GICL 環球信貸

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 FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

The board (the "Board") of directors (the "Directors") of Global International Credit Group Limited (the "Company") is pleased to announce the audited final results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2019, together with the comparative figures for the year ended 31 December 2018.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Year ended 31 December	
		2019	2018
	Notes	***HK$'000***	*HK$'000*
Revenue	*5*	**121,737**	124,277
Other income	*5*	**80**	14
Administrative expenses	*6*	**(30,638)**	(33,876)
(Impairment losses)/reversal of impairment losses – net	*7*	**(1,425)**	9,679
Finance costs	*8*	**(15,035)**	(12,463)
Profit before income tax		**74,719**	87,631
Income tax expense	*9*	**(12,219)**	(19,218)
Profit and total comprehensive income for the year attributable to owners of the Company		**62,500**	68,413
Earnings per share attributable to owners of the Company			
– Basic and diluted (expressed in HK cents per share)	*10*	**15.6**	17.1

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**As at 31 December 2019** *HK$'000*	As at 31 December 2018 *HK$'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**686**	1,277
Right-of-use assets		**5,388**	–
Loans receivable	*12*	**273,062**	340,737
Deferred income tax assets		**861**	582
Deposits		**1,480**	–
Total non-current assets		**281,477**	342,596
Current assets			
Loans receivable	*12*	**670,672**	647,918
Interest receivables	*13*	**6,499**	7,817
Prepayments, deposits and other receivables		**4,615**	8,502
Repossessed assets		**–**	29,094
Pledged deposit		**1,713**	8,690
Cash and cash equivalents		**30,201**	60,813
Total current assets		**713,700**	762,834
Total assets		**995,177**	1,105,430

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

	Notes	**As at 31 December 2019** ***HK$'000***	As at 31 December 2018 *HK$'000*
EQUITY			
Equity attributable to owners of the Company			
Share capital	*15*	**4,000**	4,000
Reserves		**782,376**	741,476
Total equity		**786,376**	745,476
LIABILITIES			
Non-current liability			
Lease liabilities		**1,437**	–
Total non-current liability		**1,437**	–
Current liabilities			
Accruals and other payables		**5,331**	4,472
Tax payable		**21,076**	8,578
Bank and other borrowings	*14*	**176,891**	296,904
Loans from a related company	*17(a)*	**–**	50,000
Lease liabilities		**4,066**	–
Total current liabilities		**207,364**	359,954
Total liabilities		**208,801**	359,954
Total equity and liabilities		**995,177**	1,105,430

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 money lending business of providing property mortgage loans and personal loans in Hong Kong.

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

The Company has its primary listing on The Stock Exchange of Hong Kong Limited.

These consolidated financial statements are presented in thousands of Hong Kong dollars ("HK$'000"), unless otherwise stated. These consolidated financial statements were approved by the Board of Directors for issue on 26 March 2020.

2 BASIS OF PREPARATION

The consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") and requirements of the Hong Kong Companies Ordinance (Cap. 622). The consolidated financial statements have been prepared on a historical cost basis.

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies.

3 APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

(a) New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2019:

- HKFRS 16 Leases
- Prepayment Features with Negative Compensation – Amendments to HKFRS 9
- Plan Amendment, Curtailment or Settlement – Amendments to HKAS 19
- Interpretation 23 Uncertainty over Income Tax Treatments

The Group also elected to adopt the following amendment early.

- Definition of Material – Amendments to HKAS 1 and HKAS 8

The Group had to change its accounting policies as a result of adopting HKFRS 16. The Group elected to adopt the new rules retrospectively but recognised the cumulative effect of initially applying the new standard on 1 January 2019. Most of the other amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

HKFRS 16 Leases

This note explains the impact of the adoption of HKFRS 16 Leases on the Group's financial statements.

As indicated above, the Group has adopted HKFRS 16 Leases retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019.

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of HKAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019.

(i) Practical expedients applied

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics;

- relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review – there were no onerous contracts as at 1 January 2019;

- accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases;

- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application; and

- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date, the Group relied on its assessment made applying HKAS 17 and Interpretation 4 Determining whether an Arrangement contains a Lease.

(ii) Measurement of liabilities

The reconciliation of operating lease commitment disclosed as at 31 December 2018 to lease liabilities is set out below:

	HK$'000
Operating lease commitments disclosed as at 31 December 2018	1,358
(Less): short-term leases recognised on a straight-line basis as expense	(1,358)
Lease liability recognised as at 1 January 2019	–

(iii) Measurement of right-of-use assets

The associated right-of-use assets for property leases were measured on a retrospective basis as if the new rules had always been applied. Other right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 December 2018.

(iv) Adjustments recognised in the balance sheet on 1 January 2019

As at 1 January 2019, as all the operating leases of the Group has a remaining lease term of less than 12 months, the Group has used the practical expedient permitted by the standard to account such operating leases as short-term leases. As a result, the initial adoption of HKFRS 16 has no impact on the Group's opening balance sheet on 1 January 2019.

(v) Impact for the year

The effects of adoption of HKFRS 16 on the Group's financial performance for the year ended 31 December 2019 are as follows:

	HK$'000
Consolidated statement of comprehensive income	
Increase in depreciation included in administrative expenses	**(2,664)**
Decrease in operating lease expenses included in administrative expenses	**2,832**
Increase in finance costs	**(283)**
Decrease in profit and total comprehensive income for the year attributable to owners of the Company	**(115)**
Consolidated statement of cash flow	
Increase in net cash from operating activities	**2,832**
Increase in net cash outflow from financing activities	**(2,832)**
Net change in cash and cash equivalents at the end of the year	**–**

(b) New standards and interpretation not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2019 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

4 SEGMENT INFORMATION

During the years ended 31 December 2019 and 2018, 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 makers, the executive directors of the Group, 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 years ended 31 December 2019 and 2018.

5 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 year are as follows:

	Year ended 31 December	
	2019	2018
	HK$'000	*HK$'000*
Revenue		
Interest income	**121,737**	124,277
Other income		
Bank interest income	**80**	14

6 ADMINISTRATIVE EXPENSES

	Year ended 31 December	
	2019	2018
	HK$'000	*HK$'000*
Employee benefit expenses (including directors' emoluments)	**12,029**	12,259
Advertising and marketing expenses	**8,397**	10,452
Legal and professional fees	**1,757**	1,839
Auditor's remuneration		
– Audit services	**1,200**	1,250
– Non-audit services	**370**	499
Depreciation of property, plant and equipment	**582**	559
Depreciation of right-of-use assets	**2,664**	–
Operating lease of land and buildings (short-term leases)	**1,358**	4,019
Other administrative expenses	**2,281**	2,999
	30,638	33,876

7 (IMPAIRMENT LOSSES)/REVERSAL OF IMPAIRMENT LOSSES – NET

	Year ended 31 December 2019			
	12 months expected credit loss (Stage 1)	**Lifetime expected credit loss not credit impaired (Stage 2)**	**Lifetime expected credit loss credit impaired (Stage 3)**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Net (charge for)/reversal of provisions for impairment assessment on loans receivable	**(2,751)**	**1,734**	**(398)**	**(1,415)**
Net (charge for)/reversal of provisions for impairment assessment on interest receivables	**(28)**	**35**	**(17)**	**(10)**
	(2,779)	**1,769**	**(415)**	**(1,425)**

	Year ended 31 December 2018			
	12 months expected credit loss (Stage 1)	Lifetime expected credit loss not credit impaired (Stage 2)	Lifetime expected credit loss credit impaired (Stage 3)	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Net reversal of/(charge for) provisions for impairment assessment on loans receivable	2,063	(1,693)	9,083	9,453
Net reversal of/(charge for) provisions for impairment assessment on interest receivables	22	(36)	240	226
	2,085	(1,729)	9,323	9,679

8 FINANCE COSTS

	Year ended 31 December	
	2019	2018
	HK$'000	*HK$'000*
Interest expenses on secured bank loans	**1,904**	2,302
Interest expenses on unsecured bank loans	**514**	87
Interest expenses on secured other borrowings	**11,577**	9,341
Interest expenses on loans from a related company	**757**	733
Interest expenses on lease liabilities	**283**	–
	15,035	12,463

9 INCOME TAX EXPENSE

Hong Kong profits tax 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 consolidated statement of comprehensive income represents:

	Year ended 31 December	
	2019	2018
	HK$'000	*HK$'000*
Current tax:		
– Current tax on profits for the year	**12,593**	14,412
– (Over)/under-provision in prior years	**(95)**	4,493
Total current tax	**12,498**	18,905
Deferred tax:		
– (Increase)/decrease in deferred income tax assets	**(279)**	313
Income tax expense	**12,219**	19,218

During the year ended 31 December 2017, the Hong Kong Inland Revenue Department (the "IRD") has 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 IRD to the Company for the years of assessment 2015/16 and 2016/17, respectively. The Company has lodged objection against the tax assessments with IRD considering that valid technical grounds are available in claiming the said interest income as capital and offshore nature. IRD agreed to hold over the tax claim subject to the purchase of tax reserve certificates of HK$3,187,000, which were then purchased by the Company during the year ended 31 December 2018. As at 31 December 2019, the case is 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 prior year and the directors of the Company considered that adequate provision has been made in the Group's consolidated financial statements.

10 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$62,500,000 (2018: HK$68,413,000) by the weighted average number of ordinary shares in issue during the year of 400,000,000 (2018: 400,000,000 shares).

	Year ended 31 December	
	2019	2018
Profit attributable to owners of the Company *(HK$'000)*	**62,500**	68,413
Weighted average number of ordinary shares in issue for basic earnings per share *('000)*	**400,000**	400,000
Basic earnings per share *(HK cents)*	**15.6**	17.1

(b) Diluted earnings per share

There were no potential dilutive ordinary shares outstanding during the years ended 31 December 2019 and 2018 and hence the diluted earnings per share is the same as the basic earnings per share.

11 DIVIDEND

A final dividend in respect of the year ended 31 December 2019 of HK2.3 cents per share, totalling HK$9,200,000, is to be proposed at the upcoming annual general meeting. These consolidated financial statements do not reflect this dividend payable.

	2019	2018
	HK$'000	*HK$'000*
Interim dividend paid of HK2.4 cents (2018: HK2.0 cents) per share	**9,600**	8,400
Proposed final dividend of HK2.3 cents (2018: HK3.0 cents) per share	**9,200**	12,000

12 LOANS RECEIVABLE

	As at 31 December	
	2019	2018
	HK$'000	*HK$'000*
Loans receivable	**948,697**	992,238
Less:		
Provision for impairment assessment of loans receivable		
– Stage 1	**(3,766)**	(1,015)
– Stage 2	**(257)**	(1,991)
– Stage 3	**(940)**	(577)
Loans receivable, net of provision	**943,734**	988,655
Less: non-current portion	**(273,062)**	(340,737)
Current portion	**670,672**	647,918

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.

Except for loans receivable of HK$1,878,000 (2018: HK$3,658,000), which are unsecured, bear interest and are repayable with fixed terms agreed with customers, all loans receivable are secured by collaterals provided by customers, bear interest and are 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 loans receivable mentioned above.

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

	As at 31 December	
	2019	2018
	HK$'000	*HK$'000*
Current	**670,672**	647,918
Over 1 year and within 5 years	**72,156**	79,679
Over 5 years	**200,906**	261,058
	943,734	988,655

As at 31 December 2019 and 2018, certain properties mortgaged to the subsidiary of the Company for loans granted to its respective customers were pledged to independent third party licensed money lenders to secure other borrowings granted to a subsidiary of the Company. These properties were mortgaged to the Group for securing loans receivable of HK$178,075,000 (2018: HK$266,926,000).

As at 31 December 2019, loans receivable with carrying value of HK$140,187,000 (2018: HK$136,485,000) were charged to a bank to secure a bank loan facility granted to a subsidiary of the Company.

13 INTEREST RECEIVABLES

	As at 31 December	
	2019	2018
	HK$'000	*HK$'000*
Interest receivables	**6,622**	7,933
Less:		
Provision for impairment assessment of interest receivables		
– Stage 1	**(41)**	(13)
– Stage 2	**(8)**	(43)
– Stage 3	**(74)**	(60)
Interest receivables, net of provision	**6,499**	7,817

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.

Except for interest receivables of HK$31,000 (2018: HK$42,000), which are unsecured and are repayable with fixed terms agreed with the customers, all interest receivables are secured by collaterals provided by customers and are 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 these interest receivables by due date, net of provision, is as follows:

	As at 31 December	
	2019	2018
	HK$'000	*HK$'000*
Current	**3,014**	3,567
0–30 days	**2,368**	2,640
31–90 days	**768**	1,211
Over 90 days	**349**	399
	6,499	7,817

14 BANK AND OTHER BORROWINGS

Bank and other borrowings are analysed as follows:

	As at 31 December	
	2019	2018
	HK$'000	*HK$'000*
Bank loans – secured *(Note (a))*	**20,000**	50,000
Bank loans – unsecured *(Note (b))*	**–**	11,970
Other borrowings – secured *(Note (c))*	**156,891**	234,934
Total bank and other borrowings	**176,891**	296,904

(a) Bank loan – secured

As at 31 December 2019, the secured bank loans of HK$20,000,000 (2018: HK$50,000,000) were denominated in Hong Kong dollars, repayable in one year and bore average interest rate of 6.71% (2018: 6.33%) per annum. The bank loans were obtained from an independent third party bank and were secured by (i) a floating charge on certain loans receivable of a subsidiary of the Company with carrying value of HK$140,187,000 (2018: HK$136,485,000); (ii) a floating charge on certain bank accounts of a subsidiary of the Company with carrying value of HK$1,713,000 (2018: HK$8,690,000); and (iii) a corporate guarantee from the Company.

(b) Bank loans – unsecured

As at 31 December 2018, the unsecured bank loans of HK$11,970,000, were denominated in Hong Kong dollars, repayable in one year and bore average interest rate of 6.27% per annum. The unsecured bank loans were fully repaid in 2019.

(c) Other borrowings – secured

Other borrowings of HK$156,891,000 (2018: HK$234,934,000), which were denominated in Hong Kong dollars, repayable in one year and bore interest rates ranging from 5.75% to 6.5% (2018: 5.875% 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 a corporate guarantee from the Company. The fair value of these properties were HK$418,200,000 (2018: HK$571,600,000) as at 31 December 2019.

15 SHARE CAPITAL

Authorised share capital

	Number of ordinary shares	Nominal value of ordinary shares	Equivalent nominal value of ordinary shares
		HK$	*HK$*
At 31 December 2018, 1 January 2019 and 31 December 2019	10,000,000,000	0.01	100,000,000

Issued share capital

	Number of issued shares	Amount
		HK$
At 31 December 2018, 1 January 2019 and 31 December 2019	400,000,000	4,000,000

16 COMMITMENTS

Operating lease commitments – Group as lessee

The Group leases its office under non-cancellable operating lease agreements. The lease terms are 2 years, and the lease agreements are renewable at the end of the lease period at market rate.

From 1 January 2019, the Group has recognised right-of-use assets for these leases, except for short-term and low value leases, see note 3(a) for further information.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	As at 31 December	
	2019	2018
	HK$'000	*HK$'000*
Not later than one year	–	1,358

17 RELATED PARTY TRANSACTIONS

The Group is controlled by Blossom Spring (incorporated in BVI), 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 Xiaoqin ("Ms. Jin").

Save as the transactions and balances disclosed elsewhere in this announcement, 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 years ended 31 December 2019 and 2018, and balances arising from related party transactions as at 31 December 2019 and 2018.

(a) Interest expenses on loans from a related company

	Year ended 31 December	
	2019	2018
	HK$'000	*HK$'000*
Interest expenses on loans from a related company		
– Evercrest Wealth Management Limited ("EWML")	**757**	733

As at 31 December 2018, EWML, a related company of the Group where Ms. Jin is the sole ultimate beneficial owner, provided the Group with an unsecured revolving loan facility with a credit limit of HK$50,000,000 of which the Group utilised an amount of HK$50,000,000. The loan is denominated in Hong Kong dollars, repayable in one year and bears fixed interest rate of 6.5% per annum. The loan facility was expired as at 31 December 2019 and the loan has been fully repaid during the year.

(b) Key management compensation

The remuneration of executive directors of the Company and other members of key management is shown below:

	Year ended 31 December	
	2019	2018
	HK$'000	*HK$'000*
Salaries, benefits and other remuneration	**3,970**	3,909
Discretionary bonus	**530**	415
Pension costs	**90**	90
	4,590	4,414

(c) Remuneration paid to a related party

	Year ended 31 December	
	2019	2018
	HK$'000	*HK$'000*
Salaries and pension costs paid to the spouse of a director of the Company	**252**	252

18 EVENTS OCCURING AFTER THE REPORTING PERIOD

After the outbreak of Coronavirus Disease 2019 ("COVID-19 outbreak") in early 2020, a series of precautionary and control measures have been and continued to be implemented across the region. The Group will pay close attention to the development of the COVID-19 outbreak and evaluate its impact on the financial position and operating results of the Group. As at the date on which the financial statements were authorised for issue, the Group was not aware of any material adverse effects on the financial statements as a result of the COVID-19 outbreak.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

During the year ended 31 December 2019 ("FY2019"), the overall economy and property market in Hong Kong were surrounded by various downside factors as firstly impacted by the Sino-US trade disputes and further disrupted by the local political tensions which started from June 2019. The gross domestic product of Hong Kong has recorded a contraction of 1.2% in 2019 as a whole, being the first annual decline since 2009. Meanwhile, the property market in Hong Kong, after a relatively strong start in 2019, has started a downward correction in the second half of 2019.

The unfavourable investment sentiment in the local property market and other sectors has triggered a decrease in demand on mortgage financing. With a view that the overall economy and property market is deteriorating, the Group continued to reinforce its risk management policy by implementing stricter loan approval guidelines and increasing its efforts in recovering loans from high risk customers. Our gross loans receivable thus showed a decline from HK$992.2 million as at 31 December 2018 to HK$948.7 million as at 31 December 2019 and interest income decreased slightly by HK$2.6 million or 2.1% from HK$124.3 million for the year ended 31 December 2018 ("FY2018") to HK$121.7 million for FY2019.

In assessing the expected credit losses of its loans receivable and interest receivables as at 31 December 2019, the Group has taken into account the change in overall economic environment and factoring forward-looking scenarios on the impact of persistent social unrests and a possible further downturn of the property market and the economy. As a result, the Group recorded a loss on change in expected credit losses of HK$1.4 million for FY2019.

Although the overall market sentiment and the Group's strategy has limited the growth of the Group's loan portfolio, the Group managed to achieve steady results with a higher average month-end balance of loans receivable and the pursuance of cost control measures. The Group recorded a profit attributable to owners of the Company of HK$62.5 million in FY2019, representing a decline of HK$5.9 million or 8.6% from HK$68.4 million in FY2018. Such decline was primarily due to a one-off gain recognized in FY2018 from the recovery of a previously impaired loan and interest receivable as a result of a favourable judgement given by the High Court of Hong Kong concerning the validity of a mortgage provided to the Group.

INDUSTRY OVERVIEW

The property market in Hong Kong remains volatile during the year, with property prices of the private domestic sector raised by approximately 10% in the first five months in 2019 hitting a historical high in May 2019, followed by a downward adjustment of approximately 5% from May 2019 to December 2019, according to the Rating and Valuation Department of the Hong Kong Government. Meanwhile, the Hong Kong Government has relaxed the ceiling on mortgage financing schemes for first-time homebuyers, which helped stimulating property transactions in the short run. Nonetheless, the prolonged Sino-US trade tensions and the continuing local social unrests have dampened the overall market sentiment. With a view that the property market remains highly unpredictable notwithstanding the government's relief measures and the lowering of interest rates, the Group continued its cautious stance in approving new mortgage loans during the year.

FINANCIAL REVIEW

Revenue

For FY2019, the Group's interest income from its money lending business was HK$121.7 million, representing a decrease of HK$2.6 million or 2.1% from interest income of HK$124.3 million for FY2018. The decrease was primarily due to an additional interest income of HK$8.4 million was recognized in prior year due to the recovery of a previously impaired loan. The decrease is netting off by the increase in interest income as a result of the increase in average month-end balance of mortgage loans receivable during the year. The average month-end balance of aggregate mortgage loans receivable increased by HK$55.0 million or 6.1% from HK$901.0 million for FY2018 to HK$956.0 million for FY2019.

Administrative expenses

Administrative expenses incurred by the Group mainly comprised employee benefit expenses, advertising and marketing expenses, legal and professional fees, auditor's remuneration, depreciation of property, plant and equipment, depreciation of right-of-use assets, operating lease of land and buildings and other administrative expenses. These expenses, which constitute 25.2% and 27.3% of the total revenue for FY2019 and FY2018, respectively, decreased from HK$33.9 million in FY2018 to HK$30.6 million in FY2019, representing a decrease of HK$3.3 million or 9.7%.

Employee benefit expenses decreased slightly by HK$0.3 million or 2.4% from HK$12.3 million in FY2018 to HK$12.0 million in FY2019.

Advertising and marketing expenses decreased by HK$2.1 million or 20.0% from HK$10.5 million in FY2018 to HK$8.4 million in FY2019. The decrease in advertising and marketing expenses in FY2019 was mainly due to less resources being devoted on television advertising as a result of weakening market sentiment in the second half of the year.

Excluding employee benefit expenses and advertising and marketing expenses mentioned above, administrative expenses decreased by HK$0.9 million or 8.1% from HK$11.1 million in FY2018 to HK$10.2 million in FY2019. These expenses were comprised of legal and professional fees of HK$1.8 million (FY2018: HK$1.8 million); auditor's remuneration of HK$1.6 million (FY2018: HK$1.7 million); depreciation of property, plant and equipment of HK$0.6 million (FY2018: HK$0.6 million); depreciation of right-of-use assets of HK$2.7 million (FY2018: nil); operating lease of land and buildings of HK$1.4 million (FY2018: HK$4.0 million); and other administrative expenses of HK$2.3 million (FY2018: HK$3.0 million).

Impairment losses/reversal of impairment losses – net

The Group recognised a provision of impairment losses on loans receivable and interest receivables of HK$1.4 million in FY2019 while a reversal of impairment losses of HK$9.7 million was recognised in FY2018. The change in position was primarily due to the recovery of a previously impaired loan receivable and interest receivable of HK$9.0 million as a result of a favourable judgement given by the High Court of Hong Kong concerning the validity of a mortgage provided to the Group by its customer in prior year. While the increase in provision made in FY2019 was mainly attributable to anticipated decrease in collateral values as a result of deteriorating property market conditions.

Finance costs

Finance costs increased by HK$2.5 million or 20.0% from HK$12.5 million in FY2018 to HK$15.0 million in FY2019 due to increase in average borrowings during the year.

Net interest margin

Net interest margin during the year 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 year.

Net interest margin decreased from 12.3% for FY2018 to 11.2% for FY2019.

Income tax expenses

The Group's effective tax rate decreased from 21.9% for FY2018 to 16.3% for FY2019. The decrease in the effective tax rate was mainly due to the recognition of an underprovision of income tax of HK$4.5 million in FY2018.

Profit and total comprehensive income

As a result of the foregoing, the Group's profit and total comprehensive income for FY2019 was HK$62.5 million, representing a decrease of HK$5.9 million or 8.6% from profit and total comprehensive income of HK$68.4 million for FY2018. The decrease was mainly attributable to the recognition of additional interest income and reversal of impairment losses as a result of the recovery of a previously impaired loan receivable and interest receivable in FY2018. Netting off the one-off impacts of the recovery of a previously impaired loan receivable and interest receivable and the underprovision of income tax in FY2018, the Group's profit and total comprehensive income increased by HK$2.2 million or 3.8% in FY2019.

OUTLOOK

After recording the first annual recession in a decade, the outlook of Hong Kong economy and property market in 2020 remains highly challenging. While the US and Chinese government has reached the long-awaited first stage trade deal, the unresolved social unrests and the outbreak of Coronavirus Disease 2019 ("COVID-19") are expected to place tremendous pressure to multiple sectors. Since the outbreak of COVID-19 began in China in early 2020, this highly infectious virus has spread across the world and has developed into a global pandemic. The virus is expected to deliver a considerable hit to the global economy. Hong Kong's economy is expected to be severely affected, given a catastrophic drop in tourism, retail market and other business spending, there is an increasing risk of higher unemployment rates. Property price in Hong Kong may face increasing pressure to a downward adjustment. Depending on how the situation develops, it is expected that the Group's new loan transactions may decrease in the short term and any associated economic slowdown and further drop in property prices may negatively impact the Group's expected credit losses.

With these challenges ahead, the Group will remain cautious and sensibly uphold its risk management policy and credit review process to control the quality of the Group's loan portfolio. The Group will focus its efforts in recovering loans with high loan-to-value ratios and will closely monitor the development of the property market to implement necessary timely measures. The Group will also strengthen its capital management and implement stringent cost control measures to uphold its profitability during the downturn of economy.

Although the Group does not have any detailed plans for material investments, capital assets or launching new products in a large scale currently, it will continue to improve its existing products and services to enhance customer experience.

LIQUIDITY AND FINANCIAL RESOURCES AND CAPITAL STRUCTURE

During FY2019, the Group's operational and capital requirements were financed principally through retained earnings, loans from a bank and independent third party licensed money lenders and loans from a related company.

Based on the Group's current and anticipated levels of operation, the Group's future operations and capital requirements will be mainly financed 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 31 December 2019.

As at 31 December 2019, cash and cash equivalents and pledged deposits amounted to HK$31.9 million, representing a decrease of HK$37.6 million as compared to the position as at 31 December 2018. The decrease was mainly attributable to decrease in borrowings as at 31 December 2019.

As at 31 December 2019, interest-bearing bank and other borrowings amounted to HK$176.9 million and loans from a related company amounted to nil, representing a decrease of HK$120.0 million and HK$50.0 million, respectively as compared to the position as at 31 December 2018. The decrease was mainly attributable to the decrease in the Group's loan portfolio at year end.

As at 31 December 2019, all interest-bearing bank and other borrowings were repayable in one year and except for other borrowings of HK$35.0 million which bear interest at a fixed rate, all interest-bearing bank and other borrowings bear interest at variable rates. All bank borrowings were 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 HK$156.9 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 year ended 31 December 2019, 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 31 December 2019, the unutilised facility available to the Group for drawdown amounted to approximately HK$223.1 million (2018: HK$115.1 million).

Current ratio

The Group's current ratio increased from 2.1 times as at 31 December 2018 to 3.4 times as at 31 December 2019.

Gearing ratio

As at 31 December 2019, the Group's gearing ratio, which was calculated by dividing net debts (being total borrowings and lease liabilities less cash and cash equivalents and pledged deposit) by total equity, was 0.19 as compared to 0.37, the position as at 31 December 2018.

Return on total assets and return on equity

The return on total assets increased from 6.2% as at 31 December 2018 to 6.3% at 31 December 2019. The return on equity decreased from 9.2% as at 31 December 2018 to 7.9% at 31 December 2019.

SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS AND DISPOSALS

The Group did not have any significant investments held, material acquisitions or disposals of subsidiaries and associated companies during the year ended 31 December 2019.

EMPLOYEES AND REMUNERATION

As at 31 December 2019, the Group employed 22 full-time employees (2018: 24). The total employee benefit expenses (including directors' emoluments) of the Group for the years ended 31 December 2019 and 2018 were HK$12.0 million and HK$12.3 million, respectively. The remuneration of its employees 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.

CONTINGENT LIABILITIES

As at 31 December 2019 and 2018, the Group had no material contingent liabilities.

PLEDGE OF ASSETS

As at 31 December 2019, certain properties mortgaged to a subsidiary of the Group 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 HK$178.1 million (2018: HK$266.9 million). As at 31 December 2019, certain loans receivable and bank accounts of a subsidiary of the Group with carrying value of HK$140.2 million (2018: HK$136.5 million) and HK$1.7 million (2018: HK$8.7 million), respectively, were charged to a bank to secure against a loan facility granted to the Group. Those loan facilities granted to the Group were for the expansion of the Group's mortgage 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 financial year ended 31 December 2019. 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

Subsequent to the end of the financial year ended 31 December 2019 and up to the date of this announcement, save as the outbreak of COVID-19 as disclosed in Note 18 to this announcement, there is no other significant or important event that affects the business of the Group.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2019.

CORPORATE GOVERNANCE PRACTICES

For the year ended 31 December 2019, the Company has complied with the applicable code provisions of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules (the "Code"), 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 for 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 E.1.2 of the Code, the chairman of the Board should attend the annual general meeting ("AGM"). Ms Wang Yao, the chairman of the Board, was absent from the Company's AGM held on 4 June 2019 due to other business commitments. Other Directors including executive and independent non-executive Directors, were present at the AGM to answer questions regarding activities of the Company.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted a code of conduct (the "Company's Code") regarding securities transactions by the 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 all the Directors have complied with the required standards as stated in the Model Code and the Company's Code for the year ended 31 December 2019.

REVIEW OF FINAL RESULTS BY THE AUDIT COMMITTEE

The audit committee (the "Audit Committee") of the Company 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 about the internal control and financial reporting matters including the accounting principles and practices related to the preparation of the consolidated financial statements for the year ended 31 December 2019. It has also reviewed the consolidated financial statements for the year ended 31 December 2019 with the management and the auditor of the Company and recommended them to the Board for approval.

FINAL DIVIDEND

The Board recommend the payment of a final dividend of HK2.3 cents per ordinary share, totalling HK$9,200,000 payable to the Shareholders whose names appear on the register of members of the Company on Thursday, 9 July 2020. The proposed final dividend will be paid on or about Tuesday, 21 July 2020 following approval at the forthcoming AGM of the Company.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the forthcoming AGM of the Company to be held on Monday, 29 June 2020, the register of members of the Company will be closed from Tuesday, 23 June 2020 to Monday, 29 June 2020 (both days inclusive), during which no transfer of shares of the Company will be registered. In order to qualify for attendance and voting at the forthcoming annual general meeting of the Company, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Hong Kong branch share registrar and transfer office of the Company, Boardroom Share Registrars (HK) Limited of Room 2103B, 21/F, 148 Electric Road, North Point, Hong Kong for registration not later than 4:30 p.m. on Monday, 22 June 2020.

For determining the entitlement to the payment of final dividend, the register of members of the Company will be closed from Tuesday, 7 July 2020 to Thursday, 9 July 2020 (both days inclusive), during which no transfer of shares of the Company will be registered. The final dividend is payable to the Company's shareholders whose names appear on the Register of Members of the Company at the close of business on Thursday, 9 July 2020. In order to qualify for the payment of final dividend, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Hong Kong branch share registrar and transfer office of the Company, Boardroom Share Registrars (HK) Limited of Room 2103B, 21/F, 148 Electric Road, North Point, Hong Kong for registration not later than 4:30 p.m. on Monday, 6 July 2020.

PUBLICATION

The final results announcement of the Company for the year ended 31 December 2019 is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.gicl.com.hk) respectively. The 2019 annual report will be dispatched to the shareholders of the Company and published on the respective websites of the Stock Exchange and the Company in due course.

ANNUAL GENERAL MEETING

An annual general meeting of the Company will be held on Monday, 29 June 2020. The notice of the annual general meeting, which constitutes part of the circular to its shareholders, together with proxy form and the Company's 2019 annual report will be published on the aforesaid websites and dispatched to the shareholders of the Company in due course.

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

Hong Kong, 26 March 2020

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