# CONVOY FINANCIAL SERVICES HOLDINGS LIMITED
# 康宏理財控股有限公司

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1019)**

## INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2014

## FINANCIAL HIGHLIGHTS

| | **For the six months ended 30 June** | | |
|---|---|---|---|
| **Key financial information/ financial ratios** | **2014** *HK$'000* **(unaudited)** | 2013 *HK$'000* (unaudited) | % Change Increase |
| Revenue | **608,064** | 468,543 | 29.8% |
| Net profit attributable to owners of the Company | **130,522** | 43,910 | 197.2% |
| Net profit margin attributable to owners of the Company | **21.5%** | 9.4% | 12.1% |

The board of Directors (the "Board") of Convoy Financial Services Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") is pleased to present the unaudited condensed consolidated interim results of the Group for the six months ended 30 June 2014, together with the comparative amounts for the corresponding period of last year as follows. These interim results have been reviewed by the audit committee of the Company.

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*FOR THE SIX MONTHS ENDED 30 JUNE 2014*

| | | For the six months ended 30 June | |
|---|---|---|---|
| | | **2014** | 2013 |
| | *Notes* | ***HK$'000*** | *HK$'000* |
| | | **(unaudited)** | (unaudited) |
| REVENUE | *4* | **608,064** | 468,543 |
| Other income and gains, net | *4* | **408** | 286 |
| Commission and advisory expenses | | **(292,458)** | (284,403) |
| Staff costs | | **(51,538)** | (44,422) |
| Depreciation | | **(8,654)** | (7,409) |
| Commission clawback | | **(5,983)** | (6,084) |
| Other expenses | | **(113,709)** | (72,697) |
| PROFIT BEFORE TAX | *5* | **136,130** | 53,814 |
| Income tax expense | *6* | **(8,607)** | (12,502) |
| PROFIT FOR THE PERIOD | | **127,523** | 41,312 |
| OTHER COMPREHENSIVE INCOME/(LOSS) | | | |
| Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods: | | | |
| Changes in fair value of available-for-sale investments | | **4** | – |
| Exchange differences on translation of foreign operations | | **(66)** | (15) |
| OTHER COMPREHENSIVE LOSS FOR THE PERIOD | | **(62)** | (15) |
| TOTAL COMPREHENSIVE INCOME FOR THE PERIOD | | **127,461** | 41,297 |

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME** (continued)
*FOR THE SIX MONTHS ENDED 30 JUNE 2014*

| | Note | For the six months ended 30 June | |
|---|---|---|---|
| | | **2014** | 2013 |
| | | ***HK$'000*** | *HK$'000* |
| | | **(unaudited)** | (unaudited) |
| PROFIT/(LOSS) FOR THE PERIOD ATTRIBUTABLE TO: | | | |
| Owners of the Company | | **130,522** | 43,910 |
| Non-controlling interests | | **(2,999)** | (2,598) |
| | | **127,523** | 41,312 |
| TOTAL COMPREHENSIVE INCOME/(LOSS) ATTRIBUTABLE TO: | | | |
| Owners of the Company | | **130,466** | 43,940 |
| Non-controlling interests | | **(3,005)** | (2,643) |
| | | **127,461** | 41,297 |
| | | **(unaudited)** | (unaudited) |
| **Earnings per share attributable to owners of the Company** | *8* | | |
| Basic | | **HK27.1 cents** | HK10.9 cents |
| Diluted | | **HK27.1 cents** | HK9.6 cents |

Details of the dividend payable for the period are disclosed in note 7 to the condensed consolidated financial statements.

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
*30 JUNE 2014*

| | *Notes* | **30 June 2014 *HK$'000* (unaudited)** | 31 December 2013 *HK$'000* (audited) |
|---|---|---|---|
| **NON-CURRENT ASSETS** | | | |
| Property, plant and equipment | | **39,021** | 42,478 |
| Prepayments, deposits and other receivables | | **24,745** | 22,559 |
| Goodwill | *9* | **48,370** | 39,840 |
| Intangible assets | | **1,253** | 1,525 |
| Loans receivable | *10* | **5,440** | 4,736 |
| Available-for-sale investments | | **46,803** | 12,984 |
| Restricted cash | | **1,611** | 1,611 |
| Deferred tax assets | | **13,173** | 13,173 |
| Total non-current assets | | **180,416** | 138,906 |
| **CURRENT ASSETS** | | | |
| Accounts receivable | *11* | **57,899** | 91,806 |
| Loans receivable | *10* | **140,422** | 85,963 |
| Prepayments, deposits and other receivables | | **49,205** | 26,232 |
| Equity investments at fair value through profit or loss | *12* | **246,241** | 97,166 |
| Due from a fellow subsidiary | | **–** | 19 |
| Tax recoverable | | **–** | 215 |
| Cash held on behalf of clients | *13* | **97,780** | – |
| Restricted cash | | **997** | 692 |
| Cash and cash equivalents | | **229,287** | 275,025 |
| Total current assets | | **821,831** | 577,118 |
| **CURRENT LIABILITIES** | | | |
| Accounts payable | *14* | **171,315** | 210,900 |
| Accounts payable to clients | *13* | **97,780** | – |
| Other payables and accruals | | **92,465** | 69,364 |
| Financial liabilities at fair value through profit or loss | | **11,212** | – |
| Due to a fellow subsidiary | | **–** | 115 |
| Tax payable | | **24,689** | 15,114 |
| Commission clawback | | **7,622** | 7,905 |
| Total current liabilities | | **405,083** | 303,398 |
| **NET CURRENT ASSETS** | | **416,748** | 273,720 |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | **597,164** | 412,626 |

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION** (continued)
*30 JUNE 2014*

| | *Note* | **30 June 2014 *HK$'000* (unaudited)** | 31 December 2013 *HK$'000* (audited) |
|---|---|---|---|
| **NON-CURRENT LIABILITIES** | | | |
| Other payables and accruals | | **5,080** | 7,013 |
| Deferred tax liabilities | | **34** | – |
| Total non-current liabilities | | **5,114** | 7,013 |
| **Net assets** | | **592,050** | 405,613 |
| **EQUITY** | | | |
| **Equity attributable to owners of the Company** | | | |
| Issued capital | *16* | **51,890** | 46,300 |
| Reserves | | **544,737** | 360,885 |
| | | **596,627** | 407,185 |
| **Non-controlling interests** | | **(4,577)** | (1,572) |
| **Total equity** | | **592,050** | 405,613 |

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
*FOR THE SIX MONTHS ENDED 30 JUNE 2014*

## 1.1 CORPORATE INFORMATION

Convoy Financial Services Holdings Limited (the "Company") is a limited liability company incorporated in the Cayman Islands on 12 March 2010. The address of the Company's registered office is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

During the period, the Group was principally engaged in the independent financial advisory ("IFA") business, money lending business, proprietary investment business and asset management business.

The asset management business is new business segment of the Group through acquisition of a subsidiary during the current period.

The condensed consolidated financial statements has not been audited.

## 1.2 BASIS OF PREPARATION

The condensed consolidated financial statements has been prepared in accordance with the Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The condensed consolidated financial statements has been prepared on the historical cost basis except for equity investments at fair value through profit or loss, financial liabilities at fair value through profit or loss and certain available-for-sale investments which have been measured at fair value. The condensed consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is also the functional currency of the Company. All values are rounded to the nearest thousands except when otherwise indicated.

The condensed consolidated financial statements does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2013 included in the annual report.

## 2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2013, except for the adoption of the following new and revised Hong Kong Financial Reporting Standards ("HKFRSs"), which are effective for the first time for the annual periods beginning on or after 1 January 2014:

| | |
|---|---|
| HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendments | Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) – *Investment Entities* |
| HKAS 32 Amendments | Amendments to HKAS 32 *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities* |
| HKAS 39 Amendments | Amendments to HKAS 39 *Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting* |
| HK(IFRIC)-Int 21 | *Levies* |

The application of the above new and revised HKFRSs in the current period has had no material impact on the Group's results of operation and financial positions and on the amounts reported in the condensed consolidated financial statements.

## 3. SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their services and has the following reportable operating segments:

(a) the IFA segment engages in insurance brokerage business and the provision of IFA services;

(b) the money lending segment engages in the provision of loan financing in Hong Kong;

(c) the proprietary investment segment engages in investment in listed and unlisted investments; and

(d) the asset management segment engages in the provision of asset management services.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit before tax. The adjusted profit before tax is measured consistently with the Group's profit before tax except that other income and gains, net, as well as head office and corporate expenses are excluded from such measurement.

### Revenue and Results

*For the six months ended 30 June*

| | IFA segment | | Money lending segment | | Proprietary investment segment | | Asset management segment | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 | **2014** | 2013 | **2014** | 2013 | **2014** | 2013 |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| | | | | | | | | | **(unaudited)** | (unaudited) |
| **Revenue** | | | | | | | | | | |
| Segment revenue | **472,708** | 445,263 | **5,131** | 652 | **126,764** | 22,628 | **3,461** | – | **608,064** | 468,543 |
| **Results** | | | | | | | | | | |
| Segment results | **45,087** | 36,607 | **1,187** | 89 | **90,812** | 19,817 | **1,068** | – | **138,154** | 56,513 |
| Unallocated income | | | | | | | | | **408** | 286 |
| Unallocated corporate expenses | | | | | | | | | **(2,432)** | (2,985) |
| Profit before tax | | | | | | | | | **136,130** | 53,814 |
| Income tax expense | | | | | | | | | **(8,607)** | (12,502) |
| Profit for the period | | | | | | | | | **127,523** | 41,312 |

## 3. SEGMENT INFORMATION (continued)

**Segment assets and liabilities**

*As at 30 June 2014 and 31 December 2013*

| | **30 June 2014** | 31 December 2013 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| | **(unaudited)** | (audited) |
| **Segment assets** | | |
| IFA segment | **295,725** | 224,459 |
| Money lending segment | **148,608** | 90,699 |
| Proprietary investment segment | **314,521** | 110,150 |
| Asset management segment | **933** | – |
| Total segment assets | **759,787** | 425,308 |
| Unallocated assets | **242,460** | 290,716 |
| Total assets | **1,002,247** | 716,024 |
| **Segment liabilities** | | |
| IFA segment | **330,426** | 290,427 |
| Money lending segment | **174** | 812 |
| Proprietary investment segment | **43,405** | – |
| Asset management segment | **141** | – |
| Total segment liabilities | **374,146** | 291,239 |
| Unallocated liabilities | **36,051** | 19,172 |
| Total liabilities | **410,197** | 310,411 |

For the purposes of monitoring segment performance and allocating resources between segments:

(1) all assets are allocated to operating segments other than tax recoverable, cash and cash equivalents, and deferred tax assets as at 30 June 2014 and 31 December 2013 and restricted cash as at 31 December 2013; and

(2) all liabilities are allocated to operating segments other than tax payable, deferred tax liabilities and other head office and corporate liabilities as these liabilities are managed on a group basis.

3. **SEGMENT INFORMATION** (continued)

**Other Segment information**

*For the six months ended 30 June*

| | IFA segment | | Money lending segment | | Proprietary investment segment | | Asset management segment | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 | **2014** | 2013 | **2014** | 2013 | **2014** | 2013 |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| | | | | | | | | | **(unaudited)** | (unaudited) |
| Capital expenditure (other than goodwill)* | **5,618** | 16,041 | **199** | 30 | **–** | – | **–** | – | **5,817** | 16,071 |
| Depreciation of property, plant and equipment | | | | | | | | | | |
| – operating segment | **8,333** | 7,302 | **207** | 3 | **–** | – | **10** | – | **8,550** | 7,305 |
| – unallocated | | | | | | | | | **104** | 104 |
| | | | | | | | | | **8,654** | 7,409 |
| Amortisation of intangible assets | **272** | 272 | **–** | – | **–** | – | **–** | – | **272** | 272 |

* *Capital expenditure represented additions to property, plant and equipment, including assets from acquisition of CAM during the period ended 30 June 2014.*

**Geographical information**

*(a) Revenue from external customers*

| | For the six months ended 30 June | |
|---|---|---|
| | **2014** | 2013 |
| | ***HK$'000*** | *HK$'000* |
| | **(unaudited)** | (unaudited) |
| Hong Kong | **414,450** | 406,179 |
| Mainland China | **62,640** | 38,292 |
| Macau | **4,210** | 1,444 |
| | **481,300** | 445,915 |

The revenue information above is based on the location of the operations. The Group's fair value gains on equity investments at fair value through profit or loss, net and dividend income are excluded from total revenue for the purpose of identifying revenue from external customers.

3. **SEGMENT INFORMATION** (continued)

**Geographical information** (continued)

*(b) Non-current assets*

| | **30 June 2014** *HK$'000* **(unaudited)** | 31 December 2013 *HK$'000* (audited) |
|---|---|---|
| Hong Kong | **54,324** | 45,489 |
| Mainland China | **50,261** | 50,986 |
| Macau | **936** | 81 |
| | **105,521** | 96,556 |

The non-current asset information above is based on the locations of the assets and excludes financial instruments, restricted cash and deferred tax assets.

**Information about product issuers/fund houses**

Revenue from major product issuers/fund houses, each of them contributing to 10% or more of the Group's revenue, is set out below:

| | **For the six months ended 30 June** | |
|---|---|---|
| | **2014** *HK$'000* **(unaudited)** | 2013 *HK$'000* (unaudited) |
| Product issuer A | **164,089** | 234,857 |
| Product issuer B | **48,159** | N/A* |

The Group's interest income from loan financing, fair value gains on equity investments at fair value through profit or loss, net and dividend income are excluded from total revenue for the purpose of identifying major product issuer/fund houses of the Group who contributed to 10% or more of the Group's revenue.

* *The revenue from Product issuer B for the six months ended 30 June 2013 was less than 10% of the Group's revenue.*

## 4. REVENUE, OTHER INCOME AND GAINS, NET

Revenue, which is also the Group's turnover, represents the aggregate of investment brokerage commission income, insurance brokerage commission income, pension scheme brokerage commission income, advisory income, interest income from loan financing, fair value gains on equity investments at fair value through profit or loss, net, dividend income and asset management service income during the six months ended 30 June 2014 and 2013.

An analysis of the Group's revenue, other income and gains, net is as follows:

| | **For the six months ended 30 June** | |
|---|---|---|
| | **2014** | 2013 |
| | ***HK$'000*** | *HK$'000* |
| | **(unaudited)** | (unaudited) |
| **Revenue** | | |
| Investment brokerage commission income | **362,787** | 378,105 |
| Insurance brokerage commission income | **95,617** | 52,271 |
| Pension scheme brokerage commission income | **5,114** | 6,932 |
| Advisory income | **9,190** | 7,955 |
| Interest income from loan financing | **5,131** | 652 |
| Fair value gains on equity investments at fair value through profit or loss, net | **125,924** | 22,628 |
| Dividend income | **840** | – |
| Asset management service income | **3,461** | – |
| | **608,064** | 468,543 |
| **Other income and gains, net** | | |
| Interest income | **90** | 174 |
| Others | **318** | 112 |
| | **408** | 286 |

## 5. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

| | For the six months ended 30 June | |
|---|---|---|
| | **2014** | 2013 |
| | ***HK$'000*** | *HK$'000* |
| | **(unaudited)** | (unaudited) |
| Employee benefit expenses (including Directors' remuneration): | | |
| Salaries, allowances and bonuses | **47,059** | 40,130 |
| Pension scheme contributions | **4,479** | 4,292 |
| | **51,538** | 44,422 |
| Minimum lease payments under operating leases in respect of: | | |
| Land and buildings | **27,073** | 28,812 |
| Equipment | **345** | – |
| | **27,418** | 28,812 |
| Equity-settled share-based payment | | |
| – Consultants (included in other expenses) | **139** | – |
| Amortisation of intangible assets* | **272** | 272 |
| Impairment of other receivables, net | **1,095** | 694 |
| Write-off of other receivables | **–** | 351 |
| Foreign exchange differences, net | **(74)** | 266 |

* *The amortisation of intangible assets for the period are included in "other expenses" in the condensed consolidated statement of comprehensive income.*

## 6. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2013: 16.5%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable in elsewhere have been calculated at the rates of tax prevailing in the countries (or jurisdictions) in which the Group operates.

| | For the six months ended 30 June | |
|---|---|---|
| | **2014** | 2013 |
| | ***HK$'000*** | *HK$'000* |
| | **(unaudited)** | (unaudited) |
| Group: | | |
| Current – Hong Kong | **8,604** | 12,576 |
| Current – Mainland China | **–** | 70 |
| Deferred | **3** | (144) |
| Total tax charge for the period | **8,607** | 12,502 |

## 7. DIVIDEND

The Directors do not recommend the payment of an interim dividend in respect of the six months ended 30 June 2014 (2013: Nil).

## 8. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of basic earnings per share amount is based on the profit for the period attributable to owners of the Company, and the weighted average number of ordinary shares of 481,372,818 (six months ended 30 June 2013: 404,093,923) in issue during the period.

The calculation of the diluted earnings per share amount is based on the profit for the period attributable to owners of the Company. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the period, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

The calculations of the basic and diluted earnings per share are based on:

| | **For the six months ended** | |
|---|---|---|
| | **2014** | 2013 |
| | ***HK$'000*** | *HK$'000* |
| | **(unaudited)** | (unaudited) |
| **Earnings** | | |
| Profit for the period attributable to owners of the Company, used in the basic and diluted earnings per share calculation | **130,522** | 43,910 |

| | **Number of shares** | |
|---|---|---|
| | **2014** | 2013 |
| **Shares** | | |
| Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation | **481,372,818** | 404,093,923 |
| Effect of dilution – weighted average number of ordinary shares: | | |
| – Warrants | **558,757** | 55,690,608 |
| Weighted average number of ordinary shares in issue during the period used in the diluted earnings per share calculation | **481,931,575** | 459,784,531 |

## 9. GOODWILL

| | **30 June 2014** | 31 December 2013 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| | **(unaudited)** | (audited) |
| At beginning of the reporting period | **39,840** | 39,840 |
| Acquisition of subsidiaries *(note 15)* | **8,530** | – |
| At end of the reporting period | **48,370** | 39,840 |

## 10. LOANS RECEIVABLE

| | **30 June 2014** | 31 December 2013 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| | **(unaudited)** | (audited) |
| Loans receivable | **146,518** | 91,355 |
| Impairment | **(656)** | (656) |
| | **145,862** | 90,699 |
| Less: Balances due within one year included in current assets | **(140,422)** | (85,963) |
| Non-current portion | **5,440** | 4,736 |

Loans receivable represent receivables arising from money lending business of the Group, and bear interests at rates ranging from 5% per annum to 15% per annum (31 December 2013: ranging from 5% per annum to 24% per annum). The grants of these loans were approved and monitored by the Group's management.

As at 30 June 2014, certain loans receivable with an aggregate carrying amount of HK$36,626,000 (31 December 2013: HK$65,400,000) were secured by the pledge of collateral.

An aging analysis of loans receivable, determined based on the age of the loans receivable since the effective drawn down date of the loans, as at the end of the reporting period is as follows:

| | **30 June 2014** | 31 December 2013 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| | **(unaudited)** | |
| Within 1 month | **48,162** | 2,013 |
| 1 to 3 months | **60,480** | 32,410 |
| Over 3 months | **37,220** | 56,276 |
| | **145,862** | 90,699 |

An aged analysis of the loans receivable (that are not considered to be impaired) as at the end of the reporting period, based on the payment due date, is as follows:

| | **30 June 2014** | 31 December 2013 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| | **(unaudited)** | (audited) |
| Neither past due nor impaired | **145,436** | 89,863 |
| 1 to 3 months past due | **3** | 423 |
| Over 3 months past due | **423** | 413 |
| | **145,862** | 90,699 |

## 10. LOANS RECEIVABLE (continued)

The movements in provision for impairment of loans receivable are as follows:

| | 30 June 2014 HK$'000 (unaudited) | 31 December 2013 HK$'000 (audited) |
|---|---|---|
| At end of the reporting period | **656** | 656 |

Included in the above provision for impairment of loans receivable was a provision for individually impaired loans receivable of HK$656,000 (31 December 2013: HK$656,000) with an aggregate carrying amount of HK$656,000 (31 December 2013: HK$656,000). The individually impaired loans receivable relate to borrowers that were in default and were not expected to be recoverable.

Loans receivable as at the end of the reporting period are neither past due nor impaired and relate to a number of diversified borrowers for whom there was no recent history of default.

## 11. ACCOUNTS RECEIVABLE

| | 30 June 2014 HK$'000 (unaudited) | 31 December 2013 HK$'000 (audited) |
|---|---|---|
| Accounts receivable | **57,899** | 91,806 |

Accounts receivable represent brokerage commission receivable which are generally settled within 45 days upon the execution of the insurance policies and/or receipt of statements from product issuers or are mainly on credit term of 30 to 60 days or a credit period mutually agreed between the contracting parties.

The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its accounts receivable balances. Accounts receivable are non-interest-bearing.

Accounts receivable as at the end of the reporting period, based on the date of recognition of revenue and net of provisions, is as follows:

| | 30 June 2014 HK$'000 (unaudited) | 31 December 2013 HK$'000 (audited) |
|---|---|---|
| Within 1 month | **54,214** | 91,806 |
| 1 to 3 months | **3,220** | – |
| Over 3 months | **465** | – |
| | **57,899** | 91,806 |

## 11. ACCOUNTS RECEIVABLE (continued)

The aged analysis of accounts receivable as at the end of reporting period that are not individually nor collectively considered to be impaired is as follows:

| | **30 June 2014** *HK$'000* **(unaudited)** | 31 December 2013 *HK$'000* (audited) |
|---|---|---|
| Neither past due nor impaired | **57,434** | 91,806 |
| Over 3 months past due | **465** | – |
| | **57,899** | 91,806 |

Receivables that were neither past due nor impaired relate to a number of reputable product issuers/fund houses for whom there was no recent history of default.

Receivables that were past due but not impaired relate to product issuers/fund houses that have a good track record with the Group. Based on past experience, the Directors are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

## 12. EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

| | **30 June 2014** *HK$'000* **(unaudited)** | 31 December 2013 *HK$'000* (audited) |
|---|---|---|
| Listed equity investments, at fair value: | | |
| Hong Kong | **246,241** | 97,166 |

The above equity investments were classified as held for trading and were, upon initial recognition, designated by the Group as financial assets as at fair value through profit or loss.

## 13. CASH HELD ON BEHALF OF CLIENTS

A subsidiary of the Group maintains segregated trust accounts with licensed banks to hold clients' monies arising from its nominee business. The Group has classified the clients' monies as cash held on behalf of clients under the current assets section of the condensed consolidated statement of financial position and recognised the corresponding accounts payable to respective clients on grounds that it is liable for any loss or misappropriation of clients' monies. The Group is not allowed to use the clients' monies to settle its own obligations.

## 14. ACCOUNTS PAYABLE

Accounts payable represent commission payables for the provision of IFA services which are generally settled within 30 days to 120 days upon receipt of payments from product issuers by the Group.

| | **30 June 2014** *HK$'000* **(unaudited)** | 31 December 2013 *HK$'000* (audited) |
|---|---|---|
| Accounts payable | **171,315** | 210,900 |

## 14. ACCOUNTS PAYABLE (continued)

An aged analysis of accounts payable at the end of reporting period is as follows:

| | **30 June 2014** *HK$'000* **(unaudited)** | 31 December 2013 *HK$'000* (audited) |
|---|---|---|
| Within 1 month | **97,575** | 83,602 |
| 1 to 3 months | **48,148** | 73,053 |
| Over 3 months | **25,592** | 54,245 |
| | **171,315** | 210,900 |

Accounts payable are non-interest-bearing. Included in the accounts payable were commission payables to the spouse, a brother and a cousin of a director of the Group's operating subsidiary who are consultants of the Group, totalling HK$338,000 (31 December 2013: HK$1,048,000), which are payable on similar terms to other consultants of the Group.

## 15. BUSINESS COMBINATIONS

In alignment with the Group's strategy of maintaining its leading position in the independent financial advisory industry in Hong Kong and to expand its scope of business in financial services, the Group has completed the following acquisitions during the period ended 30 June 2014:

(a) On 3 March 2014, the Group, through its wholly-owned subsidiary namely Favour Sino Holdings Limited ("Favour Sino"), acquired a 100% interest in CAM from CFG, which was satisfied by the allotment and issue of 16,050,000 new Shares to CFG, in accordance with the terms of the sale and purchase agreement dated 30 September 2013 and the supplementary sale and purchase agreement dated 24 October 2013 between Favour Sino and CFG. The share price of the Company at the issue date of these new Shares was HK$1.53 per share; and

(b) On 3 March 2014, the Group, through Favour Sino, acquired a 100% interest in Kerberos from Convoy Inc., which was satisfied by the allotment and issue of 54,000 new Shares to CFG, in accordance with the terms of the sale and purchase agreement dated 30 September 2013 and the supplementary sale and purchase agreement dated 24 October 2013 between Favour Sino and Convoy Inc.. The share price of the Company at the issue date of these new Shares was HK$1.53 per share.

**15. BUSINESS COMBINATIONS** (continued)

The carrying values of the identifiable assets and liabilities of CAM and Kerberos (collectively, the "Acquired Businesses") as at the date of acquisitions immediately before the acquisitions were as follows:

| | *HK$'000* |
|---|---|
| Property, plant and equipment | 249 |
| Available-for-sale investment | 35 |
| Accounts receivable | 1,799 |
| Prepayments, deposits and other receivables | 561 |
| Amount due from a fellow subsidiary | 115 |
| Cash and bank balances | 32,047 |
| Cash held on behalf of clients | 138,000 |
| Accounts payable | (9,144) |
| Accounts payable to clients | (138,000) |
| Other payables and accruals | (8,281) |
| Tax payable | (1,241) |
| Deferred tax liabilities | (31) |
| Total identifiable net assets at fair value | 16,109 |
| Goodwill on acquisition *(note 9)* | 8,530 |
| Total consideration | 24,639 |
| Satisfied by: | |
| 16,104,000 new Shares of HK$1.53 each | 24,639 |

At the end of the reporting period, the allocation of the cost of acquisition of the above Acquired Businesses to the identifiable assets and liabilities is pending the completion of the appraisal of certain intangible assets acquired, which is expected to be completed during the year ending 31 December 2014. Accordingly, the above goodwill arising on the acquisitions is a provisional amount and may change upon the completion of the appraisal.

**16. SHARE CAPITAL**

**Shares**

| | **30 June 2014** *HK$'000* | 31 December 2013 *HK$'000* |
|---|---|---|
| Authorised: | | |
| 1,000,000,000 ordinary shares of HK$0.10 each | **100,000** | 100,000 |
| Issued and fully paid: | | |
| 518,904,000 (31 December 2013: 463,000,000) ordinary shares of HK$0.10 each | **51,890** | 46,300 |

16. **SHARE CAPITAL** (continued)

A summary of the movements in the Company's issued share capital and share premium account is as follows:

| | *Notes* | **Number of shares in issue** | **Issued capital** *HK$'000* | **Share premium account** *HK$'000* | **Total** *HK$'000* |
|---|---|---|---|---|---|
| At 1 January 2014 | | 463,000,000 | 46,300 | 249,340 | 295,640 |
| Issue of new Shares in March 2014 | *(i)* | 16,104,000 | 1,610 | 23,029 | 24,639 |
| Issue of new Shares in May 2014 | *(ii)* | 39,800,000 | 3,980 | 41,790 | 45,770 |
| | | 55,904,000 | 5,590 | 64,819 | 70,409 |
| Share issue expenses | | – | – | (1,194) | (1,194) |
| At 30 June 2014 | | 518,904,000 | 51,890 | 312,965 | 364,855 |

*Notes:*

(i) On 3 March 2014, the Group acquired a 100% interest in CAM from CFG, which was satisfied by the allotment and issue of 16,050,000 new Shares to CFG, in accordance with the terms of the sale and purchase agreement dated 30 September 2013 and the supplementary sale and purchase agreement dated 24 October 2013 between Favour Sino, a subsidiary of the Group and CFG. The Share price of the Company at the issue date of these Shares was HK$1.53 per Share.

On 3 March 2014, the Group acquired a 100% interest in Kerberos from Convoy Inc., which was satisfied by the allotment and issue of 54,000 new Shares to CFG, in accordance with the terms of the sale and purchase agreement dated 30 September 2013 and the supplementary sale and purchase agreement dated 24 October 2013 between Favour Sino, a subsidiary of the Group and Convoy Inc.. The Share price of the Company at the issue date of these Shares was HK$1.53 per Share.

(ii) On 8 May 2014, the Company entered into a placing agreement with a placing agent pursuant to which the placing agent agreed to use its best efforts to place up to 39,800,000 new Shares at the placing price of HK$1.15 per Share to not less than six placees who and their respective ultimate beneficial owners are Independent Third Parties (hereinafter referred to the "Share Placing"). The net placing price was approximately HK$1.12 per Share. The closing price per Share as quoted on the Stock Exchange on the date of the said placing agreement was HK$1.33. Details of the Share Placing were disclosed in the announcement of the Company dated 8 May 2014 (the "Share Placing Announcement"). The Share Placing was completed on 27 May 2014.

## MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL REVIEW

### Group financial performance

Convoy has achieved an outstanding financial performance for the period ended 30 June 2014. The profit attributable to owners of the Company increased sharply from approximately HK$43.9 million for the period ended 30 June 2013 to approximately HK$130.5 million for the period ended 30 June 2014. The net profit margin attributable to owners of the Company increased from approximately 9.4% for the period ended 30 June 2013 to approximately 21.5% for the period ended 30 June 2014. These impressive financial results are primarily attributable to the effective implementation of our business and regional diversification strategy, including a profit of approximately HK$92.0 million from the money lending business, as well as proprietary investment business, both of which began operating in 2013 and a dedicated effort to improve the financial performance of our IFA business in Mainland China. The financial results were also helped by the acquisition of CAM and Kerberos in March 2014 which further strengthened our financial platform, diversified our business to asset management business and achieved synergies realisation.

*Group revenue*

Our Group revenue increased approximately 29.8% from HK$468.5 million for the period ended 30 June 2013 to HK$608.1 million for the period ended 30 June 2014.

The increase was resulted from the effective and proactive execution of our business diversification and regional expansion strategies that we have put into place since our Listing. With our dedicated efforts, we have achieved growth across all business lines, with strong growth in revenue of money lending and proprietary investment businesses, both of which began operating in 2013. In 2014, Convoy began asset management business to provide new financial services to customers and to create an all rounded IFA group. An analysis of the Group's revenue is as follows:

| **Revenue by reportable segments:** | **30 June 2014** *HK$'000* | 30 June 2013 *HK$'000* | **Increase** *HK$'000* | **Change** % |
|---|---|---|---|---|
| IFA business | **472,708** | 445,263 | **27,445** | **6.2** |
| Money lending business | **5,131** | 652 | **4,479** | **687.0** |
| Proprietary investment business | **126,764** | 22,628 | **104,136** | **460.2** |
| Asset management business | **3,461** | – | **3,461** | **n/a** |
| Total | **608,064** | 468,543 | **139,521** | **29.8** |

*Group operating expenses*

Total operating expenses increased by approximately 13.8% from HK$415.0 million for the period ended 30 June 2013 to HK$472.3 million for the period ended 30 June 2014. The increase was mainly resulted from the acquisition of CAM and Kerberos in 2014 and a provision was made for incentive related bonus of proprietary investment business. The overall cost-to-revenue ratio improved from 88.6% for the period ended 30 June 2013 to 77.7% for the period ended 30 June 2014, which was due to our stringent and effective cost control strategies and the privileges of lower cost-to-revenue ratio for proprietary investment business. An analysis of these expenses is as follows:

| | **30 June 2014** | 30 June 2013 | **Increase (decrease)** | **Change** |
|---|---|---|---|---|
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | **%** |
| IFA business | **427,621** | 408,657 | **18,964** | **4.6** |
| Money lending business | **3,944** | 562 | **3,382** | **601.8** |
| Proprietary investment business | **35,952** | 2,811 | **33,141** | **1,179.0** |
| Asset management business | **2,393** | – | **2,393** | **n/a** |
| Corporate head office | **2,432** | 2,985 | **(553)** | **(18.5)** |
| Total | **472,342** | 415,015 | **57,327** | **13.8** |

**Segmental financial performance**

The following section describes the Group's segmental financial performance for the period ended 30 June 2014, as well as each segment's future prospects.

*IFA business*

Hong Kong

Convoy's Hong Kong operations continued to be the largest contributor of revenue and profits to the Group's IFA business. Revenue remained stable and increased by approximately 0.1% from HK$405.5 million for the period ended 30 June 2013 to HK$405.9 million for the period ended 30 June 2014. Profit from operations of the Company decreased by approximately 7.7% from HK$57.3 million for the period ended 30 June 2013 to HK$52.9 million for the period ended 30 June 2014.

**Revenue**

Revenue increased by approximately 0.1% from HK$405.5 million for the period ended 30 June 2013 to HK$405.9 million for the period ended 30 June 2014.

| **Revenue mix analysis (HK operations):** | **30 June 2014** *HK$'000* | 30 June 2013 *HK$'000* | **Increase (decrease)** *HK$'000* | **Change** % |
|---|---|---|---|---|
| Investment brokerage commission income | **344,363** | 371,231 | **(26,868)** | **(7.2)%** |
| Insurance brokerage commission income | **56,381** | 27,364 | **29,017** | **106.0%** |
| Pension scheme brokerage commission income | **5,114** | 6,932 | **(1,818)** | **(26.2)%** |
| Total | **405,858** | 405,527 | **331** | **0.1%** |

Investment brokerage commission income continued to be the major contributor to the Hong Kong IFA business. Investment brokerage commission income decreased by approximately 7.2% year-on-year, which was mainly resulted from the rapidly changing economic and regulatory environment. Leveraging on our strong consultancy team, our well-established brand name and operation platform, the adverse impacts from the rapidly changing economic and regulatory environment was still minimal and within our control. This has proved the effectiveness of our core business models.

Non-linked and general insurance product revenue increased by approximately 106.0% for the period ended 30 June 2014. The proportion of revenue derived from other insurance products increased from approximately 6.7% for the period ended 30 June 2013 to approximately 13.9% for the period ended 30 June 2014. The increases were due to successful sales incentive schemes and marketing campaign to existing customers, which further increased cross selling opportunities. The Group will continue to pursue its strategy to diversify its businesses and customer portfolio and to invite more life insurance partners to join our platform so as to achieve healthy and stable growth in revenue.

MPF revenue decreased by approximately 26.2% and its proportion of revenue decreased from approximately 1.7% for the period ended 30 June 2013 to approximately 1.3% for the period ended 30 June 2014. The increasing trend in MPF revenue in 2013 was driven by the successful launch of ECA in November 2012. In the first half of 2014, the ECA market was not as active as expected, leading to a drop in MPF revenue. Though MPF revenue dropped a bit, we are still confident that new business opportunities in relation to MPF and the relevant financial planning business would continue to grow for years because the market would react to this change gradually and definitely increase the awareness of the importance of financial planning. Thus, the Group would commit on the investment and development in this respect. Although the ECA market is not as active as expected, we believe it will take time to attain a critical mass of explosive growth. In addition, we expect that Convoy's AUM under MPF business will grow continuously and outperform the market growth.

**Operating expenses**

Total operating expenses recorded by our Hong Kong operations increased by approximately 1.3% from HK$348.3 million for the period ended 30 June 2013 to HK$352.9 million for the period ended 30 June 2014.

| **Operating expenses (HK operations)** | **30 June 2014** *HK$'000* | **30 June 2014** *Margin (%)* | 30 June 2013 *HK$'000* | 30 June 2013 *Margin (%)* |
|---|---|---|---|---|
| Commission expenses | **250,697** | **61.8%** | 256,211 | 63.2% |
| Staff costs | **32,888** | **8.1%** | 24,781 | 6.1% |
| Rental and related expenses | **23,042** | **5.7%** | 24,169 | 6.0% |
| Depreciation | **6,511** | **1.6%** | 5,480 | 1.4% |
| Commission clawback | **5,983** | **1.5%** | 6,084 | 1.5% |
| Marketing expenses | **11,236** | **2.8%** | 14,913 | 3.7% |
| Other expenses | **22,558** | **5.5%** | 16,628 | 4.1% |
| Total | **352,915** | **87.0%** | 348,266 | 86.0% |

Commission expenses decreased by approximately 2.2% from HK$256.2 million for the period ended 30 June 2013 to HK$250.7 million for the period ended 30 June 2014. The decrease was mainly attributable to the improvement in incentive efficiency with better management of incentive program, leading to the decrease in commission expenses margin.

Staff costs increased by approximately 32.7% from HK$24.8 million for the period ended 30 June 2013 to HK$32.9 million for the period ended 30 June 2014. This was attributable to the Group's strategies of devoting more resources to attract, recruit and retain talent in bid to support our business expansion and to strengthen our operational platform. We believe that the staff costs were increased at a reasonable pace and were within our cost control.

Rental and related expenses decreased by approximately 4.7% from HK$24.2 million for the period ended 30 June 2013, to HK$23.0 million for the period ended 30 June 2014, due to various space planning strategies to enhance the usage efficiency and lower the unit cost of space.

Marketing expenses decreased by approximately 24.7% from HK$14.9 million for the period ended 30 June 2013 to HK$11.2 million for the period ended 30 June 2014, which was mainly due to more promotional campaigns in the first half of 2013 to celebrate the 20th anniversary of Convoy. We will continue to explore more business promotion campaigns and marketing channels in bid to keep the momentum in the coming years.

Other expenses increased by approximately 35.7% from HK$16.6 million for the period ended 30 June 2013 to HK$22.6 million for the period ended 30 June 2014. This was attributable to business growth and expansion. We believe that the other expenses were increased at a reasonable pace and were within our cost control.

Mainland China

The Group entered Mainland China in January 2011. We have now successfully commenced operations in Beijing, Guangdong, Jiangxi and Sichuan and made significant improvements to financial performance, with total revenue increasing by approximately 63.6% from HK$38.3 million for the period ended 30 June 2013 to HK$62.6 million for the period ended 30 June 2014 and cost-to-revenue ratio has been improved from approximately 153.8% for the period ended 30 June 2013 to approximately 113.5% for the period ended 30 June 2014. Such encouraging results were expected and in line with our original business plan. Revenue was increased due to sales efforts and product diversification, while effective and stringent cost controls were also put in place.

| **Revenue by Mainland China geographical region:** | **30 June 2014** *HK$'000* | **30 June 2014** *%* | 30 June 2013 *HK$'000* | 30 June 2013 *%* |
|---|---|---|---|---|
| Beijing | **23,700** | **37.8%** | 15,906 | 41.5% |
| Guangdong province | **20,808** | **33.2%** | 6,907 | 18.0% |
| Jiangxi province | **5,185** | **8.3%** | 6,489 | 17.0% |
| Sichuan province | **12,947** | **20.7%** | 8,990 | 23.5% |
| Total | **62,640** | **100.0%** | 38,292 | 100.0% |

| **Revenue mix analysis (Mainland China operations):** | **30 June 2014** *HK$'000* | 30 June 2013 *HK$'000* | **Increase** *HK$'000* | **Change** *%* |
|---|---|---|---|---|
| Investment brokerage commission income | **14,356** | 5,430 | **8,926** | **164.4%** |
| Insurance brokerage commission income | **39,094** | 24,906 | **14,188** | **57.0%** |
| Advisory income | **9,190** | 7,956 | **1,234** | **15.5%** |
| Total | **62,640** | 38,292 | **24,348** | **63.6%** |

| **Operating expenses (Mainland China operations)** | **30 June 2014** *HK$'000* | **30 June 2014** *Margin (%)* | 30 June 2013 *HK$'000* | 30 June 2013 *Margin (%)* |
|---|---|---|---|---|
| Commission expenses | **37,852** | **60.4%** | 27,317 | 71.3% |
| Staff costs | **12,933** | **20.7%** | 16,329 | 42.6% |
| Rental and related expenses | **7,198** | **11.5%** | 8,500 | 22.2% |
| Depreciation | **1,754** | **2.8%** | 1,779 | 4.7% |
| Marketing expenses | **559** | **0.9%** | 317 | 0.8% |
| Other expenses | **10,790** | **17.2%** | 4,652 | 12.2% |
| Total | **71,086** | **113.5%** | 58,894 | 153.8% |

Mainland China operating expenses increased by 20.7% from HK$58.9 million for the period ended 30 June 2013 to HK$71.1 million for the period ended 30 June 2014. The increase in operating expenses was mainly due to the implementation of Mainland China expansion strategies and certain costs were incurred for the setup of our nationwide network and platform for long term development. Cost-to-revenue ratio has been improved from approximately 153.8% for the period ended 30 June 2013 to approximately 113.5% for the period ended 30 June 2014, mainly attributable to our dedicated efforts in driving sales and our effective and stringent cost control strategies that we have put in place. In addition, effective space planning strategies and staff restructuring scheme also contributed to the improvement in cost-to-revenue ratio. Such ratio would be expected to further improve while revenue growth would outpace the cost to a great extend as the operating platform being established and upon economy of scale achieved.

Macau

For the period ended 30 June 2014, our Macau operations have turned around from a net loss of approximately HK$54,000 for the period ended 30 June 2013 to a net profit of approximately HK$610,000 for the period ended 30 June 2014. This was due to business growth as a result of scaled up operations and increased brand recognition in Macau.

*Money lending business*

Interest income from money lending business increased by approximately 687.0% from approximately HK$652,000 for the period ended 30 June 2013 to approximately HK$5,131,000 for the period ended 30 June 2014. Net profit margin improved from approximately 13.7% for the period ended 30 June 2013 to approximately 23.1% for the period ended 30 June 2014. The significant growth in interest income earned and net profit margin was due to the healthy growth in loan portfolio, reflecting the Group's continuous efforts in developing money lending business. In addition, we recorded nil doubtful debt in all money lending from 2013 to now, reflecting our stringent credit policies. This margin is expected to further improve along with outstanding loan book of approximately HK$145.9 million and average interest rate of approximately 10% per annum to achieve economies of scale.

*Proprietary investment business*

The Group recorded realised and unrealised fair value gain on equity investments and dividend income of approximately HK$126.8 million for the period ended 30 June 2014. The significant increase in revenue from proprietary investment business was mainly due to good performance of our investment portfolio, reflecting our strong and experienced investment team and effective investment diversification strategies, which help investing in a diversified portfolio of listed equities. This can help mitigating equity price risk and generating income under volatile market condition. The net profit margin was approximately 71.6% for the period ended 30 June 2014 and the aggregate fair value of the Group's listed investments classified as equity investments at fair value through profit or loss amounted to approximately HK$246.2 million as at 30 June 2014.

*Asset management business*

Following the development of our new Strategic Investment Department and the acquisition of the entire issued share capital in CAM, the Group began asset management business in 2014. This enabled the Group to provide broader financial services and we expect it to generate great value for our shareholders by means of generating stable and recurring income to the Group. For the period ended 30 June 2014, the Group recorded asset management service income of approximately HK$3.5 million and achieved operating results of approximately HK$1.1 million from provision of asset management services.

**Financial position**

Total consolidated assets of the Group increased by approximately 40.0% from HK$716.0 million as at 31 December 2013 to HK$1,002.2 million as at 30 June 2014. Total consolidated current assets of the Group increased by approximately 42.4% from HK$577.1 million as at 31 December 2013 to HK$821.8 million as at 30 June 2014. This was mainly driven by the development of the money lending and proprietary investment businesses and the acquisition of CAM and Kerberos in 2014.

**Prospects**

Our short-term missions are (i) to establish an all-rounded financial services platform in Asia, in particular to Hong Kong and Mainland China; (ii) to materialize the synergies among the different business lines and locations; and (iii) to improve the capital structure of our Group by increasing the loan-to-equity ratio. For the first mission, we shall keep on adding new business lines to the Group, e.g. international property brokerage, investment banking, banking deposit, etc. For the second mission, more cross-selling programs would be organized among different business lines and locations, e.g. loans to VIP clients, cross-border branding promotion and talent development programs, etc. For the third mission, the Company would increase its leverage by issuing unlisted bonds in bid to secure stable and reasonable cost funding to finance its long-term capital-intensive business development, e.g. money lending, strategic investments in banking and asset management sectors. With these developments, our Group will be more competitive in the market and overcome the coming challenges in the IFA markets in Hong Kong and Mainland China.

*Hong Kong operations*

The Group expects to maintain its leading position in the IFA industry in Hong Kong by the way of strengthening consultancy force; enlarging the product range; and adding strategic business partners. In 2013, we have devoted large capital resources to start various new business operations, including money lending, asset management and proprietary investment. In the first half of 2014, our effort and capital resources spent in developing various new business operations have been well reflected in our 2014 interim results announcement with growth across all new business operations year-on-year. The completion of acquisition of CAM and Kerberos which specialises in fund distribution and asset management has equipped our Group with comprehensive investment business. We have also newly developed investment funds for professional investors. In addition, the Group has completed the acquisition of a company which is licensed by the SFC to carry out Type 6 (advising on corporate finance) regulated activities under the SFO. It helps us expand into investment banking business.

IFA business

With the Guidance Note published by the Office of the Commissioner of Insurance in July 2014, ILAS market, a major product type of IFA in Hong Kong, will go through a big restructure due to the change of commission payment mode, costing and commission disclosure. Nevertheless, we believe the financial planning market will grow continuously in the view of aging population, high inflation, and complex economic and political environment in Hong Kong.

We have set up our diversification objectives years ago and continued to drive the growth of non-linked insurance, general insurance and MPF business to counter the change in ILAS business and its stringent regulatory environment. We will continue to carry out targeted cross-selling projects to boost sales from customers and will relocate more resources to our service contributor in bid to strengthen our consultant team to attain further growth in the future.

Our Group has proven strengths in (i) overcoming various challenges, such as SARS, mini bond, etc; and (ii) maintaining energetic and powerful sales capability. Our experienced management team and energetic consultancy force are prepared to embrace the market change and to be one of the winners in the market.

In August 2014, Convoy will roll out "PayEco Project" to provide a convenient payment gateway for target Mainland China customers to collect initial and subsequent premium payment directly from their bank accounts in Mainland China. This will further strengthen our cross-border network and tap new business opportunities.

We hope to continue to seize more business opportunities from our Mainland China, where there is an increasing demand for wealth management and financial planning services. Mainland China customers accounted for approximately 28.9% of Hong Kong IFA new business revenue for the period ended 30 June 2014 up from 19.0% for the period ended 30 June 2013. We expect that this trend will keep rising and will create different cross-selling opportunities to Convoy.

The completion of acquisition of CAM and Kerberos has equipped our Group with comprehensive investment business. In the second half of 2014, we will continue to drive this business through co-operation with business partners, alternative investment product launch with proprietary strategy and unique features targeting for high net worth clients, platform enhancement and customer experience uplift to support the huge growth of fund distribution business through nominee platform. We believe that revenue and net profit margin will further improve in the second half of 2014 once synergies realized.

ECA was launched in November 2012, and although the market is not as active as expected, we believe it will rocket once MPF participants achieve critical mass for plan switching. This market is a very sticky business for IFA and total market size will double immediately upon the free switch in 3 years time. We will develop this business to gain a larger customer base. In the first half of 2014, there were an increasing number of employer cases for MPF business and the newly launched group insurance business also received positive feedback. We will continue to promote our one-stop shop services and approach employers for MPF business and group insurance business as we believe that employer segment is the major MPF market for ECA and can create different cross-selling opportunities. We expect that our market share of the MPF business will grow gradually.

In the second half of 2014, we will roll out several new technology applications, in bid to uplift our operational platform, improve the overall operational efficiency, create more cross selling and save costs in the long run.

Apart from organic growth in the IFA business, strategic business partnership will be in focus for business development in 2014. We are currently preparing to hold a strategic partnership with a bank to extend our IFA product to banking services. Moreover, overseas property investment is growing popular in Hong Kong as well as Mainland China. We hope to partner with property agents and developers to set-up a new business division for international properties. In addition, we will partner with one leading wealth management institution in the Mainland China in bid to further capture business opportunities from Greater China (including the Beijing-Tianjin-Hebei region, Yangtze River Delta and Pearl River Delta).

All of these developments will serve as a good foundation for business collaboration, which will be one of our major growth drivers in the coming decade. As we execute business diversification strategies our business will grow stronger and more stable, allowing us to become the leading IFA across Asia.

Money lending and proprietary investment business

In 2013, we successfully expanded into money lending and proprietary investment through the acquisition of Convoy Collateral Limited. The high profit margin for these businesses has enhanced the Group's profitability, which was well reflected in our 2014 interim results announcement. In the second half of 2014, the Group will continue to expand them to create an all-rounded IFA which manages wealth and provides liquidity for customers.

Money lending in future will continue to be one of the major operations of the Group. Although market competition is keen, we believe that our well-established brand name and complementary IFA products differentiate us from our competitors. We will further drive this business by achieving healthy loan growth in corporate and individual segment, while at the same time maintaining strong credit quality and credit risk management. We shall continue this strategy to accumulate a stable income stream.

Our proprietary investment business has primarily invested in a diversified portfolio of listed equities. The investment team's ability has been proven with the good performance of their portfolio in the first half of 2014. We shall continue to invest and re-invest in investments with good value for long-term gain. In the meantime, we shall continue to pay attention to the risk management to avoid any expected market volatility.

Asset management business

CAM had approximately US$359 million asset under management ("AUM") as at 30 June 2014 which would contribute a recurring income to the Group. We intend to grow AUM continuously to accumulate a stable income stream. Riding on the successful experience of discretionary portfolio management services provided to ILAS customers, we will increase effort to develop discretionary mandate through nominee platform.

Following the development of our new Strategic Investment Department in 2013, we have kicked off developing several investment funds for professional investors. We will continue to develop and manage investment portfolio for high net-worth individuals and dedicated mandates in order to capture another source of income.

*Mainland China operations*

In the past few years, we have devoted huge capital and resources in setting up Mainland China business as planned, including (i) the setup of sizable operation in Guangdong province; (ii) the acquisitions of the leading insurance intermediaries in Beijing and Jiangxi; (iii) the acquisitions of Nationwide Insurance Agent License and the Nationwide Insurance Broker License; (iv) the setup of the investment adviser company; (v) the set up of asset management company in Qianhai; and (vi) the launch of www.I-CONVOY.cn, an online trading platform for financial products in Mainland China. In the first half of 2014, our effort and capital resources spent have been well reflected with significant growth in revenue across all business lines and significant improvement in financial performance year-on-year.

We shall build up the leading IFA in Mainland China. Currently, the Mainland China operation consists of insurance agency and brokerage, wealth management advisory, and asset management. We shall continue to look for opportunities arising from the continuous reform of the financial sector in Mainland China. With continuous improvement in the cost-to-revenue ratio as a result of effective cost control strategies and sustainable growth in revenue, the Group aims to achieve monthly breakeven in Mainland China by the end of 2014 and expects a profit contribution to the Group thereafter. Apart from the direct contribution, there are indirect merits from Mainland China operations with the continuous increase of Mainland China customers in Hong Kong.

With the consolidation and restructuring of the Mainland China business operation and the setting up nationwide operating platform in Shenzhen headquarter in 2013 and 2014, we are confident to step in another expansion cycle from 2015 by satellite-sales-office model with strong and efficient support from the nationwide platform.

*Macau operations*

Our Macau operations turned a net loss into a net profit for the period ended 30 June 2014, reflecting the increasing demand for wealth management services in Macau. We will continue to scale up our operations in Macau to support business growth and to enhance regional connectivity to tap new business opportunities.

Apart from the developments in the aforesaid locations, we are open for any good opportunities in other locations in Asia.

All of the business developments above are undertaken with one aim in mind; to become the leading IFA across Asia.

## LIQUIDITY AND FINANCIAL RESOURCES

The Group mainly relies upon the shareholders' fund and cash generated from its business operations to finance its operations and expansion. As at 30 June 2014, the Group had cash and cash equivalents of approximately HK$229.3 million (31 December 2013: HK$275.0 million) and had not incurred any borrowings and the Group had shareholders' funds of approximately HK$596.6 million (31 December 2013: HK$407.2 million). As at 30 June 2014, the net current assets of the Group amounted to approximately HK$416.7 million (31 December 2013: HK$273.7 million) and the current ratio (current assets/current liabilities) was approximately 2.0 (31 December 2013: 1.9).

On 3 March 2014, the Group acquired a 100% interest in CAM from CFG, which was satisfied by the allotment and issue of 16,050,000 new Shares to CFG, in accordance with the terms of the sale and purchase agreement dated 30 September 2013 and the supplementary sale and purchase agreement dated 24 October 2013 between Favour Sino, a subsidiary of the Group and CFG. The Share price of the Company at the issue date of these Shares was HK$1.53 per Share.

On 3 March 2014, the Group acquired a 100% interest in Kerberos from Convoy Inc., which was satisfied by the allotment and issue of 54,000 new Shares to CFG, in accordance with the terms of the sale and purchase agreement dated 30 September 2013 and the supplementary sale and purchase agreement dated 24 October 2013 between Favour Sino, a subsidiary of the Group and Convoy Inc.. The Share price of the Company at the issue date of these Shares was HK$1.53 per Share.

On 8 May 2014, the Company entered into a placing agreement with a placing agent pursuant to which the placing agent agreed to use its best efforts to place up to 39,800,000 new Shares at the placing price of HK$1.15 per Share to not less than six placees who and their respective ultimate beneficial owners are Independent Third Parties (hereinafter referred to the "Share Placing"). The net placing price was approximately HK$1.12 per Share. The closing price per Share as quoted on the Stock Exchange on the date of the said placing agreement was HK$1.33. Details of the Share Placing were disclosed in the announcement of the Company dated 8 May 2014 (the "Share Placing Announcement"). The Share Placing was completed on 27 May 2014. As disclosed in the Share Placing Announcement, the Company considers that the Share Placing represents an opportunity to raise capital for the Group while broadening its shareholder and capital base. Up to 30 June 2014, the net proceeds of approximately HK$44.5 million were fully utilized as intended as the general working capital and for money lending and proprietary investment business of the Group.

## HUMAN RESOURCES AND REMUNERATION POLICIES

As at 30 June 2014, the Group employed 364 (30 June 2013: 344) supporting staff. The total remuneration of the employees (including the Directors' remuneration) was approximately HK$51.5 million for the six months ended 30 June 2014 (2013: HK$44.4 million).

The Group offered competitive market remuneration packages for employees and granted bonuses with reference to employees' performance during the reporting periods according to the general rules of the Group's remuneration policy.

The emoluments of the Directors are in accordance with the remuneration policy of our Group that it is our Group's remuneration objective to, in consultation with the remuneration committee of our Company, remunerate Directors fairly but not excessively for their efforts, time and contributions made to the Group and the remuneration of Directors would be determined with reference to various factors such as duties and level of responsibilities of each Director, the available information in respect of companies of comparable business or scale, the performance of each Director and the Group's performance for the financial year concerned and the prevailing market conditions.

In addition, the Company's share award scheme (the "Scheme"), was adopted pursuant to a resolution passed on 25 January 2011 for the primary purpose of recognising the contributions by certain selected participants and giving incentives thereto in order to retain them for the continual operation and development of the Group and attracting suitable personnel for further development of the Group. A trustee, as an independent third party, was appointed by the Company for the administration of the Scheme. The trustee shall purchase the Company's shares from the market out of cash contributed by the Company and shall hold in trust for the relevant selected participants with the provisions of the Scheme.

## RISK MANAGEMENT

The Group adopts very stringent risk management policies and monitoring systems to mitigate the risks associated with interest rate, credit, liquidity, foreign currency and equity price in all its major operations.

### Interest rate risk

The Group is exposed to interest rate risk through the impact of rate changes on interest-bearing financial assets. Cash at banks earns interest at floating rates based on daily bank deposit rates.

The Group reviews interest rate risk regularly and monitors closely the fluctuation of interest rates and will make proper adjustments if necessary.

### Credit risk

The Group conducts business only with recognised and creditworthy third parties. Receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

Even though there is no significant credit risk exposure, the Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management.

The Group has also adopted stringent credit policies on money lending business. The credit policies specify the credit approval, review and monitoring processes. A credit committee was set up and authorised by the Board to have full authority to handle all credit matters.

### Liquidity risk

In the management of liquidity risk, the Group monitors and maintains its level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

### Foreign currency risk

The Group mainly operates in Hong Kong and Mainland China with most of the Group's monetary assets, liabilities and transactions principally denominated in Hong Kong dollars and Renminbi, respectively. Majority of the commission revenue and expenditure incurred by the operating units of the Group were denominated in the units' functional currency and as a result, the Group does not anticipate significant transactional currency exposure. The Group has not used any derivative to hedge its exposure to foreign currency risk.

### Equity price risk

The Group is exposed to equity price risk through its investments in listed equity securities. The management manages this exposure by maintaining a portfolio of investments with different risks. The Group has a special team to monitor the price risk and will consider hedging the risk exposure should the need arise.

## MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES

Except for the acquisitions of CAM and Kerberos as disclosed in note 15 to the condensed consolidated financial statements, there was no material acquisition and disposal of subsidiaries for the six months ended 30 June 2014.

## SIGNIFICANT INVESTMENT HELD

As at 30 June 2014, the fair value of the Group's listed investments classified as equity investments at fair value through profit or loss amounted to approximately HK$246,241,000 (31 December 2013: HK$97,166,000).

Except for the above, the Group did not have any other significant investment held during the six months ended 30 June 2014.

## FUTURE PLANS RELATING TO MATERIAL INVESTMENT OR CAPITAL ASSET

On 5 August 2014, Convoy Financial Services Limited, a wholly owned subsidiary of the Company, entered into the strategic framework co-operation agreement with Chengze Jinkai and King Grandchain, members of Gold-Finance Group, in relation to the proposed business co-operation in the Mainland China. As part of the strategic co-operation between the Group and Gold-Finance Group, on 5 August 2014, Convoy Collateral Limited, a wholly-owned subsidiary of the Company, completed the purchase of the secured exchangeable promissory note from Hengze Holdings pursuant to the note purchase agreement in the aggregate principal amount of HK$20,000,000.

Except for the transactions as disclosed above, the Group had not executed any agreement in respect of material investment or capital asset and did not have any other future plans relating to material investment or capital asset as at the date of this announcement.

## CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 30 June 2014.

## CAPITAL EXPENDITURES

The Group's capital expenditures primarily consisted of expenditures on leasehold improvements, acquisition of computer equipment and systems, office equipment and motor vehicle. For the six months ended 30 June 2014 and 2013, the Group incurred capital expenditures in the amounts of approximately HK$5.8 million and HK$16.1 million, respectively.

## COMMITMENTS

The Group's contractual commitments are primarily related to the operating lease commitments of its office premises, staff quarters and certain of its office equipment under operating lease arrangements and capital commitments related to acquisition of items of computer equipment and systems and leasehold improvements and other commitments related to an available-for-sale investment, capital contribution payable to a joint venture and acquisition of target companies.

The Group's operating lease commitments amounted to HK$123.3 million and HK$130.0 million in the aggregate as at 30 June 2014 and 31 December 2013, respectively.

The Group's other commitments related to an available-for-sale investment amounted to approximately HK$6.3 million (31 December 2013: HK$7.5 million), capital contributions payable to a joint venture amounted to approximately HK$Nil (31 December 2013: HK$12.6 million) and acquisition of target companies amounted to approximately HK$1.0 million (31 December 2013: Nil).

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30 June 2014, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

## EVENTS AFTER THE INTERIM PERIOD

(i) On 5 August 2014, Convoy Financial Services Limited, a wholly owned subsidiary of the Company, entered into the strategic framework co-operation agreement with Chengze Jinkai and King Grandchain, members of Gold-Finance Group, in relation to the proposed business co-operation in the Mainland China. As part of the strategic co-operation between the Group and Gold-Finance Group, on 5 August 2014, Convoy Collateral Limited, a wholly-owned subsidiary of the Company, completed the purchase of the secured exchangeable promissory note from Hengze Holdings pursuant to the note purchase agreement in the aggregate principal amount of HK$20,000,000.

(ii) On 20 August 2014, the proposed resolution as set out in the notice of the extraordinary general meeting of the Company dated 25 July 2014 in relation to the change of the Company Name from "Convoy Financial Services Holdings Limited" to "Convoy Financial Holdings Limited" and the adoption of the new dual foreign name "康宏金融控股有限公司" to replace the existing Chinese name of the Company "康宏理財控股有限公司" was duly passed by the shareholders as special resolution by way of poll at the EGM held on 20 August 2014. The Company will carry out the necessary filing procedures with the Registrar of Companies of the Cayman Islands and the Companies Registry in Hong Kong. Further announcement will be made by the Company in due course to inform the shareholders of the effective date of the change of Company Name and the new stock short name of the Company for trading of the Shares on the Stock Exchange.

## CORPORATE GOVERNANCE PRACTICES

The Directors of the Company recognise the importance of good corporate governance in the management of the Group. During the six months ended 30 June 2014, the Company has complied with the code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules.

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules. Having made specific enquiry of all Directors, all Directors have complied with the required standard set out in the Model Code and its code of conduct regarding directors' securities transactions by the Directors adopted by the Company throughout the six months ended 30 June 2014.

## AUDIT COMMITTEE

The Company established an audit committee on 23 June 2010 with written terms of reference in compliance with the Listing Rules. The audit committee of the Company which comprises of three independent non-executive Directors of the Company, namely Mr. Ma Yiu Ho, Peter (the chairman of the audit committee), Dr. Wu Ka Chee, Davy and Mr. Lam Chi Keung have reviewed with the management of the Company the financial statements of the Group for the six months ended 30 June 2014 and discussed with the management of the Company, the internal control and financial reporting matters including the review of the interim report of the Group for the six months ended 30 June 2014.

## INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend in respect of the six months ended 30 June 2014 (2013: Nil).

## PUBLICATION OF INFORMATION ON THE STOCK EXCHANGE WEBSITE

This announcement is published on the websites of the Company (www.convoy.com.hk) and the Stock Exchange (www.hkexnews.hk). The interim report of the Company for the six months ended 30 June 2014 will be dispatched to shareholders of the Company and available on the above websites in due course.

## DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions have the following meanings:

| | |
|---|---|
| "Board" or "Board of Directors" | means the board of Directors as at the date of this announcement |
| "CAM" | Convoy Asset Management Limited, a company incorporated in Hong Kong with limited liability on 24 November 1999 and is licensed by the SFC to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the SFO |
| "CFG" | means Convoy Financial Group Limited, a company incorporated in the British Virgin Islands with limited liability |
| "Chengze Jinkai" | 浙江誠澤金開投資管理有限公司 (Zhejiang Chengze Jinkai Investment Management Co. Ltd*), a company incorporated under the laws of the PRC with limited liability and is the holding company of all the business operation of Gold-Finance Group in the PRC, which is an Independent Third Party |
| "Company" or "our Company" | means Convoy Financial Services Holdings Limited, a company incorporated in the Cayman Islands on 12 March 2010 with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 1019) |
| "Director(s)" | means the director(s) of our Company |
| "ECA" | means the Employee Choice Arrangement of MPF |
| "Gold-Finance Group" | means Gold-Finance Holdings and its subsidiaries |
| "Gold-Finance Holdings" | means Gold-Finance (Holdings) Group Co. Ltd (金誠財富(控股)集團有限公司), a company incorporated in the Cayman Islands with limited liability |
| "Group", "we", "us" or "Convoy" | means the Company and its subsidiaries |

| | |
|---|---|
| "Hengze Holdings" | means Hengze Holdings Group Co. Ltd, a company incorporated under the laws of the British Virgin Islands, and together with affiliates, a controlling shareholder of Gold-Finance Holdings as at the date of this announcement. Hengze Holdings is an Independent Third Party |
| "HK$" or "HK dollars" | means Hong Kong dollars, the lawful currency of Hong Kong |
| "HK cents" | means Hong Kong cents, the lawful currency of Hong Kong |
| "Hong Kong" | means Hong Kong Special Administrative Region of PRC |
| "IFA" | means independent financial advisory |
| "ILAS" | means the acronym for Investment-linked Assurance Scheme, an insurance policy of the "linked long term" class as defined in First Schedule, Part 2 of the ICO |
| "Independent Third Party" | means independent third party who is not connected person (as defined in the Listing Rules) of the Company and is independent of and not connected with the connected persons of the Company |
| "Insurance Companies Ordinance" or "ICO" | means the Insurance Companies Ordinance (Chapter 41 of the Laws of Hong Kong) as amended and supplemented from time to time |
| "Kerberos" | means Kerberos (Nominee) Limited, a company incorporated in Hong Kong with limited liability on 20 April 2007 |
| "King Grandchain" | means 浙江金觀誠財富管理有限公司 (Zhejiang King Grandchain Asset Management Co. Ltd), a company incorporated under the laws of the PRC with limited liability and a wholly-owned subsidiary of Chengze Jinkai, which is an Independent Third Party |
| "Listing" | means the listing of our Shares on the Main Board |
| "Listing Rules" | means the Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time |
| "Macau" | means Macau Special Administrative Region of PRC |
| "Main Board" | means the main board of the Stock Exchange |
| "MPF" | means Mandatory Provident Fund |
| "PRC" | means the People's Republic of China |

| | |
|---|---|
| "SFC" | means Securities and Futures Commission |
| "SFO" | means The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) |
| "Share(s)" | means ordinary share(s) with a nominal value of HK$0.10 each in the share capital of our Company |
| "Stock Exchange" | means The Stock Exchange of Hong Kong Limited |
| "US$" | means United States dollars, the lawful currency of the United States |
| "%" | means per cent. |

On behalf of the Board
**CONVOY FINANCIAL SERVICES HOLDINGS LIMITED**
**Wong Lee Man**
*Chairman*

* *For identification purpose only*

Hong Kong, 27 August 2014

*As at the date of this announcement, the executive Directors are Mr. Wong Lee Man (Chairman), Ms. Fong Sut Sam, Mr. Mak Kwong Yiu and Dr. Hui Ka Wah, Ronnie, JP; and the independent non-executive Directors are Dr. Wu Ka Chee, Davy, Mr. Ma Yiu Ho, Peter and Mr. Lam Chi Keung.*