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GLOBAL INTERNATIONAL CREDIT GROUP LIMITED

環球信貸集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1669)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2020

The board (the “Board”) of directors (the “Directors”) of Global International Credit Group Limited (the “Company”) is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months ended 30 June 2020, together with relevant comparative figures.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2020

	<i>Note</i>	Six months ended 30 June	
		2020	2019
		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Revenue	3,4	56,189	62,498
Other income	4	219	30
Administrative expenses	5	(10,711)	(16,363)
Reversal of impairment losses-net	6	49	877
Finance costs	7	(4,628)	(8,762)
Profit before income tax		41,118	38,280
Income tax expense	8	(6,723)	(6,182)
Profit and total comprehensive income for the period attributable to owners of the Company	9	34,395	32,098
Earnings per share attributable to owners of the Company			
– Basic and diluted (<i>expressed in HK cents per share</i>)	9	8.6	8.0

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

		As at 30 June 2020	As at 31 December 2019
	<i>Note</i>	HK\$'000 (Unaudited)	HK\$'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment		458	686
Right-of-use assets		3,375	5,388
Loans receivable	<i>11</i>	371,452	273,062
Deferred income tax assets		946	861
Deposits		–	1,480
		376,231	281,477
Total non-current assets			
Current assets			
Loans receivable	<i>11</i>	470,927	670,672
Interest receivables	<i>12</i>	6,268	6,499
Prepayments, deposits and other receivables		6,242	4,615
Pledged deposits		11,707	1,713
Cash and cash equivalents		23,114	30,201
		518,258	713,700
Total current assets			
		894,489	995,177
Total assets			

	As at 30 June 2020	As at 31 December 2019
<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
EQUITY		
Equity attributable to owners of the Company		
Share capital	4,000	4,000
Reserves	807,571	782,376
	<hr/>	<hr/>
Total equity	811,571	786,376
	<hr/>	<hr/>
LIABILITIES		
Non-current liability		
Lease liabilities	–	1,437
	<hr/>	<hr/>
Total non-current liability	–	1,437
	<hr/>	<hr/>
Current liabilities		
Accruals and other payables	4,013	5,331
Dividend payable	9,200	–
Tax payable	9,512	21,076
Bank and other borrowings	56,690	176,891
Lease liabilities	3,503	4,066
	<hr/>	<hr/>
Total current liabilities	82,918	207,364
	<hr/>	<hr/>
Total liabilities	82,918	208,801
	<hr/>	<hr/>
Total equity and liabilities	894,489	995,177
	<hr/>	<hr/>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1. GENERAL INFORMATION

Global International Credit Group Limited (the “Company”) was incorporated in the Cayman Islands on 20 January 2014 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised), of the Cayman Islands. The address of the Company’s registered office is PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

The Company is an investment holding company and its subsidiaries (the “Group”) are principally engaged in the money lending business of providing property mortgage loans and personal loans in Hong Kong.

The directors of the Company (the “Directors”) regard Blossom Spring Global Limited (“Blossom Spring”), a company incorporated in the British Virgin Islands, as the ultimate holding company of the Company.

This unaudited condensed consolidated interim financial information is presented in thousands of Hong Kong dollars (“HK\$’000”), unless otherwise stated.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

This condensed consolidated interim financial information for the six months ended 30 June 2020 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34, “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The interim financial information does not include all the notes of the type normally included in an annual financial report, and accordingly should be read in conjunction with the annual financial statements for the year ended 31 December 2019, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2019, as described in those annual financial statements, except for the estimation of income tax using the tax rate that would be applicable to expected total annual earnings and the adoption of new and amended standards effective for the financial year beginning on 1 January 2020. The adoption of the new standards and amendments to HKFRSs effective for the financial year beginning on 1 January 2020 did not have a material impact on the preparation of the condensed consolidated interim financial information.

3. SEGMENT INFORMATION

During the six months ended 30 June 2020 and 2019, all of the Group’s revenue was generated from the money lending business of providing property mortgage loans and personal loans in Hong Kong. Revenue represents interest income earned from loans offered to the Group’s customers. Information reported to the Group’s chief operating decision maker, for the purpose of resource allocation and assessment of the Group’s performance, is focused on the operating results of the Group as a whole as the Group’s resources are integrated and no discrete financial information is available. Accordingly, no segment analysis or information about the Group’s products and services are presented.

All of the Group’s revenue from external customers and assets was generated from and located in Hong Kong during the six months ended 30 June 2020 and 2019.

4. REVENUE AND OTHER INCOME

Revenue represents the interest income earned from the money lending business of providing property mortgage loans and personal loans in Hong Kong. Revenue and other income recognised during the period are as follows:

	Six months ended 30 June	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Revenue		
Interest income	<u>56,189</u>	<u>62,498</u>
Other income		
Bank interest income	3	30
Government grants (<i>Note (a)</i>)	<u>216</u>	<u>–</u>
	<u>219</u>	<u>30</u>

- (a) Being wage subsidies provided by the Hong Kong Government under the Employment Support Scheme during the six months ended 30 June 2020. Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants relating to costs are deferred and recognised in the profit or loss over the period necessary to match them with the costs that they are intended to compensate.

5. ADMINISTRATIVE EXPENSES

	Six months ended 30 June	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Employee benefit expenses (including directors' emoluments)	5,395	5,987
Advertising and marketing expenses	1,025	5,055
Depreciation of property, plant and equipment	235	298
Depreciation of right-of-use assets	2,013	651
Operating lease of land and buildings (short-term leases)	–	1,358
Other administrative expenses	<u>2,043</u>	<u>3,014</u>
	<u>10,711</u>	<u>16,363</u>

6. REVERSAL OF IMPAIRMENT LOSSES – NET

	Six months ended 30 June 2020 (Unaudited)			Total HK\$'000
	12 months expected credit loss (Stage 1) HK\$'000	Lifetime expected credit loss not credit impaired (Stage 2) HK\$'000	Lifetime expected credit loss credit impaired (Stage 3) HK\$'000	
Net (charge for)/reversal of provision for impairment assessment on loans receivable	(434)	9	453	28
Net reversal of/(charge for) provision for impairment assessment on interest receivables	9	(5)	17	21
	<u>(425)</u>	<u>4</u>	<u>470</u>	<u>49</u>

	Six months ended 30 June 2019 (Unaudited)			Total HK\$'000
	12 months expected credit loss (Stage 1) HK\$'000	Lifetime expected credit loss not credit impaired (Stage 2) HK\$'000	Lifetime expected credit loss credit impaired (Stage 3) HK\$'000	
Net (charge for)/reversal of provision for impairment assessment on loans receivable	(1,066)	1,896	22	852
Net (charge for)/reversal of provision for impairment assessment on interest receivables	(15)	40	–	25
	<u>(1,081)</u>	<u>1,936</u>	<u>22</u>	<u>877</u>

7. FINANCE COSTS

	Six months ended 30 June	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Interest expenses on secured bank loans	507	1,150
Interest expenses on unsecured bank loans	–	308
Interest expenses on secured other borrowings	3,981	6,468
Interest expenses on loans from a related company (Note 14a)	–	757
Interest expenses on lease liabilities	140	79
	<u>4,628</u>	<u>8,762</u>

8. INCOME TAX EXPENSE

Hong Kong profits tax for the six months ended 30 June 2020 and 2019 has been provided for at the rate of 8.25% for the first HK\$2,000,000 estimated assessable profits and 16.5% for estimated assessable profits above HK\$2,000,000 for the group entity qualified for the two-tiered profits tax rates regime introduced pursuant to the Inland Revenue (Amendment) (No. 7) Bill 2017. For group entities not qualifying for the two-tiered profits tax rates regime, Hong Kong profits tax has been provided for at a flat rate of 16.5%.

The amount of income tax charged to the condensed consolidated interim statement of comprehensive income represents:

	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Hong Kong profits tax – current year	6,808	6,115
(Increase)/decrease in deferred income tax assets	(85)	67
	<u>6,723</u>	<u>6,182</u>

During the year ended 31 December 2017, the Hong Kong Inland Revenue Department (the “IRD”) had issued enquiries and a letter to the Company disagreeing with certain interest income received by the Company during the years of assessment 2015/16 and 2016/17 being claimed as capital and offshore in nature.

Notices of assessment of HK\$129,000 and HK\$3,058,000 were issued by the IRD to the Company for the years of assessment 2015/16 and 2016/17, respectively. The Company has lodged an objection against the tax assessments with the IRD considering that valid technical grounds are available in claiming the said interest income as capital and offshore in nature. The IRD agreed to hold over the tax claim subject to the purchase of tax reserve certificates of HK\$3,187,000, which were purchased by the Company during the year ended 31 December 2018.

During the six months ended 30 June 2020, a notice of assessment of HK\$1,310,000 was further issued by the IRD to the Company for the year of assessment 2017/18 on the said interest income. Subsequent to the reporting period, the Company has lodged an objection against the tax assessment 2017/18 with the IRD on the same technical grounds and has purchased an additional tax reserve certificate of HK\$1,310,000 for holding over the tax claim.

As at 30 June 2020, the case has been referred to the Appeals Section for the Commissioner’s determination. As the ultimate outcome cannot presently be determined and with a view of probable outflow with resources, a tax provision of HK\$4,522,000 in respect of the tax enquiries has been provided in previous years and the Company considered that adequate provision has been made in the Group’s condensed consolidated interim financial information.

9. EARNINGS PER SHARE

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company of HK\$34,395,000 (2019: HK\$32,098,000) by the weighted average number of ordinary shares in issue during the six months ended 30 June 2020 of 400,000,000 shares (2019: 400,000,000 shares).

	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Profit attributable to owners of the Company (HK\$'000)	34,395	32,098
Weighted average number of ordinary shares in issue for basic earnings per share ('000)	400,000	400,000
Basic earnings per share (HK cents)	<u>8.6</u>	<u>8.0</u>

(b) Diluted earnings per share

There were no potential dilutive ordinary shares in issue during the six months ended 30 June 2020 and 2019 and hence the diluted earnings per share is the same as basic earnings per share.

10. DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2020 (for the six months ended 30 June 2019: HK2.4 cents per share).

A final dividend in respect of the year ended 31 December 2019 of HK2.3 cents per share, totaling HK\$9,200,000, was declared and approved in June 2020. The final dividend totaling HK\$9,200,000 was subsequently paid in July 2020.

11. LOANS RECEIVABLE

	As at 30 June 2020 <i>HK\$'000</i> (Unaudited)	As at 31 December 2019 <i>HK\$'000</i> (Audited)
Loans receivable	847,314	948,697
Less:		
Provision for impairment assessment of loans receivable		
– Stage 1	(4,200)	(3,766)
– Stage 2	(248)	(257)
– Stage 3	(487)	(940)
	<hr/>	<hr/>
Loans receivable, net of provision	842,379	943,734
Less: non-current portion	(371,452)	(273,062)
	<hr/>	<hr/>
Current portion	470,927	670,672
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The Group's loans receivable, which arise from the money lending business of providing property mortgage loans and personal loans in Hong Kong, are denominated in Hong Kong dollars.

As at 30 June 2020, except for loans receivable of HK\$1,455,000 (31 December 2019: HK\$1,878,000 which are unsecured, interest bearing and are repayable with fixed terms agreed with customers, all loans receivable are secured by collaterals provided by customers, interest bearing and are repayable with fixed terms agreed with the customers. The maximum exposure to credit risk at each of the reporting date is the carrying value of the loans receivable mentioned above.

A maturity profile of the loans receivable as at the end of the reporting periods, based on the maturity date, net of provision, is as follows:

	As at 30 June 2020 <i>HK\$'000</i> (Unaudited)	As at 31 December 2019 <i>HK\$'000</i> (Audited)
Current	470,927	670,672
Over 1 year and within 5 years	187,933	72,156
Over 5 years	183,519	200,906
	<hr/>	<hr/>
	842,379	943,734
	<hr/>	<hr/>

As at 30 June 2020 and 31 December 2019, certain properties mortgaged to a subsidiary of the Company for loans granted to its respective customers were pledged to independent third parties to secure other borrowings granted to a subsidiary of the Company. These properties were mortgaged to the Group for securing loans receivable of HK\$95,360,000 (31 December 2019: HK\$178,075,000) (Note 13).

As at 30 June 2020, loans receivable with carrying value of HK\$113,246,000 (31 December 2019: HK\$140,187,000) were charged to a bank to secure a bank loan facility granted to a subsidiary of the Company (Note 13).

12. INTEREST RECEIVABLES

	As at 30 June 2020 <i>HK\$'000</i> (Unaudited)	As at 31 December 2019 <i>HK\$'000</i> (Audited)
Interest receivables	6,370	6,622
Less:		
Provision for impairment assessment of interest receivables		
– Stage 1	(31)	(41)
– Stage 2	(14)	(8)
– Stage 3	(57)	(74)
	<hr/>	<hr/>
Interest receivables, net of provision	<u>6,268</u>	<u>6,499</u>

The Group's interest receivables, which arise from the money lending business of providing property mortgage loans and personal loans in Hong Kong, are denominated in Hong Kong dollars.

As at 30 June 2020, except for interest receivables of HK\$16,000 (31 December 2019: HK\$31,000), which are unsecured and repayable with fixed terms agreed with the customers, all interest receivables are secured by collaterals provided by customers and repayable with fixed terms agreed with the customers. The maximum exposure to credit risk at each of the reporting dates is the carrying value of the interest receivables mentioned above.

The ageing analysis of interest receivables, based on the maturity date, net of provision, is as follows:

	As at 30 June 2020 <i>HK\$'000</i> (Unaudited)	As at 31 December 2019 <i>HK\$'000</i> (Audited)
Current	2,525	3,014
1–30 days	2,259	2,368
31–90 days	969	768
Over 90 days	515	349
	<hr/>	<hr/>
	<u>6,268</u>	<u>6,499</u>

13. BANK AND OTHER BORROWING

Bank and other borrowing are analysed as follows:

	As at 30 June 2020 HK\$'000 (Unaudited)	As at 31 December 2019 HK\$'000 (Audited)
Bank loans – secured (<i>Note (a)</i>)	–	20,000
Other borrowings – secured (<i>Note (b)</i>)	<u>56,690</u>	<u>156,891</u>
	<u>56,690</u>	<u>176,891</u>

(a) Bank loans – secured

As at 30 June 2020, a secured revolving bank loan facility of HK\$50,000,000 (31 December 2019: HK\$50,000,000) was obtained from an independent third party bank of which nil was utilised (31 December 2019: HK\$20,000,000). The bank loan facility was secured by (i) a floating charge on loans receivable of a subsidiary of the Company with carrying value of HK\$113,246,000 (31 December 2019: HK\$140,187,000); (ii) a floating charge on certain bank accounts of a subsidiary of the Company with carrying value of HK\$11,707,000 (31 December 2019: HK\$1,713,000); and (iii) a corporate guarantee from the Company.

(b) Other borrowings – secured

As at 30 June 2020, other borrowings of HK\$56,690,000 (31 December 2019: HK\$156,891,000), which were denominated in Hong Kong dollars, repayable in one year and bore interest at rates ranging from 5.75% to 6.5% (31 December 2019: 5.75% to 6.5%) per annum. Such other borrowings were obtained from independent third party licensed money lenders and were secured by the pledge of certain properties mortgaged to a subsidiary of the Company for loans granted to its respective customers and corporate guarantee from the Company. The fair value of these properties were HK\$217,150,000 and HK\$418,200,000 as at 30 June 2020 and 31 December 2019, respectively.

14. RELATED PARTY TRANSACTIONS

Related parties are those parties that have the ability to control the other party or exercise significant influence in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

The Group is controlled by Blossom Spring, which is the ultimate holding company of the Group and owns 75% of the Company's shares. The remaining 25% of the shares are widely held. The ultimate controlling party is Ms. Jin Xiaogin.

Save as the transactions and balances disclosed elsewhere in this condensed consolidated interim financial information, the following is a summary of the significant transactions carried out between the Group and its related parties in the ordinary course of business during the six months ended 30 June 2020 and 2019.

(a) Interest expenses on loans from a related company

	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest expenses on loans from a related company – Evercrest Wealth Management Limited (<i>Note 7</i>)	–	757

(b) Key management compensation

	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Salaries, commission and benefits	2,025	1,940
Pension costs	45	45
	<u>2,070</u>	<u>1,985</u>

(c) Remuneration paid to a related party

	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Salaries and pension costs paid to the spouse of a director of the Company	126	126

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is principally engaged in the money lending business focusing primarily on providing property mortgage loans in Hong Kong under the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong).

During the six months ended 30 June 2020, the outbreak of the Coronavirus Disease 2019 (“COVID-19”) delivered a considerable hit to global and local economy, as the implementation of different levels of lockdown restrictions across the world has led various economic activities to a near standstill. The economy of Hong Kong was severely affected amid the epidemic situation as the Gross Domestic Product contracted by 8.9% in the first quarter of 2020 and 9.0% in the second quarter of 2020 from the previous year, and unemployment rate hit 6.2% in June 2020. Under such challenging operating environment, the Group conducted its mortgage loan business with stringent credit control. Coupled with the dampening loan demand amid the subdued economic conditions, new loan transactions granted by the Group during the reporting period was further affected. The Group’s gross loans receivable thus decreased by approximately HK\$101.4 million or 10.7% from approximately HK\$948.7 million as at 31 December 2019 to approximately HK\$847.3 million as at 30 June 2020, and the Group’s interest income decreased by approximately HK\$6.3 million or 10.1% from approximately HK\$62.5 million for the six months ended 30 June 2019 to approximately HK\$56.2 million for the six months ended 30 June 2020.

During the market downturn, while office and retail property prices in Hong Kong showed sharp correction, residential prices in Hong Kong remained resilient in the first half of 2020. As the Group’s mortgage loans were primarily secured by residential properties, the overall loan-to-value ratio of the Group’s loan portfolio remained at a stable level.

In response to the sluggish business environment, the Group has strengthened its capital management and imposed stringent cost control measures during the reporting period. Thus, the Group managed to achieve a growth in net profit attributable to owners of the Company by approximately HK\$2.3 million or 7.2% to approximately HK\$34.4 million for the six months ended 30 June 2020 as compared to approximately HK\$32.1 million for the six months ended 30 June 2019.

FINANCIAL REVIEW

Revenue

The Group's interest income received from the money lending business of providing property mortgage loans and personal loans decreased by approximately HK\$6.3 million or 10.1% from approximately HK\$62.5 million for the six months ended 30 June 2019 to approximately HK\$56.2 million for the six months ended 30 June 2020. Such decrease was primarily due to the decrease of average month-end balance of our gross loans receivable by approximately HK\$65.8 million or 6.7% from approximately HK\$978.6 million for the six months ended 30 June 2019 to approximately HK\$912.8 million for the six months ended 30 June 2020.

Administrative expenses

The Group incurred administrative expenses of approximately HK\$10.7 million for the six months ended 30 June 2020 (six months ended 30 June 2019: approximately HK\$16.4 million), which mainly comprised employee benefit expenses, advertising and marketing expenses, depreciation of property, plant and equipment, depreciation of right-of-use assets and other miscellaneous expenses. Administrative expenses decreased by approximately HK\$5.7 million mainly due to the decrease in advertising and marketing expenses as the Group devoted less resources in television advertising during the reporting period.

Reversal of impairment losses – net

Reversal of impairment losses represents the reversal of provision for impairment assessment on loans receivable and interest receivables credited to profit or loss during the reporting period.

The reversal of impairment losses of HK\$49,000 for the six months ended 30 June 2020 was mainly attributable to the recovery of previously default loans.

Finance costs

Finance costs decreased by approximately HK\$4.2 million from approximately HK\$8.8 million for the six months ended 30 June 2019 to approximately HK\$4.6 million for the six months ended 30 June 2020. The decrease in finance costs was primarily due to the decrease in average borrowings during the reporting period.

Net interest margin

Net interest margin increased from 10.9% for the six months ended 30 June 2019 to 11.2% for the six months ended 30 June 2020. The increase was mainly due to the decrease in finance costs as mentioned above.

Net interest margin refers to the interest income in respect of the Group's mortgage loans and personal loans less finance costs (excluding interest expenses on lease liabilities), divided by the average of month-end gross loans receivable balances of the corresponding loans during the reporting period.

Income tax expenses

The Group's effective tax rate was 16.4% for the six months ended 30 June 2020 as compared to 16.1% for the six months ended 30 June 2019.

Profit and total comprehensive income

As a result of the foregoing, the Group's profit and total comprehensive income for the six months ended 30 June 2020 was approximately HK\$34.4 million, representing an increase of approximately HK\$2.3 million or 7.2% from approximately HK\$32.1 million for the six months ended 30 June 2019.

LIQUIDITY AND FINANCIAL RESOURCES AND CAPITAL STRUCTURE

During the six months ended 30 June 2020, the Group's operation and capital requirements were financed principally through retained earnings, loans from a bank and loans from independent third party licensed money lenders.

Based on the Group's current and anticipated levels of operation, the Group's future operations and capital requirements will be financed principally through loans from banks and other independent third party licensed money lenders, retained earnings and share capital. There were no significant commitments for capital expenditure as at 30 June 2020.

As at 30 June 2020, cash and cash equivalents and pledged deposits amounted to approximately HK\$34.8 million, representing an increase of approximately HK\$2.9 million as compared to the position as at 31 December 2019. The increase was mainly attributable to the decrease in the Group's loan portfolio.

As at 30 June 2020, interest-bearing bank and other borrowings amounted to approximately HK\$56.7 million, representing a decrease of approximately HK\$120.2 million as compared to the position as at 31 December 2019. The decrease was mainly attributable to the decrease in the Group's loan portfolio which led to lower financing needs.

As at 30 June 2020, all interest-bearing bank and other borrowings were denominated in Hong Kong dollars and repayable in one year and except for other borrowings of HK\$10.0 million which bear interest at a fixed rate, all interest-bearing bank and other borrowings bear interest at variable rates. Bank loan facility obtained by the Group was secured by (i) a floating charge on certain loans receivable of a subsidiary of the Group; (ii) a floating charge on certain bank accounts of a subsidiary of the Group; and (iii) a corporate guarantee executed by the Company. Other borrowings amounted to approximately HK\$56.7 million were secured by (i) certain properties mortgaged to a subsidiary of the Group by customers for securing loans receivable; and (ii) a corporate guarantee executed by the Company.

During the six months ended 30 June 2020, none of the Group's borrowing facilities were subject to any covenants relating to financial ratio requirements or any material covenants that restrict the Group from undertaking additional debt or equity financing. As at 30 June 2020, the unutilised facility available to the Group for drawdown amounted to approximately HK\$343.3 million (31 December 2019: approximately HK\$223.1 million).

Gearing Ratio

As at 30 June 2020, the Group's gearing ratio, which was calculated by dividing net debts (being the total borrowings and lease liabilities less pledged deposits and cash and cash equivalents) by total equity, was 0.03 as compared to 0.19, the position as at 31 December 2019.

SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS AND DISPOSALS

The Group did not have any significant investments held, material acquisitions and disposals of subsidiaries and associated companies for the six months ended 30 June 2020.

EMPLOYEES AND REMUNERATION

As at 30 June 2020, the Group has employed 22 full-time employees (31 December 2019: 22). The Group's total employee benefit expenses (including directors' emoluments) for the six months ended 30 June 2020 and 2019 were approximately HK\$5.4 million and HK\$6.0 million, respectively. The remuneration of the employees of the Group included salaries, overtime allowance, commission and year end discretionary bonuses. The Group remunerates its employees mainly based on current market trend, individual performance and experience and conduct performance appraisals on an annual basis.

CORPORATE SOCIAL RESPONSIBILITY

As a good corporate citizen, the Group is eager to contribute towards the society through community focused commitments. The Group has demonstrated its corporate social responsibility commitment through the participation in various charitable and volunteer activities. The Group also encourages its staff members to support community activities as well as to promote healthy and balanced physical and mental development. Where possible, the Group will endeavor to participate in community and public welfare activities in particular to support and aid the needs of the underprivileged in Hong Kong.

CONTINGENT LIABILITIES

As at 30 June 2020 and 31 December 2019, the Group had no material contingent liabilities.

PLEDGE OF ASSETS

As at 30 June 2020, certain properties mortgaged to a subsidiary of the Company by its respective customers were pledged to secure certain loan facilities granted to the Group. These properties were mortgaged to the Group for securing loans receivable of approximately HK\$95.4 million (31 December 2019: approximately HK\$178.1 million).

As at 30 June 2020, certain loans receivable and bank accounts of a subsidiary of the Company with carrying value of approximately HK\$113.2 million (31 December 2019: approximately HK\$140.2 million) and approximately HK\$11.7 million (31 December 2019: approximately HK\$1.7 million), respectively, were charged to a bank to secure a loan facility granted to the Group.

Such loan facilities granted to the Group were for the expansion of the Group's mortgage loans business.

FOREIGN CURRENCY EXPOSURE

The business activities of our Group were denominated in Hong Kong dollars. The Directors did not consider the Group was exposed to any significant foreign exchange risks during the six months ended 30 June 2020. As the impact from foreign exchange exposure was minimal, the Directors were of the view that no hedging against foreign currency exposure was necessary. In view of the operational needs, the Group will continue to monitor the foreign currency exposure from time to time and take necessary actions to minimise the exchange related risks.

EVENTS AFTER THE REPORTING PERIOD

The Group did not have any significant events since the end of the reporting period (i.e. 30 June 2020) and up to the date of this announcement.

PROSPECT

The economic outlook and operating environment of Hong Kong in the second half of 2020 is expected to remain extremely challenging. Although the Hong Kong Government has introduced various economic relief measures to support businesses and to retain employment, with the COVID-19 epidemic in Hong Kong remains severe and its ramifications are expected to persist in 2020. The sharp deterioration in Sino-US relations and the persistent political tensions in Hong Kong impose further uncertainties on the overall economy. As risk appetites for various investment and business expansion shall remain conservative during the market downturn, it is expected that demand on mortgage financing will remain weak in the near term.

Although residential prices in Hong Kong remained relatively stable during the first half of 2020, downside risks appear to be building up. The Group will remain cautious and continue to adopt a prudent but sensible risk management policy. With the challenges ahead, the Group will continue to strengthen its capital management and implement necessary cost saving measures to maintain its profitability during the economic downturn.

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

During the six months ended 30 June 2020, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE PRACTICES

The Company adopted the code provisions (the “Code Provisions”) as set out in the Corporate Governance Code (the “Code”) contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”). During the six months ended 30 June 2020, we have complied with the Code Provisions except for the following deviations:

- Pursuant to code provision A.2.1 of the Code, the role of chairman and the chief executive should be segregated and should not be performed by the same individual. However, the Company does not have a separate chairman and chief executive and Ms. Wang Yao currently performs these two roles. The Directors believe that vesting the roles of both chairman and chief executive in the same position has the benefit of ensuring consistent leadership within the Group and enables more effective and efficient overall strategic planning for the Group. The Board considers that the balance of power and authority of the present arrangement will not be impaired, and this structure will enable the Company to make and implement decisions promptly and effectively. The Board will continue to review and consider splitting the roles of chairman of the Board and chief executive of the Company at a time when it is appropriate and suitable by taking into account the circumstances of the Group as a whole.
- Pursuant to code provision A.6.7 of the Code, independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders; while pursuant to code provision E.1.2 of the Code, the chairman of the Board should attend the annual general meeting (“AGM”). The chairman of the Board, Ms. Wang Yao, and one of the independent non-executive Directors were unable to attend the Company’s AGM held on 29 June 2020 due to other business commitments. Other Directors including executive and independent non-executive Directors, attended the AGM to answer questions regarding activities of the Group.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted a code of conduct (the “Company’s Code”) regarding securities transactions by Directors on terms no less exacting than the required standards set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 of the Listing Rules. Having made specific enquiry, the Company confirms that each and every Director has complied with the required standards as stated in the Model Code and the Company’s Code throughout the six months ended 30 June 2020.

REVIEW OF INTERIM RESULTS BY THE AUDIT COMMITTEE

The audit committee of the Company (the “Audit Committee”) consists of three independent non-executive Directors, namely, Dr. Ng Lai Man, Carmen (“Dr. Ng”), Mr. Man Yiu Kwong, Nick and Mr. Tang, Warren Louis, and is chaired by Dr. Ng.

The Audit Committee has discussed with the management of the Company the internal control and financial reporting matters including the accounting principles and practices related to the preparation of the condensed consolidated interim financial information for the six months ended 30 June 2020. It has also reviewed the condensed consolidated interim financial information for the six months ended 30 June 2020 with the management and the independent auditor of the Company and recommended the same to the Board for approval. In addition, the independent auditor of the Company has reviewed the interim results for the six months ended 30 June 2020 in accordance with Hong Kong Standard of Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2020 (for the six months ended 30 June 2019: HK2.4 cents per share).

PUBLICATION

The interim results announcement of the Company for the six months ended 30 June 2020 is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.gicl.com.hk) respectively. The interim report of the Company for the six months ended 30 June 2020 will be dispatched to the shareholders of the Company and published on the websites of the Stock Exchange and the Company, respectively, in due course.

By Order of the Board
Global International Credit Group Limited
Wang Yao
Chairman and Chief Executive

Hong Kong, 27 August 2020

As at the date of this announcement, the executive directors of the Company are Ms. Wang Yao, Ms. Jin Xiaoqin and Mr. Ng Yiu Lun; and the independent non-executive directors of the Company are Mr. Man Yiu Kwong, Nick, Dr. Ng Lai Man, Carmen, and Mr. Tang, Warren Louis.