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 2018

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 2018, together with relevant comparative figures.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2018

		Six months ended 30 June	
		2018	2017
	Note	***HK$'000***	*HK$'000*
		(Unaudited)	(Unaudited)
Revenue	3, 4	**54,228**	53,163
Other income	4	**5**	13
Administrative expenses	5	**(16,918)**	(15,329)
Release of impairment losses – net	6	**813**	787
Fair value change on derivative financial instrument		**–**	(14,495)
Finance (costs)/income – net	7	**(3,952)**	6,275
Profit before income tax		**34,176**	30,414
Income tax expense	8	**(5,962)**	(5,558)
Profit and total comprehensive income for the period attributable to owners of the Company		**28,214**	24,856
Earnings per share attributable to owners of the Company			
– Basic and diluted (expressed in HK cents per share)	9	**7.1**	6.2

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

As at 30 June 2018

	Note	**As at 30 June 2018** *HK$'000* **(Unaudited)**	As at 31 December 2017 *HK$'000* (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment		**1,423**	734
Loans receivable	11	**282,858**	234,043
Deferred income tax assets		**507**	727
Deposits		**–**	1,341
Total non-current assets		**284,788**	236,845
Current assets			
Loans receivable	11	**617,515**	532,866
Interest receivables	12	**7,762**	6,042
Prepayments, deposits and other receivables		**5,644**	3,319
Repossessed asset		**–**	1,778
Pledged deposits		**5,691**	4,750
Cash and cash equivalents		**9,878**	13,445
Total current assets		**646,490**	562,200
Total assets		**931,278**	799,045
EQUITY			
Equity attributable to owners of the Company			
Share capital		**4,000**	4,000
Reserves		**709,677**	694,315
Total equity		**713,677**	698,315
LIABILITIES			
Current liabilities			
Accruals and other payables		**7,534**	3,037
Tax payable		**5,030**	2,323
Bank and other borrowings	13	**205,037**	95,370
Total current liabilities		**217,601**	100,730
Total liabilities		**217,601**	100,730
Total equity and liabilities		**931,278**	799,045

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.

This condensed consolidated interim financial information is presented in thousands of Hong Kong dollars ("HK$'000"), unless otherwise stated. This condensed consolidated interim financial information was approved by the Board on 28 August 2018.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

This condensed consolidated interim financial information for the six months ended 30 June 2018 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 2017, 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 2017, as described in those annual financial statements, except for the estimation of income tax using the tax rate that would be applicable to expected total annual earnings and the adoption of new and amended standards as set out below.

New and Amended Standards Adopted by the Group

A number of new or amended standards became applicable for the current reporting period and the Group had to change its accounting policies accordingly. The impact of adopting following standards are disclosed below:

(i) HKFRS 9 Financial Instruments; and

(ii) HKFRS 15 Revenue from Contracts with Customers.

The other newly adopted standards did not have material impact on the Group's accounting policies and did not require retrospective adjustments.

HKFRS 9 Financial Instruments

HKFRS 9 Financial Instruments replaces HKAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting. The adoption of HKFRS 9 Financial Instruments from 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements.

(i) *Impact of adoption*

In accordance with the transitional provisions in HKFRS 9, HKFRS 9 was generally adopted without restating comparative information with the exception of certain aspects of hedge accounting. The reclassifications and the adjustments arising from the new impairment rules are therefore not reflected in the statement of financial position as at 31 December 2017, but are recognised in the opening statement of financial position on 1 January 2018.

The following tables show the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided.

Consolidated statement of financial position (extract)	**As at 31 December 2017 as originally presented**	**Effect of the adoption of HKFRS 9**	**As at 1 January 2018 Restated**
	HK$'000	*HK$'000*	*HK$'000*
Non-current assets			
Loans receivable	234,043	(74)	233,969
Deferred income tax assets	727	168	895
Current assets			
Loans receivable	532,866	(893)	531,973
Interest receivables	6,042	(53)	5,989
Total assets	799,045	(852)	798,193
Equity			
Reserves	694,315	(852)	693,463
Total equity	698,315	(852)	697,463

The total impact on the Group's retained earnings as at 1 January 2018 and 1 January 2017 is summarized as follows:

	2018	2017
	HK$'000	*HK$'000*
Closing retained earnings 31 December – HKAS 39	**181,518**	145,712
Increase in provisions for loans receivable	**(967)**	–
Increase in provisions for interest receivables	**(53)**	–
Increase in deferred income tax assets relating to impairment provisions	**168**	–
Adjustments to retained earnings from adoption of HKFRS 9 on 1 January 2018	**(852)**	–
Opening retained earnings 1 January – HKFRS 9	**180,666**	145,712

(ii) *Classification and measurement*

On 1 January 2018 (the date of initial application of HKFRS 9), the Group's management has assessed which business models apply to the financial assets held by the Group and classified its financial assets into the approximate HKFRS 9 categories.

The application of the new standard does not have a significant impact on the classification and measurement of its financial assets as debt instruments currently classified as loans and receivables would continue to be measured at amortised cost.

This category includes the Group's loans receivables, interest receivables, deposits and other receivables, pledged deposits and cash and cash equivalents.

(iii) *Impairment under expected credit losses ("ECL") model*

The Group has two types of financial assets that are subject to HKFRS 9's new ECL model, which are loans receivable and interest receivables. The Group recongises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition. The impact of the change in impairment methodology on the Group's retained earnings and equity is disclosed above.

While cash and cash equivalents, pledged deposits and deposits and other receivables are also subject to the impairment requirement of HKFRS 9, the identified impairment loss was immaterial.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessments are done based on the Group's historical credit loss exposure, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group measures the loss allowance equal to 12-month ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment on whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since intitial recognition.

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- significant deterioration in external market indicators of credit risk, e.g. a significant decrease in credit rating of the debtor;

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

- an actual or expected significant deterioration in the operating results of the debtor; and

- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtors' ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group considers that default has occurred when the instrument is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate. In particular, the following qualitative indicators are taken into account in determining the risk of a default occurring:

- probable bankruptcy entered by the borrowers; and

- death of the debtor.

Measurement and recognition of ECL

The measure of ECL is a function of the probability of default, loss given default (i.e., the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial assets is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The loss allowances for loans receivable and interest receivables as at 31 December 2017 reconcile to the opening loss allowances on 1 January 2018 as follows:

	Loans receivable *HK$'000*	**Interest receivables** *HK$'000*
At 31 December 2017 – HKAS 39	15,525	317
Amounts additionally provided through opening retained profits on adoption of HKFRS 9	967	53
Opening loss allowance as at 1 January 2018 – HKFRS 9	16,492	370

HKFRS 15 Revenue from Contracts with Customers

The Group has adopted HKFRS 15 Revenue from Contracts with Customers from 1 January 2018 which resulted in changes in accounting policies. The Group adopted HKFRS 15 using the modified retrospective approach which means that the cumulative impact of the adoption (if any) will be recognised in retained earnings as at 1 January 2018 and that comparatives will not be restated.

The adoption of HKFRS 15 did not result in any significant impact to the financial statements as the timing of revenue recognition is not changed.

3 SEGMENT INFORMATION

During the six months ended 30 June 2018 and 2017, 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 2018 and 2017.

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	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Revenue		
Interest income	**54,228**	53,163
Other income		
Bank interest income	**5**	8
Referral income	**–**	5
	5	13

5 ADMINISTRATIVE EXPENSES

	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Employee benefit expenses (including directors' emoluments)	**5,800**	5,998
Advertising and marketing expenses	**5,903**	3,993
Depreciation of property, plant and equipment	**279**	220
Operating lease of land and buildings	**2,009**	1,968
Other administrative expenses	**2,927**	3,150
	16,918	15,329

6 RELEASE OF IMPAIRMENT LOSSES – NET

	Six months ended 30 June 2018 (Unaudited)			
	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) provision for impairment assessment on loans receivables	**1,434**	**(410)**	**(150)**	**874**
Net reversal of/(charge for) provision for impairment assessment on interest receivables	**7**	**(12)**	**(56)**	**(61)**
	1,441	**(422)**	**(206)**	**813**

	Six months ended 30 June 2017 (Unaudited)		
	Individual impairment allowances	Collective impairment allowances	Total
	HK$'000	*HK$'000*	*HK$'000*
Net reversal of provision for impairment assessment on loans receivables	187	600	787
	187	600	787

7 FINANCE (COSTS)/INCOME – NET

	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Interest on secured bank loan	**(964)**	(10)
Interest on secured other borrowings	**(2,988)**	(5,558)
Interest on loan from the ultimate holding company	**–**	(3,357)
Exchange realignment on loan from the ultimate holding company	**–**	(8,416)
Interest income from convertible promissory note	**–**	14,914
Exchange realignment on convertible promissory note	**–**	8,702
	(3,952)	6,275

8 INCOME TAX EXPENSE

Hong Kong profits tax has been provided for at the rate of 16.5% (2017: 16.5%) on the estimated assessable profit during the six months ended 30 June 2018.

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

	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Hong Kong profits tax – current year	**5,574**	5,459
Deferred income tax	**388**	99
	5,962	5,558

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, and is expected to issue the profits tax assessments for the captioned years of assessment. A tax specialist has been engaged and valid technical grounds are available in claiming the said interest income as capital and offshore in nature. Accordingly, the Directors are of the view that no provision should be made at 30 June 2018, and they are prepared to lodge an objection to the IRD against any assessment to be issued. Based on the letter from the IRD, the Directors assessed that the maximum Hong Kong profits tax exposures, should the Company fail in their objection of IRD's assessments in respect of years of assessment 2015/16 and 2016/17, would be HK$138,000 and HK$3,660,000 respectively. In addition, on the same assessment basis, the Hong Kong profits tax exposure for the year of assessment 2017/18 would be HK$2,755,000.

9 EARNINGS PER SHARE

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company of HK$28,214,000 (2017: HK$24,856,000) by the weighted average number of ordinary shares in issue during the six months ended 30 June 2018 of 400,000,000 (2017: 400,000,000 shares).

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
Profit attributable to owners of the Company (HK$'000)	**28,214**	24,856
Weighted average number of ordinary shares in issue for basic earnings per share ('000)	**400,000**	400,000
Basic earnings per share (HK cents)	**7.1**	6.2

(b) Diluted earnings per share

There were no potential dilutive ordinary shares in issue during the six months ended 30 June 2018 and 2017 and hence the diluted earnings per share is the same as basic earnings per share.

10 DIVIDEND

At the date of this announcement, the Board declared an interim dividend of HK2.1 cents (2017: HK1.9 cents) per share. The interim dividend amounting to HK$8,400,000 have not been recognised as a liability for the six months ended 30 June 2018. It will be recognised in shareholders' equity in the year ending 31 December 2018.

A final dividend in respect of the year ended 31 December 2017 of HK3.0 cents per share, totaling HK$12,000,000, was declared, approved and paid in June 2018.

11 LOANS RECEIVABLE

	As at 30 June 2018	As at 31 December 2017
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Loans receivable	**912,535**	782,434
Less:		
Provision for impairment assessment of loans receivable	**(12,162)**	(15,525)
Loans receivable, net of provision	**900,373**	766,909
Less: non-current portion	**(282,858)**	(234,043)
Current portion	**617,515**	532,866

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 2018, except for loans receivable of HK$7,173,000 (31 December 2017: HK$8,080,000), which are unsecured, interest bearing and are repayable with fixed terms agreed with customers, all loans receivable are secured by collaterals provided by customers, interest bearing and are repayable with fixed terms agreed with the customers. The maximum exposure to credit risk at each of the reporting 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 2018 *HK$'000* **(Unaudited)**	As at 31 December 2017 *HK$'000* (Audited)
Current	**617,515**	532,866
Over 1 year and within 5 years	**71,979**	66,229
Over 5 years	**210,879**	167,814
	900,373	766,909

As at 30 June 2018 and 31 December 2017, 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$169,126,000 (31 December 2017: HK$79,977,000) (Note 13).

As at 30 June 2018, loans receivable of HK$138,654,000 (31 December 2017: HK$90,898,000) were charged to a bank to secure a bank loan facility granted to a subsidiary of the Company (Note 13).

12 INTEREST RECEIVABLES

	As at 30 June 2018 *HK$'000* **(Unaudited)**	As at 31 December 2017 *HK$'000* (Audited)
Interest receivables	**8,166**	6,359
Less:		
Provision for impairment assessment of interest receivables	**(404)**	(317)
Interest receivables, net of provision	**7,762**	6,042

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 2018, except for interest receivables of HK$191,000 (31 December 2017: HK$173,000), 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 the maturity date, net of provision, is as follows:

	As at 30 June 2018	As at 31 December 2017
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Current	**2,878**	2,390
0–30 days	**2,288**	1,932
31–90 days	**1,031**	970
Over 90 days	**1,565**	750
	7,762	6,042

13 BANK AND OTHER BORROWINGS

Bank and other borrowings are analysed as follows:

	As at 30 June 2018	As at 31 December 2017
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Bank loan – secured *(Note (a))*	**50,000**	31,000
Other borrowing – secured *(Note (b))*	**155,037**	64,370
	205,037	95,370

Movements in bank and other borrowings are analysed as follows:

	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Opening amount as at 1 January	**95,370**	396,074
Repayments of bank loan	**(22,000)**	–
Repayments of other borrowings	**(5,925)**	(298,735)
Proceeds from bank loan	**41,000**	4,900
Proceeds from other borrowings	**96,592**	–
Closing amount as at 30 June	**205,037**	102,239

(a) Bank loan – secured

As at 30 June 2018, the secured bank loan of HK$50,000,000 (31 December 2017: HK$31,000,000) is denominated in Hong Kong dollars, repayable in one year and bears average interest rate of 5.62% (31 December 2017: 5.15%) per annum. 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$138,654,000 (31 December 2017: HK$90,898,000); (ii) a floating charge on certain bank accounts of a subsidiary of the Company with carrying value of HK$5,691,000 (31 December 2017: HK$4,750,000); and (iii) a corporate guarantee from the Company.

(b) Other borrowing – secured

As at 30 June 2018, other borrowing of HK$155,037,000 (31 December 2017: HK$64,370,000) is denominated in Hong Kong dollars, repayable in one year and bears interest at rate of 5.75% (31 December 2017: 6.75%) per annum. Such other borrowing was obtained from an independent third party licensed money lender and was 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$399,150,000 and HK$198,530,000 as at 30 June 2018 and 31 December 2017, respectively.

14 COMMITMENTS

Operating lease commitments – as lessee

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

	As at 30 June 2018 *HK$'000* **(Unaudited)**	As at 31 December 2017 *HK$'000* (Audited)
Not later than one year	**3,367**	4,019
One to five years	**–**	1,358
	3,367	5,377

15 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 2018 and 2017.

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

	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
– Interest expense on loan from the ultimate holding company	**–**	3,357

(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 16 to this announcement.

(c) Key management compensation

	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Salaries, benefits and bonus	**1,949**	1,691
Pension costs	**45**	45
	1,994	1,736

(d) Remuneration paid to a related party

	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Salaries and pension costs paid to the spouse of a director of the Company	**126**	126

16 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. 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. The trial was conducted from 9 May 2018 to 16 May 2018 and as at the date of this announcement, no judgment has been delivered.

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 2018 and 31 December 2017 had been fully impaired.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Despite the interest rate hike in the US and market instability as a result of the on-going US-China trade war, Hong Kong's property market continued to boom during the six months ended 30 June 2018. With the continuous red-hot property market conditions and the appreciation in value on property which drives the demand on mortgage refinancing, the Group has offered more competitive interest rates to customers with better credit quality and devoted more resources in marketing campaigns during the period in order to further develop and expand its loan portfolio. Benefiting from the increasing demand and successful marketing strategy, the total amount of new loans granted increased by HK$112.8 million or 52.8% to HK$326.4 million during the six months ended 30 June 2018, as compared to HK$213.6 million over the last corresponding period. The gross loans receivable as a result increased from HK$782.4 million as at 31 December 2017 to HK$912.5 million as at 30 June 2018.

Though the Group recorded a notable growth in loan portfolio during the period, due to a more competitive pricing strategy adopted by the Group in response to the intensified competition in the money lending industry, the Group's interest income has increased slightly by 1.9% to HK$54.2 million for the six months ended 30 June 2018 as compared to HK$53.2 million in last corresponding period.

The Group achieved net profit of HK$28.2 million for the six months ended 30 June 2018 as compared to HK$24.9 million in the last corresponding period. Netting off the combined negative financial impact from the convertible promissory note issued by Quark Finance Group (the "Note") and the loan from the ultimate holding company of HK$3.0 million for the six months ended 30 June 2017, net profit from the Group's mortgage and personal loan business for the six months ended 30 June 2018 increased slightly by HK$0.3 million as compared to 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 increased slightly by HK$1.0 million or 1.9% from HK$53.2 million for the six months ended 30 June 2017 to HK$54.2 million for the six months ended 30 June 2018. Such increase was primarily due to the increase of average month-end balance of our gross loans receivable by HK$79.8 million or 10.5% from HK$757.2 million for the six months ended 30 June 2017 to HK$837.0 million for the six months ended 30 June 2018.

Administrative expenses

The Group incurred administrative expenses of HK$16.9 million for the six months ended 30 June 2018 (six months ended 30 June 2017: HK$15.3 million), which mainly comprised employee benefit expenses, advertising and marketing expenses, depreciation of property, plant and equipment, operating lease of land and buildings and other miscellaneous expenses. Administrative expenses increased by HK$1.6 million mainly due to increase in advertising and marketing expenses as the Group devoted more resources in television advertising during the period.

Release of impairment losses – net

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

The release of impairment losses of HK$0.8 million for the six months ended 30 June 2018 was measured based on the new impairment requirement under HKFRS 9. The release of impairment losses was attributable to the combined effect of (i) the recovery of certain previously impaired loans receivable; and (ii) the decrease in loan portfolio with high loan-to-value ratio.

Fair value change on derivative financial instrument

The Group recognised a loss of HK$15.3 million on fair value change of a derivative financial instrument in relation to the investment in the Note for the six months ended 30 June 2017. As the Note had been redeemed in September 2017, the remaining value of the embedded derivative financial instrument was fully written down during the last financial year.

Finance (costs)/income – net

Net finance (costs)/income changed from a net finance income of HK$6.3 million for the six months ended 30 June 2017 to a net finance cost of HK$4.0 million for the six months ended 30 June 2018. The change in position was primarily due to the redemption of the Note in September 2017 and therefore interest income from the Note decreased from HK$14.9 million for the six months ended 30 June 2017 to nil for the six months ended 30 June 2018. Netting off the impact from the Note and the loan from the ultimate holding company for financing the Note, interest expenses on bank and other borrowings decreased by HK$1.6 million or 28.6% from HK$5.6 million for the six months ended 30 June 2017 to HK$4.0 million for the six months ended 30 June 2018 due to the decrease in average effective interest rate charged on bank and other borrowings.

Net interest margin

Interest margin increased slightly from 12.2% for the six months ended 30 June 2017 to 12.3% for the six months ended 30 June 2018. The increase was mainly due to the decrease in interest expenses on bank and 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 loans receivable balances of the corresponding loans during the period.

Income tax expenses

The Group's effective tax rate was 17.4% for the six months ended 30 June 2018 as compared to 18.3% for the corresponding period in 2017. The decrease in the effective tax rate was mainly due to the decrease in non-deductible fair value loss on derivative financial instrument for the six months ended 30 June 2018.

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 2018 was HK$28.2 million, representing an increase of HK$3.3 million or 13.3% from HK$24.9 million for the corresponding period in 2017.

LIQUIDITY AND FINANCIAL RESOURCES AND CAPITAL STRUCTURE

During the six months ended 30 June 2018, the Group's operation and capital requirements were financed principally through retained earnings, loans from a bank and an independent third party licensed money lender.

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 2018.

As at 30 June 2018, cash and cash equivalents and pledged deposits amounted to HK$15.6 million, representing a decrease of HK$2.6 million as compared to the position as at 31 December 2017. The decrease was mainly attributable to the increase in the Group's loan portfolio.

As at 30 June 2018, interest-bearing bank and other borrowings amounted to HK$205.0 million, representing an increase of HK$109.7 million as compared to the position as at 31 December 2017. The increase was also attributable to the increase in the Group's loan portfolio which led to higher financing needs.

During the six months ended 30 June 2018, 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 2018, the unutilised facility available to the Group for drawdown amounted to HK$145.0 million (31 December 2017: HK$635.6 million).

Gearing Ratio

As at 30 June 2018, 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 0.27 as compared to 0.11, the position as at 31 December 2017.

SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS AND DISPOSALS

The Group did not have any significant investments held, material acquisitions and disposals of subsidiaries and associated companies for the six months ended 30 June 2018.

EMPLOYEES AND REMUNERATION

As at 30 June 2018, the Group has employed 24 full-time employees (31 December 2017: 23). The Group's total employee benefit expenses (including directors' emoluments) for the six months ended 30 June 2018 and 2017 were HK$5.8 million and HK$6.0 million, respectively. The remuneration of the employees of the Group included salaries, overtime allowance, commission and year end discretionary bonuses. The Group remunerates its employees mainly based on current market trend, individual performance and experience and conduct performance appraisals on an annual basis.

CORPORATE SOCIAL RESPONSIBILITY

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

CONTINGENT LIABILITIES

As at 30 June 2018 and 31 December 2017, save for the potential Hong Kong profits tax exposure disclosed in note 8 to the condensed consolidated interim financial information, the Group had no material contingent liabilities.

PLEDGE OF ASSETS

As at 30 June 2018, certain properties mortgaged to a subsidiary of the Company by its respective customers were pledged to secure a loan facility granted to the Group. These properties were mortgaged to the Group for securing loans receivable with net book value of HK$169.1 million (31 December 2017: HK$80.0 million).

As at 30 June 2018, certain loans receivable and bank accounts of a subsidiary of the Company with carrying value of HK$138.7 million (31 December 2017: HK$90.9 million) and HK$5.7 million (31 December 2017: HK$4.8 million), respectively, were charged to a bank to secure a loan facility granted to the Group.

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

FOREIGN CURRENCY EXPOSURE

The business activities of our Group were denominated in Hong Kong dollars. The Directors did not consider the Group was exposed to any significant foreign exchange risks during the six months ended 30 June 2018. As impact from foreign exchange exposure was minimal and thus 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 minimize the exchange related risks.

EVENTS AFTER THE REPORTING PERIOD

The Group did not have any significant events since the end of the reporting period (i.e. 30 June 2018) and up to the date of this announcement.

PROSPECTS

With high demand and limited supply in the property market in Hong Kong, the property prices in Hong Kong have continued their prolong rising momentum. Still, the property market is surrounded by various risk factors that cast uncertainties over its future development. With the US Federal Reserve continuing its plan to lift interest rates, it is anticipated that Hong Kong will follow the interest rate hike in the second half of 2018. Besides, the escalation of the U.S. and China Trade War also increases global volatilities of asset prices in the financial market. The Group is prepared to implement periodic policies to manage the risks prudently to prepare for possible volatility in local interest rates and property market. Furthermore, the anticipated uplift of interest rate will increase the Group's funding costs, while the intensified competition in the money lending industry has imposed pressure on the pricing strategy of the Group. As such, the Group's loan business growth is expected to remain challenging in the near future.

In response to the uncertainties and challenges, the Group will put more effort in the second half of 2018 in order to strengthen the quality of the Group's loan portfolio with a focus to improve overall loan-to-value ratio and to reduce the loan portfolio from high risk customers. 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.

Barring unforeseen circumstances, with the demand on mortgage refinancing remains strong, the Group expects to record moderate growth in its money lending business this year.

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

During the six months ended 30 June 2018, 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 2018, we have complied with the Code Provisions except the following deviation:

– 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.

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 2018.

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 2018. It has also reviewed the condensed consolidated interim financial information for the six months ended 30 June 2018 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 2018 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 HK2.1 cents per share for the six months ended 30 June 2018 and will be payable to the Shareholders whose names appear on the register of members of the Company on Friday, 21 September 2018. The declared interim dividends will be paid on or about Wednesday, 10 October 2018.

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 Wednesday, 19 September 2018 to Friday, 21 September 2018 (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 Friday, 21 September 2018. 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 Tuesday, 18 September 2018.

PUBLICATION

The interim results announcement of the Company for the six months ended 30 June 2018 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 2018 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, 28 August 2018

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.