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 INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2017

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 2017, together with relevant comparative figures.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 30 June 2017

		Six months ended 30 June	
		2017	2016
	Note	***HK$'000***	*HK$'000*
		(Unaudited)	(Unaudited)
Revenue	*3, 4*	**53,163**	67,256
Other income	*4*	**13**	729
Administrative and other expenses	*5*	**(14,542)**	(14,720)
Fair value change on derivative financial instrument	*13*	**(14,495)**	(6,822)
Finance income/(costs) – net	*6*	**6,275**	(2,548)
Profit before income tax		**30,414**	43,895
Income tax expense	*7*	**(5,558)**	(6,426)
Profit and total comprehensive income for the period attributable to owners of the Company		**24,856**	37,469
Earnings per share attributable to owners of the Company			
– Basic and diluted (expressed in HK cents per share)	*8*	**6.2**	9.4

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION
As at 30 June 2017

	Note	**As at 30 June 2017** *HK$'000* **(Unaudited)**	As at 31 December 2016 *HK$'000* (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment		**902**	1,116
Loans receivable	*10*	**251,185**	232,989
Deferred income tax assets		**707**	806
Convertible promissory note	*12*	**122,096**	151,956
Derivative financial instrument	*13*	**811**	15,306
Deposits		**1,361**	–
Total non-current assets		**377,062**	402,173
Current assets			
Loans receivable	*10*	**463,504**	666,276
Interest receivables	*11*	**5,575**	5,841
Prepayments, deposits and other receivables		**4,649**	5,530
Convertible promissory note	*12*	**112,114**	81,492
Repossessed asset		**1,687**	–
Pledged deposits		**17,863**	–
Cash and cash equivalents		**30,731**	130,433
Total current assets		**636,123**	889,572
Total assets		**1,013,185**	1,291,745
EQUITY			
Equity attributable to owners of the Company			
Share capital	*17*	**4,000**	4,000
Reserves		**663,765**	658,509
Total equity		**667,765**	662,509
LIABILITIES			
Non-current liability			
Loan from the ultimate holding company	*15*	**117,778**	178,815
Current liabilities			
Accruals and other payables		**2,635**	3,101
Tax payable		**6,328**	869
Bank and other borrowings	*14*	**102,239**	396,074
Loan from the ultimate holding company	*15*	**116,440**	50,377
Total current liabilities		**227,642**	450,421
Total liabilities		**345,420**	629,236
Total equity and liabilities		**1,013,185**	1,291,745

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

The Company has its primary listing on the Stock Exchange of Hong Kong Limited (the "Stock Exchange").

This condensed consolidated interim financial information is presented in thousands of Hong Kong dollars ("HK$'000"), unless otherwise stated.

The financial information relating to the year ended 31 December 2016 that is included in the condensed consolidated interim financial information for the six months ended 30 June 2017 as comparative information does not constitute the Company's statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

The Company has delivered the financial statements for the year ended 31 December 2016 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance (Cap. 622).

The Company's auditor has reported on those financial statements. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance (Cap. 622).

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

This condensed consolidated interim financial information for the six months ended 30 June 2017 has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34, 'Interim financial reporting'. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2016, 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 2016, 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 amendments to HKFRSs effective for the financial year ending 31 December 2017.

Amendments to HKFRSs effective for the financial year ending 31 December 2017 do not have a material impact on the Group.

The Group has not early adopted any new standards, amendments and interpretations to existing standards which have been issued but are not yet effective for the financial period beginning 1 January 2017. The Group is in the process of making an assessment of the impact of these new standards, amendments and interpretations to existing standards on the financial statements of the Group in their initial applications.

3 SEGMENT INFORMATION

During the six months ended 30 June 2017 and 2016, 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 for the six months ended 30 June 2017 and 2016.

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	
	2017	2016
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Revenue		
Interest income	**53,163**	67,256
Other income		
Bank interest income	**8**	9
Referral income	**5**	720
	13	729

5 ADMINISTRATIVE AND OTHER EXPENSES

	Six months ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Employee benefit expenses (including directors' emoluments)	**5,998**	6,547
Advertising and marketing expenses	**3,993**	2,327
Depreciation of property, plant and equipment	**220**	137
Operating lease of land and buildings	**1,968**	1,950
Reversal of provision for individual impairment assessment on loans receivable	**(187)**	(59)
Reversal of provision for collective impairment assessment of loans receivable	**(600)**	–
Other administrative expenses	**3,150**	3,818
	14,542	14,720

6 FINANCE INCOME/(COSTS) – NET

	Six months ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Interest on secured bank loan	**(10)**	(249)
Interest on secured other borrowings	**(5,558)**	(14,228)
Interest on loan from the ultimate holding company	**(3,357)**	(3,537)
Exchange realignment on loan from the ultimate holding company	**(8,416)**	3,034
Interest income from pledged deposits	**–**	58
Interest income from convertible promissory note	**14,914**	15,425
Exchange realignment on convertible promissory note	**8,702**	(3,051)
	6,275	(2,548)

7 INCOME TAX EXPENSE

Hong Kong profits tax has been provided for at the rate of 16.5% (2016: 16.5%) on the estimated assessable profit during the six months ended 30 June 2017.

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

	Six months ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Hong Kong profits tax – current year	**5,459**	6,426
Deferred income tax	**99**	–
	5,558	6,426

8 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$24,856,000 (2016: HK$37,469,000) by the weighted average number of ordinary shares in issue during the six months ended 30 June 2017 of 400,000,000 (2016: 400,000,000 shares).

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
Profit attributable to owners of the Company (HK$'000)	**24,856**	37,469
Weighted average number of ordinary shares in issue for basic earnings per share ('000)	**400,000**	400,000
Basic earnings per share (HK cents)	**6.2**	9.4

b) Diluted earnings per share

There were no potential dilutive ordinary shares outstanding during the six months ended 30 June 2017 and 2016 and hence the diluted earnings per share is the same as basic earnings per share.

9 DIVIDEND

At the date of this announcement, the Board of Directors declared an interim dividend of HK1.9 cents (2016: HK2.8 cents) per share. The interim dividends amounting to HK$7,600,000 have not been recognised as a liability for the six months ended 30 June 2017. It will be recognised in shareholders' equity in the year ending 31 December 2017.

A final dividend in respect of the year ended 31 December 2016 of HK3.0 cents per share, totaling HK$12,000,000, and a special dividend of HK1.9 cents per share, totaling HK$7,600,000, were declared, approved and paid in June 2017.

10 LOANS RECEIVABLE

	As at 30 June 2017 *HK$'000* **(Unaudited)**	As at 31 December 2016 *HK$'000* (Audited)
Loans receivable	**730,215**	915,578
Less:		
Provision for individual impairment assessment of loans receivable	**(13,078)**	(13,265)
Provision for collective impairment assessment of loans receivable	**(2,448)**	(3,048)
Loans receivable, net of provision	**714,689**	899,265
Less: non-current portion	**(251,185)**	(232,989)
Current portion	**463,504**	666,276

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 2017, except for loans receivable of HK$1,627,000 (31 December 2016: HK$2,213,000), 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 periods, based on the maturity date, net of provision, is as follows:

	As at 30 June 2017 *HK$'000* **(Unaudited)**	As at 31 December 2016 *HK$'000* (Audited)
Current	**463,504**	666,276
Over 1 year and within 5 years	**69,483**	80,950
Over 5 years	**181,702**	152,039
	714,689	899,265

As at 30 June 2017 and 31 December 2016, 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 with carrying amount of HK$120,537,000 (31 December 2016: HK$446,192,000) (Note 14).

As at 30 June 2017, loans receivable of HK$15,120,000 (31 December 2016: Nil) were charged to a bank to secure a bank loan facility granted to a subsidiary of the Company (Note 14).

11 INTEREST RECEIVABLES

	As at 30 June 2017 *HK$'000* (Unaudited)	As at 31 December 2016 *HK$'000* (Audited)
Interest receivables	**5,892**	6,158
Less:		
Provision for individual impairment assessment of interest receivables	**(317)**	(317)
Interest receivables, net of provision	**5,575**	5,841

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 2017, except for interest receivables of HK$30,000 (31 December 2016: HK$30,000), 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 these interest receivables, based on past due date, net of provision, is as follows:

	As at 30 June 2017 *HK$'000* (Unaudited)	As at 31 December 2016 *HK$'000* (Audited)
Current	**2,757**	3,842
0–30 days	**1,773**	1,254
31–90 days	**785**	464
Over 90 days	**260**	281
	5,575	5,841

12 CONVERTIBLE PROMISSORY NOTE

On 18 December 2015, the Company entered into a note purchase agreement to subscribe for a non-listed Renminbi denominated convertible promissory note in the principal amount of RMB200,000,000 (equivalent to approximately HK$235,200,000) (the "Note") issued by Quark Finance Group ("Quark"). Ms. Jin Xiaoqin, the ultimate beneficial owner of the Company, is the sole ultimate beneficial owner of Expolito Enterprises Limited, a company which has a 46% interest in the shares of Quark. The Note carries an interest of 10% per annum and will mature on 17 December 2018. Quark shall repay interest annually and principal in 6 instalments commencing from 17 December 2017 to and including 17 December 2018. The Note is convertible into 20% (minimum) to 40% (maximum) of the total number of shares of Quark on a fully diluted as converted basis immediately following the conversion if all of the principal amount of the Note is converted into fully paid Series B Preferred Shares, depending on the achievement of the performance indicators as disclosed in the circular published on 26 October 2015. As at 30 June 2017, the Note has not been converted.

Upon initial recognition, the management of the Company classified the Note as comprising of two components: (i) host debt instrument initially recognised at fair value and subsequently measured at amortised cost less impairment; and (ii) conversion right embedded in the Note, which is classified as a derivative financial instrument (Note 13), initially recognised and subsequently measured at fair value through profit or loss. The movement of the convertible promissory note is as follows:

	Six months ended 30 June 2017	Year ended 31 December 2016
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Convertible promissory note		
At beginning of the period/year	**233,448**	215,765
Interest income	**14,914**	31,011
Interest received	**(22,854)**	–
Exchange realignment	**8,702**	(13,328)
At end of the period/year	**234,210**	233,448
Less: non-current portion	**(122,096)**	(151,956)
Current portion	**112,114**	81,492

13 DERIVATIVE FINANCIAL INSTRUMENT

	As at 30 June 2017	As at 31 December 2016
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Conversion right embedded in the convertible promissory note *(Note 12)*	**811**	15,306

During the period ended 30 June 2017, fair value loss on derivative financial instrument of HK$14,495,000 (2016: HK$6,822,000) was recognised in the consolidated statement of comprehensive income.

14 BANK AND OTHER BORROWINGS

Bank and other borrowings are analysed as follows:

	As at 30 June 2017	As at 31 December 2016
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Bank loan – secured *(Note (a))*	**4,900**	–
Other borrowings – secured *(Note (b))*	**97,339**	396,074
	102,239	396,074

(a) Bank loan – secured

As at 30 June 2017, the secured bank loan of HK$4,900,000 (31 December 2016: Nil) is denominated in Hong Kong dollars, repayable in one year and bears interest rate of 4.39% per annum (31 December 2016: Nil). The bank loan was obtained from an independent third party bank and was secured by (i) a floating charge on loans receivable of a subsidiary of the Company with carrying value of HK$15,120,000 (31 December 2016: Nil); (ii) a floating charge on bank accounts of a subsidiary of the Company with carrying value of HK$17,863,000 (31 December 2016: Nil); and (iii) a corporate guarantee from the Company.

(b) Other borrowings – secured

As at 30 June 2017, other borrowings of HK$97,339,000 (31 December 2016: HK$396,074,000) are denominated in Hong Kong dollars, repayable in one year and bear interest at rates ranging from 6.25%–6.75% (31 December 2016: 6.25%–6.75%) 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$286,750,000 and HK$862,850,000 as at 30 June 2017 and 31 December 2016, respectively.

15 LOAN FROM THE ULTIMATE HOLDING COMPANY

	Six months ended 30 June 2017 *HK$'000* **(Unaudited)**	Year ended 31 December 2016 *HK$'000* (Audited)
At beginning of the period/year	**229,192**	235,469
Interest expense	**3,357**	7,010
Interest expense paid	**(6,747)**	–
Exchange realignment	**8,416**	(13,287)
At end of the period/year	**234,218**	229,192
Less: non-current portion	**(117,778)**	(178,815)
Current portion	**116,440**	50,377

On 21 July 2015, Blossom Spring and the Company had entered into a shareholder facility agreement (the "Facility") pursuant to which Blossom Spring has agreed to grant to the Company an unsecured facility in the amount of up to RMB200,000,000 (equivalent to approximately HK$235,200,000) for a term of three years and bearing an interest rate of 3.0% per annum on the outstanding principal amount from time to time for the purpose of funding the Company's purchase of the Note of Quark, as disclosed in Note 12 to this announcement. The Company shall repay interest annually and principal in 6 instalments commencing from 17 December 2017 to and including 17 December 2018.

The Facility is a back-to-back financing with a limited recourse in which the Company does not have to repay the Facility unless the Company receives payment from Quark.

16 COMMITMENTS

Operating lease commitments – as lessee

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

	As at 30 June 2017 *HK$'000* **(Unaudited)**	As at 31 December 2016 *HK$'000* (Audited)
Not later than one year	**230**	1,371
One to five years	**210**	–
	440	1,371

17 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.

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 2017 and 2016.

(a) Interest expense on loan from the ultimate holding company

	Six months ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
– Interest expense on loan from the ultimate holding company	**3,357**	3,537

(b) Indemnity from a controlling shareholder

The controlling shareholder of the Company has entered into a deed of indemnity with the Group to personally indemnify the Company for, among other things, damages, legal costs and liabilities in connection with the legal proceedings as described in Note 18 to this announcement.

(c) Key management compensation

	Six months ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Salaries, benefits and bonus	**1,691**	1,887
Pension costs	**45**	34
	1,736	1,921

(d) Remuneration paid to a related party

	Six months ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Salaries and pension costs paid to the spouse of a director of the Company	**126**	20

18 LITIGATION

In July 2014, an independent third party (the “Plaintiff”) filed a claim in the Court of First Instance of the High Court of Hong Kong against one of the Company’s subsidiary’s customers (the “Customer”) as first defendant and the Company’s subsidiary as the second defendant, alleging that, in 2013, the Company’s subsidiary had not acted in good faith in entering into a mortgage financing arrangement with the Customer since the Company’s subsidiary had actual or constructive notice of that borrower’s intent to defraud creditors and/or lack of good faith (the “Litigation”). Accordingly, the Plaintiff sought a declaration that the mortgage provided by the Customer to the Company’s subsidiary (the “Mortgage”) is void and be set aside, the registration of the Mortgage at the Land registry be vacated, damages to be assessed, and interest and costs to be paid.

In October 2015, the Plaintiff and the Company’s subsidiary carried out a mediation discussion with no result. Two case management conferences were held on 26 July 2016 and 19 January 2017, and the trial has been scheduled by the Court of First Instance of the High Court of Hong Kong to be carried out from 9 May 2018 to 16 May 2018. The Directors have sought the opinion of an independent legal counsel in respect of the merits of the case, and have considered that, based on the preliminary advice and tentative views of the legal counsel, the Group has a good prospect of successfully defending the claim. As such, the Directors intend to vigorously contest the claim.

On 17 December 2014, the Customer had been adjudged bankrupt by the Court of First Instance of the High Court of Hong Kong. The Directors reassessed the collectability of this loan with reference to the validity of the Mortgage due to the Litigation and the creditability of the Customer, and considered that an impairment of the outstanding loans receivable in the amount of HK$8,800,000 should be recognised in the consolidated statement of comprehensive income for the year ended 31 December 2013. As such, the amount due from the Customer in the amount of HK$8,800,000 included in loans receivable as at 30 June 2017 and 31 December 2016 had been fully impaired.

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 2017, the mortgage loan market in Hong Kong was surrounded by opportunities and challenges. The buoyant property market and continued prudential measures for property mortgage loans imposed by the Hong Kong Monetary Authority created opportunities for the money lender's mortgage loan market. However, in view of the increasing concerns about an overheating property market, the Group continued to adopt stringent credit policies with strict control on loan-to-value ratio in order to minimise credit risks of its loan portfolio. Such judicious business strategies although helped preserving the overall credit quality of the Group's mortgage loan portfolio, they inevitability affected the Group's financial performance. In addition, fierce competition in the money lending industry also imposed additional challenges to the Group's mortgage loan business. As a result, the Group's interest income decreased by approximately HK$14.1 million or 21.0% to approximately HK$53.2 million for the six months ended 30 June 2017 as compared to the last corresponding period.

Besides, the Group recorded a fair value loss on derivative financial instrument of approximately HK$14.5 million in relation to the conversion right embedded in the convertible promissory note (the "Note") issued by Quark Finance Group ("Quark") for the six months ended 30 June 2017 as compared to a fair value loss of approximately HK$6.8 million for the last corresponding period.

As a result, the Group reported a decline in profit attributable to shareholders by 33.6% to approximately HK$24.9 million for the six months ended 30 June 2017.

Excluding the net financial impact from the Note and the loan from the ultimate holding company for purchasing the Note, net profit from the Group's mortgage and personal loan business for the six months ended 30 June 2017 was approximately HK$27.9 million, representing a decline of approximately HK$4.5 million or 14.0% as compared to the last corresponding period.

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 HK14.1 million or 21.0% from approximately HK$67.3 million for the six months ended 30 June 2016 to approximately HK$53.2 million for the six months ended 30 June 2017. Such decrease was primarily due to the decrease of average month-end balance of our mortgage loans receivable by approximately HK$195.5 million or 20.6% from approximately HK$951.0 million for the six months ended 30 June 2016 to approximately HK$755.5 million for the six months ended 30 June 2017.

Other income

The Group's other income decreased by approximately HK$0.7 million from HK$729,000 for the six months ended 30 June 2016 to HK$13,000 for the six months ended 30 June 2017. Such decrease was mainly due to the decrease of referral fee income from business referrals.

Administrative and other expenses

The Group incurred administrative and other expenses of approximately HK$14.5 million for the six months ended 30 June 2017 (six months ended 30 June 2016: HK$14.7 million), which mainly comprised employee benefit expenses, advertising and marketing expenses, depreciation of property, plant and equipment, operating lease of land and buildings, reversal of provision for individual and collective impairment assessment on loans receivable and other miscellaneous expenses. Administrative and other expenses decreased slightly by approximately HK$0.2 million mainly due to decrease in employee benefit expenses and the reversal of provision for individual and collective impairment assessment on loans receivable. Such decrease is net off by the increase in advertising and marketing expenses during the six months ended 30 June 2017.

Fair value change on derivative financial instrument

On 18 December 2015, the Company entered into a note purchase agreement to subscribe for the Note issued by Quark in the principal amount of RMB200,000,000 (equivalent to approximately HK$235,200,000). The Note carries an interest at 10% per annum and will be matured on 17 December 2018. The Note is convertible into 20% (minimum) to 40% (maximum) of the total number of shares of Quark on a fully diluted as converted basis immediately following the conversion if all of the principal amount of the Note is converted into fully paid Series B Preferred Shares, depending on the achievement of the performance indicators as disclosed in the circular published on 26 October 2015.

Ms. Jin Xiaoqin, the ultimate beneficial owner of the Company, is the sole ultimate beneficial owner of Expolito Enterprises Limited, a company which has a 46% interest in the shares of Quark.

The Note was split into two components, including (i) convertible promissory note, which was carried at amortised cost, and (ii) derivative financial instrument, which was measured at fair value, in the condensed consolidated interim financial information. As at 30 June 2017, the Note had not been converted, in which the carrying amount of the convertible promissory note was approximately HK$234.2 million and that of the derivative financial instrument was approximately HK$0.8 million in accordance with a valuation report prepared by an independent third party valuer, International Valuation Limited, as at 30 June 2017 as compared to approximately HK$233.4 million and HK$15.3 million respectively as at 31 December 2016. As such, the Group recognised a loss of approximately HK$14.5 million on fair value change of derivative financial instrument in the condensed consolidated interim statement of comprehensive income for the six months period ended 30 June 2017 (six months period ended 30 June 2016: HK$6.8 million).

Finance income/(costs) – net

Net finance costs decreased by approximately HK$8.8 million from a net cost of approximately HK$2.5 million for the six months ended 30 June 2016 to a net income of approximately HK$6.3 million for the six months ended 30 June 2017. Finance costs mainly comprised interest expenses on secured bank and other borrowings, interest expenses on a loan from the ultimate holding company and exchange realignments on the loan from the ultimate holding company and the Note, netting off with the interest income from pledged deposits and the Note. The decrease was primary due to the decrease in interest expenses paid on other borrowings due to the repayment of other borrowings during the period.

Net interest margin

Interest margin increased from 11.0% for the six months ended 30 June 2016 to 12.2% for the six months ended 30 June 2017. The increase was mainly due to the decrease in interest expenses on other borrowings as mentioned above.

Net interest margin during the period refers to the interest income in respect of the Group's mortgage loans and personal loans less the net finance costs in respect of bank and other borrowings, divided by the average of month-end gross loan receivables balances of the corresponding loans during the period.

Income tax expenses

The Group's effective tax rate was 18.3% for the six months ended 30 June 2017 as compared to 14.6% for the corresponding period in 2016. The increase in the effective tax rate was mainly due to the increase in non-deductible fair value loss on derivative financial instruments for the six months ended 30 June 2017.

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 2017 was approximately HK$24.9 million, representing a decrease of approximately HK$12.6 million or 33.6% from approximately HK$37.5 million for the corresponding period in 2016.

LIQUIDITY AND FINANCIAL RESOURCES AND CAPITAL STRUCTURE

During the six months ended 30 June 2017, the Group's operations and capital requirements were financed principally through retained earnings, loans from a bank and independent third party licensed money lenders and loan from the ultimate holding company.

With tight control imposed by the government on lending activities of authorised financial institutions in Hong Kong, the Group's future operations and capital requirements will continue to be financed principally through independent third party licensed money lenders, retained earnings and share capital. The Group will also actively look for diversified financing resources in the coming year. There were no significant commitments for capital expenditure as at 30 June 2017.

As at 30 June 2017, cash and cash equivalents and pledged deposits amounted to approximately HK$48.6 million, representing a decrease of approximately HK$81.8 million as compared to the position as at 31 December 2016. The decrease was mainly attributable to the repayment of other borrowings.

As at 30 June 2017, interest-bearing bank and other borrowings amounted to approximately HK$102.2 million, representing a decrease of approximately HK$293.8 million as compared to the position as at 31 December 2016.

During the six months ended 30 June 2017, 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 2017, the unutilised facility available to the Group for drawdown amounted to approximately HK$747.8 million (31 December 2016: approximately HK$443.9 million).

Gearing Ratio

As at 30 June 2017, the Group's gearing ratio, which was calculated by dividing net debts (being the total borrowings less pledged deposits and cash and cash equivalents) by total equity, was 0.43 as compared to 0.75, the position as at 31 December 2016.

SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS AND DISPOSALS

Save as the Note issued by Quark as disclosed above, 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 2017.

EMPLOYEES AND REMUNERATION

As at 30 June 2017, the Group has employed 26 full-time employees (31 December 2016: 29). The Group's total employee benefit expenses (including directors' emoluments) for the six months ended 30 June 2017 and 2016 were approximately HK$6.0 million and HK$6.5 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 2017 and 31 December 2016, the Group had no material contingent liabilities.

PLEDGE OF ASSETS

As at 30 June 2017, 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 with net book value of approximately HK$120.5 million (31 December 2016: HK$446.2 million).

As at 30 June 2017, certain loans receivable and bank accounts of a subsidiary of the Company with carrying value of approximately HK$15.2 million (31 December 2016: Nil) and HK$17.9 million (31 December 2016: Nil), 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 business.

FOREIGN CURRENCY EXPOSURE

The Group engages in commercial transactions denominated in currencies other than Hong Kong dollars, and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to Renminbi ("RMB"). The Group has an investment in convertible promissory note denominated in RMB whose net assets are exposed to foreign currency translation risk. Currency exposure arising from the net assets of the Group's investment is managed primarily through loan from the ultimate holding company denominated in the same foreign currency. As at 30 June 2017, no related currency hedging had been undertaken by the Group.

EVENTS AFTER THE REPORTING PERIOD

The Group did not have any significant events since the end of the reporting period (i.e. 30 June 2017) and up to the date of this announcement.

PROSPECTS

With the rising concerns on an overheating property market and the intensified competition in the money lending industry, 2017 is considered to be a challenging year for the Group. With these challenges ahead, the Group will continue to develop and expand its loan portfolio by offering competitive interest rates to customers with better credit quality. On the other hand, the Group will continue to adopt prudent and sensible credit risk management policy with strict control on loan-to-value ratio in order to preserve the overall credit quality of the Group's loan portfolio. While the Group realises that such judicious business strategies adopted may affect the growth of its profitability temporarily, it believes such strategies are vital for allowing the Group to be prepared for any unpredictable market changes.

It is believed that there is still an immense market space of mortgage loans provided by licensed money lenders, in order to secure its position as one of the top players in the mortgage loan industry, the Group will continue to deploy resources in different marketing campaigns and enhance its service quality in order to broaden and diversify its customer base. At the same time, the Group will continue to actively look for diversified and low-cost financing resources and to utilise funds more effectively in order to maintain its profitability.

The Group believes that by leveraging on its professional and high quality service, highly-recognised brand name "GICL" and effective credit risk management policy, it is and will be able to maintain its strong position in the current increasingly challenging mortgage loan market in Hong Kong.

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

During the six months ended 30 June 2017, 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 2017, we have complied with the Code Provisions except 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 1 June 2017 due to other business commitments. An independent non-executive Director attended the meeting to answer Shareholders' 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 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 2017.

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 2017. It has also reviewed the condensed consolidated interim financial information for the six months ended 30 June 2017 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 2017 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 declared the payment of an interim dividend of HK1.9 cents per share for the six months ended 30 June 2017 and will be payable to the Shareholders whose names appear on the register of members of the Company on Wednesday, 13 September 2017. The declared interim dividends will be paid on or about Thursday, 28 September 2017.

CLOSURE OF REGISTER OF MEMBERS

To determine the entitlement to the payment of interim dividend, the register of members of the Company will be closed from Tuesday, 12 September 2017 to Wednesday, 13 September 2017 (both days inclusive), during which no transfer of shares of the Company will be registered. The interim 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 Wednesday, 13 September 2017. In order to qualify for the payment of interim 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, Tricor Investor Services Limited of Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Monday, 11 September 2017.

PUBLICATION

The interim results announcement of the Company for the six months ended 30 June 2017 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 2017 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, 25 August 2017

As at the date of this announcement, the Board comprises two executive directors of the Company, namely Ms. Wang Yao and Ms. Jin Xiaoqin, 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.