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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)

**DISCLOSEABLE TRANSACTION
ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL AND
SHAREHOLDER LOAN OF A ROMANIAN COMPANY**

The Board is pleased to announce that on 2 December 2021 (Hong Kong time) (after trading hours of the Stock Exchange), the Purchaser and the Vendor entered into the Agreement, pursuant to which the Purchaser conditionally agreed to acquire and the Vendor conditionally agreed to dispose of the Sale Shares, representing the entire issued share capital of the Target Company and the Shareholder Loan at the consideration of €2,286,000 (equivalent to approximately HK\$20,119,000) (subject to downward adjustment).

As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Acquisition is more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting and announcement requirements under the Listing Rules.

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* *For identification purpose only*

THE AGREEMENT

Principal terms of the Agreement are set out as below:

Date

2 December 2021 (Hong Kong time) (after trading hours of the Stock Exchange)

Parties

1. The Purchaser
2. The Vendor

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Vendor and its ultimate beneficial owner(s) are third parties independent of the Company and its connected persons as at the date of this announcement.

Assets to be acquired

The assets to be acquired under the Agreement comprise (i) the Sale Shares, representing the entire issued share capital of the Target Company and (ii) the Shareholder Loan. Upon Completion, the Target Company will become an indirect non-wholly owned subsidiary of the Company.

Consideration

The Consideration of €2,286,000 (equivalent to approximately HK\$20,119,000) (subject to downward adjustment) shall be payable by the Purchaser to the Vendor in cash in the following manner:

- (i) as to a sum of €1,143,000 (equivalent to approximately HK\$10,060,000), being 50% of the Consideration (the “**Deposit**”) was paid upon signing of the Agreement; and
- (ii) as to a sum of €1,143,000 (subject to downward adjustment) shall be paid upon Completion.

For illustration purpose, the Consideration (subject to downward adjustment) shall be apportioned as follows:

- (i) the portion of the Consideration attributable to the Shareholder Loan shall be equal to the face value of the Shareholder Loan on a dollar-for-dollar basis; and
- (ii) the remaining balance of the Consideration shall be attributable to the Sale Shares.

According to the Management Accounts, the Shareholder Loan as at 31 October 2021 amounted to Lei 3,818,782 (equivalent to approximately €771,643 and HK\$6,791,229).

The Consideration is subject to downward adjustment in the following manner:

If the Net Asset Value is less than €2,200,000 (equivalent to approximately Lei 10,888,000), the Consideration shall be adjusted downward by the difference between the Net Asset Value (converted into € at the exchange rate of Lei 1 = €0.2020652 and rounded to the nearest Euro) and €2,200,000. The Consideration is not subject to any upward adjustment.

The Consideration was arrived after arm's length negotiations between the Purchaser and the Vendor and was determined after having taken into account (a) the Adjusted NAV; (b) the lumber processing plant owned by the Target Company is in good operating condition and can provide immediate income flow to the Group after Completion and (c) the designed production capacity of the lumber processing plant owned by the Target Company is up to 8,000 m³ of wood lumber per annum.

Conditions

Completion shall be conditional upon and subject to the following conditions (the "**Conditions**"):

- (a) the Purchaser being satisfied with the results of the financial, legal or other due diligence review of the assets, liabilities, operations and affairs of the Target Company;
- (b) all necessary consents, licenses and/or approvals from the relevant authorities required to be obtained on the part of the Vendor and the Target Company in respect of the Agreement and the transactions contemplated thereunder having been obtained and remain in full force and effect;
- (c) all necessary consents, licences and/or approvals from the relevant authorities required to be obtained on the part of the Purchaser in respect of the Agreement and the transactions contemplated thereunder having been obtained and remain in full force and effect; and
- (d) the warranties given by the Vendor in the Agreement remaining true and accurate and not misleading in all material respects.

The Vendor shall use its best endeavours to procure the fulfillment of the conditions set out in Conditions (a), (b) and (d) above. The Purchaser shall use its best endeavours to procure the fulfillment of the condition set out in Condition (c). Save that the Purchaser may at any time waive in writing the conditions set out in Conditions (a) and (d), all other Conditions are incapable of being waived by either the Purchaser or the Vendor.

If the Conditions have not been satisfied (or as the case may be, waived by the Purchaser) on or before the Long Stop Date, the Agreement shall cease and determine and the Vendor shall refund to the Purchaser the Deposit without any interest within 5 Business Days after termination. Thereafter neither the Purchaser nor the Vendor shall have any obligations and liabilities towards each other under the Agreement save for any antecedent breaches of the terms thereof.

Source of Funding

The Consideration shall be paid in cash and financed by the internal resources of the Group.

Completion

Completion shall take place within fifteen (15) Business Days after the fulfillment (or waiver) of the Conditions or such other date as the Vendor and the Purchaser may agree.

INFORMATION OF THE TARGET COMPANY

The Target Company is a corporation duly incorporated under the laws of Romania. The Target Company owns a lumber processing plant which is situated on a land lot with a total area of approximately 60,000 m² in Covasna, Romania. The lumber processing plant is fully equipped with production equipment and machineries with a designed production capacity of up to 8,000 m³ of wood lumber per annum.

Set out below is a summary of the key financial information extracted from the Certified Accounts of the Target Company for the years ended 31 December 2019 and 2020 in Lei, € and HK\$:

	For the year ended 31 December					
	2020			2019		
	Lei'000	€'000	HK\$'000	Lei'000	€'000	HK\$'000
Loss before tax	1,868	377	3,322	2,251	455	4,003
Loss after tax	1,868	377	3,322	2,251	455	4,003

Based on the valuation on the land, buildings, machineries and equipment of the Target Company (the “PPE”) on an open market basis conducted by an independent professional valuer appointed by the Group, the market value of the PPE as at 31 October 2021 is Lei 11,055,000 (equivalent to approximately €2,234,000 and HK\$19,660,000) (the “PPE Valuation”).

The unaudited net asset value of the Target Company as at 31 October 2021 (after adding back the shareholder's loan owed by the Target Company to the Vendor) as stated in the Management Accounts is Lei 11,063,000 (equivalent to approximately €2,235,000 and HK\$19,674,000). After taking into account the PPE Valuation, the adjusted unaudited net asset value of the Target Company as at 31 October 2021 (after adding back the shareholder's loan owed by the Target Company to the Vendor) (the “**Adjusted NAV**”) would be Lei 11,977,000 (equivalent to approximately €2,420,000 and HK\$21,300,000).

INFORMATION OF THE VENDOR

The Vendor is a company duly incorporated under the laws of Austria. The principal business of the Vendor is investment holding.

The ultimate beneficial owner of the Vendor is Mr. Jan Walter CAPPELEN.

INFORMATION OF THE GROUP AND THE PURCHASER

The Company is an investment holding company. The Group is principally engaged in forest-related business comprising timber supply chain and sustainable forest management, money lending business and leasing of properties.

The Purchaser is a company incorporated in Hong Kong with limited liability and is principally engaged in timber supply chain business.

REASONS FOR AND BENEFITS OF THE ACQUISITION

In line with the Group's timber supply chain business expansion plan, the Group commenced its lumber processing ventures in Romania and Croatia in November 2019 and January 2021 respectively. The Group's business strategy of establishing and operating lumber processing ventures in Oituz, Romania and Ravna Gora, Croatia has proven to be a success. The profit margin of selling processed lumber is relatively higher than that of unprocessed wood logs, and processed lumber are well received by the Group's customers as they can be processed into different specifications to meet the specific needs of different customers. In order to enhance its competitiveness in the timber supply chain business, the Group has been proactive in seeking investment opportunities to acquire and/or establish lumber processing ventures to expand its timber supply chain business in Europe.

The Target Company owns a fully operational lumber processing plant in Covasna, Romania which is well-equipped with facilities ready for lumber processing. The Acquisition provides a good opportunity for the Group to apply the same successful business model adopted for its lumber processing ventures in Oituz, Romania and Ravna Gora, Croatia, and to further leverage on the Group’s extensive business network, as well as the good industry knowledge of its sourcing team and marketing team in Europe. The Acquisition is expected to accelerate the strategic development plan of the Group’s timber supply chain business in Europe.

The lumber processing plant of the Target Company operated at a loss for the financial years ended 31 December 2019 and 2020 as it had a low utilisation rate of only approximately 63% (representing a production output of approximately 5,000 m³ wood lumber) and 50% (representing a production output of approximately 4,000 m³ wood lumber) for the corresponding financial year. The Group expects that the lumber processing plant of the Target Company can turn from loss to profit-making in the future by increasing its utilisation rate through leveraging on the Group’s extensive business network, as well as the good industry knowledge of its sourcing team and marketing team in Europe.

Having considered that the Consideration represents approximately 5.5% discount to the Adjusted NAV, and the lumber processing plant of the Target Company is well-equipped with facilities ready for lumber processing and is fully operational, the Directors considered that the Acquisition is on normal commercial terms, is fair and reasonable and is in the interest of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Acquisition is more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting and announcement requirements under the Listing Rules.

DEFINITIONS

“Acquisition” the acquisition of the Sale Shares from the Vendor by the Purchaser and the assignment of the Shareholder Loan from the Vendor to the Purchaser in accordance with the terms and conditions of the Agreement

“Adjusted NAV” has the meaning ascribed to it in the section headed “INFORMATION OF THE TARGET COMPANY” of this announcement

“Agreement”	the sale and purchase agreement dated 2 December 2021 entered into between the Purchaser and the Vendor in relation to the Acquisition
“Board”	Board of Directors of the Company
“Business Day(s)”	a day (excluding Saturday and Sunday) on which banks are open for general business in Romania
“Certified Accounts”	the unaudited management accounts of the Target Company which had been certified by the directors of the Target Company and submitted to the local tax authority for tax filing purposes
“Company”	Reliance Global Holdings Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
“Completion”	completion of the Acquisition pursuant to the terms and conditions of the Agreement
“Completion Accounts”	the unaudited management accounts of the Target Company for the period ended on the Completion Accounts Date, comprising the unaudited balance sheet of the Target Company as at the Completion Accounts Date and the unaudited profit and loss account of the Target Company for the period commencing from 1 January 2021 to the Completion Accounts Date, to be delivered by the Vendor to the Purchaser in accordance with the terms and conditions of the Agreement
“Completion Accounts Date”	end of the month immediately preceding the Completion
“Completion Date”	the date on which Completion takes place
“Condition(s)”	has the meaning ascribed to it in the section headed “THE AGREEMENT – Conditions” of this announcement
“connected person(s)”	has the meaning ascribed to it under the Listing Rules

“Consideration”	the aggregate amount of consideration for the Sale Shares and the Shareholder Loan, being €2,286,000 (subject to downward adjustment)
“Deposit”	has the meaning ascribed to it in the section headed “THE AGREEMENT – Consideration” of this announcement
“Director(s)”	director(s) of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	12:00 noon on 31 January 2022 (Romania time) or such later date as the Vendor and the Purchaser may agree in writing
“Management Accounts”	the unaudited management accounts of the Target Company for the period ended on 31 October 2021, comprising the unaudited balance sheet of the Target Company as at 31 October 2021 and the unaudited profit and loss account of the Target Company for the period commencing from 1 January 2021 to 31 October 2021
“Net Asset Value”	net asset value of the Target Company in Lei (after adding back the Shareholder Loan) as stated in the Completion Accounts
“Purchaser”	Woodlands Global Limited, a company incorporated in Hong Kong with limited liability and is indirectly owned as to 51% by the Company and as to 49% by Zhu Xi Overseas Fund Limited
“PPE”	has the meaning ascribed to it in the section headed “INFORMATION OF THE TARGET COMPANY” of this announcement
“PPE Valuation”	has the meaning ascribed to it in the section headed “INFORMATION OF THE TARGET COMPANY” of this announcement

“Sale Shares”	470,744 shares of nominal value of Lei 50 each, representing the entire issued share capital of the Target Company
“Shareholder(s)”	holder(s) of the issued share(s) of the Company
“Shareholder Loan”	the entire amount of the principal, interest (if any) and other sums and indebtedness due, owing or payable to the Vendor by the Target Company as at the Completion Date
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	JWC ROMWOOD S.R.L., a corporation duly incorporated under the laws of Romania
“Vendor”	J. W. CAPPELEN GESELLSCHAFT M.B.H., a corporation duly incorporated under the laws of Austria
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“€” or “Euro”	the lawful currency of Eurozone
“Lei”	Romanian Leu, the lawful currency of Romania
“m ³ ”	cubic meters
“%”	per cent.

For illustration purposes, amounts in Lei have been translated into € at the exchange rate of Lei 1 = €0.2020652, amounts in € have been translated into HK\$ at the exchange rate of €1 = HK\$8.801, and amounts in Lei have been translated into HK\$ at the exchange rate of Lei 1 = HK\$1.7783758 in this announcement.

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

Hong Kong, 2 December 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.