GLOBAL INTERNATIONAL CREDIT GROUP LIMITED
環球信貸集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1669)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2016

The board (the "Board") of directors (the "Directors") of Global International Credit Group Limited (the "Company") is pleased to announce the audited final results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2016, together with the comparative figures for the year ended 31 December 2015.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Year ended 31 December	
		2016	2015
	Note	***HK$'000***	*HK$'000*
Revenue	*5*	**130,295**	124,322
Other income	*5*	**1,308**	215
Administrative and other expenses	*6*	**(34,711)**	(45,692)
Fair value change on derivative financial instrument	*14*	**(5,302)**	–
Finance costs – net	*7*	**(3,438)**	(21,333)
Profit before income tax		**88,152**	57,512
Income tax expense	*8*	**(11,609)**	(10,332)
Profit and total comprehensive income for the year attributable to owners of the Company		**76,543**	47,180
Earnings per share attributable to owners of the Company			
– Basic and diluted (expressed in HK cents per share)	*9*	**19.1**	11.8

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	**As at 31 December 2016 *HK$'000***	As at 31 December 2015 *HK$'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**1,116**	429
Loans receivable	*11*	**232,989**	234,894
Deferred income tax assets		**806**	983
Convertible promissory note	*13*	**151,956**	215,765
Derivative financial instrument	*14*	**15,306**	20,608
Total non-current assets		**402,173**	472,679
Current assets			
Loans receivable	*11*	**666,276**	702,800
Interest receivables	*12*	**5,841**	7,133
Prepayments, deposits and other receivables		**5,530**	4,788
Convertible promissory note	*13*	**81,492**	–
Pledged deposit		**–**	31,054
Cash and cash equivalents		**130,433**	101,200
Total current assets		**889,572**	846,975
Total assets		**1,291,745**	1,319,654
EQUITY			
Equity attributable to owners of the Company			
Share capital	*16*	**4,000**	4,000
Reserves		**658,509**	607,566
Total equity		**662,509**	611,566
LIABILITIES			
Non-current liability			
Loan from the ultimate holding company	*18(a)*	**178,815**	235,469
Current liabilities			
Accruals and other payables		**3,101**	7,528
Tax payable		**869**	3,961
Bank and other borrowings	*15*	**396,074**	461,130
Loan from the ultimate holding company	*18(a)*	**50,377**	–
Total current liabilities		**450,421**	472,619
Total liabilities		**629,236**	708,088
Total equity and liabilities		**1,291,745**	1,319,654

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT

1 GENERAL INFORMATION

Global International Credit Group Limited 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 are principally engaged in money lending business of providing property mortgage loans and personal loans in Hong Kong.

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

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

These consolidated financial statements are presented in thousands of Hong Kong dollars ("HK$'000"), unless otherwise stated. These consolidated financial statements were approved by the Board of Directors for issue on 23 March 2017.

2 BASIS OF PREPARATION

The consolidated financial statements of the Company have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs") and requirements of the Hong Kong Companies Ordinance (Cap. 622). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of the derivative financial instrument, which is carried at fair value.

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

3 APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

(a) New and amended standards adopted by the Group

The following amendments to standards have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2016:

- *Accounting for acquisitions of interests in joint operations – Amendments to HKFRS 11*
- *Clarification of acceptable methods of depreciation and amortisation – Amendments to HKAS 16 and HKAS 38*
- *Annual improvements to HKFRSs 2012–2014 cycle, and*
- *Disclosure initiative – amendments to HKAS 1.*

The adoption of these amendments did not have any material impact on the Group's financial performance and positions for the current year and prior years and/or on the disclosures set out in these consolidated financial statements.

(b) New standards and interpretation not yet adopted

A number of new standards and amendments to standards and interpretation are effective for annual periods beginning 1 January 2016 and have not been early adopted in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

HKFRS 9, 'Financial instruments'

HKFRS 9, "Financial instruments", addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of HKFRS 9 was issued in July 2014. It replaces the guidance in HKAS 39 that relates to the classification and measurement of financial instruments. HKFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income ("FVOCI") and fair value through profit or loss ("FVPL"). The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial assets. Investments in equity instruments are required to be measured at FVPL with the irrevocable option at inception to present changes in fair value in other comprehensive income ("OCI") not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in HKAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at FVPL. HKFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes.

Contemporaneous documentation is still required but is different to that currently prepared under HKAS 39. The new standard addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. While the Group has yet to undertake a detailed assessment of the classification and measurement of financial assets, derivative financial instrument currently measured at FVPL which would likely continue to be measured on the same basis under HKFRS 9. Accordingly, the Group does not expect the new guidance to have a significant impact on the classification and measurement of its financial assets. There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at FVPL and the Group does not have any such liabilities. The derecognition rules have been transferred from HKAS 39 Financial Instruments: Recognition and Measurement and have not been changed.

The new impairment model requires the recognition of impairment provisions based on expected credit losses ("ECL") rather than only incurred credit losses as is the case under HKAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, contract assets under HKFRS 15 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts. While the Group has not yet undertaken a detailed assessment of how its impairment provisions would be affected by the new model, it may result in an earlier recognition of credit losses. The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard. HKFRS 9 must be applied for financial years commencing on or after 1 January 2018. Based on the transitional provisions in the completed HKFRS 9, early adoption in phases was only permitted for annual reporting periods beginning before 1 February 2015. After that date, the new rules must be adopted in their entirety. The Group does not intend to adopt HKFRS 9 before its mandatory effective date.

The Group intends to quantify the potential impact of HKFRS 9 once it is practicable to provide reliable estimates.

HKFRS 15, 'Revenue from contracts with customers'

The Hong Kong Institute of Certified Public Accountants has issued a new standard for the recognition of revenue. This will replace HKAS 18 which covers contracts for goods and services and HKAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The standard permits either a full retrospective or a modified retrospective approach for the adoption.

HKFRS 15 is mandatory for financial years commencing on or after 1 January 2018. At this stage, the Group does not intend to adopt the standard before its mandatory effective date.

The Group is in the process of assessing the impact of HKFRS 15 to the Group, but is of the view that the standard will not have significant impact, when applied, on the consolidated financial statements of the Group.

HKFRS 16, 'Leases'

HKFRS 16 will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of HK$1,371,000, see Note 17. However, the Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows.

Some of the commitments may be covered by the exception for short-term and low value leases and some commitments may relate to arrangements that will not qualify as leases under HKFRS 16.

The new standard is mandatory for financial years commencing on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its mandatory effective date.

4 SEGMENT INFORMATION

During the years ended 31 December 2015 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 during the years ended 31 December 2015 and 2016.

5 REVENUE AND OTHER INCOME

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

	Year ended 31 December	
	2016	2015
	HK$'000	*HK$'000*
Revenue		
Interest income	**130,295**	124,322
Other income		
Bank interest income	**104**	132
Referral income	**1,092**	–
Sundry income	**112**	83
	1,308	215

6 ADMINISTRATIVE AND OTHER EXPENSES

	Year ended 31 December	
	2016	2015
Administrative expenses	***HK$'000***	*HK$'000*
Employee benefit expenses (including directors' emoluments)	**12,927**	11,925
Advertising and marketing expenses	**8,030**	14,833
Legal and professional fees	**2,417**	7,903
Auditor's remuneration		
– Audit services	**1,300**	1,400
– Non-audit services	**309**	710
Depreciation of property, plant and equipment	**329**	975
Operating lease of land and buildings	**3,900**	3,611
Other operating expenses	**2,983**	3,054
	32,195	44,411
Other expenses		
Provision for individual impairment assessment of loans receivable	**3,354**	122
Provision for individual impairment assessment of interest receivables	**–**	260
(Reversal of provision)/provision for collective impairment assessment of loans receivable	**(838)**	899
	2,516	1,281
Administrative and other expenses	**34,711**	45,692

7 FINANCE COSTS – NET

	Year ended 31 December	
	2016	2015
	HK$'000	*HK$'000*
Interest on secured bank loan	**249**	186
Interest on secured other borrowings	**27,212**	22,099
Interest on loan from the ultimate holding company *(Note 18(a))*	**7,010**	269
Exchange realignment on loan from the ultimate holding company *(Note 18(a))*	**(13,287)**	–
Interest income from pledged deposit	**(63)**	(48)
Interest income from convertible promissory note *(Note 13)*	**(31,011)**	(1,173)
Exchange realignment on convertible promissory note *(Note 13)*	**13,328**	–
	3,438	21,333

8 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 for the year.

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

	Year ended 31 December	
	2016	2015
	HK$'000	*HK$'000*
Current tax:		
– Current tax on profits for the year	**11,455**	10,588
– Over-provision in prior years	**(23)**	(1)
Total current tax	**11,432**	10,587
Deferred tax:		
Provision of deferred income tax in the current year	**177**	(255)
Income tax expense	**11,609**	10,332

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$76,543,000 (2015: HK$47,180,000) by the weighted average number of ordinary shares in issue during the year of 400,000,000 (2015: 400,000,000 shares).

	Year ended 31 December	
	2016	2015
Profit attributable to owners of the Company (HK$'000)	**76,543**	47,180
Weighted average number of ordinary shares in issue for basic earnings per share ('000)	**400,000**	400,000
Basic earnings per share (HK cents)	**19.1**	11.8

b) Diluted earnings per share

There were no potential dilutive ordinary shares outstanding during the years ended 31 December 2015 and 2016 and hence the diluted earnings per share is the same as the basic earnings per share.

10 DIVIDEND

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, are to be proposed at the upcoming annual general meeting. These consolidated financial statements do not reflect these dividends payable.

	2016	2015
	HK$'000	*HK$'000*
Interim dividend paid of HK2.8 cents (2015: Nil) per share	**11,200**	–
Proposed final dividend of HK3.0 cents (2015: HK3.6 cents) per share	**12,000**	14,400
Proposed special dividend of HK1.9 cents (2015: Nil) per share	**7,600**	–

11 LOANS RECEIVABLE

	As at 31 December	
	2016	2015
	HK$'000	*HK$'000*
Loans receivable	**915,578**	951,491
Less:		
Provision for individual impairment assessment of loans receivable	**(13,265)**	(9,911)
Provision for collective impairment assessment of loans receivable	**(3,048)**	(3,886)
Loans receivable, net of provision	**899,265**	937,694
Less: non-current portion	**(232,989)**	(234,894)
Current portion	**666,276**	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.

Except for loans receivable of HK$2,213,000 (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 period, based on the maturity date, net of provision, is as follows:

	As at 31 December	
	2016	2015
	HK$'000	*HK$'000*
Current	**666,276**	702,800
Over 1 year and within 5 years	**80,950**	78,125
Over 5 years	**152,039**	156,769
	899,265	937,694

As at 31 December 2015 and 2016, certain properties mortgaged to the subsidiary of the Company for loans granted to its respective customers were pledged to independent third party licensed money lenders to secure other borrowings granted to a subsidiary of the Company.

12 INTEREST RECEIVABLES

	As at 31 December	
	2016	2015
	HK$'000	*HK$'000*
Interest receivables	**6,158**	7,450
Less:		
Provision for individual impairment assessment of interest receivables	**(317)**	(317)
Interest receivables, net of provision	**5,841**	7,133

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

Except for interest receivables of HK$30,000 (2015: HK$88,000), which are unsecured and are repayable with fixed terms agreed with the customers, all interest receivables are secured by collaterals provided by customers and are repayable with fixed terms agreed with the customers. The maximum exposure to credit risk at each of the reporting dates is the carrying value of the interest receivables mentioned above.

The ageing analysis of these interest receivables by due date, net of provision, is as follows:

	As at 31 December	
	2016	2015
	HK$'000	*HK$'000*
Current	**3,842**	5,249
0–30 days	**1,254**	1,231
31–90 days	**464**	412
Over 90 days	**281**	241
	5,841	7,133

13 CONVERTIBLE PROMISSORY NOTE

On 18 December 2015, the Company subscribed for a non-listed Renminbi denominated Convertible Promissory Note of a principal amount of RMB200,000,000 (equivalent to approximately HK$235,200,000) (the "Note") issued by Quark Finance Group ("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 or ordinary 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 of the Company announced on 26 October 2015. As at 31 December 2016, the Note has not been converted.

Upon initial recognition, management classified the Note as comprising of two components: host debt instrument initially recognised at fair value and subsequently measured at amortised cost less impairment; and conversion right embedded in the Note, which is classified as a derivative financial instrument (Note 14), initially recognised and subsequently measured at fair value through profit or loss. The movement of the convertible promissory note is as follows:

	2016	2015
	HK$'000	*HK$'000*
Convertible Promissory Note		
At 1 January	**215,765**	–
Purchase of the Note	**–**	214,592
Interest income *(Note 7)*	**31,011**	1,173
Exchange realignment *(Note 7)*	**(13,328)**	–
At 31 December	**233,448**	215,765
Less: non-current portion	**(151,956)**	(215,765)
Current portion	**81,492**	–

14 DERIVATIVE FINANCIAL INSTRUMENT

	2016	2015
	HK$'000	*HK$'000*
Conversion right embedded in the convertible promissory note		
At 1 January	**20,608**	–
Purchase of the Note	**–**	20,608
Fair value change	**(5,302)**	–
At 31 December	**15,306**	20,608

The conversion right embedded in the convertible promissory note referred to the investment in the Note issued by Quark as set out in Note 13. During the year ended 31 December 2016, fair value loss on derivative financial instrument of HK$5,302,000 (2015: Nil) was recognised in the consolidated statement of comprehensive income.

15 BANK AND OTHER BORROWINGS

Bank and other borrowings are analysed as follows:

	As at 31 December	
	2016	2015
	HK$'000	*HK$'000*
Bank loan – secured *(Note (a))*	**–**	30,965
Other borrowings – secured *(Note (b))*	**396,074**	430,165
Total bank and other borrowings	**396,074**	461,130

(a) Bank loan – secured

As at 31 December 2015, the secured bank loan denominated in United States Dollars, which bore an average interest rate of 1.25% per annum was secured by a pledged deposit of US$4,000,000 (equivalent to approximately HK$31,054,000). Such secured bank loan was fully repaid during the year ended 31 December 2016.

(b) Other borrowings – secured

Other borrowings of HK$396,074,000 (2015: HK$425,165,000), which are denominated in Hong Kong dollars, repayable in one year and bear interest at rates ranging from 6.25%–6.75% (2015: 7%) 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$862,850,000 and HK$933,510,000 as at 31 December 2016 and 2015, respectively.

As at 31 December 2015, an other borrowing of HK$5,000,000, which bore an average interest rate of 10% per annum was obtained from an independent third party licensed money lender and was secured by a corporate guarantee from the Company. Such borrowing was fully repaid during the year ended 31 December 2016.

16 SHARE CAPITAL

Authorised share capital

	Number of ordinary shares	**Nominal value of ordinary shares**	**Equivalent nominal value of ordinary shares**
		HK$	*HK$*
At 31 December 2015, 1 January 2016 and 31 December 2016	10,000,000,000	0.01	100,000,000

Issued share capital

	Number of issued shares	**Amount**
		HK$
At 31 December 2015, 1 January 2016 and 31 December 2016	400,000,000	4,000,000

17 COMMITMENTS

Operating lease commitments – Group as lessee

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

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

	As at 31 December	
	2016	2015
	HK$'000	*HK$'000*
Not later than one year	**1,371**	3,890
One to five years	**–**	1,364
	1,371	5,254

18 RELATED PARTY TRANSACTIONS

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

Save as the transactions and balances disclosed elsewhere in this announcement, the following is a summary of the significant transactions carried out between the Group and its related parties in the ordinary course of business during the years ended 31 December 2015 and 2016, and balances arising from related party transactions as at 31 December 2015 and 2016.

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

	Year ended 31 December	
	2016	2015
	HK$'000	*HK$'000*
Shareholder facility		
At 1 January	**235,469**	–
Drawdown of the facility	**–**	235,200
Interest expense *(Note 7)*	**7,010**	269
Exchange realignment *(Note 7)*	**(13,287)**	–
At 31 December	**229,192**	235,469
Less: non-current portion	**(178,815)**	(235,469)
Current portion	**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 13 to this announcement.

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.

(b) Indemnity from a controlling shareholder

Ms. Jin has entered into a deed of indemnity with the Group to personally indemnify the Company for, among of other things, damages, legal costs and liabilities in connection with the legal proceeding as described in Note 19 to this announcement.

(c) Key management compensation

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

	Year ended 31 December	
	2016	2015
	HK$'000	*HK$'000*
Salaries, benefits and bonus	**4,009**	4,088
Pension costs	**102**	70
	4,111	4,158

(d) Remuneration paid to a related party

	Year ended 31 December	
	2016	2015
	HK$'000	*HK$'000*
Salaries and pension costs paid to the spouse of a director of the Company	**147**	–

19 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.

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 assessed 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 31 December 2015 and 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 short-term and long-term property mortgage loans in Hong Kong under the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong).

During the year ended 31 December 2016 ("FY2016"), property market prices in Hong Kong have first experienced a downside correction in early 2016 and showed notable signs of rebound in both price and transaction volume since the second quarter of 2016. However, the uncertainties of the global economy and the growing concerns over US interest rate hike have made the property market unpredictable. In response to these uncertainties, the Group has adopted more prudent business strategies and tightened its credit policy during FY2016 in order to preserve the overall quality of its mortgage loan portfolio. Furthermore, the increasing competitive mortgage loan market in Hong Kong imposed further challenges to the Group's mortgage loan business.

Against this backdrop, the Group leveraged its competitive strengths to record promising results for FY2016, generating a full year interest income of approximately HK$130.3 million from an aggregate loan portfolio value of approximately HK$915.6 million as at 31 December 2016.

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-savy customers, the Group has launched its first mobile application and enhanced its company website to incorporate additional customised features, such as free online property valuation and mortgage loan calculator etc., in the first half of 2016. The Group has also launched a price-winning mobile game "Hot Request" in the second half of 2016 with an aim to reward customers' support and to further enhance its brand recognition by reaching out to a wider customer base.

Following the completion of the acquisition of the Note in Quark, a PRC-based P2P lending platform, in December 2015, the Group recognised additional interest income of approximately HK$31.0 million from the Note for FY2016. Such interest income, nevertheless, was partially set off by a fair value loss on the related derivative financial instrument of approximately HK$5.3 million and an interest expense on loan from the ultimate holding company for approximately HK$7.0 million.

Benefiting from the additional source of income from the Note, the Group achieved a record-high results for FY2016 with profit attributable to shareholders rose by 62.1% to approximately HK$76.5 million.

INDUSTRY OVERVIEW

In recent years, the reputation of the money lending industry has been negatively tainted by the malpractices of illegal financial intermediates who use deceptive tactics to overcharge customers and provide illegal loans. To combat this problem, the Hong Kong government has imposed additional licensing conditions on money lenders, which were applicable with effect from 1 December 2016, seek to facilitate effective enforcement of the statutory ban on separate fee charging by money lenders and their connected parties, ensure better protection of privacy of intending borrowers, enhance transparency and disclosure, and promote the importance of prudent borrowing.

The Group has always been committed to provide high quality and reliable loan services and various measures have been taken to raise awareness of its customers on the deceptive tactics used by the illegal financial intermediates prior to the implementation of the additional licensing conditions. While loans referred by financial intermediaries contribute only an insignificant portion of the Group's business, it is believed that the implementation of the new licensing conditions do not have material impact to the Group's business and the Group will strictly follow the new licensing requirement. The Group will continue to collaborate with the government to fight against the illegal financial intermediates in order to uphold the reputation of the money lending industry.

FINANCIAL REVIEW

Revenue

For FY2016, the Group's interest income from its money lending business was approximately HK$130.3 million, representing an increase of approximately HK$6.0 million or 4.8% from interest income of approximately HK$124.3 million for the year ended 31 December 2015 ("FY2015"). Such increase was a result of the increase in average month-end balance of mortgage loans receivable. The average month-end balance of aggregate mortgage loans receivable increased by approximately HK$102.4 million or 12.4% from approximately HK$825.3 million for FY2015 to approximately HK$927.7 million for FY2016.

Other income

The Group's other income increased by approximately HK$1.1 million or 6.5 times from approximately HK$0.2 million in FY2015 to approximately HK$1.3 million in FY2016. Such increase was mainly due to the generation of referral fee income from business referral.

Administrative and other expenses

Administrative and other expenses incurred by the Group were mainly comprised of employee benefit expenses, advertising and marketing expenses, legal and professional fees, provision/reversal of provision for individual/collective impairment assessment of loans receivable, operating lease of land and buildings and other operating expenses. These expenses, which constitute approximately 26.6% and 36.8% of the total revenue for FY2016 and FY2015, respectively, decreased from approximately HK$45.7 million in FY2015 to approximately HK$34.7 million in FY2016, representing a decrease of approximately HK$11.0 million or 24.1%.

Employee benefit expenses increased by approximately HK$1.0 million or 8.4% from approximately HK$11.9 million in FY2015 to approximately HK$12.9 million in FY2016. Staff salaries increased by approximately HK$1.0 million due to increase in average headcount and the appointment of chief financial officer in FY2016.

Advertising and marketing expenses decreased by approximately HK$6.8 million or 45.9% from approximately HK$14.8 million in FY2015 to approximately HK$8.0 million in FY2016. The decrease was mainly due to (i) reduced resources allocated to advertising and marketing campaigns in response to the uncertain market conditions; and (ii) the one-off lucky draw campaign launched in FY2015.

Legal and professional fees decreased by approximately HK$5.5 million or 69.6% from approximately HK$7.9 million in FY2015 to approximately HK$2.4 million in FY2016. The decrease in legal and professional fee in FY2016 was due to (i) fees paid to professional parties for advice provided in respect of the purchase of the Note issued by Quark of approximately HK$3.9 million in FY2015; and (ii) decrease in company secretary's fee and retainer fees paid to other professional advisors of approximately HK$1.2 million.

Excluding employee benefit expenses, advertising and marketing expenses and legal and professional fees mentioned above, administrative and other expenses increased by approximately HK$0.4 million or 3.6% from approximately HK$11.0 million in FY2015 to approximately HK$11.4 million in FY2016. These expenses were comprised mainly of provision/reversal of provision for individual/collective impairment assessment of loans/interest receivables of approximately HK$2.5 million (FY2015: HK$1.3 million); operating lease of land and buildings of approximately HK$3.9 million (FY2015: HK$3.6 million); auditor's remuneration of approximately HK$1.6 million (FY2015: HK$2.1 million); depreciation of property, plant and equipment of approximately HK$0.3 million (FY2015: HK$1.0 million); and other operating expenses of approximately HK$3.0 million (FY2015: HK$3.1 million).

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 of the Company published on 26 October 2015. Ms. Jin, 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 consolidated financial statements. As at 31 December 2016, the Note had not been converted, in which the carrying amount of the convertible promissory note was approximately HK$233.4 million and that of the derivative financial instrument was approximately HK$15.3 million in accordance with a valuation report prepared by an independent third party valuer, International Valuation Limited, as at 31 December 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$5.3 million on fair value change of derivative financial instrument in the consolidated statement of comprehensive income of FY2016 (FY2015: Nil).

Finance costs – net

Finance costs decreased by approximately HK$17.9 million or 84.0% from approximately HK$21.3 million in FY2015 to approximately HK$3.4 million in FY2016. Finance costs were mainly comprised of interest on secured bank and other borrowings, interest expense paid on a loan from the ultimate holding company and exchange realignment on the loan from the ultimate holding company and the Note, netting off with the interest income from pledged deposit and the Note. The decrease was primarily due to (i) the increase in interest income from the Note purchased in December 2015; net off with (ii) the increase in interest paid on secured and other borrowings due to the increase in average outstanding balances during FY2016; and (iii) the increase in interest expenses paid on the loan from the ultimate holding company for the purchase of the Note.

Net interest margin

The net interest margin decreased approximately from 12.6% for FY2015 to approximately 11.0% for FY2016. The decrease was mainly due to (i) the increase in the Group's interest income generated by first mortgage loans in FY2016; (ii) more competitive mortgage loan market in Hong Kong; and (iii) the increase in interest expenses paid on secured and other borrowings as mentioned above. Net interest margin during the year 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 year.

Income tax expenses

The Group's effective tax rate decreased from 18.0% for FY2015 to 13.2% for FY2016. The decrease in the effective tax rate was mainly due to the 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 the ultimate holding company; and (iii) the increase in non-deductible fair value change on derivative financial instruments in FY2016.

Profit and total comprehensive income

As a result of the foregoing, the Group's profit and total comprehensive income for FY2016 was approximately HK$76.5 million, representing an increase of approximately HK$29.3 million or 62.1% from profit and total comprehensive income of approximately HK$47.2 million for FY2015. The increase was mainly attributable to the net interest income arising from the Note and the increase in average month-end loan portfolio. Netting off the net interest income and fair value change from the Note, profit and total comprehensive income from the Group's mortgage and personal loan business for FY2016 was approximately HK$57.8 million, representing an increase of approximately HK$11.5 million or 24.8% as compared to FY2015.

OUTLOOK

The economic growth momentum and property market in Hong Kong are clouded with uncertainties in 2017. Although property market prices in Hong Kong have recently hit new high, the growing concerns over US interest rate hike, increase in housing supply and the continuing implementation of government cooling measures impose additional uncertainties on the property market. The intensified competition in the money lending industry, the potential rise in funding costs, coupled with the recent enhancement on risk management by authorised institutions on identifying unauthorised further mortgages, are expected to have an impact on the earnings growth of the Group in the coming year. The Group will continue to develop and expand its money lending business with flexible business strategies and to adopt prudent and sensible credit risk management policy to contend with the challenges ahead.

In order to secure its position as one of the top players in the property mortgage loan industry and to further penetrate its customer base, the Group will continue to deploy resources in different marketing campaigns, further enhance its service quality and customer's experience and to offer new loan products to suit different customers' needs. At the same time, the Group will continue to actively look for diversified and cheaper financing resources and to utilise funds more effectively in order to retain its net interest margin.

The Group believes 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.

China's P2P lending market has experienced an exponential phase of growth in the past years, and it is now undergoing a consolidation phase following the tightening of regulation and turbulence faced by the industry in early 2016. 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.

LIQUIDITY AND FINANCIAL RESOURCES AND CAPITAL STRUCTURE

During the year ended 31 December 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 be mainly financed through loans from 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 31 December 2016. As at 31 December 2016, cash and cash equivalents and pledged deposits amounted to approximately HK$130.4 million, representing a decrease of approximately HK$1.9 million as compared to the position as at 31 December 2015. As at 31 December 2016, interest-bearing bank and other borrowings amounted to approximately HK$396.1 million, representing a decrease of approximately HK$65.0 million as compared to the position as at 31 December 2015. As at 31 December 2016, except for the loan from the ultimate holding company, all interest-bearing borrowings are repayable on demand and secured by (i) certain properties mortgaged to a subsidiary of the Group by customers for securing loans receivable; and (ii) corporate guarantee executed by the Company. During the year ended 31 December 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 31 December 2016, the unutilised facility available to the Group for drawdown amounted to approximately HK$443.9 million (2015: approximately HK$109.8 million).

Loan from the ultimate holding company

On 21 July 2015, Blossom Spring and the Company had entered into a shareholder facility agreement (the "Facility") pursuant to which Blossom Spring 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, 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 acquisition of the Note which is disclosed under the section "Significant Investments Held, Material Acquisitions and Disposals" below.

Current ratio

The Group's current ratio increased from approximately 1.8 times as at 31 December 2015 to approximately 2.0 times as at 31 December 2016.

Gearing ratio

As at 31 December 2016, the Group's gearing ratio, which was calculated by dividing net debts (being the total borrowings less cash and cash equivalents and pledged deposit) by total equity, was 0.75 as compared to 0.92, the position as at 31 December 2015.

Return on total assets and return on equity

The return on total assets increased from approximately 3.6% as at 31 December 2015 to approximately 5.9% at 31 December 2016. The return on equity increased from approximately 7.7% as at 31 December 2015 to approximately 11.6% at 31 December 2016.

SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS AND DISPOSALS

On 18 December 2015, the Company purchased from Quark, and Quark sold and issued to the Company, the Note in the principal amount of RMB200,000,000 (equivalent to approximately HK$235,200,000) convertible into fully paid Series B Preferred Shares of Quark subject to conditions under the Share Purchase Agreement. The transaction constituted a major transaction of the Company under the Rules Governing the Listing of Securities in the Stock Exchange (the "Listing Rules"). Ms. Jin, 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 bears an interest rate of 10.0% per annum on the outstanding principal amount of the Note.

The Note is convertible from 1 January 2016. Upon any decision to convert, the Company will comply with all applicable requirements including shareholder's approval under the Listing Rules (if necessary).

Save as disclosed above, the Group did not have any significant investments held, material acquisitions and disposals of subsidiaries and associated companies during the year ended 31 December 2016.

EMPLOYEES AND REMUNERATION

As at 31 December 2016, the Group employed 29 full-time employees (2015: 30). The total employee benefit expenses (including directors' emoluments) of the Group for the years ended 31 December 2016 and 2015 were approximately HK$12.9 million and approximately HK$11.9 million, respectively. The remuneration of its employees included salaries, overtime allowance, commission and year end discretionary bonuses. The Group remunerates its employees mainly based on current market trend, individual performance and experience and conduct performance appraisals on an annual basis.

CONTINGENT LIABILITIES

As at 31 December 2016, the Group had no material contingent liabilities (2015: Nil).

PLEDGE OF ASSETS

As at 31 December 2016, certain properties mortgaged to a subsidiary of the Group by its customers were pledged to secure against certain loan facilities of the Group. These properties are mortgaged to the Group for securing loans receivable with net book value of approximately HK$446.2 million (2015: approximately HK$474.1 million). The borrowing facilities were for the expansion of its mortgage business.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2016.

CORPORATE GOVERNANCE PRACTICES

Pursuant to Code Provision A.2.1, 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. Mr. Man Yiu Kwong, Nick, an independent non-executive director of the Company, chaired the AGM pursuant to the Articles of Association of the Company (the "Articles") and was available to answer questions. All other directors of the Company also 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 the Directors on terms no less exacting than the required standards set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules. Having made specific enquiry, the Company confirms that all the Directors have complied with the required standards as stated in the Model Code and the Company's Code for the year ended 31 December 2016.

REVIEW OF FINAL RESULTS BY THE AUDIT COMMITTEE

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

The Audit Committee has discussed with the management of the Company about the internal control and financial reporting matters including the accounting principles and practices related to the preparation of the consolidated financial statements for the year ended 31 December 2016. It has also reviewed the consolidated financial statements for the year ended 31 December 2016 with the management and the auditor of the Company and recommended them to the Board for approval.

FINAL DIVIDEND

The Board recommend the payment of a final dividend of HK3.0 cents per ordinary share, totalling HK$12,000,000 payable to the Shareholders whose names appear on the register of members of the Company on Friday, 9 June 2017. The proposed final dividend will be paid on or about Friday, 30 June 2017 following approval at the forthcoming annual general meeting of the Company.

SPECIAL DIVIDEND

The Board recommend the payment of a special dividend of HK1.9 cents per ordinary share, totaling HK$7,600,000 payable to the Shareholders whose names appear on the register of members of the Company on Friday, 9 June 2017. The proposed special dividend will be paid on or about Friday, 30 June 2017 following approval at the forthcoming annual general meeting of the Company.

CLOSURES OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the forthcoming annual general meeting of the Company to be held on Thursday, 1 June 2017, the register of members of the Company will be closed from Friday, 26 May 2017 to Thursday, 1 June 2017 (both days inclusive), during which no transfer of shares of the Company will be registered. In order to qualify for attendance and voting at the forthcoming annual general meeting of the Company, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Hong Kong branch share registrar and transfer office of the Company, 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 Thursday, 25 May 2017.

For determining the entitlement to the payment of final dividend and special dividend, the register of members of the Company will be closed from Wednesday, 7 June 2017 to Friday, 9 June 2017 (both days inclusive), during which no transfer of shares of the Company will be registered. The final dividend and special dividend are payable to the Company's shareholders whose names appear on the Register of Members of the Company at the close of business on Friday, 9 June 2017. In order to qualify for the payment of final dividend and special 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, 6 June 2017.

PUBLICATION

The final results announcement of the Company for the year ended 31 December 2016 is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.gic.com.hk) respectively. The 2016 annual report will be dispatched to the shareholders of the Company and published on the respective websites of the Stock Exchange and the Company in due course.

ANNUAL GENERAL MEETING

An annual general meeting of the Company will be held on Thursday, 1 June 2017. The notice of the annual general meeting, which constitutes part of the circular to its shareholders, together with proxy form and the Company's 2016 annual report will be published on the aforesaid websites and dispatched to the shareholders of the Company in due course.

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

Hong Kong, 23 March 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.