CONVOY 康宏

your finance navigator

INTERIM REPORT 2014 中期報告

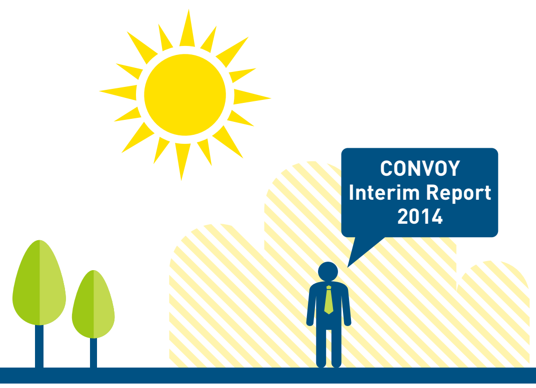
CONVOY FINANCIAL HOLDINGS LIMITED 康宏金融控股有限公司

(incorporated in the Cayman Islands with limited liability)（於開曼群島註冊成立之有限公司）

Stock Code 股份代號：1019

CONTENTS

Chairman's statement	2
Corporate information	6
Management discussion and analysis	8
Condensed consolidated statement of comprehensive income	21
Condensed consolidated statement of financial position	22
Condensed consolidated statement of changes in equity	24
Condensed consolidated statement of cash flows	26
Notes to the condensed consolidated financial statements	28
Additional information	49
Definitions	51



CHAIRMAN'S STATEMENT

In August this year our Company changed its name to Convoy Financial Holdings Limited. This is not a radical change of name, but rather an amendment to more accurately reflect the diversified products and services of our business today. Convoy is now not just a traditional financial adviser, but a financial services group. In order for investors to clearly understand this strategic shift, it is right that we take this name, which comes at a key moment in our business diversification. Following last year's setting up of our money-lending and proprietary investment businesses, this year we continue to develop our new businesses to create fresh opportunities for the Group. But before looking to the future, let's look back at the first half of this year.

On behalf of the Board I am delighted to announce the unaudited interim results for the six months ended 30 June 2014.

For the first half of 2014, the Group's revenue increased 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 net profit attributable to owners increased sharply 197.2% from HK$43.9 million to HK$130.5 million for the period ended 30 June 2014. This resulted in basic earnings per share of HK27.1 cents. To reserve capital for new businesses development, the Group did not recommend payment of an interim dividend.

Our profits increased significantly in the first half of this year. Aside from proprietary investments, where we gained substantial profit, business diversification is also bringing very positive results. The Group achieved incremental growth in every business segment, especially non-ILAS insurance products, which gathered multiple amounts of revenue against last year. The newly acquired asset management business also contributed solidly to Group profit.

STRENGTHEN AND DIVERSIFY PRODUCT SALES

Since Convoy's founding, we have always been proud of providing professional financial planning services for our customers. A few years ago, when market demand altered, we actively diversified our products and services, in order to provide new opportunities for our customers and the Group. In the past, we relied heavily on ILAS products. In the first half of this year, with our diversification strategy and the growth of new businesses, the contribution of ILAS revenue is steady but has decreased as a percentage of total revenue. We are now providing our customers with insurance products such as annuities, retirement savings plans, critical illness plans, general insurance, medical insurance and universal life insurance plans. Compared with the first half of 2013, these non-ILAS insurance products have


康宏
ance navigator

doubled in revenue, contributing 6.7% of revenue in 2013 and 13.9% in 2014. This significant increase proves we have adapted to the changing markets successfully. With our professional front-line consultants and experienced management team, our diversification of product sales is continuing strongly.

RAPID GROWTH OF ASSET MANAGEMENT

CAM was acquired by the Group earlier this year and has already increased its assets under management markedly, which is very pleasing. Furthermore, in the first six months many business divisions achieved significant growth. CAM's platform currently offers more than 500 funds for selection, and assets under management as at 30 June 2014 have reached US$539 million, a year-on-year increase of 106%. In the discretionary portfolio management business this year, we adopted a well-designed, more stable and more sustainable '4D investment model,' and reactivated our DPMS promotion. With these two pillars, DPMS is enjoying a new wave of growth. AUM increased from US$284 million as at 31 December 2013 to US$359 million as at 30 June 2014, a rise of 26.4%.

Apart from its rapid growth, CAM has also consolidated its resources into optimising the entire business platform. Through different partnerships we are exploring new products and services to provide more comprehensive investment tools to our customers, which will maximise CAM's potential.

DEVELOP INNOVATIVE INVESTMENT PRODUCTS AND EXPAND TO HIGH-END MARKETS

With our diversified business platform we have set up a strategic investment department dedicated to finding more opportunities in the market. We are particularly committed to bringing professional investors innovative products. Currently our targeted new products include private equity funds, structured products, fixed income products and hedge funds. Within a year we plan to launch a private equity fund to professional investors, while always being mindful to mitigating the risk of such a new product to protect our customers. The benefit of having these new products in high-end markets is that we can also provide more comprehensive options to our existing customers.

STRONGER REGULATION IS INEVITABLE, BUT CONSOLIDATION OF THE INDUSTRY BRINGS OPPORTUNITY

In June 2013 HKMA and OCI ordered that insurance agents and banks must publicise agency commissions on ILAS products in order to enhance transparency and protect investors. The regulations have been further tightened up this year. From 1 Jan 2015 ILAS products are required to provide not less than 105% account value of death benefit. There will also be an adjustment of charges in the product structure, and the prepaid commission structure will be replaced by an earned base commission structure. The insurance companies will also monitor their product sales more closely and give additional guidance on product suitability and customer affordability.

Enhancing regulation is now a significant trend in global financial markets. We understand the adoption of new regulation to enhance customer protection. However, this regulation will have a substantial impact on sales of ILAS products. We are expecting individual IFAs to undergo a wave of consolidation, due to the additional compliance costs of the regulations. With the increased operating costs we will not be surprised to see part of the individual IFA industry facing an operational crisis. Convoy is lucky to have very resilient finances, with a comprehensive and diversified product range, together with adequate resources and preparation to handle the foreseeable challenges. When commission regulations were first introduced in 2013 our ILAS sales outperformed the markets, which was testament to our capability to react to market changes and to grasp all opportunities. Before the new regulations become effective, management is actively working with insurance companies discussing the proper industry reaction. In the meantime, we are also exploring new suppliers to find supplementary products with appropriate financial support for our customers.

EXPANDING AT A STABLE PACE TO BECOME THE LEADING FINANCIAL SERVICES COMPANY IN ASIA

In recent years, we have seen huge demand for independent financial planning services in Mainland China. There is immense potential to grow further in this space. In 2013 Convoy received its national insurance licence, which allows the Group to develop comprehensive insurance and financial planning businesses across the mainland. In the second half of 2014 we signed a strategic co-operation framework with Gold-Finance Group, which has many branches of independent financial advisers in Mainland China. We are building up this strategic alliance to further expand our mutual businesses in the Pearl River Delta, Yangtze River Delta and Beijing-Tianjin-Hebei region. Utilising our close working relationship, Convoy can utilise Gold Finance's huge sales network in Mainland China to quickly increase our sales and enhance the pace of business development.

For the expansion of other regions our management has been actively exploring the Japanese markets for more than a year. The Group also signed a co-operation agreement with a Japanese bank earlier this year, which will assist each other's customers to develop in our local markets aiming at providing a one-stop style financial advisory service.

The Group will continue to actively expand and grasp the development opportunities in greater China and across Asia to increase Convoy's branding and credibility. We will become the leading financial services company in Asia, known for bringing more value to customers and investors.

Lastly, on behalf of the Board, I would like to show my gratitude and thanks to our business partners, our customers, our shareholders and our colleagues for their continued support of Convoy.

Wong Lee Man
Chairman

27 August 2014, Hong Kong

CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Mr. Wong Lee Man *(Chairman)*
Ms. Fong Sut Sam
Mr. Mak Kwong Yiu
Dr. Hui Ka Wah, Ronnie, *JP*

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Wu Ka Chee, Davy
Mr. Ma Yiu Ho, Peter
Mr. Lam Chi Keung

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman
KY1-1111
Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS

5th, 7th, 39th, and 40th Floors, @CONVOY
169 Electric Road
Hong Kong

OUR COMPANY'S WEBSITE ADDRESS

www.convoy.com.hk

MEMBERS OF AUDIT COMMITTEE

Mr. Ma Yiu Ho, Peter *(Chairman of the audit committee)*
Dr. Wu Ka Chee, Davy
Mr. Lam Chi Keung

MEMBERS OF REMUNERATION COMMITTEE

Dr. Wu Ka Chee, Davy
(Chairman of the remuneration committee)
Mr. Wong Lee Man
Mr. Lam Chi Keung

MEMBERS OF NOMINATION COMMITTEE

Mr. Wong Lee Man *(Chairman of the nomination committee)*
Dr. Wu Ka Chee, Davy
Mr. Lam Chi Keung

MEMBERS OF CORPORATE GOVERNANCE COMMITTEE

Dr. Wu Ka Chee, Davy
(Chairman of the corporate governance committee)
Ms. Fong Sut Sam
Mr. Wong Lee Man
Dr. Hui Ka Wah, Ronnie, *JP*

COMPANY SECRETARY

Mr. Chow Kim Hang

AUTHORISED REPRESENTATIVES

Mr. Mak Kwong Yiu
Mr. Chow Kim Hang

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Royal Bank of Canada Trust Company (Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road, George Town
Grand Cayman KY1-1110
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 22
Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKERS

Standard Chartered Bank (Hong Kong) Limited
Industrial and Commercial Bank of China (Asia) Limited

PRINCIPAL AUDITORS

Ernst & Young
Certified Public Accountants

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL HIGHLIGHTS

Key financial information/financial ratios	For the six months ended 30 June 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%**

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:	For the six months ended 30 June 2014 HK$'000	2013 HK$'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:

	For the six months ended 30 June 2014 HK$'000	2013 HK$'000	Increase (decrease) HK$'000	Change %
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):	For the six months ended 30 June 2014 HK$'000	2013 HK$'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)	**For the six months ended 30 June 2014**		For the six months ended 30 June 2013	
	HK$'000	**Margin (%)**	HK$'000	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:	**For the six months ended 30 June 2014** HK$'000	**%**	For the six months ended 30 June 2013 HK$'000	%
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):	**For the six months ended 30 June 2014** HK$'000	2013 HK$'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)	**For the six months ended 30 June 2014**		For the six months ended 30 June 2013	
	HK$'000	**Margin (%)**	HK$'000	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 organised 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 setup 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).

FUND RAISING ACTIVITIES AND USE OF PROCEEDS

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 utilised as intended as the general working capital and for business development of the Group.

The Company set out below the use of proceeds from the Share Placing for the six months ended 30 June 2014:

Actual use of net proceeds	Amount of net proceeds utilised up to 30 June 2014 (approximately)
General working capital of the Group	HK$0.5 million
Money lending business of the Group	HK$37.8 million
Proprietary investment business of the Group	HK$6.2 million

HUMAN RESOURCES AND REMUNERATION POLICIES

As at 30 June 2014, the Group employed 364 (30 June 2013: 344) supporting staff and 13 (30 June 2013: 10) salary-based trainees. 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. The Group's exposure to bad debts is not significant because collateral is obtained in respect of mortgage loans and secured fixed loans which made up 25.1% (31 December 2013: 72.1%) of the total loans receivable as at 30 June 2014 and the counterparties relate a number of diversified borrowers for whom there was no recent history of default.

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.

The Group is also exposed to concentration risk and liquidity risk through its investments in listed equity securities, resulting from significant changes in equity prices in any one of its investment in listed equity securities and changes in market liquidity which may affect the ability to sell the investment. The Group has a special team to monitor these risks and will consider taking appropriate action to minimise these risks.

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES

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 supplemental 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.

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 supplemental 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.

Except for the acquisitions of CAM and Kerberos as disclosed above, 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 interim report.

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.

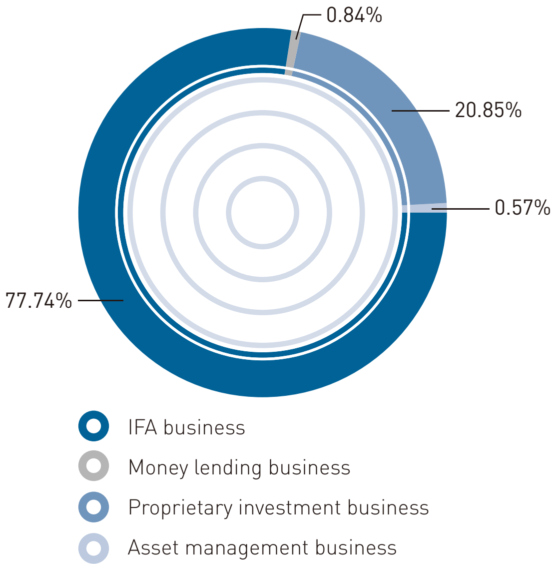
COMMITMENTS

The Group's contractual commitments are disclosed in notes 21 and 22 to the condensed consolidated financial statements.

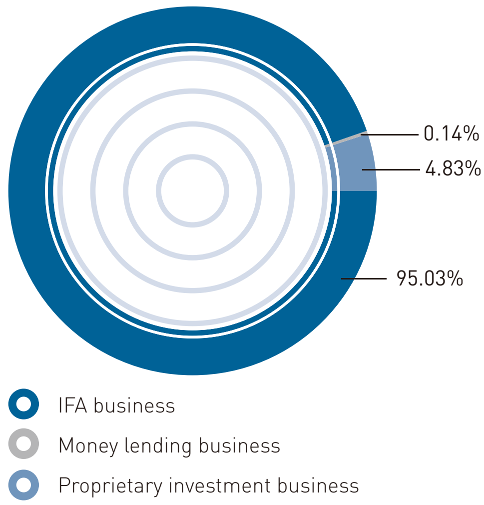
OPERATION REVIEW

Revenue Mix Analysis:

30 June 2014



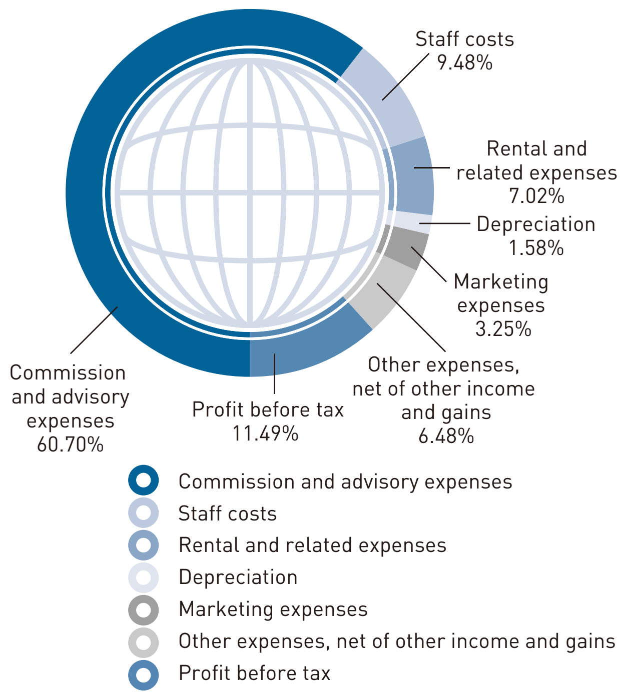
30 June 2013



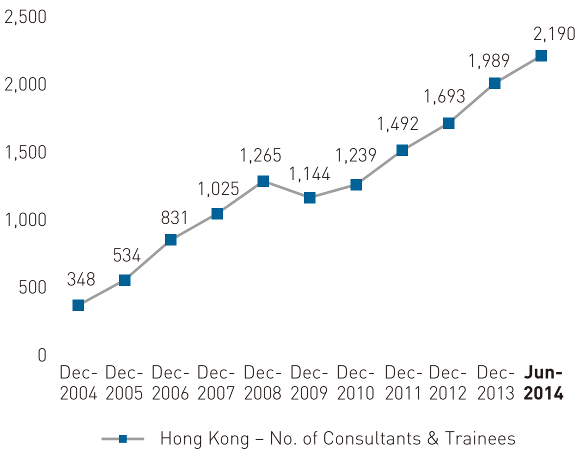
Cost-to-revenue Ratio Analysis:

30 June 2014

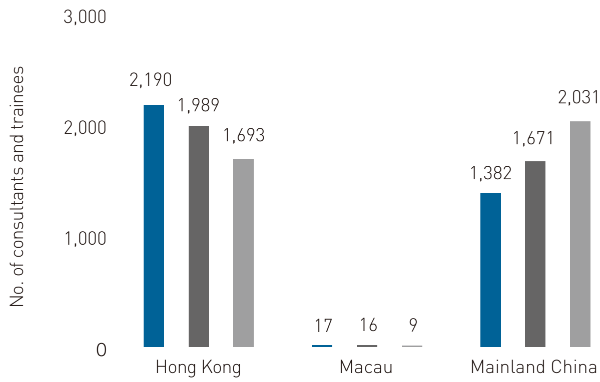
30 June 2013



Hong Kong –
No. of Consultants & Trainees

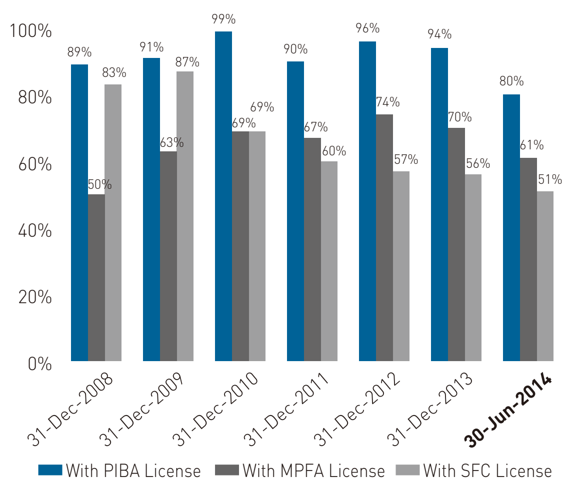


Hong Kong and other regions –
No. of Consultants & Trainees

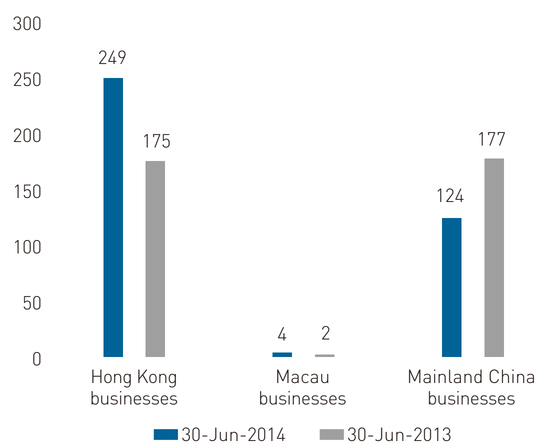


	Hong Kong	Macau	Mainland China
30-Jun-2014	2,190	17	1,382
31-Dec-2013	1,989	16	1,671
31-Dec-2012	1,693	9	2,031

Hong Kong –
License records of consultants and trainees



Number of employees:



CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2014

The Board 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.

	Notes	For the six months ended 30 June 2014 HK$'000 (unaudited)	 2013 HK$'000 (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	17	**(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
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	10	**1,253**	1,525
Loans receivable	11	**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	12	**57,899**	91,806
Loans receivable	11	**140,422**	85,963
Prepayments, deposits and other receivables		**49,205**	26,232
Equity investments at fair value through profit or loss	13	**246,241**	97,166
Due from a fellow subsidiary		**–**	19
Tax recoverable		**–**	215
Cash held on behalf of clients	14	**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	15	**171,315**	210,900
Accounts payable to clients	14	**97,780**	–
Other payables and accruals		**92,465**	69,364
Financial liabilities at fair value through profit or loss	16	**11,212**	–
Due to a fellow subsidiary		**–**	115
Tax payable		**24,689**	15,114
Commission clawback	17	**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

	Notes	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	18	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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2014

	Attributable to owners of the Company												
	Issued capital HK$'000	Share premium account HK$'000	Capital reserve HK$'000 (Note i)	Merger reserve HK$'000 (Note ii)	Shares held for share award scheme HK$'000 (Note 19)	Warrant reserve HK$'000 (Note iii)	Exchange fluctuation reserve HK$'000	Reserve funds HK$'000 (Note iv)	Other reserves HK$'000 (Note v)	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2013	40,000	133,396	(64,379)	(956)	(3,250)	–	(28)	141	(4,068)	75,190	176,046	7,957	184,003
Profit/(loss) for the period	–	–	–	–	–	–	–	–	–	43,910	43,910	(2,598)	41,312
Other comprehensive income/(loss) for the period:													
Exchange differences on translation of foreign operations	–	–	–	–	–	–	30	–	–	–	30	(45)	(15)
Total comprehensive income/(loss) for the period	–	–	–	–	–	–	30	–	–	43,910	43,940	(2,643)	41,297
Net proceeds from issue of warrants	–	–	–	–	–	776	–	–	–	–	776	–	776
Issue of new shares (Note vi)	1,900	41,800	–	–	–	–	–	–	–	–	43,700	–	43,700
Waiver of an amount due to the immediate holding company	–	–	–	–	–	–	–	–	7,876	–	7,876	–	7,876
Deemed disposal of interests in an subsidiary	–	–	–	–	–	–	–	–	4,158	–	4,158	(4,158)	–
Acquisition of a subsidiary under common control	–	–	–	(964)	–	–	–	–	–	–	(964)	–	(964)
As at 30 June 2013 (unaudited)	41,900	175,196	(64,379)	(1,920)	(3,250)	776	2	141	7,966	119,100	275,532	1,156	276,688

	Attributable to owners of the Company													
	Issued capital HK$'000 (Note 18)	Share premium account HK$'000 (Note 18)	Capital reserve HK$'000 (Note i)	Merger reserve HK$'000 (Note ii)	Shares held for share award scheme HK$'000 (Note 19)	Warrant reserve HK$'000 (Note iii)	Available-for-sale investment revaluation reserve HK$'000	Exchange fluctuation reserve HK$'000	Reserve funds HK$'000 (Note iv)	Other reserves HK$'000 (Note v)	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2014	46,300	249,340*	(64,379)*	(1,920)*	(2,971)*	776*	-*	(160)*	585*	7,164*	172,450*	407,185	(1,572)	405,613
Profit/(loss) for the period	-	-	-	-	-	-	-	-	-	-	130,522	130,522	(2,999)	127,523
Other comprehensive income/(loss) for the period:														
Changes in fair value of available-for-sale investments	-	-	-	-	-	-	4	-	-	-	-	4	-	4
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	(60)	-	-	-	(60)	(6)	(66)
Total comprehensive income/(loss) for the period	-	-	-	-	-	-	4	(60)	-	-	130,522	130,466	(3,005)	127,461
Issue of new shares, net of issue expenses (Note 18)	5,590	63,625	-	-	-	-	-	-	-	-	-	69,215	-	69,215
Equity-settled share-based payment (Note 19)	-	-	-	-	139	-	-	-	-	-	-	139	-	139
2013 final dividend	-	-	-	-	-	-	-	-	-	-	(10,378)	(10,378)	-	(10,378)
At 30 June 2014 (unaudited)	51,890	312,965*	(64,379)*	(1,920)*	(2,832)*	776*	4*	(220)*	585*	7,164*	292,594*	596,627	(4,577)	592,050

* These reserve accounts comprise the consolidated reserves of HK$544,737,000 (31 December 2013: HK$360,885,000) in the condensed consolidated statement of financial position.

Notes:

(i) The Group's capital reserve represents (i) the issued paid-up capital of a subsidiary of the Company; and (ii) the excess of the nominal value of the shares of a subsidiary acquired pursuant to the Reorganisation, over the investment cost of the Company's shares issued in exchange therefor.

(ii) Merger reserve relates to business combination under common control and represents the difference in the fair value of the consideration paid to CFG and the share capital of Prosper Ocean Investments Limited and its subsidiary acquired in 2011 and Convoy Collateral Limited acquired in 2013.

(iii) Warrant reserve represents the proceeds from warrant placing of HK$776,000, net of warrant placing expenses of HK$24,000 in 2013.

(iv) Pursuant to the relevant laws and regulations applicable to the PRC, the Group's subsidiaries established in the PRC are required to transfer part of their net profit after tax to the reserve funds, which are non-distributable and restricted as to use.

(v) Other reserves represents (i) the net gain on deemed disposal of interests in subsidiaries in 2011 and 2013; (ii) the net loss on acquisition of additional interests in subsidiaries in 2012; and (iii) the waivers of amounts due to CFG in 2011 and 2013.

(vi) On 23 May 2013, the Company completed the allotment and issuance of 19,000,000 ordinary shares of HK$0.1 each to an independent third party at a subscription price of HK$2.3 per share. The fair value of these ordinary shares allotted of approximately HK$43,700,000 less par value of the ordinary shares of HK$1,900,000 was recorded as share premium of approximately HK$41,800,000. Further details are contained in the Company's announcement dated 26 March 2013.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2014

	Notes	For the six months ended 30 June 2014 HK$'000 (unaudited)	2013 HK$'000 (unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**136,130**	53,814
Adjustments for:			
Bank interest income	4	**(90)**	(174)
Fair value gains on equity investments at fair value through profit or loss, net	4	**(125,924)**	(22,628)
Loss on disposal of items of property, plant and equipment	5	**563**	–
Depreciation		**8,654**	7,409
Amortisation of intangible assets	5	**272**	272
Impairment of other receivables, net	5	**1,095**	694
Equity-settled share-based payment	5	**139**	–
Commission clawback		**5,983**	6,084
		26,822	45,471
Decrease/(increase) in accounts receivable		**34,611**	(8,561)
Increase in loans receivable		**(55,163)**	(24,555)
Decrease/(increase) in prepayments, deposits and other receivables		**(19,915)**	12,702
Increase in equity investments at fair value through profit or loss		**(23,151)**	(31,728)
Decrease in an amount due from a fellow subsidiary		**19**	–
Decrease in cash held on behalf of clients		**40,220**	–
Increase/(decrease) in accounts payable		**(48,729)**	31,624
Decrease in accounts payable to client		**(40,220)**	–
Increase/(decrease) in other payables and accruals		**2,509**	(23,192)
Increase in financial liabilities at fair value through profit or loss		**11,212**	–
Decrease in commission clawback		**(6,266)**	(5,374)
Cash used in operations		**(78,051)**	(3,613)
Hong Kong profits tax refunded, net		**320**	–
Mainland China taxes paid		**(375)**	(99)
Net cash flows used in operating activities		**(78,106)**	(3,712)

	Notes	For the six months ended 30 June 2014 HK$'000 (unaudited)	2013 HK$'000 (unaudited)
CASH FLOWS FROM INVESTING ACTIVITIES			
Bank interest received		90	174
Acquisitions of subsidiaries	20	32,047	–
Acquisition of a subsidiary under common control		–	(964)
Deposits paid for acquisition of subsidiaries		(1,000)	–
Deposits paid for purchases of items of property, plant and equipment		(3,683)	–
Purchases of items of property, plant and equipment		(5,568)	(15,402)
Proceeds from disposal of items of property, plant and equipment		61	–
Purchases of available-for-sale investments		(33,780)	–
Decrease/(increase) in restricted cash		(305)	57
Net cash flows used in investing activities		(12,138)	(16,135)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of new shares, net of issue expenses	18	44,576	43,700
Proceeds from placement of warrants, net of issue expenses		–	776
Cash flows from financing activities		44,576	44,476
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(45,668)	24,629
Cash and cash equivalents at beginning of period		275,025	159,584
Effect of foreign exchange rate changes, net		(70)	–
CASH AND CASH EQUIVALENTS AT END OF PERIOD		229,287	184,213
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		223,110	178,167
Non-pledged time deposits with original maturity of less than three months when acquired		6,177	6,046
		229,287	184,213

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

1.1 CORPORATE INFORMATION

Convoy Financial Holdings Limited (formerly known as 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 HK$'000 (unaudited)	31 December 2013 HK$'000 (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		
Bank 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
Loss on disposal of items of property, plant and equipment	**563**	–
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 30 June	
	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 20)	**8,530**	–
At end of the reporting period	**48,370**	39,840

10. INTANGIBLE ASSETS

	HK$'000
31 December 2013	
Cost at 1 January 2013, net of accumulated amortisation	2,069
Amortisation provided during the year	(544)
At 31 December 2013	1,525
At 31 December 2013:	
Cost	2,173
Accumulated amortisation	(648)
Net carrying amount	1,525
30 June 2014	
Cost at 1 January 2014, net of accumulated amortisation	**1,525**
Amortisation provided during the period	**(272)**
At 30 June 2014	**1,253**
At 30 June 2014:	
Cost	**2,173**
Accumulated amortisation	**(920)**
Net carrying amount	**1,253**

The intangible assets represent customers' contracts which were acquired through the acquisitions of 江西康宏泛誠保險代理有限公司 and 康宏碧升保險代理有限公司 in 2012. The intangible assets have definite useful lives and are amortised on straight-line basis over 4 years.

11. LOANS RECEIVABLE

	30 June 2014 HK$'000 (unaudited)	31 December 2013 HK$'000 (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

11. LOANS RECEIVABLE (continued)

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 HK$'000 (unaudited)	31 December 2013 HK$'000 (audited)
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 HK$'000 (unaudited)	31 December 2013 HK$'000 (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

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 beginning of the reporting period and at end of the reporting period	**656**	656

11. LOANS RECEIVABLE (continued)

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 that were neither past due nor impaired relate to a number of diversified borrowers for whom there was no recent history of default.

Loans receivable that were past due but not impaired relate to a number of independent borrowers 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. The Group does not hold any collateral or other credit enhancements over these balances.

12. 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

12. 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.

13. 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.

14. CASH HELD ON BEHALF OF CLIENTS

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.

15. 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

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.

16. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2014 HK$'000 (unaudited)	31 December 2013 HK$'000 (audited)
Held for trading		
Listed equity investments, at fair value:		
Hong Kong	**11,212**	–

Balance represents the fair value of securities from short selling activities.

17. COMMISSION CLAWBACK

The Group is entitled to receive investment brokerage commission income from various product issuers for business referral and introduction. The commission is calculated based on pre-determined percentages of the regular contributions by the Group's customers to these product issuers. Pursuant to the terms of the agreements entered into between the Group and these product issuers, the commission paid by the product issuers to the Group is subject to a commission clawback by the product issuers on a pro-rata basis over an indemnified period. The indemnified period is generally from 6 months to 24 months. In the event that a customer terminates the regular contribution within the indemnified period, the product issuers will clawback the relevant commission. The amount of the commission clawback represents expected cash outflows which are estimated with reference to the sales volume, past experience of the levels of clawback, and the Directors' best estimates of the expenditure required to settle the obligations. The estimation basis is reviewed on an ongoing basis and revised by the Directors where appropriate.

During the period ended 30 June 2014, the Group's estimated commission clawback charged to the condensed consolidated statement of comprehensive income amounted to HK$5,983,000 (2013: HK$6,084,000).

18. SHARE CAPITAL

	30 June 2014 HK$'000 (unaudited)	31 December 2013 HK$'000 (audited)
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

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 31 December 2013 and 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**

18. SHARE CAPITAL (continued)

Notes:

(i) On 3 March 2014, the Company completed the allotment and issuance of 16,104,000 ordinary Shares of HK$0.1 each in aggregate to CFG. The fair value of these ordinary Shares allotted of approximately HK$24,639,000 less par value of the ordinary Shares of HK$1,610,000 was recorded as share premium of approximately HK$23,029,000. Further details are contained in note 20 to the condensed consolidated financial statements.

(ii) On 8 May 2014, the Company completed the allotment and issuance of 39,800,000 ordinary Shares of HK$0.1 each to not less than six Independent Third Parties at the placing price of HK$1.15 per share. The fair value of these ordinary Shares of approximately HK$45,770,000 less par value of the ordinary Shares of HK$3,980,000 was recorded as share premium of approximately HK$41,790,000. Further details are contained in the Company's announcement dated 8 May 2014.

19. SHARES HELD FOR SHARE AWARD SCHEME

On 25 January 2011, the Company adopted a share award scheme (the "Award Scheme") under which shares of the Company (the "Awarded Shares") may be awarded to selected participants, including employees, consultants and business associates of the Group (the "Selected Participants") in accordance with the provisions of the Award Scheme and an irrevocable trust (the "Trust") was also established by the Company for the purpose of the Award Scheme. The Award Scheme became effective on the adoption date and, unless otherwise terminated or amended, will remain in force for 10 years from that date. Further details of the Award Scheme are also set out in an announcement of the Company dated 25 January 2011.

The aggregate number of Awarded Shares currently permitted to be awarded under the Award Scheme throughout the duration of the Award Scheme is limited to 10% of the issued share capital of the Company as at 25 January 2011, i.e., 40,000,000 shares.

Pursuant to the rules governing the operation of the Award Scheme (the ''Scheme Rules''), the Board shall select the Selected Participants and determine the number of Awarded Shares to be awarded. The Board shall cause to pay the trustee of the Trust (the ''Trustee'') the purchase price and the related expenses from the Company's resources for the shares of the Company to be purchased by the Trustee. The Trustee is an Independent Third Party appointed by the Board for the administration of the Award Scheme. The Trustee shall purchase from the market such number of shares of the Company awarded as specified by the Board and shall hold such shares until they are vested in accordance with the Scheme Rules.

When a Selected Participant has satisfied all vesting conditions, which might include service and/or performance conditions, specified by the Board at the time of making the award and become entitled to the shares of the Company forming the subject of the award, the Trustee shall transfer the relevant vested Awarded Shares to that employee at no cost.

The Trustee shall not exercise the voting rights in respect of any shares of the Company held under the Trust, including, inter alia, the Awarded Shares and further shares of the Company acquired out of the income derived therefrom.

The fair value of the Awarded Shares awarded was based on the market value of the Shares at the grant date.

During the six months ended 30 June 2014, an aggregate number of 100,000 Awarded Shares were awarded, fully vested at the grant dates, to certain consultants of the Group, which were transferred to the consultants at nil consideration. The fair value of the Awarded Shares awarded was based on the market value of the Company's Shares at the grant date and the Group recognised an equity-settled share-based payment expense of HK$139,000 for the six months ended 30 June 2014 with a corresponding debit to the shares held for share award scheme account of the Company with the same amount.

No Awarded Shares were outstanding as at 30 June 2014.

20. 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 supplemental 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 supplemental 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.

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 acquisitions (note 9)	8,530
Total consideration	24,639
Satisfied by:	
16,104,000 new Shares of HK$1.53 each	24,639

20. BUSINESS COMBINATIONS (continued)

An analysis of the cash flows in respect of the acquisitions of the Acquired Businesses is as follows:

	HK$'000
Cash and bank balances acquired and net inflow of cash and cash equivalents included in cash flows from investing activities	32,047

At the end of the reporting period, the allocations of the cost of acquisitions 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.

21. OPERATING LEASE COMMITMENTS

The Group leases its office properties, equipments and staff quarters under operating lease arrangements. Leases for properties, equipments and staff quarters are negotiated for terms ranging from approximately one to six years.

At 30 June 2014, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 June 2014 HK$'000 (unaudited)	31 December 2013 HK$'000 (audited)
Within one year	39,297	47,264
In the second to fifth years, inclusive	83,992	82,620
Over five years	–	113
	123,289	129,997

22. COMMITMENTS

In addition to the operating lease commitments detailed in note 21 above, the Group had the following commitments at the end of the reporting period.

	30 June 2014 HK$'000 (unaudited)	31 December 2013 HK$'000 (audited)
Others:		
Contracted, but not provided for:		
Acquisitions of subsidiaries	965	–
Acquisition of an available-for-sale investment	6,278	7,469
Capital contributions payable to a joint venture	–	12,603
	7,243	20,072

23. RELATED PARTY TRANSACTIONS

(a) During the period, the Group entered into the following material transactions with related parties:

	Note	For the six months ended 30 June 2014 HK$'000 (unaudited)	2013 HK$'000 (unaudited)
Commission expenses to:			
Spouse of a director of the Group's operating subsidiary	(i)	**637**	541
Cousin of a director of the Group's operating subsidiary	(i)	**2,947**	1,291
Brother of a director of the Group's operating subsidiary	(i)	**428**	621

Note:

(i) The commission expenses were paid to the related parties who are the Group's consultants and were determined based on the volume of brokerage transactions executed by them for the accounts of the Group. The commissions offered are substantially in line with those offered to other consultants of the Group.

(b) Compensation of key management personnel of the Group

The remuneration of key management personnel, who are the Directors during the period, was as follows:

	For the six months ended 30 June 2014 HK$'000 (unaudited)	2013 HK$'000 (unaudited)
Salaries, allowances, bonuses and benefits in kind	**3,886**	3,490
Pension scheme contributions	**254**	237
	4,140	3,727

24. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

At the end of the reporting period, the carrying amounts of the Group's financial assets and financial liabilities approximated to their fair values.

Management has assessed that the fair values of accounts receivable, current loans receivable, current financial assets included in prepayments, deposits and other receivables, cash and cash equivalents, cash held on behalf of clients, restricted cash, accounts payable, accounts payable to clients, financial liabilities included in other payables and accruals, commission clawback and balances with a fellow subsidiary approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group has a special team to monitor the equity price risk and will consider hedging the risk exposure should the need arise.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of the non-current financial assets included in prepayments, deposits and other receivables, certain available-for-sale investments, non-current loans receivable and non-current financial liabilities included in other payables and accruals have been calculated by discounting the expected future cash flows using rates currently available for instruments on similar terms, credit risk and remaining maturities.

The fair values of the listed equity investments and certain available-for-sale investments are based on quoted market prices.

24. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

As at 30 June 2014

Assets measured at fair value:

	Fair value measurement using			
	Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Equity investments at fair value through profit or loss	246,241	–	–	246,241
Available-for-sale investments:				
Equity investments	39	–	–	39
Total	246,280	–	–	246,280

Liabilities measured at fair value:

	Fair value measurement using			
	Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Financial liabilities at fair value through profit or loss	11,212	–	–	11,212

24. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy (continued)

As at 31 December 2013

Assets measured at fair value:

	Fair value measurement using			
	Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Equity investments at fair value through profit or loss	97,166	–	–	97,166

During the period ended 30 June 2014, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2013: Nil).

The Group did not have any financial liabilities measured at fair value as at 31 December 2013.

25. EVENTS AFTER THE REPORTING 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 ("EGM") 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.

ADDITIONAL INFORMATION

INTERESTS AND/OR SHORT POSITIONS OF THE DIRECTORS AND CHIEF EXECUTIVES IN THE SHARE CAPITAL OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 30 June 2014, so far as the Directors are aware, none of the Directors, chief executives and their associates had any interests or short positions in shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO", Chapter 571 of the Laws of Hong Kong)) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") contained in the Listing Rules.

INTERESTS AND/OR SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS IN THE SHARE CAPITAL OF THE COMPANY

Save as disclosed in the section headed "Interests and/or Short Positions of the Directors and Chief Executives in the Share Capital of the Company and its Associated Corporations", as at 30 June 2014, so far as the Directors are aware, the following corporations had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Name of shareholder	Capacity	Long/ Short position	Number of Shares held	Approximate percentage of the issued share capital
Convoy Inc. (Note 1)	Interests of a controlled corporation	Long position	138,964,104	26.78%
CFG (Note 1)	Beneficial owner	Long position	138,964,104	26.78%
Town Health International Medical Group Limited (formerly known as Town Health International Investments Limited) (Note 2)	Interests of a controlled corporation	Long position	130,106,000	25.07%
Town Health Corporate Advisory and Investments Limited (Note 2)	Beneficial owner	Long position	114,356,000	22.04%
RHB Asset Management Sdn Bhd	Investment manager	Long position	36,116,000	7.80%

Notes:

1. The 138,964,104 Shares are held by CFG, a wholly-owned subsidiary of Convoy Inc.. Accordingly, Convoy Inc. is deemed to be interested in the 138,964,104 Shares held by CFG by virtue of the SFO.

2. Out of 130,106,000 Shares, 114,356,000 Shares are directly held by Town Health Corporate Advisory and Investments Limited, a company ultimately controlled by Town Health International Medical Group Limited, 15,750,000 Shares are directly held by Ultimate Achieve Limited, an indirectly wholly-owned subsidiary of Town Health Asset Management Limited, which is owned as to approximately 73.61% by Town Health (BVI) Limited, a wholly-owned subsidiary of Town Health International Medical Group Limited.

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

Details of material events after the interim periods are disclosed in note 25 to the condensed consolidated financial statements.

SHARE OPTION SCHEME

The share option scheme (the "Share Option Scheme") of the Company was conditionally approved by written resolutions of the sole shareholder of the Company dated 23 June 2010 and shall be valid and effective for a period of 10 years to 22 June 2020.

During the six months ended 30 June 2014, no share options were granted, exercised or cancelled by the Company under the Share Option Scheme.

SHARE AWARD SCHEME

The Company's share award scheme (the "Award 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. Details of the Award Scheme are disclosed in note 19 to the condensed consolidated financial statements.

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.

CHANGE OF INFORMATION OF DIRECTORS

Mr. Ma Yiu Ho, Peter has been appointed as independent non-executive Director, chairman of the audit committee and member of the remuneration committee of Sky Forever Supply Chain Management Group Limited (formerly known as Rising Power Group Holdings Limited) (Stock Code: 8047), whose shares are listed on the Growth Enterprise Market of the Stock Exchange, with effect from 18 July 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).

On behalf of the Board
Convoy Financial Holdings Limited
Wong Lee Man
Chairman

Hong Kong, 27 August 2014

DEFINITIONS

In this interim report, 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 report
"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 Holdings Limited (formerly known as 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
"DPMS"	means Discretionary Portfolio Management Service
"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 our announcement dated 5 August 2014. 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
"Reorganisation"	means the reorganisation of group of companies now comprising our Group in preparing for the Listing completed on 21 June 2010, details of which are set forth under the paragraph headed "History and development" in the section headed "Corporate history, development and Reorganisation" and under the paragraph headed "Corporate Reorganisation" in Appendix V to the Prospectus.
"Prospectus"	means the prospectus issued by the Company dated 29 June 2010
"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.

* *For identification purpose only*

CONVOY 康宏

your finance navigator