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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)

**ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2022**

The Board of Directors (the “**Board**” or the “**Directors**”) of Reliance Global Holdings Limited (the “**Company**”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the six months ended 30 September 2022 together with comparative figures as follows:

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

For the six months ended 30 September 2022

		For the six months ended 30 September	
	<i>Notes</i>	2022	2021
		HK\$’000	HK\$’000
		(Unaudited)	(Unaudited)
Revenue	5	259,505	416,564
Cost of sales		(230,235)	(381,371)
Other income		771	676
Administrative expenses		(24,454)	(15,124)
Other operating expenses	6(c)	(141)	(4,268)
Profit from operations		5,446	16,477

* *For identification purpose only*

		For the six months ended	
		30 September	
	<i>Notes</i>	2022	2021
		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Finance income		30	45
Finance costs		(2,761)	(4,338)
Net finance costs	<i>6(a)</i>	<u>(2,731)</u>	<u>(4,293)</u>
Profit before taxation	<i>6</i>	2,715	12,184
Income tax expense	<i>7</i>	<u>(1,043)</u>	<u>(1,191)</u>
Profit for the period		<u>1,672</u>	<u>10,993</u>
Attributable to:			
Owners of the Company		2,254	8,938
Non-controlling interests		<u>(582)</u>	<u>2,055</u>
		<u>1,672</u>	<u>10,993</u>
Earnings per share	<i>9</i>		
– Basic		<u>HK0.025 cent</u>	<u>HK0.098 cent</u>
– Diluted		<u>HK0.024 cent</u>	<u>HK0.097 cent</u>

	For the six months ended	
	30 September	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Profit for the period	<u>1,672</u>	<u>10,993</u>
Other comprehensive expense for the period:		
<i>Item that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of foreign operations, net	<u>(9,490)</u>	<u>(394)</u>
Total comprehensive (expense)/income for the period	<u><u>(7,818)</u></u>	<u><u>10,599</u></u>
Total comprehensive (expense)/income attributable to:		
Owners of the Company	(2,586)	8,806
Non-controlling interests	<u>(5,232)</u>	<u>1,793</u>
	<u><u>(7,818)</u></u>	<u><u>10,599</u></u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2022

		At 30 September 2022 <i>HK\$'000</i> (Unaudited)	At 31 March 2022 <i>HK\$'000</i> (Audited)
Non-current assets			
Property, plant and equipment		19,821	22,167
Right-of-use assets		519	1,435
Intangible assets		174	174
Loan receivables	11	21,431	34,059
		41,945	57,835
Current assets			
Inventories		42,306	59,324
Trade and other receivables	10	147,673	59,514
Loan receivables	11	175,090	148,504
Repossessed assets		8,989	10,054
Tax recoverable		3,216	2,250
Cash and cash equivalents		53,143	70,713
		430,417	350,359
Current liabilities			
Trade and other payables	12	29,250	34,124
Bank and other borrowings	13	102,943	26,808
Notes payable	14	50,000	50,000
Lease liabilities		496	1,303
Amounts received from a shareholder	15	47,000	47,000
		229,689	159,235
Net current assets		200,728	191,124
Total assets less current liabilities		242,673	248,959

		At 30 September 2022 <i>HK\$'000</i> (Unaudited)	At 31 March 2022 <i>HK\$'000</i> (Audited)
Non-current liability			
Deferred tax liabilities		473	651
Net assets		<u>242,200</u>	<u>248,308</u>
Capital and reserves			
Share capital	16	122,053	122,886
Reserves		<u>121,820</u>	<u>121,863</u>
Total equity attributable to owners of the Company		243,873	244,749
Non-controlling interests		<u>(1,673)</u>	<u>3,559</u>
Total equity		<u>242,200</u>	<u>248,308</u>

Notes:

1. Corporate information

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

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

2. Basis of preparation

The condensed consolidated interim financial statements for the six months ended 30 September 2022 have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”), applicable International Financial Reporting Standards (“**IFRSs**”) and International Accounting Standard (“**IAS**”) 34 “Interim Financial Reporting” issued by the International Accounting Standards Board (“**IASB**”).

The condensed consolidated interim financial statements have not been audited, but have been reviewed by Crowe (HK) CPA Limited, in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”, issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”).

The condensed consolidated interim financial statements should be read in conjunction with the Group’s annual financial statements for the year ended 31 March 2022.

The condensed consolidated interim financial statements are denominated in Hong Kong dollars (“**HK\$**”). Unless otherwise specifically stated, all amounts are presented in thousand (HK\$’000).

3. Summary of significant accounting policies

The condensed consolidated interim financial statements have been prepared under the historical cost convention.

The accounting policies and basis of preparation adopted in the preparation of the condensed consolidated interim financial statements are consistent with those used in the Group's annual financial statements for the year ended 31 March 2022, except as described below.

In the current interim period, the Group has applied the following amendments to IFRSs issued by the IASB, for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2022 for the preparation of the Group's condensed consolidated interim financial statements:

Amendments to IFRS 3	Reference to the Conceptual Framework
Amendments to IAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to IFRSs	Annual Improvements to IFRSs 2018–2020

The application of the amendments to IFRSs in the current interim period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in the condensed consolidated interim financial statements.

4. Segment information

The Group manages its businesses by divisions, which are organised by a mixture of both business lines (products and services) and geographical location. In a manner consistent with the way in which information is reported internally to the Board of Directors for the purposes of resource allocation and performance assessment, the Group has presented the following reportable segments. No operating segments have been aggregated to form the following reportable segments.

Specifically, the Group's reportable and operating segments under IFRS 8 are as follows:

- Money lending: money lending business conducted pursuant to the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong).
- Forest-related business:
 - (i) Sustainable forest management: sustainable forest management of and investment in natural forests, licensing of harvesting rights, timber and wood processing, trading and sales of forestry and timber products.
 - (ii) Timber supply chain: sales of timber and wood products including processed timber products.
- Leasing of properties: leasing of properties 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 six months ended 30 September 2022 (Unaudited)

	Forest-related business			Leasing of properties <i>HK\$'000</i>	Total <i>HK\$'000</i>
	Money lending <i>HK\$'000</i>	Sustainable forest management <i>HK\$'000</i>	Timber supply chain <i>HK\$'000</i>		
Segment revenue					
Revenue from external customers	<u>10,275</u>	<u>–</u>	<u>249,230</u>	<u>–</u>	<u>259,505</u>
Results					
Segment results	<u>7,818</u>	<u>–</u>	<u>2,798</u>	<u>–</u>	<u>10,616</u>
Unallocated corporate income					76
Unallocated corporate expenses					(5,216)
Finance costs					<u>(2,761)</u>
Profit before taxation					<u>2,715</u>
Other segment information					
Capital expenditure	–	–	(1,914)	–	(1,914)
Depreciation of property, plant and equipment	–	–	(1,586)	–	(1,586)
Interest income	<u>1</u>	<u>–</u>	<u>29</u>	<u>–</u>	<u>30</u>

At 30 September 2022 (Unaudited)

	<u>Forest-related business</u>				Total <i>HK\$'000</i>
	Money lending <i>HK\$'000</i>	Sustainable forest management <i>HK\$'000</i>	Timber supply chain <i>HK\$'000</i>	Leasing of properties <i>HK\$'000</i>	
Segment assets	237,410	–	229,735	–	467,145
Unallocated:					
– Right-of-use assets					519
– Corporate assets					4,698
					<u>472,362</u>
Segment liabilities	47,812	–	129,541	–	177,353
Unallocated:					
– Lease liabilities					496
– Deferred tax liabilities					473
– Amounts received from a shareholder					47,000
– Corporate liabilities					4,840
					<u>230,162</u>

For the six months ended 30 September 2021 (Unaudited)

	Forest-related business				Total <i>HK\$'000</i>
	Money lending <i>HK\$'000</i>	Sustainable forest management <i>HK\$'000</i>	Timber supply chain <i>HK\$'000</i>	Leasing of properties <i>HK\$'000</i>	
Segment revenue					
Revenue from external customers	16,449	412	399,703	–	416,564
Results					
Segment results	10,381	(140)	11,487	–	21,728
Unallocated corporate income					7
Unallocated corporate expenses					(5,213)
Finance costs					(4,338)
Profit before taxation					12,184
Other segment information					
Capital expenditure	–	–	(669)	–	(669)
Depreciation of property, plant and equipment	–	(16)	(75)	–	(91)
Interest income	2	12	23	–	37

At 31 March 2022 (Audited)

	Forest-related business				Total <i>HK\$'000</i>
	Money lending <i>HK\$'000</i>	Sustainable forest management <i>HK\$'000</i>	Timber supply chain <i>HK\$'000</i>	Leasing of properties <i>HK\$'000</i>	
Segment assets	<u>226,409</u>	<u>–</u>	<u>172,579</u>	<u>–</u>	398,988
Unallocated:					
– Right-of-use assets					1,435
– Corporate assets					<u>7,771</u>
					<u>408,194</u>
Segment liabilities	<u>49,457</u>	<u>–</u>	<u>56,633</u>	<u>–</u>	106,090
Unallocated:					
– Lease liabilities					1,303
– Deferred tax liabilities					651
– Amounts received from a shareholder					47,000
– Corporate liabilities					<u>4,842</u>
					<u>159,886</u>

5. Revenue

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

	For the six months ended 30 September	
	2022 <i>HK\$'000</i> (Unaudited)	2021 <i>HK\$'000</i> (Unaudited)
Sales from timber supply chain business	249,230	399,703
Interest income from money lending business	9,739	16,384
Arrangement fee income from money lending business	536	65
Income from licensing of harvesting rights	<u>–</u>	<u>412</u>
	<u>259,505</u>	<u>416,564</u>

Note:

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

6. Profit before taxation

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

	For the six months ended	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
(a) Net finance costs		
Finance income:		
Interest income from bank deposits	(30)	(45)
Finance costs:		
Interest on lease liabilities	25	28
Interest on advances drawn on bill receivables discounted with full recourse	950	1,926
Interest on notes payable	1,786	1,786
Interest on other borrowings	–	598
	<u>2,761</u>	<u>4,338</u>
	<u>2,731</u>	<u>4,293</u>
(b) Staff costs (including directors' emoluments)		
Salaries, wages and other benefits	8,587	6,994
Contributions to retirement benefits scheme	351	270
	<u>8,938</u>	<u>7,264</u>
(c) Other items		
Cost of inventories	188,561	337,858
Depreciation of property, plant and equipment	1,641	141
Depreciation of right-of-use assets	916	881
Net exchange loss/(gain)	9,337	(573)
(Gain)/loss on disposal of property, plant and equipment*	(21)	70
Impairment losses under expected credit losses (“ECL”) model		
– Trade receivables (note 10)*	–	601
– Loan receivables (note 11)*	1,081	3,730
Impairment loss on repossessed assets	1,065	–
Reversal of impairment loss on loan receivables under ECL model (note 11)*	(1,984)	(133)
	<u>141</u>	<u>4,268</u>
Lease payments not included in the measurement of lease liabilities	<u>482</u>	<u>293</u>

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

7. Income tax expense

	For the six months ended	
	30 September	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Hong Kong Profits Tax		
– current tax	1,099	2,776
– overprovision in prior year	–	(799)
	<u>1,099</u>	<u>1,977</u>
Romania corporate income tax		
– current tax	49	–
– overprovision in prior year	–	(65)
	<u>49</u>	<u>(65)</u>
Slovenia corporate income tax		
– overprovision in prior year	–	(721)
Croatia corporate income tax		
– current tax	3	–
Deferred tax	<u>(108)</u>	–
	<u>1,043</u>	<u>1,191</u>

For the six months ended 30 September 2022, the provision for Hong Kong Profits Tax is calculated at a flat rate of 16.5% (30 September 2021: 16.5%) on the estimated assessable profits for the period, except for a subsidiary of the Group which is a qualifying corporation under the two-tiered profits tax rates regime. For this subsidiary, the first HK\$2,000,000 of assessable profits are taxed at 8.25%, and the remaining assessable profits are taxed at 16.5%. Such basis had been applied for the calculation of the provision for Hong Kong Profits Tax for this subsidiary for the six months ended 30 September 2021.

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

8. Dividend

The Directors do not recommend the payment or declaration of any dividend for the six months ended 30 September 2022 (30 September 2021: nil).

9. Earnings per share

- (a) The calculation of basic and diluted earnings per share is based on the profit attributable to owners of the Company and the reconciliation of the weighted average number of shares as shown in note 9(b) below:

	For the six months ended 30 September	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Profit		
Profit for the purpose of calculating basic and diluted earnings per share	<u>2,254</u>	<u>8,938</u>

- (b) Weighted average number of shares

	For the six months ended 30 September	
	2022 '000 (Unaudited)	2021 '000 (Unaudited)
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	<u>9,114,362</u>	9,105,854
Effect of dilutive potential ordinary shares arising from conversion of convertible preferred shares	<u>96,557</u>	<u>105,982</u>
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	<u>9,210,919</u>	<u>9,211,836</u>

10. Trade and other receivables

	At 30 September 2022 <i>HK\$'000</i> (Unaudited)	At 31 March 2022 <i>HK\$'000</i> (Audited)
Trade receivables	12,759	1,624
Less: impairment allowance	—	—
	<u>12,759</u>	<u>1,624</u>
	(i)	
Interest receivables	14,453	11,963
Less: impairment allowance	(226)	(226)
	<u>14,227</u>	<u>11,737</u>
Bill receivables	112,176	29,015
Other receivables	3,657	3,263
	<u>142,819</u>	<u>45,639</u>
Financial assets at amortised costs	4,062	11,565
Trade and logging deposits	792	2,310
Other deposits and prepayments	<u>147,673</u>	<u>59,514</u>

Notes:

(i) Trade receivables

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

	At 30 September 2022 <i>HK\$'000</i> (Unaudited)	At 31 March 2022 <i>HK\$'000</i> (Audited)
0 to 30 days	3,866	904
31 to 90 days	8,861	250
91 to 180 days	32	470
	<u>12,759</u>	<u>1,624</u>

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

At 30 September 2022, all trade receivables were neither past due nor impaired (31 March 2022: nil). The Group does not hold any collateral over the balances (31 March 2022: nil).

(ii) Bill receivables

At 30 September 2022, included in bill receivables of HK\$112,176,000 (31 March 2022: HK\$29,015,000), bill receivables of HK\$102,943,000 (31 March 2022: HK\$26,808,000) were discounted to banks with full recourse with a maturity period of less than 180 days (31 March 2022: less than 180 days). The Group recognised the full amount of the discounted proceeds as liabilities as set out in note 13(i).

The followings were the Group's financial assets at 30 September 2022 and 31 March 2022 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, the Group 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.

	At 30 September 2022 <i>HK\$'000</i> (Unaudited)	At 31 March 2022 <i>HK\$'000</i> (Audited)
Carrying amount of the transferred assets	102,943	26,808
Carrying amount of the associated liabilities	(102,943)	(26,808)
	<u> </u> <u> </u> -	<u> </u> <u> </u> -

11. Loan receivables

	At 30 September 2022 <i>HK\$'000</i> (Unaudited)	At 31 March 2022 <i>HK\$'000</i> (Audited)
Fixed-rate loan receivables	207,401	194,346
Less: impairment allowance	(10,880)	(11,783)
	196,521	182,563
Analysed as:		
Current portion	175,090	148,504
Non-current portion	21,431	34,059
	196,521	182,563
Analysed as:		
Secured	183,767	177,077
Unsecured	12,754	5,486
	196,521	182,563

All loans were denominated in Hong Kong dollars. At 30 September 2022, the loan receivables carried interest rates ranging from 8.5% to 18% per annum (31 March 2022: 8.5% 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 and aging analysis of the account, 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 30 September 2022, loan receivables with an aggregate carrying amount of HK\$183,767,000 (31 March 2022: HK\$177,077,000) were secured by the collaterals provided by the borrowers. At the end of the reporting period, loan receivables with aggregate carrying amount of HK\$157,674,000 (31 March 2022: HK\$157,562,000) 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\$10,880,000 had been provided at 30 September 2022 (31 March 2022: HK\$11,783,000).

12. Trade and other payables

	At 30 September 2022 <i>HK\$'000</i> (Unaudited)	At 31 March 2022 <i>HK\$'000</i> (Audited)
Trade payables (<i>note</i>)	20,874	20,359
Other payables and accruals	4,657	5,692
Receipt in advance	3,601	7,035
Amounts due to non-controlling interests	118	1,038
	29,250	34,124

Note:

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

	At 30 September 2022 <i>HK\$'000</i> (Unaudited)	At 31 March 2022 <i>HK\$'000</i> (Audited)
0 to 30 days	16,701	19,986
31 to 90 days	2,550	121
91 to 180 days	1,623	252
	20,874	20,359

The average credit period is within 90 days at 30 September 2022 (31 March 2022: within 30 days).

13. Bank and other borrowings

		At 30 September 2022 HK\$'000 (Unaudited)	At 31 March 2022 HK\$'000 (Audited)
Advances drawn on bill receivables discounted			
with full recourse	(i)	102,943	26,808
Other borrowings	(ii)	—	—
		<u>102,943</u>	<u>26,808</u>

Notes:

(i) Advances drawn on bill receivables discounted with full recourse

The amount represented the Group's borrowings secured by the bill receivables discounted to banks with full recourse (note 10(ii)), the amount was repayable within one year and carried interest at the banks' lending rate plus certain basis points.

(ii) Other borrowings

In May 2021, the Group entered into a revolving loan facility (the "**Revolving Loan Facility**") of up to HK\$70,000,000 with a finance company which carrying interest at the finance company's best lending rate or cost of fund plus certain basis points. During the year ended 31 March 2022, the Group had made a drawdown of approximately HK\$59,739,000, which was secured by (i) the pledge of properties mortgaged to a subsidiary of the Company for the loans granted to its customers and (ii) a corporate guarantee in favour of the finance company granted by the Company. At 31 March 2022, all outstanding balances of the other borrowings had been settled.

14. 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 and carrying interest at 7.125% per annum.

On 15 January 2020, the Company completed the issue of the first tranche of the notes which would 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 Company engaging in the 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 pandemic, the placing exercise has been deferred as agreed between the Company and the placing agent. Accordingly, on 22 June 2022, the Company and the placing agent entered into an extension letter to further extend the closing date (that is, the last day of the placing period) under the Placing Agreement from 30 June 2022 to 30 June 2023. Save for the extension of the closing date, all the terms and conditions of the Placing Agreement remain the same.

15. Amounts received from a shareholder

The amounts received from a shareholder, Champion Alliance Enterprises Limited (“**Champion Alliance**”), which were accounted for as a loan from a shareholder, are unsecured, interest-free and repayable at the end of the twelve-month period from the date of the loan facility agreement. Under the agreement, the loan facility is extendable for another twelve-month period and subsequent twelve month period(s), or on such other date at the request of the Company and agreed by the shareholder in writing. The funds received from Champion Alliance have been applied as working capital of the Group to support its business development. Champion Alliance has undertaken not to demand for repayment of the amounts due to it (which are unsecured and interest-free) until the Group is financially viable to do so.

16. Share capital

	Number of ordinary shares of HK\$0.01 per share '000	HK\$'000	Number of convertible preferred shares of HK\$0.01 per share '000	HK\$'000	Total HK\$'000
Authorised:					
At 1 April 2021, 31 March 2022, 1 April 2022 and 30 September 2022	30,000,000	300,000	27,534,000	275,340	575,340
Issued and fully paid:					
At 1 April 2021	9,105,710	91,057	3,401,055	34,011	125,068
Conversion of convertible preferred shares (<i>note (i)</i>)	7,035	70	(225,146)	(2,252)	(2,182)
At 31 March 2022 and 1 April 2022	9,112,745	91,127	3,175,909	31,759	122,886
Conversion of convertible preferred shares (<i>note (ii)</i>)	2,690	27	(86,076)	(860)	(833)
At 30 September 2022	9,115,435	91,154	3,089,833	30,899	122,053

Notes:

- (i) During the year ended 31 March 2022, an aggregate of 7,035,815 ordinary shares of HK\$0.01 each of the Company were issued upon conversion of 225,146,092 convertible preferred shares of HK\$0.01 each, pursuant to which approximately HK\$70,000 was credited to share capital and the balance of approximately HK\$2,182,000 was credited to share premium account.
- (ii) During the six months ended 30 September 2022, an aggregate of 2,689,863 ordinary shares of HK\$0.01 each of the Company were issued upon conversion of 86,075,633 convertible preferred shares of HK\$0.01 each, pursuant to which approximately HK\$27,000 was credited to share capital and the balance of approximately HK\$833,000 was credited to share premium account.

INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend for the six months ended 30 September 2022 (30 September 2021: nil).

BUSINESS REVIEW

For the six months ended 30 September 2022 (“**HY2022**”), the Group continued to operate in four business segments, namely, forest-related business comprising timber supply chain and sustainable forest management, money lending business and leasing of properties.

For HY2022, the Group’s revenue decreased by 38% to HK\$259,505,000 (30 September 2021: HK\$416,564,000) whilst the Group’s net profit decreased by 85% to HK\$1,672,000 (30 September 2021: HK\$10,993,000). The decrease in the Group’s profit was mainly due to (i) the decrease in profits generated by the Group’s timber supply chain operation (the “**TSC Operation**”) and money lending operation primarily owing to the decline in their revenues; and (ii) the exchange loss incurred by the Group owing to the depreciation of Euro. In spite of the above, backed by the great efforts of the management, the timber supply chain and money lending operations continued to register profitable results, which respectively contributed HK\$2,798,000 (30 September 2021: HK\$11,487,000) and HK\$7,818,000 (30 September 2021: HK\$10,381,000) to the Group’s profitable results for the period.

Forest-related Business

Timber Supply Chain

The Group’s timber supply chain operation continued with its strategic plan in building a global network of supply sources in Europe, Oceania and Africa to serve its customers predominantly in China as well as in other countries. Supported by the great efforts of the management teams stationed in Europe, the Group’s TSC Operation in Europe registered encouraging business development and has so far successfully established three distribution hubs in Slovenia, Romania and Croatia, as well as two wood lumber processing ventures in Romania and one in Croatia including the newly acquired lumber processing plant in Romania as announced by the Company on 2 December 2021.

For HY2022, the Group's TSC Operation generated a revenue of HK\$249,230,000 (30 September 2021: HK\$399,703,000) and a profit of HK\$2,798,000 (30 September 2021: HK\$11,487,000) which showed a decline of 38% and 76% from their respective comparable in the prior period. The decreases in revenue and profit of the TSC Operation were (i) partly due to the drop in demand for timber owing to the significant slowdown of the real estate industry in China; and (ii) partly due to the depreciation of Euro primarily as a result of the consecutive interest rate hikes in the United States, the weak economic conditions in Europe and the Russia-Ukraine war, given that most of the business transactions of the TSC Operation in Europe were denominated in Euro. For HY2022, the transaction volume of timber and wood products traded by the operation was over 105,000 m³ (30 September 2021: 186,000 m³), decreased by 44% from the prior period, and a majority of the transactions were conducted on CFR (Cost & Freight) basis with logistics support provided by the Group. The Group's TSC Operation is led by experienced management teams with extensive business network in the industry which stationed in Hong Kong and Europe, with their great efforts, a solid supplier and customer base has been built over the years which continues to contribute a strong recurrent business flow to the Group.

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

CBM

Geographically, the CBM essentially represents the 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 Papua New Guinea and sells or distributes to customers predominately in China and other countries, and being fully responsible for all the logistics of sea transport which usually involves the chartering of dry bulk vessels.

For HY2022, the CBM running under the TSC Operation generated a revenue of HK\$112,374,000 (30 September 2021: HK\$290,965,000) and a profit of HK\$1,253,000 (30 September 2021: HK\$7,414,000), representing over 48,000 m³ (30 September 2021: 132,000 m³) of hardwood logs traded. The respective 61%, 83% and 64% declines in the revenue, profit and volume of the logs traded under the CBM was to a large extent due to the significant slowdown of the real estate industry in China.

EBM

The EBM principally represents the business activities of the TSC Operation in Europe (the “**European Operation**”). The EBM is essentially a vertically-integrated timber supply chain operation which has coverage on every value-added works and services of a typical timber supply chain, including plantation & harvesting right, sourcing & procurement, timber harvesting & logging, quality inspection & land/sea transport, wood processing, inventory management, custom clearance, selling & marketing and after-sales services. The TSC Operation is currently running the EBM via its three distribution hubs in Slovenia, Romania and Croatia and its three wood processing ventures in Romania and Croatia, including the newly acquired lumber processing plant referred to in the Company’s announcement dated 2 December 2021.

For HY2022, the EBM running under the TSC Operation generated a revenue of HK\$136,856,000 (30 September 2021: HK\$108,738,000) and a profit of HK\$1,545,000 (30 September 2021: HK\$4,073,000), representing over 57,000 m³ (30 September 2021: 54,000 m³) of logs and wood products traded. The EBM recorded a 26% increase in revenue alongside a 6% increase in trade volume during the review period, which was primarily a combined result of the commencement of sale of wood products to customers in Egypt during HY2022 via supplying the products of the Group’s lumber processing venture in Croatia, and more processed wood products with higher sale value and profit margin were sold after the Group’s acquisition of the lumber processing plant in Romania in December 2021. The 62% decline in profit of the EBM was primarily due to net exchange loss of HK\$9,337,000 (30 September 2021: net exchange gain of HK\$573,000) incurred by the Group resulting from the continual depreciation of Euro of approximately 12% during HY2022, which in turn mainly caused by the consecutive interest rate hikes in the United States, the weak economic conditions in Europe and the Russia-Ukraine war.

Distribution hubs in Slovenia, Romania and Croatia

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

Wood processing 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 from January 2020. The operation has engaged local logging teams to conduct the logging activities and a wood processing plant for producing lumber. The wood harvested by the logging teams, together with the wood purchased from other forest owners (depending on the ordered quantity of sales orders on hand, the operation may purchase wood from other forest owners in order to fulfill the sales orders in case that the wood harvested by the logging teams is not sufficient to fulfill the orders), are used as inputs to the processing plant engaged to produce wood lumber. At times when customers' sales orders exceed the production capacity of the processing plant engaged by the Group, the operation may purchase lumber from other local suppliers in order to fulfill the customers' orders. The lumber produced or purchased are then stored and kept as inventories until sold and delivered to customers under logistic arrangements providing by the operation.

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

Wood processing venture in Croatia

The TSC Operation has established another lumber processing venture in Croatia in January 2021. The operation entered into a service agreement with a wood processing plant in Croatia for a term of three years to produce beech and ash lumber in order to take advantage of the abundant local supply of beech and ash timber. During HY2022, the operation expanded its market coverage via selling wood lumber to new customers in Egypt.

As the European Operation captures the additional monetary benefits through providing many value-added works and services in a typical timber supply chain, the gross profit margin of the EBM is higher than that of the CBM. The establishment of the distribution hubs in Slovenia, Romania and Croatia as well as 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 30 September 2022, the TSC Operation kept inventories amounted to HK\$42,306,000 (31 March 2022: HK\$59,324,000) in order to serve its customers in an efficient and effective manner. The diversity of the Group's timber supply chain business in terms of customer base, supply source and product type substantially enhances the Group's strength and resilience to weather market challenges, and forms a solid base for its further development and growth.

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

Sustainable Forest Management

Since the Group suspended its harvesting operations in the State of Acre, Brazil owing to the unfavourable business environment in 2012, the Group had continued to explore the optimal way to enhance the income stream from its forest assets. However, in view of the unfavourable financial performance in operating the Group's forest assets in Brazil via licensing their harvesting rights, during the financial year ended 31 March 2022, the management had decided to dispose of the forest assets at a consideration of HK\$2,300,000 and a gain on disposal of HK\$924,000 was recognised. At 30 September 2022, the Group was not holding any forest assets.

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

Money Lending Business

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

For HY2022, the Group's money lending business generated a revenue of HK\$10,275,000 (30 September 2021: HK\$16,449,000) and an operating profit of HK\$7,818,000 (30 September 2021: HK\$10,381,000) which decreased by 38% and 25% respectively over their comparable in the prior period. The decrease in profit of the business was mainly due to the decline in its revenue, which in turn was mainly a result of the reduced size of the Group's loan portfolio when compared to the prior period, owing to the cautious approach of the management in granting new loans in view of the prevailing economic conditions in Hong Kong. During HY2022, impairment loss on loan receivables decreased by 71% to HK\$1,081,000 (30 September 2021: HK\$3,730,000) and reversal of impairment loss on loan receivables increased by 14 times to HK\$1,984,000 (30 September 2021: HK\$133,000), which were determined after performing assessment on the current creditworthiness of the borrowers on an individual basis by considering factors including their repayment history and value of collateral provided, if any, and the credit status of the Group's loan portfolio on a collective basis in view of the current economic and market conditions, in particular, the negative impact on the Hong Kong economy owing to the continuation of the COVID pandemic. In addition, impairment loss on repossessed assets of HK\$1,065,000 (30 September 2021: nil) was provided based on the latest valuation of the repossessed assets, being properties in Hong Kong, at 30 September 2022.

During HY2022, the Group granted new loans in an aggregate principal amount of HK\$28,700,000 at interest rates ranging from 8.5% to 12% per annum and tenor from 3 months to 18 months. At 30 September 2022, the Group's loan portfolio was constituted by 26 loans (31 March 2022: 23 loans), there were 24 loans (31 March 2022: 21 loans) with carrying amount totalling HK\$196,521,000 (31 March 2022: HK\$182,563,000) (net of impairment allowance on loan receivables of HK\$10,880,000 (31 March 2022: HK\$11,783,000)), and two loans (31 March 2022: two loans) being classified as repossessed assets with carrying amount totalling HK\$8,989,000 (31 March 2022: HK\$10,054,000) (net of impairment allowance on repossessed assets of HK\$1,065,000 (31 March 2022: nil)) after the Group took possession of the collateral assets. Details of the Group's loan portfolio are as follows:

Type of loan	Approximate weighting to the carrying amount of the Group's loan portfolio	Interest rate per annum	Original maturity	Remarks
First mortgage loans	82%	8.5%-14.5%	Within three years	Loans were secured by properties located in Hong Kong
Second mortgage loans	3%	12%-18%	Within two years	Loans were secured by properties located in Hong Kong
Corporate loans	15%	8.5%-12.5%	Within one year	Loans were granted to listed companies in Hong Kong or were secured by collaterals
Total	100%			

At 30 September 2022, the size of individual loan comprising the Group's loan portfolio ranged from approximately HK\$493,000 to HK\$19,804,000 (31 March 2022: from HK\$638,000 to HK\$19,804,000). The Group's loan portfolio was well spread with an average loan size of around HK\$8.2 million (31 March 2022: HK\$8.7 million), credit healthy as 94% (31 March 2022: 97%) of the portfolio was secured by collaterals, and earning a good return with weighted average interest rate amounting to approximately 11% (31 March 2022: 11%). Collaterals of the mortgage loans are mainly residential and commercial properties situated in Hong Kong with a total valuation attributable to the Group of around HK\$259 million (31 March 2022: HK\$269 million) as at the period end. Loans were granted to Hong Kong residents, companies incorporated in Hong Kong and companies listed on the Stock Exchange. At 30 September 2022, the loan made to the largest borrower amounted to HK\$19,804,000 (31 March 2022: HK\$19,804,000) and the loans made to the five largest borrowers totalling HK\$76,680,000 (31 March 2022: HK\$76,680,000), which accounted for 10% and 39% (31 March 2022: 11% and 42%) of the Group's loan portfolio (on a net of impairment allowance basis) respectively.

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

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

The credit risk assessment process on the loan applicants typically involves (i) obtaining identity proof of the borrowers, and land search and preliminary valuation on the properties to be mortgaged; (ii) ascertaining the financial condition of the loan applicants by reviewing the income/asset proof of the individual borrowers and financial reports of the corporate borrowers, and to determine whether their regular income is sufficient to cover their loan repayment obligations; and (iii) conducting litigation and bankruptcy searches and credit search on the loan applicants. The information collected will then be input into the Group's credit risk rating system and the result of the credit assessment process on the loan applicant, together with the valuation of the property(ies) to be mortgaged performed by the independent valuer engaged by the Group (where appropriate), will be reviewed by the responsible director. The Group has also formulated credit policy and operation procedures which set out the acceptable types of identity proof, income/asset proof, financial report and collateral, and the criteria in determining loan tenor, loan size and charging interest rate. All loan applications are subject to the final approval of the respective board of directors of the Group's money lending subsidiaries and the Company's board of directors if a loan application constitutes a notifiable transaction under the Listing Rules.

In addition, the Group will also observe the requirements to comply with the anti-money laundering or counter terrorist financing regulations in conducting its money lending business.

To lower the Group's exposure to the credit risk of property-backed loans, the percentage of loan-to-value for new drawdown will normally be within 80%. Onsite inspection of the property to be mortgaged may also be arranged where appropriate.

The loan officer and supervising officer are required to report any material loan defaults immediately upon occurrence to the management; and to report to the management on the remedial actions undertaken on a regular basis.

In respect of delinquent loans, the Group will issue standard demand letters. If satisfactory response is not received, the Group will instruct solicitors to issue formal legal demand letters. Thereafter, formal legal proceedings, including actions for taking possession of the collaterals, may be commenced against the borrowers where appropriate.

The Group has a system in place to closely monitor the recoverability of its loan portfolio, its credit monitoring measures include regular collateral reviews against market information and regular communication with the borrowers of their financial positions, through which the Group will be able to keep updated with the latest credit profile and risk associated with each individual borrower and could take appropriate actions for recovery of a loan at the earliest time. If circumstances require, the Group will commence legal actions against the borrowers for recovery of the overdue loans and taking possession of the collaterals pledged.

The Group performs impairment assessment on loan receivables under the ECL model. The measurement of ECL is a function of the probability of default, the loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default (i.e. the magnitude of the loss after accounting for value of the collateral if there is a default). The assessment of probability of default and loss given default is based on historical data and forward-looking information, whilst the valuation of the properties and assets pledged to the Group as collaterals are performed by independent professional valuer engaged by the Group at each reporting date for the purpose of determining ECL. In accordance with the Group's loan impairment policy, the amount of ECL is updated at each reporting date to reflect the changes in credit risk on loan receivables since initial recognition. For HY2022, the net impairment allowance recognised primarily represented the credit risk involved in collectability of certain default and non-default loans determined under the Group's loan impairment policy, with reference to factors including the credit history and financial conditions of the borrowers, the aging of the overdue balances, the realisation value of the collaterals pledged to the Group, and forward-looking information including the future macro-economic conditions affecting the borrowers (the negative impact of the COVID pandemic on the state of economy in Hong Kong had also been considered).

In assessing ECL, the loan receivables have been assessed with reference to the latest analysis on credit rating of the loans on individual and collective basis. The Group's loan portfolio mainly comprised mortgage loans, and the loan to value ratio for each of the mortgaged properties have been under regular review. At 30 September 2022, the fair value of the mortgaged properties were considered to be sufficient to cover the corresponding outstanding loan receivables (after impairment allowance, if any) on an individual basis. For corporate loans, the credit rating of the loans were analysed with reference to the borrowers' creditworthiness and credit history, including their financial positions, previous records of default in payment, value of collaterals pledged and prevailing market conditions. For HY2022, a net reversal of impairment loss on loan receivables of HK\$903,000 (30 September 2021: net impairment loss of HK\$3,597,000) was recognised with the balance of the impairment allowance decreased by 8% or HK\$903,000 to HK\$10,880,000 (31 March 2022: HK\$11,783,000) at 30 September 2022. The net reversal of impairment loss comprised a sum of HK\$1,081,000 being impairment loss on loan receivables for the period and a reversal of impairment loss of HK\$1,984,000, which were determined in accordance with the Group's impairment policy.

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

Leasing of Properties

The Group was not holding any investment property during HY2022. The Group has been seeking acquisition opportunities of investment properties with good yield and/or high appreciation potential. However, as the conditions of the property market in Hong Kong have been unstable during the past years, the management has acted prudently in evaluating potential acquisition opportunities. The Group's present business strategy is to allocate its financial resources to the money lending and timber supply chain businesses which generate higher and better yields.

OVERALL RESULTS

The Group continued to report profitable results for HY2022 by posting a profit attributable to owners of the Company of HK\$2,254,000 (30 September 2021: HK\$8,938,000), basic earnings per share of HK0.025 cent (30 September 2021: HK0.098 cent), and a total comprehensive expense attributable to owners of the Company of HK\$2,586,000 (30 September 2021: total comprehensive income of HK\$8,806,000). The Group's administrative expenses increased by 62% to HK\$24,454,000 (30 September 2021: HK\$15,124,000) was mainly a result of the increase in staff costs of HK\$1,674,000 and the net exchange loss incurred of HK\$9,337,000, largely due to the depreciation of Euro during the period.

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**") for the purpose of meeting 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 30 September 2022, the outstanding amount under the Loan Facility was HK\$47,000,000 (31 March 2022: HK\$47,000,000).

For the purpose of financing the operation of the timber supply chain business, the Group has also obtained from well-established banks in Hong Kong bills discounting facilities of US\$200,000,000 and HK\$100,000,000 (the "**Bills Discounting Facilities**"). The Bills Discounting Facilities obtained have substantially strengthened the Group's financial flexibility in conducting its timber supply chain business. At 30 September 2022, the advances drawn under the Bills Discounting Facilities amounted to HK\$102,943,000 (31 March 2022: HK\$26,808,000).

In January 2020, the Company entered into a placing agreement with a placing agent, on a best effort basis, to procure placees to subscribe for notes with an aggregate principal amount of up to HK\$300,000,000, carrying interest at 7.125% per annum, and maturing on the third anniversary of the issue date for each tranche of the notes (the “**Three-Year Notes**”) issued. A debenture incorporating a first floating charge over all the undertakings, property and assets of Reliance Credit, one of the Group’s money lending subsidiaries, has been issued in favour of a security trustee as trustee for the noteholders. The first tranche of the Three-Year Notes which amounted to HK\$50,000,000 has been issued in January 2020. Owing to the continuation of the COVID pandemic, the placing exercise has been deferred. Accordingly, on 22 June 2022, the Company and the placing agent entered into an extension letter to further extend the closing date (i.e. the last day of the placing period) under the placing agreement to 30 June 2023.

In addition, in March 2021, the Group successfully solicited a Revolving Loan Facility of up to HK\$70,000,000 from a reputable finance company to replenish its working capital for the continuous expansion of its money lending business. The loan facility was entered into in May 2021 with Reliance Capital, the other money lending subsidiary of the Group, as the borrower and the Company as the guarantor. The loan(s) drawdown under the facility would be secured by sub-mortgage the property collaterals obtained by Reliance Capital from granting first mortgage loans. Reliance Capital made its first drawdown of approximately HK\$59,739,000 in June 2021 by sub-mortgage the property collaterals obtained under two first mortgage loans. At 31 March 2022, all outstanding loans drawn under the Revolving Loan Facility had been settled as the related first mortgage loans had been fully repaid by the borrowers. The Revolving Loan Facility expired in May 2022 and the Group is in discussion with the lender of terms for renewal of the facility.

The decrease in the Group’s finance costs to HK\$2,761,000 for the period (30 September 2021: HK\$4,338,000) was partly the result that interest on advances drawn on bill receivables discounted with full recourse decreased by 51% to HK\$950,000 (30 September 2021: HK\$1,926,000); and partly the result that no interests were incurred under the Revolving Loan Facility during HY2022 (30 September 2021: HK\$598,000).

Liquidity and Financial Resources

For HY2022, 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 30 September 2022, the Group had current assets of HK\$430,417,000 (31 March 2022: HK\$350,359,000) and cash and cash equivalents of HK\$53,143,000 (31 March 2022: HK\$70,713,000). The Group’s current ratio, calculated based on current assets over current liabilities of HK\$229,689,000 (31 March 2022: HK\$159,235,000), was at a strong ratio of about 1.9 (31 March 2022: 2.2).

At 30 September 2022, the Group's borrowings comprised the first tranche of the Three-Year Notes of HK\$50,000,000 (31 March 2022: HK\$50,000,000), and bank borrowings of HK\$102,943,000 (31 March 2022: HK\$26,808,000) representing the advances to the Group for the bill receivables discounted to banks with full recourse. 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 the total borrowings of HK\$152,943,000 (31 March 2022: HK\$76,808,000) over the equity attributable to owners of the Company of HK\$243,873,000 (31 March 2022: HK\$244,749,000), increased to 63% at 30 September 2022 (31 March 2022: 31%) that was mainly due to the increase in bank borrowings as of the period end date.

At 30 September 2022, the equity attributable to owners of the Company decreased by 0.4% or HK\$876,000 to HK\$243,873,000 (31 March 2022: HK\$244,749,000). The decrease was mainly due to the significant net exchange loss charged to profit or loss of HK\$9,337,000 and on translation of financial statements of overseas subsidiaries of HK\$4,840,000, largely due to the depreciation of Euro, which partly offset the profits earned by the Group's timber supply chain and money lending businesses.

With the amount of liquid assets on hand, the Bills Discounting Facilities from banks, the Loan Facility from Champion Alliance, and the proceeds from issuance of the first tranche of the Three-Year Notes, the management is of the view that the Group has sufficient financial resources to meet its ongoing operational requirement and continuous business development.

Charge on Assets

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

At 30 September 2022, bill receivables of HK\$102,943,000 (31 March 2022: HK\$26,808,000) were pledged to banks to secure the advances drawn on the bill receivables.

Contingent Liabilities

At 30 September 2022, the Group had no significant contingent liability (31 March 2022: nil).

Litigation

At 30 September 2022, there was no litigation claim against the Group (31 March 2022: nil).

Foreign Exchange Risk

The Group mainly operates in Hong Kong, Europe and China. During HY2022, the revenue, costs and expenses of the Group's operations were mainly denominated in Hong Kong dollar, United States dollar, Euro, Romanian Leu, Croatian Kuna and Renminbi.

The Group maintains a prudent strategy in its foreign currency risk management, where possible, foreign exchange risks are minimised via balancing the foreign currency monetary assets versus the corresponding foreign currency liabilities, and foreign currency revenues versus the corresponding foreign 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 the fluctuations of Euro, Romanian Leu, Croatian Kuna and Renminbi. In addition, some of the Group's assets are located in Europe and denominated in Euro, Romanian Leu and Croatian Kuna while the Group's reporting currency is in Hong Kong dollar, this also exposes the Group to potential foreign exchange risk upon translation of these assets on each reporting date.

For HY2022, the Group incurred net exchange loss of HK\$9,337,000 charged to profit and loss largely due to the depreciation of Euro. As for Romanian Leu, Croatian Kuna and Renminbi, the Group's exposure to their exchange rate fluctuations were not significant as their weightings to the Group's total transaction volume, assets and liabilities were low. For the Group's assets in Europe, any foreign exchange gains or losses due to translation of the carrying value of these assets to the Group's reporting currency on the reporting dates are unrealised and non-cash in nature, accordingly, the Group has not entered into any arrangements or financial instruments for the purpose of hedging against these potential foreign exchange risks. For HY2022, the Group recorded an exchange loss of HK\$4,840,000 in its exchange fluctuation reserve primarily due to the translation of the financial statements of the Group's operations in Europe. The Group is aware of the continual depreciation of Euro and will closely monitor its foreign currency exposure and undertake appropriate hedging measures should significant exposure arise.

PROSPECTS

Since the change of the substantial shareholder of the Company to Champion Alliance on 12 October 2017 and the appointment of the new executive directors to the Board of the Company since October 2017, the directors and management team of the Company have used their best endeavour to improve the businesses of the Group. The results are very encouraging and the Group has been profit-making for five consecutive financial years ended 31 March 2022 as well as the current review period. The scale of the Group's operation, in particular the timber supply chain and money lending businesses, have expanded significantly. It is the mission of the management to continuously explore organic growth and vertical expansion business opportunities, with the aim to further expand the scale of the Group's operations and to create new value to the shareholders.

The Group has continued to opening up new business ventures in Europe in order to diversify and strengthen its timber supply chain business. The newly acquired wood lumber processing plant in Covasna, Romania has continued with its lumber processing operation during HY2022 and has further increased the Group's production capacity of wood lumber in better serving the customers' orders from China. The TSC Operation will continue with its business expansion plan in setting up more distribution hubs and wood processing ventures in strategic locations in Europe for the purpose of further enlarging its supplier and customer base, as well as expanding its product type and revenue source.

Looking ahead, the prolonged continuation of the COVID pandemic continues to pose negative impact on the economic activities in China and Hong Kong and it is very difficult to predict the evolution and duration of the pandemic and its potential impact to the Group. Against this backdrop, the Group will continue to adopt a prudent approach in managing its timber supply chain and money lending businesses and be cautious in seizing new business opportunities.

CORPORATE GOVERNANCE

The Company had complied with all the applicable code provisions of the Corporate Governance Code (the “**CG Code**”) set out in Appendix 14 to the Listing Rules for the six months ended 30 September 2022 except for the following deviation:

Code Provision F.2.2

Under Code Provision F.2.2 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 27 September 2022 (the “**2022 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 2022 AGM in accordance with Bye-law 63 of the Bye-laws of the Company.

REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The Group's condensed consolidated interim financial statements for the six months ended 30 September 2022 have not been audited, but have been reviewed by the Audit Committee and the Company's auditor, Crowe (HK) CPA Limited, in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. The report on review of the condensed consolidated interim financial statements by the auditor will be included in the 2022 Interim Report to be despatched to the shareholders of the Company.

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

During the six months ended 30 September 2022, neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This announcement is published on the websites of the Company at www.relianceglobal.com.hk and of the Stock Exchange at www.hkexnews.hk. The 2022 Interim Report of the Company will be published on the website of the Company and of the Stock Exchange and will be despatched to the shareholders of the Company in due course.

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

Hong Kong, 29 November 2022

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