: HK\$197,917,000), decreased to 49% at 31 March 2021 (2020: 59%) that was mainly due to the increase in the Group's reserves as a result of the profit earned during the year.

At 31 March 2021, the Group's total assets slightly decreased by HK\$22,658,000 or 4% to HK\$536,414,000 (2020: HK\$559,072,000). Backed by the Bills Discounting Facilities from banks, the Loan Facility from Champion Alliance, the proceeds from the issuance of the first tranche of the Three-Year Notes and the Revolving Loan Facility subsequently obtained from a reputable finance company, the management is confident that the Group has sufficient working capital to finance its continuous business development and substantial asset base.

At 31 March 2021, the equity attributable to owners of the Company increased by 17% or HK\$33,095,000 to HK\$231,012,000 (2020: HK\$197,917,000). The increase was mainly due to the profits earned by the Group's timber supply chain and money lending businesses.

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

Charge on Assets

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

At 31 March 2021, bill receivables of HK\$62,396,000 (2020: HK\$66,997,000) were pledged to banks to secure advances drawn on the bill receivables.

Contingent Liabilities

At 31 March 2021, except for the litigation set out in note 18 above, the Group had no other significant contingent liability.

Litigation

At 31 March 2021, there was a claim of approximately HK\$1,775,000 (approximately R\$1,291,000) against the Group which had been included in other payables, details of the ongoing litigation are set out in note 18 above.

Foreign Exchange Risk

The Group mainly operates in Hong Kong, Europe and Brazil. During FY2021, the revenue, costs and expenses of the Group's operations were denominated in Hong Kong dollar, United States dollar, Euro, Romanian Leu, Croatian Kuna, Brazilian Real and Renminbi.

The Group maintains a prudent strategy in its foreign currency risk management, where possible, foreign exchange risks are minimised via balancing the foreign currency monetary assets versus the corresponding currency liabilities, and foreign currency revenues versus the corresponding currency expenditures. The Group is not subject to foreign exchange risk of United States dollar as it is pegged with Hong Kong dollar, the Group is nevertheless exposed to potential foreign exchange risk as a result of fluctuations of Euro, Romanian Leu, Croatian Kuna, Brazilian Real and Renminbi. In addition, some of the Group's assets are located in Europe and Brazil and denominated in Euro, Romanian Leu, Croatian Kuna and Brazilian Real while the Group's reporting currency is in Hong Kong dollar, this also exposes the Group to potential foreign exchange risk upon translation of these assets on each reporting date.

During FY2021, the Group had not experienced any significant exposure to exchange rate appreciation of Euro since the Euro denominated expenditures were largely matched with the Euro denominated revenues. As for Romanian Leu, Croatian Kuna, Brazilian Real and Renminbi, the Group's exposure to their exchange rate fluctuations were not significant as their weightings to the Group's total transaction volume, assets and liabilities were low. For the Group's assets in Europe and Brazil, any foreign exchange gains or losses due to translation of the carrying value of these assets to the Group's reporting currency on the reporting dates are unrealised and non-cash in nature, accordingly, the Group has not entered into any arrangements or financial instruments for the purpose of hedging against these potential foreign exchange risks. The Group will closely monitor its foreign currency exposure and undertake appropriate hedging measures should significant exposure arise.

PROSPECTS

Since the change of the substantial shareholder of the Company to Champion Alliance on 12 October 2017 and the appointment of the new executive directors to the Board of the Company since October 2017, the directors and management team of the Company have used their best endeavour to improve the businesses of the Group. The results are very encouraging and the Group has been profit-making for four consecutive financial years ended 31 March 2021. The scale of the Group's operation, in particular the timber supply chain and the money lending businesses, have expanded significantly. It is the mission of the management to continuously explore organic growth and vertical expansion business opportunities, with the aim to further expand the scale of the Group's operations and to create new value to shareholders.

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

Looking ahead, there are signs that the launch of vaccination programs in China and Hong Kong and many countries in Europe including Slovenia, Romania and Croatia have successfully eased their pandemic situations and paved the way for their economies to fully reactivate. Nevertheless, it is difficult to predict the evolution and duration of the pandemic and the Group will thus continue to adopt a prudent approach in managing its timber supply chain and money lending businesses and be cautious in seizing new business opportunities.

LISTING STATUS

The Company announced on 26 May 2021 that it has fulfilled all the resumption conditions by demonstrating that it has a business of substance and its business model is viable and sustainable. Accordingly, trading of the shares of the Company on the Stock Exchange has been resumed with effect from 27 May 2021.

CORPORATE GOVERNANCE

The Company had complied with all the applicable code provisions of the Corporate Governance Code (the “**CG Code**”) set out in Appendix 14 to the Listing Rules for the year ended 31 March 2021 except for the following deviation:

Code Provision E.1.2

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

AUDIT COMMITTEE

The audited consolidated financial statements of the Company for the year ended 31 March 2021 have been reviewed by the Audit Committee and duly approved by the Board under the recommendation of the Audit Committee.

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

During the year ended 31 March 2021, neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities.

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

Hong Kong, 30 June 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.