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GLOBAL INTERNATIONAL CREDIT GROUP LIMITED

環球信貸集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1669)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2016

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 2016, together with relevant comparative figures.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME *For the six months ended 30 June 2016*

		Six months ended 30 June	
		2016	2015
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Unaudited)
Revenue	3, 4	67,256	58,168
Other income	4	729	192
Administrative expenses	5	(14,737)	(18,300)
Fair value change on derivative financial instrument	13	(6,822)	–
Finance costs – net	6	(2,531)	(9,403)
Profit before income tax		43,895	30,657
Income tax expense	7	(6,426)	(5,140)
Profit and total comprehensive income for the period attributable to owners of the Company		37,469	25,517
Earnings per share attributable to owners of the Company			
– Basic and diluted (expressed in HK cents per share)	8	9.4	6.4

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION
As at 30 June 2016

	<i>Note</i>	As at 30 June 2016 <i>HK\$'000</i> (Unaudited)	As at 31 December 2015 <i>HK\$'000</i> (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment		871	429
Loans receivable	10	236,912	234,894
Deferred income tax assets		983	983
Convertible promissory note	12	228,139	215,765
Derivative financial instrument	13	13,786	20,608
Total non-current assets		480,691	472,679
Current assets			
Loans receivable	10	681,237	702,800
Interest receivables	11	6,214	7,133
Prepayments, deposits and other receivables		7,151	4,788
Pledged deposits		31,054	31,054
Cash and cash equivalents		75,087	101,200
Total current assets		800,743	846,975
Total assets		1,281,434	1,319,654
EQUITY			
Equity attributable to owners of the Company			
Share capital		4,000	4,000
Reserves		630,635	607,566
Total equity		634,635	611,566
LIABILITIES			
Non-current liability			
Loan from the ultimate holding company	16(a)	235,972	235,469
Current liabilities			
Accruals and other payables		3,249	7,528
Tax payable		8,177	3,961
Bank and other borrowings	14	399,401	461,130
Total current liabilities		410,827	472,619
Total liabilities		646,799	708,088
Total equity and liabilities		1,281,434	1,319,654
Net current assets		389,916	374,356
Total assets less current liabilities		870,607	847,035

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, Uglan House, Grand Cayman, KY1-1104, Cayman Islands.

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

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

The Company has its primary listing on the Stock Exchange of Hong Kong Limited (the “Stock Exchange”) since 12 December 2014.

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

2 BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2016 has been prepared in accordance with 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 2015, which have been prepared in accordance with HKFRSs.

Taxes on income in the interim period are accrued using the tax rate that would be applicable to expected total annual earnings. There are no new standards, amendments and interpretations to existing standards that are effective for the first time for this interim period, which 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 2016. 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 2016 and 2015, 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 2016 and 2015.

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	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Revenue		
Interest income	<u>67,256</u>	<u>58,168</u>
Other income		
Bank interest income	9	109
Referral income	720	–
Sundry income	–	83
	<u>729</u>	<u>192</u>

5 EXPENSES BY NATURE

	Six months ended 30 June	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Employee benefit expenses (including directors' emoluments)	6,547	5,543
Advertising and marketing expenses	2,327	6,056
Depreciation of property, plant and equipment	137	837
Other expenses	<u>5,726</u>	<u>5,864</u>
Administrative expenses	<u>14,737</u>	<u>18,300</u>

6 FINANCE COSTS – NET

	Six months ended 30 June	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Interest on secured bank loan	249	–
Interest on secured other borrowings	14,228	9,403
Interest on loan from the ultimate holding company	3,537	–
Interest income from pledged deposits	(58)	–
Interest income from convertible promissory note	<u>(15,425)</u>	<u>–</u>
	<u>2,531</u>	<u>9,403</u>

7 INCOME TAX EXPENSE

Hong Kong profits tax has been provided for at the rate of 16.5% (2015: 16.5%) on the estimated assessable profit during the six months ended 30 June 2016.

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

	Six months ended 30 June	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Hong Kong profits tax – current year	<u>6,426</u>	<u>5,140</u>

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\$37,469,000 (2015: HK\$25,517,000) by the weighted average number of ordinary shares in issue during the six months ended 30 June 2016 of 400,000,000 (2015: 400,000,000 shares).

	Six months ended 30 June	
	2016 (Unaudited)	2015 (Unaudited)
Profit attributable to owners of the Company (HK\$'000)	37,469	25,517
Weighted average number of ordinary shares in issue for basic earnings per share ('000)	400,000	400,000
Basic earnings per share (HK cents)	<u>9.4</u>	<u>6.4</u>

b) Diluted earnings per share

There were no potential dilutive ordinary shares outstanding during the six months ended 30 June 2016 and 2015 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 HK2.8 cents (2015: Nil) per share. The interim dividends amounting to HK\$11,200,000 have not been recognised as a liability for the six months ended 30 June 2016. It will be recognised in shareholders' equity in the year ending 31 December 2016.

A final dividend of HK3.6 cents per share relating to the year ended 31 December 2015, amounting to HK\$14,400,000, was declared, approved and paid in June 2016.

10 LOANS RECEIVABLE

	As at 30 June 2016 <i>HK\$'000</i> (Unaudited)	As at 31 December 2015 <i>HK\$'000</i> (Audited)
Loans receivable	931,887	951,491
Less:		
Provision for individual impairment assessment of loans receivable	(9,852)	(9,911)
Provision for collective impairment assessment of loans receivable	(3,886)	(3,886)
Loans receivable, net of provision	918,149	937,694
Less: non-current portion	(236,912)	(234,894)
Current portion	681,237	702,800

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 2016, except for loans receivable of HK\$4,568,000 (31 December 2015: HK\$6,104,000), 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 2016 <i>HK\$'000</i> (Unaudited)	As at 31 December 2015 <i>HK\$'000</i> (Audited)
Current	681,237	702,800
2 to 5 years	76,057	78,125
Over 5 years	160,855	156,769
	918,149	937,694

As at 30 June 2016 and 31 December 2015, certain properties mortgaged to a subsidiary of the Company for loans granted to its respective customers were pledged to an independent third party to secure an other borrowing granted to a subsidiary of the Company (Note 14).

11 INTEREST RECEIVABLES

	As at 30 June 2016 <i>HK\$'000</i> (Unaudited)	As at 31 December 2015 <i>HK\$'000</i> (Audited)
Interest receivables	6,531	7,450
Less:		
Provision for individual impairment assessment of interest receivables	(317)	(317)
Interest receivables, net of provision	<u>6,214</u>	<u>7,133</u>

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

As at 30 June 2016, except for interest receivables of HK\$55,000 (31 December 2015: HK\$88,000), 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 2016 <i>HK\$'000</i> (Unaudited)	As at 31 December 2015 <i>HK\$'000</i> (Audited)
Current	4,322	5,249
0–30 days	1,320	1,231
31–90 days	515	412
Over 90 days	57	241
	<u>6,214</u>	<u>7,133</u>

12 CONVERTIBLE PROMISSORY NOTE

On 18 December 2015, the Company subscribed 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 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. As at 30 June 2016, 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:

	2016 <i>HK\$'000</i> (Unaudited)	2015 <i>HK\$'000</i> (Audited)
Convertible promissory note		
As at 1 January	215,765	–
Purchase of the Note	–	214,592
Interest income	15,425	1,173
Exchange alignment	<u>(3,051)</u>	<u>–</u>
As at 30 June/31 December	<u>228,139</u>	<u>215,765</u>

13 DERIVATIVE FINANCIAL INSTRUMENT

	As at 30 June 2016 <i>HK\$'000</i> (Unaudited)	As at 31 December 2015 <i>HK\$'000</i> (Audited)
Conversion right embedded in the convertible promissory note (<i>Note 12</i>)	<u>13,786</u>	<u>20,608</u>

The conversion right embedded in the convertible promissory note referred to the investment in the Note issued by Quark as set out in Note 12. During the period ended 30 June 2016, fair value loss on derivative financial instrument of HK\$6,822,000 (2015: Nil) 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 2016 <i>HK\$'000</i> (Unaudited)	As at 31 December 2015 <i>HK\$'000</i> (Audited)
Bank loan – secured (<i>Note (a)</i>)	30,965	30,965
Other borrowings – secured (<i>Note (b)</i>)	<u>368,436</u>	<u>430,165</u>
	<u>399,401</u>	<u>461,130</u>

(a) Bank loan – secured

The secured bank loan, which is denominated in United States dollars, matures in 2016 and bears an interest rate of 1.25% per annum. As at 30 June 2016 and 31 December 2015, the secured bank loan is secured by a pledged deposit of US\$4,000,000 (equivalent to HK\$31,054,000).

(b) Other borrowings – secured

The weighted average effective interest rate on secured other borrowings during the six months ended 30 June 2016 were approximately 6.9% (six months ended 30 June 2015: 7.2%) per annum.

As at 30 June 2016, other borrowing of HK\$368,436,000 (31 December 2015: HK\$425,165,000) 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 Group for loans granted to its respective customers (Note 10) and a corporate guarantee from the Company.

At 31 December 2015, other borrowing of HK\$5,000,000 was obtained from an independent third party licensed money lender and was secured by a corporate guarantee from the Company. The borrowing was fully repaid during the six months ended 30 June 2016.

15 COMMITMENTS

Operating lease commitments – as lessee

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

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

	As at 30 June 2016 HK\$'000 (Unaudited)	As at 31 December 2015 HK\$'000 (Audited)
Not later than one year	3,320	3,890
One to five years	–	1,364
	<u>3,320</u>	<u>5,254</u>

16 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 2016 and 2015, and balances arising from related party transactions as at 30 June 2016 and 31 December 2015.

(a) Interest expenses and loan from the ultimate holding company

	Six months ended 30 June 2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
– Interest expenses on loan from the ultimate holding company	<u>3,537</u>	<u>–</u>

On 21 July 2015, Blossom Spring and the Company 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 at 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 (Note 12).

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.

The outstanding balance arising from the above transactions as at 30 June 2016 amounted to HK\$235,972,000 (31 December 2015: HK\$235,469,000).

(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 17 to this announcement.

(c) Key management compensation

	Six months ended 30 June	
	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Salaries, benefits and bonus	1,887	1,745
Pension costs	34	35
	1,921	1,780

17 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.

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. A case management conference (“CMC”) in relation to the claim was held on 26 July 2016 between the Plaintiff and the Company’s subsidiary. Since additional time is required to gather the case information, the High Court of Hong Kong has fixed a second CMC to be held on 19 January 2017 and it is expected that the trial will be held in mid or late 2017.

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 2016 and 31 December 2015 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 2016, the sluggish market conditions, uncertainty in the local property market, increasing number of fraud cases and competitive mortgage loan market in Hong Kong imposed additional challenges to the Group's mortgage loan business. In response to the uncertainties of the local economy and property market, the Group has adopted more prudent business strategies and tightened its credit policy in order to preserve the overall quality of its mortgage loan portfolio. Despite such unfavorable business environment which limited the growth of the Group's mortgage loan portfolio during the six month ended 30 June 2016, the Group still recorded a growth of 15.6% in revenue as compared to last corresponding period.

The Group is of the view that its stringent control on loan applications and effective credit risk management would bring the Group a solid mortgage loan portfolio despite the current intense market conditions.

In addition, in order to meet the needs of increasingly mobile and tech-savvy customers, the Group has launched its first mobile application and included additional digital features to its business in the first half of 2016.

Besides, following the acquisition of a convertible promissory note (the "Note") in Quark Finance Group ("Quark"), a PRC-based P2P lending platform, in December 2015, the Group recognised additional interest income of HK\$15.4 million from the Note for the six months ended 30 June 2016. Such interest income, nevertheless, was partially set off by a fair value loss on the related derivative financial instrument of HK\$6.8 million and an interest expense on loan from ultimate holding company of HK\$3.5 million.

Benefiting from the additional source of income from the Note, the Group achieved a promising interim results for 2016 with profit attributable to shareholders rose by 46.8% to HK\$37.5 million.

FINANCIAL REVIEW

Revenue

The Group's interest income received from money lending business of providing property mortgage loans and personal loans increased by approximately HK\$9.1 million or 15.6% from approximately HK\$58.2 million for the six months ended 30 June 2015 to approximately HK\$67.3 million for the six months ended 30 June 2016. Such increase was primarily due to the increase of average month-end balance of our mortgage loans receivable by approximately HK\$199.5 million or 26.5% from approximately HK\$751.5 million for the six months ended 30 June 2015 to approximately HK\$951.0 million for the six months ended 30 June 2016.

Other income

The Group's other income increased by approximately HK\$0.5 million or 2.5 times from approximately HK\$0.2 million for the six months ended 30 June 2015 to approximately HK\$0.7 million for the six months ended 30 June 2016. Such increase was mainly due to the generation of referral fee income from business referral.

Administrative expenses

The Group incurred administrative expenses of approximately HK\$14.7 million for the six months ended 30 June 2016 (six months ended 30 June 2015: HK\$18.3 million), which mainly comprises employee benefit expenses, advertising and marketing expenses, legal and professional fees, operating lease of land and buildings and other miscellaneous expenses. Administrative expenses decreased by approximately HK\$3.6 million or 19.7% from approximately HK\$18.3 million for the six months ended 30 June 2015 to approximately HK\$14.7 million for the six months ended 30 June 2016. The decrease was mainly due to reduced resources allocated to advertising and marketing campaigns during the six months ended 30 June 2016 as a result of the sluggish market conditions and the Group's strategy to defer marketing campaigns in the second half of the year.

Fair value change on derivative financial instrument

On 18 December 2015, the Company subscribed 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 2016, the Note had not been converted, in which the carrying amount of the convertible promissory note was approximately HK\$228.1 million and that of the derivative financial instrument was approximately HK\$13.8 million in accordance with a valuation report prepared by an independent third party valuer, International Valuation Limited, as at 30 June 2016 as compared to approximately HK\$215.8 million and HK\$20.6 million respectively as at 31 December 2015. As such, the Group recognised a loss of approximately HK\$6.8 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 2016. The fair value change was mainly attributable to (i) time depreciation of conversion period; and (ii) decrease in business valuation of Quark due to the volatilities and challenges faced by the China's P2P lending market early this year.

Finance costs

Net finance costs decreased by approximately HK\$6.9 million or 73.4% from approximately HK\$9.4 million for the six months ended 30 June 2015 to approximately HK\$2.5 million for the six months ended 30 June 2016. Finance costs mainly comprise interest on secured bank and other borrowings and interest expenses paid on a loan from Blossom Spring Global Limited (“Blossom Spring”), the ultimate holding company of the Group and the Company, netting off with the interest income from pledged deposits and the Note. The decrease was primary due to net effect of (i) the increase in interest income from the Note purchased in December 2015; (ii) the increase in interest expenses paid on secured and other borrowings due to the increase in average outstanding balances; and (iii) the increase in interest expenses paid on the loan from Blossom Spring for the purchase of the Note.

Net interest margin

Interest margin decreased from 13.1% for the six months ended 30 June 2015 to 11.0% for the six months ended 30 June 2016. The decrease was mainly due to (i) the increase in the Group’s interest income generated by first mortgage loans during the six months ended 30 June 2016, and (ii) the increase in interest expenses paid on secured 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 loan receivables balances of the corresponding loans during the period.

Income tax expenses

The Group’s effective tax rate was 14.6% for the six months ended 30 June 2016 as compared to 16.8% for the corresponding period in 2015. The decrease in the effective tax rate was mainly due to net effect of (i) the increase in non-taxable interest income arising from the Note; (ii) the increase in non-deductible interest expenses arising from the loan from Blossom Spring; and (iii) the increase in non-deductible fair value change on derivative financial instruments for the six months ended 30 June 2016.

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 2016 was HK\$37.5 million, representing an increase of approximately HK\$12.0 million or 46.8% from approximately HK\$25.5 million for the corresponding period in 2015.

LIQUIDITY AND FINANCIAL RESOURCES AND CAPITAL STRUCTURE

During the six months ended 30 June 2016, 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 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 2016.

As at 30 June 2016, cash and cash equivalents and pledged deposits amounted to approximately HK\$106.1 million, representing a decrease of approximately HK\$26.1 million as compared to the position as at 31 December 2015. The decrease was mainly attributable to the repayment of other borrowings.

As at 30 June 2016, interest-bearing bank and other borrowings amounted to approximately HK\$399.4 million, representing a decrease of approximately HK\$61.7 million as compared to the position as at 31 December 2015.

During the six months ended 30 June 2016, 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 2016, the unutilised facility available to the Group for drawdown amounted to approximately HK\$371.6 million (31 December 2015: approximately HK\$109.8 million).

Gearing Ratio

As at 30 June 2016, the Group's gearing ratio, which was calculated by dividing net debts (being the total borrowings less pledged bank deposits and cash and cash equivalents) by total equity, was 0.83 as compared to 0.92, the position as at 31 December 2015.

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 2016.

EMPLOYEES AND REMUNERATION

As at 30 June 2016, the Group has employed 30 full-time employees (31 December 2015: 30). The Group's total employee benefit expenses (including directors' emoluments) for the six months ended 30 June 2016 and 2015 were approximately HK\$6.5 million and HK\$5.5 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 performed its corporate social responsibility through the participation in various charitable and volunteer activities. The Group 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 2016 and 31 December 2015, the Group had no material contingent liabilities.

PLEDGE OF ASSETS

As at 30 June 2016, certain properties mortgaged to a subsidiary of the Company by its respective customers were pledged to secure against a loan facility granted to the Group. These properties are mortgaged to the Group for securing loans receivable with net book value of approximately HK\$423.6 million (31 December 2015: HK\$474.1 million). Such loan facility granted to the Group was for the expansion of the Group's mortgage business.

As at 30 June 2016 and 31 December 2015, a fixed deposit of US\$4.0 million (equivalent to approximately HK\$31.1 million) in a subsidiary of the Group was pledged to a bank to secure against a loan facility available to 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 2016) and up to the date of this announcement.

PROSPECTS

2016 is considered to be a challenging year for the Group, the Group will continue to develop and expand its money lending business with prudent and flexible business strategies in order to strike a balance between business growth and risk management.

In order to secure its leading position in the property mortgage loan industry and to further penetrate its customer base, the Group will continue to deploy resources in different marketing campaigns and further enhance its service quality and customer's experience by providing additional digital features to its business. At the same time, the Group will continue to actively look for diversified and cheaper financing resources in order to retain its net interest margin.

The Group believes by leveraging on its professional and high quality service, highly-recognized 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.

After the exponential phase of growth in the past years, China's P2P lending market is undergoing a consolidation phase following the tightening of regulation and turbulence faced by the industry early this year. The Group will stay alert to the latest market development of the P2P lending market and cautiously assess the appropriateness of conversion of the Note.

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

During the six months ended 30 June 2016, 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 2016, 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 6 June 2016 due to personal reason. Another executive Director and the independent non-executive Directors 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 2016.

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 2016. It has also reviewed the condensed consolidated interim financial information for the six months ended 30 June 2016 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 2016 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 HK2.8 cents per share for the six months ended 30 June 2016 and will be payable to the Shareholders whose names appear on the register of members of the Company on Tuesday, 13 September 2016. The declared interim dividends will be paid on or about Thursday, 29 September 2016.

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 Monday, 12 September 2016 to Tuesday, 13 September 2016 (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 Tuesday, 13 September 2016. 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 Friday, 9 September 2016.

PUBLICATION

The interim results announcement of the Company for the six months ended 30 June 2016 is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.gic.com.hk) respectively. The interim report of the Company for the six months ended 30 June 2016 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 2016

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 Mr. Man Yiu Kwong, Nick, Dr. Ng Lai Man, Carmen and Mr. Tang, Warren Louis.