CONVOY 康宏

your finance **navigator**

CONVOY FINANCIAL SERVICES HOLDINGS LIMITED

康宏理財控股有限公司

(incorporated in the Cayman Islands with limited liability)

Stock Code : 1019

2011 INTERIM REPORT

Exploring the East with solid foundation

CONTENTS

CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Mr. Wong Lee Man *(Chairman)*
Ms. Fong Sut Sam
Mr. Mak Kwong Yiu

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mrs. Fu Kwong Wing Ting, Francine
Dr. Wu Ka Chee, Davy
Mr. Ma Yiu Ho, Peter

REGISTERED OFFICE

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Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS

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Island East
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)*
Mrs. Fu Kwong Wing Ting, Francine
Dr. Wu Ka Chee, Davy

MEMBERS OF REMUNERATION COMMITTEE

Mrs. Fu Kwong Wing Ting, Francine
(Chairman of the remuneration committee)
Dr. Wu Ka Chee, Davy
Mr. Wong Lee Man

MEMBERS OF NOMINATION COMMITTEE

Mrs. Fu Kwong Wing Ting, Francine
(Chairman of the nomination committee)
Dr. Wu Ka Chee, Davy
Ms. Fong Sut Sam

MEMBERS OF COMPLIANCE COMMITTEE

Dr. Wu Ka Chee, Davy
(Chairman of the compliance committee)
Mrs. Fu Kwong Wing Ting, Francine
Ms. Fong Sut Sam
Mr. Mak Kwong Yiu

COMPLIANCE OFFICER

Mr. Wang Pui Wang

COMPANY SECRETARY

Mr. Chow Kim Hang

AUTHORISED REPRESENTATIVES

Mr. Mak Kwong Yiu
Mr. Chow Kim Hang

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fulcrum Group (Cayman) Limited
Butterfield House
68 Fort Street
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HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
26th Floor
Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

COMPLIANCE ADVISER

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Central
Hong Kong

PRINCIPAL BANKERS

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

CHAIRMAN'S STATEMENT

Fully geared up for extending our reach into Asia through an expansion strategy

I would like to present the unaudited interim results of the Group for the six months ended 30 June 2011 to the shareholders of the Company on behalf of the Board.

During the period under review, the Group was pleased to attain prominent results at a steady pace by seizing market opportunities. During the period, the Group's turnover was approximately HK$316.5 million, representing an increase of 28.4% when compared to HK$246.5 million for the same period in 2010. The Company's profit attributable to equity holders significantly jumped by 29.2% to approximately HK$37.7 million (in the first half of 2010: HK$29.2 million). Basic earnings per share amounted to HK9.4 cents (in the first half of 2010: HK9.7 cents). The Board of Directors recommended the payment of an interim dividend of HK2.0 cents per share for the six months ended 30 June 2011.

In the first half of 2011, the Group reaped certain fruitful results for its expansion into Asia during the period. In the beginning of the year, through the acquisition of the entire equity interest in an insurance agency incorporated in Hong Kong, we carried out the insurance agency business in Mainland China and applied for the establishment of a wholly-owned insurance intermediary company in accordance with the provisions of the Mainland and Hong Kong Closer Economic Partnership Arrangement. At the same time, we entered into a framework agreement for the proposed acquisition of an 80% equity interest in a limited company incorporated in Mainland China, with an existing license that is permitted to provide nationwide insurance brokerage services in Mainland China. Each of these two acquisitions marked an active start for the Group to expand into Mainland China and tap into the insurance intermediary business in the future.

In April this year, the Group entered into an agreement to make capital contribution to one of the largest insurance agencies in Beijing – 北京碧升保險代理有限公司, in which the Group will have a 70% equity interest upon capital contribution. The Group's first wealth management centre in Beijing will be put into operation in August. This move will help further demonstrate the Group's brand building efforts in Mainland China.

As I pointed out in last year's annual report, the Group will not only build up its strengths, but will also spread out its reach. While strengthening our position in Mainland China, we will endeavour to carve out a niche in Asia. In line with our active outward expansion, we had earlier entered into a memorandum of understanding with SinoPac Securities Corporation of Taiwan (永豐金證券股份有限公司), which will provide corporate finance services relating to the Proposed TDR Listing. In addition, the Group entered into a conditional sale and purchase agreement with vendors of IPP, relating to, among other things, acquisition of majority stake in IPP which is the largest independent financial advisory company in Singapore. IPP's business operations include life insurance, investment planning and investment advisory services. This purchase represented another important cornerstone for the Group to further expand its business into Asia.

While endeavoring to explore into the overseas market, we continue to make focused efforts on local business. The sale business of ILAS remained the Group's main source of income during the first half of this year. Despite intensified market competition from local banks which competed for a share in this market, the turnover from the relevant business segment had not been much affected as the Group had capitalized on its unique advantages in a wide variety of product portfolio and long-term trust from customers. We were delighted at our encouraging performance in the first half of the year. Revenue derived from ILAS was approximately HK$312.2 million, representing an increase of 28.7% when compared to HK$242.7 million for the same period in 2010.

In the MPF market, the government has finally framed the legislative timetable for the regulation of MPF intermediaries this year. According to the documents submitted to the Legislative Council by the authority, it is indicated that the government's objective is to submit the draft ordinance to the Legislative Council by the fourth quarter of 2011, and to enact the legislation at the current legislative session. This means that the ECA is expected to be implemented in the second half of 2012. According to the information from the MPFA, the existing number of MPF members in Hong Kong is over 2.5 million. To step into this market that is blessed with immense growth potentials, the Group has taken the first-mover initiative to set up a MPF development support department and strengthen internal training, in order to create well-prepared human resources for grasping this huge business opportunity.

In addition, we also expect to step up efforts on promoting publicity through various channels. We will release information on the MPF to the public on a regular basis, and assume the responsibility of educating the public as a corporate citizen. The Group believes that the MPF is similar to the concept of our main products: ILAS. Pivoting on our past experience and advantages in this aspect, the Group is well positioned to provide customers with professional advice and capture this enormous market.

Looking ahead, we will uphold a pragmatic and progressive philosophy towards our regional expansion strategy. We will vigorously seek for suitable merger or acquisition opportunities in Asian markets outside Hong Kong through the acquisition and development of insurance agents, insurance brokers, investment advisory companies and independent financial advisory companies in the region (including Mainland China). In addition, we will bolster the back-office system support to enable various business segments to be rapidly operated on an effective track, thereby enhancing their synergies. This will help the Group blossom into the largest independent financial advisory company in Asia.

In relation to the overall development of the market, the performance of the stock market was volatile given the impacts of a number of external factors. As a result of the continued debt crisis in Europe, the downgrade of the treasury bonds and the deterioration of the economy in the United States, and the seemingly hidden crisis in the global market, investor confidence had been greatly affected. On the local economy front, while the unemployment rate had been declining, the public had been faced with inflationary pressures and high property prices. Given this scenario, there was a vast pool of funds with no way out. Long-term investment products had then been favoured in the market. Therefore, the ILAS business is expected to achieve stable performance.

APPRECIATION

This is the third chairman's statement presented by me in my term of office upon the listing of the Company. I would like to thank our management team for their dedication, commitment and devotion. Certainly, I would like to extend appreciation to Ms. Fong Sut Sam, our Chief Executive Officer, for her greatness of assisting me to write this report in enriched content and neat format. Finally, I would also like to express gratitude to all of our staff for their efforts, contribution and support for the Company over the past six months on behalf of the Group. We will continue to leverage on our competitive edges. While making great efforts on business operation, we will strive to roll out projects with considerable potentials. We are dedicated to becoming one of the largest independent financial advisory companies in Asia, and creating greater value for our shareholders.

Wong Lee Man
Chairman

Hong Kong, 30 August 2011

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL HIGHLIGHTS

Key financial information/financial ratios	For the six months ended 30 June **2011** **HK$'000** **(unaudited)**	 2010 HK$'000 (unaudited and restated)	% Change Increase/ (decrease)
Revenue	**316,481**	246,546	28.4%
Net profit attributable to owners of the Company	**37,733**	29,214	29.2%
Net profit margin	**11.9%**	11.8%	0.1%

FINANCIAL REVIEW

Revenue

Revenue of the Group for the six months ended 30 June 2011 was HK$316.5 million (2010: HK$246.5 million). An analysis of the Group's revenue is as follows:

	For the six months ended 30 June **2011** **HK$'000** **(unaudited)**	**%**	 2010 HK$'000 (unaudited)	%
Investment brokerage commission income	**312,212**	**98.6**	242,659	98.4
Insurance brokerage commission income	**3,097**	**1.0**	3,310	1.4
Pension scheme brokerage commission income	**1,172**	**0.4**	577	0.2
	316,481	**100.0**	246,546	100.0

Our revenue for the six months ended 30 June 2011 was approximately HK$316.5 million, representing an increase of approximately 28.4% compared with that for the six months ended 30 June 2010. The increase was principally attributable to our Group's continued effort in soliciting and exploring new customers and also our enlarged and strong team of consultancy force in delivering our best independent financial advisory services to our customers, which led to the increase in the number of customers purchasing new policies of ILAS, other insurance products and MPF schemes through our Group in the first half of 2011. Our marketing effort in building up and promoting the Group's corporate brand names also contributed to the increase in revenue during the period under review. Although the global economy was volatile as a result of the policy tightening in Asia, the political unrest in Middle East and North Africa, the earthquake and nuclear incident in Japan and the European sovereign debt problem, their negative impacts on our Group's overall financial performance were minimal and our Group continued to sustain growth in revenue. As our Group's revenue is principally derived from commission income, the increase in number of customers purchasing new policies of ILAS, other insurance products and MPF schemes led to the increase in revenue.

FINANCIAL REVIEW (CONTINUED)

Revenue (Continued)

Revenue derived from ILAS remained as the main source of income of the Group for the six months ended 30 June 2011. The proportion of the revenue derived from ILAS remained stable and accounted for approximately 98.6% and 98.4% of our revenue for the six months ended 30 June 2011 and 2010, respectively.

Revenue derived from other insurance products accounted for approximately 1.0% of our total revenue for the six months ended 30 June 2011 compared with approximately 1.4% of our total revenue for the six months ended 30 June 2010.

Revenue derived from MPF schemes increased by approximately 103.1% and its proportion of revenue increased to approximately 0.4% of our total revenue for the six months ended 30 June 2011 compared with approximately 0.2% of our total revenue for the six months ended 30 June 2010. This was resulted from our Group's continued effort in pursuing the strategy of business diversification during the period under review.

The Group will continue to pursue its strategy to diversify its businesses and client portfolio so as to achieve growth in each business.

Operating expenses

Total operating expenses for the six months ended 30 June 2011 was HK$272.8 million (2010: HK$211.7 million). An analysis of these expenses is as follows:

	For the six months ended 30 June			% of change
	2011	2010	Increase/ (decrease)	Increase/ (decrease)
	HK$'000	HK$'000	HK$'000	%
	(unaudited)	(unaudited and restated)		
Commission expenses	**180,922**	141,195	39,727	28.1
Staff costs	**24,306**	21,686	2,620	12.1
Rental expenses	**20,098**	16,008	4,090	25.5
Depreciation	**7,953**	8,165	(212)	(2.6)
Other expenses	**39,501**	24,617	14,884	60.5
	272,780	211,671	61,109	28.9

The ratios of these expenses to revenue are as follows:

	For the six months ended 30 June	
	2011	2010
	%	%
Commission expenses	**57.2**	57.3
Staff costs	**7.7**	8.8
Rental expenses	**6.4**	6.5
Depreciation	**2.5**	3.3
Other expenses	**12.5**	10.0

FINANCIAL REVIEW (CONTINUED)

Commission expenses

Commission expenses were approximately HK$180.9 million for the six months ended 30 June 2011, representing an increase of approximately 28.1% from that for the six months ended 30 June 2010. The increase was in line with the increase of the revenue for the six months ended 30 June 2011.

Staff costs

Total staff costs for the six months ended 30 June 2011 was HK$24.3 million (2010: HK$21.7 million). An analysis of staff costs are as follows:

	For the six months ended 30 June			% of change
	2011	2010	Increase/ (decrease)	Increase/ (decrease)
	HK$'000	HK$'000	HK$'000	%
	(unaudited)	(unaudited and restated)		
Staff costs:				
Supporting staff	**20,767**	16,621	4,146	24.9
Salary-based trainees	**3,539**	5,065	(1,526)	(30.1)
	24,306	21,686	2,620	12.1
Number of staff:				
Supporting staff	**193**	152	41	27.0
Salary-based trainees	**71**	99	(28)	(28.3)

The increase in staff costs was mainly attributable to the increased headcount of supporting staff to accommodate the business expansion of the Group and the increased headcount from those newly acquired companies during the period under review.

Rental expense

Rental expense was approximately HK$20.1 million for the six months ended 30 June 2011, representing an increase of approximately 25.5% from that for the six months ended 30 June 2010. This was resulted from the leasing of a new office premise in Hong Kong effective from 1 August 2010 onwards.

Depreciation

Depreciation was approximately HK$8.0 million for the six months ended 30 June 2011, representing a decrease of approximately 2.6% from that for the six months ended 30 June 2010. The major components of depreciation were leasehold improvements and computer equipments, which resulted from the capital expenditures invested in leasehold improvements of our Group's new office premise in January 2011 and development of information technology equipments and systems to upgrade our Group's operating capacities.

Other expenses

Other expenses were approximately HK$39.5 million for the six months ended 30 June 2011, representing an increase of approximately 60.5% compared with that for the six months ended 30 June 2010. This was mainly attributable to the increase in marketing expenses of approximately HK$12.0 million, which was mainly resulted from the increase in corporate marketing events during the six months ended 30 June 2011, in response to the Group's focus in building up and promoting its brand names actively to rebound from global economic downturn in late 2008.

Excluding the marketing expenses for both periods, other expenses were approximately HK$28.5 million for the six months ended 30 June 2011, representing an increase of approximately 10.3% compared with that for the six months ended 30 June 2010. The increase was mainly caused by business growth and regional expansion of our Group during the six months ended 30 June 2011.

FINANCIAL REVIEW (CONTINUED)

Profit attributable to owners of the Company and net profit margin

The profit attributable to owners of the Company was approximately HK$37.7 million for the six months ended 30 June 2011, representing an increase of approximately 29.2% compared with that for the six months ended 30 June 2010. The net profit margin increased from approximately 11.8% for the six months ended 30 June 2010 to approximately 11.9% for the six months ended 30 June 2011, primarily as a result of the continued revenue growth in 2011 and our Group's continuous focus on cost awareness.

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. The net proceeds of approximately HK$103.0 million raised from the Listing has enlarged the capital base of the Group and strengthened the Group's financial position thereby facilitating the expansion of the Group's onward development in independent financial advisory ("IFA") business, including ILAS, traditional insurance and MPF scheme brokerage services.

As at 30 June 2011, the Group had cash and cash equivalents of approximately HK$200.7 million (31 December 2010: HK$227.2 million) and had not incurred any borrowings. The Group's total current assets decreased from approximately HK$293.6 million as at 31 December 2010 to approximately HK$288.5 million, while total current liabilities decreased from approximately HK$145.7 million as at 31 December 2010 to approximately HK$120.5 million as at 30 June 2011. As a result, the current ratio was increased from approximately 2.0 as at 31 December 2010 to approximately 2.4 as at 30 June 2011.

On 16 February 2011, the Company entered into a warrant placing agreement in connection with the warrant placing, pursuant to which the placing agents conditionally agreed to place, on a best effort basis, up to 50,000,000 warrants conferring rights to subscribe for 50,000,000 warrant shares at the exercise price of HK$1.6 per warrant to HK$2.0 per warrant to not less than six warrant placees who and their respective ultimate beneficial owners are independent third parties. The warrants were placed at a warrant placing price of HK$0.02 each. Further details of the placing are set out in the Company's announcement dated 16 February 2011.

Net proceeds of approximately HK$0.7 million have been raised by the warrant placing and the same has been utilised by the Group as general working capital.

Assuming the full exercise of the subscription rights attaching to each non-listed warrants, it is expected approximately HK$85 million will be raised. The net proceeds of approximately HK$84.5 million will be used for general working capital of the Group.

At the date of approval of this interim report, no warrants have been exercised.

DIVIDEND POLICY

In relation to the TDR Issue, the Board has resolved to propose to the shareholders of the Company for their consideration and approval at the first general meeting of the Company after the date of the relevant resolution of the Board amendment(s) to the Articles to the effect that conditional upon and subject to the TDR Issue and the Proposed TDR Listing and with effect from the date of the listing of TDRs on the Taiwan Stock Exchange, the aggregate amount of dividends, interim dividends and/or other distributions, whether in cash or in kind, to be recommended by the Board for any financial year of the Company shall not be (or its equivalent monetary value as determined by the Board where any dividend or distribution is in kind) less than 10% of the combined or, as the case may be, consolidated audited net profit of the Company for that financial year of the Company.

USE OF PROCEEDS FROM THE COMPANY'S INITIAL PUBLIC OFFERING

The proceeds from the Listing, after deduction of related issuance expenses, amounted to approximately HK$103.0 million. Up to 30 June 2011, approximately HK$29.5 million has been utilised as at 30 June 2011, of which (i) HK$8.7 million was applied for enhancement of the quality of the consultants through incentives; (ii) HK$13.1 million was applied for the expansion and promotion of ILAS, MPF schemes and other insurance business through marketing events; (iii) HK$4.1 million was applied for the development of on-line application system; and (iv) HK$3.6 million was applied for exploration of merger and acquisition opportunities and business collaboration with well-established companies.

The unutilised balances of approximately HK$73.5 million have been placed with licensed banks and/or authorised financial institutions in Hong Kong as short-term interest bearing deposits, which is in accordance with the disclosure under the section headed "Future Plans and Use of Proceeds" of the Prospectus. The unutilised proceeds will be applied by the Company in accordance with their intended uses as disclosed in the Prospectus.

HUMAN RESOURCES AND REMUNERATION POLICIES

As at 30 June 2011, the Group had an aggregate of approximately 193 (30 June 2010: 152) supporting staff and 71 (30 June 2010: 99) salary-based trainees. The total remuneration of the employees (including the Directors' remuneration) was approximately HK$24.3 million for the six months ended 30 June 2011 (2010: approximately HK$21.7 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 and foreign currency 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.

RISK MANAGEMENT (CONTINUED)

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 during the six months ended 30 June 2011, the Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management.

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

Since most of the revenue and the payment of expenditure are either made in Hong Kong dollars or United States dollars, the Group is not exposed to significant foreign exchange risk. The management would monitor the foreign exchange exposure and will consider hedging significant currency exposure should the need arise.

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES

(1) On 6 January 2011, the Group has entered into an agreement with an independent third party for the acquisition of an entire issued share capital in Convoy China Insurance Agency Co., Limited ("CCIA"), a company incorporated in Hong Kong, which is engaged in the provision of all insurance agency services in Hong Kong and is certified to be capable to set up wholly-owned insurance agency business in Mainland China, under the Mainland and Hong Kong Closer Economic Partnership Arrangement, at consideration of approximately HK$100,000;

(2) On 1 March 2011, the Group has entered into a framework agreement with an independent third party for the proposed acquisition of 80% equity interests in a limited liability company incorporated in the PRC, which is licensed to provide nationwide insurance brokerage services in Mainland China, at consideration of approximately RMB400,000. This transaction has not been completed up to the approval date of this interim report;

(3) On 7 April 2011, Convoy Insurance Brokers (Macau) Limited, a limited liability company incorporated in Macau was formed to provide insurance brokerage services in Macau;

(4) On 8 April 2011, CCIA has entered into a capital increase agreement (the "Capital Increase Agreement") with an independent third party, 北京碧升保險代理有限公司, a limited liability company incorporated in the PRC, which is engaged in the provision of insurance agency services. Pursuant to the Capital Increase Agreement, 北京碧升保險代理有限公司 will increase its capital from RMB6,000,000 to RMB20,000,000 and the increase in capital of RMB14,000,000 will be contributed by CCIA upon the completion of the Capital Increase Agreement. After the completion of the Capital Increase Agreement, CCIA will hold approximately 70% equity interests in 北京碧升保險代理有限公司. This transaction has not been completed up to the approval date of this interim report;

(5) On 12 April 2011, the Group has entered into the share transfer agreement with CFG, whereby the Group has agreed to purchase and CFG has agreed to sell the entire share capital in Prosper Ocean at a consideration of HK$1,056,041.89, equivalent to the unaudited consolidated net asset value of Prosper Ocean as at 31 January 2011 of HK$1,056,041.89. The transaction has been completed on 3 May 2011; and

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES (CONTINUED)

(6) On 12 April 2011, the Group has entered into the equity transfer agreement with CFG, whereby the Group has agreed to purchase and CFG has agreed to sell the entire equity interest in 康宏財富投資顧問（北京）有限公司 (Convoy Wealth Investment Consultation (Beijing) Company Limited#) ("Convoy Beijing") at a consideration of RMB8,639,088.6 (equivalent to approximately HK$10,280,515.43), equivalent to the unaudited net asset value of Convoy Beijing as at 31 January 2011 of RMB8,639,088.6. This transaction has not been completed up to the approval date of this interim report.

Details of material acquisition of subsidiaries subsequent to the reporting period are disclosed in note 23 to the condensed consolidated financial information.

SIGNIFICANT INVESTMENT HELD

The Group did not have significant investment held as at 30 June 2011.

FUTURE PLANS RELATING TO MATERIAL INVESTMENT OR CAPITAL ASSET

As at the date of this interim report, except for its regional business expansion and the agreements and actions executed by the Group in respect of acquisition of subsidiaries as disclosed above and disclosed in note 23 to the condensed consolidated financial information, the Group has not executed any agreement in respect of proposed acquisition and did not have any other future plans relating to material investment or capital asset.

CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 30 June 2011.

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 2011 and 2010, the Group incurred capital expenditures in the amounts of approximately HK$8.8 million and HK$3.2 million, respectively.

COMMITMENTS

The Group's contractual commitments are primarily related to the operating lease commitments of its office premises, staff quarters and certain of its office equipment under operating lease arrangements and capital commitments related to acquisition of items of computer equipment and systems and leasehold improvements.

The Group's operating lease commitments amounted to HK$96.9 million and HK$118.9 million in the aggregate as at 30 June 2011 and 31 December 2010, respectively.

The Group's capital commitments amounted to HK$6.7 million and HK$3.3 million as at 30 June 2011 and 31 December 2010, respectively.

PROSPECTS

As mentioned in our annual report 2010, "regional expansion" strategy covering Mainland China and South East Asia, aims to set our Group as one of the largest quality IFA in Asia by way of acquisition and development of insurance agent, insurance broker, investment consultancy firm and IFA in the region, will be our main business strategy for the year 2011.

We have kicked off this strategy in the first half of 2011 through acquisition of well-established companies in Hong Kong and the PRC, as disclosed in the section headed "MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES" of this interim report. Subsequent to the reporting period, we have entered into a conditional sale and purchase agreement with shareholders of a company incorporated in Singapore, in relation to an acquisition of share of the said Singapore Company by a wholly owned subsidiary of the Company. The said Singapore Company is an investment holding company and its subsidiaries are principally engaged in the provision of services relating to life insurance, investment planning and investment advice. We have also made an application to the Taiwan Stock Exchange and the Taiwan Central Bank for the proposed offering and listing of TDR on the Taiwan Stock Exchange. We intend to use the net proceeds from the offering and listing of TDR to provide funding to the acquisition of the said Singapore Company. All these paved the ways to make us to become one of the largest independent financial advisory firms in Asia. We will continue to pursue this strategy by proactively growing the newly acquired companies and being open for good merger and acquisition opportunities.

With regard to our core financial planning business, we will continue to pursue business diversification strategy in order to achieve continued growth in ILAS business, MPF intermediary business and other insurance product business. MPF intermediary business continued to be a key new driver for our business in 2012. We will continue to equip ourselves in MPF business and strengthen our MPF platform by devoting additional resources to support business growth and to capture new business opportunities arising from the launch of ECA in the near future.

Although the global economy was volatile and uncertain, our Group is still confident in the continuous development of our existing business. With our strong team of consultancy force, well established brand name and operation platform and our proactive approach in merger and acquisition of well established companies in Asia, we believe that our business will continue to expand and our Group's market position and capability in the global IFA industry will be further promoted.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2011

The board of directors (the "Board") of Convoy Financial Services Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") is pleased to present the unaudited condensed consolidated interim results of the Group for the six months ended 30 June 2011, 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 2011 HK$'000 (unaudited)**	2010 HK$'000 (unaudited and restated)
REVENUE	*5*	**316,481**	246,546
Other income and gains, net	*5*	**897**	940
Commission expenses		**(180,922)**	(141,195)
Staff costs		**(24,306)**	(21,686)
Depreciation		**(7,953)**	(8,165)
Commission clawback		**(4,273)**	(2,935)
Other expenses		**(55,326)**	(37,690)
PROFIT BEFORE TAX	*6*	**44,598**	35,815
Income tax expense	*7*	**(7,192)**	(6,601)
PROFIT FOR THE PERIOD		**37,406**	29,214
OTHER COMPREHENSIVE INCOME			
Exchange differences on translation of foreign operations		**–**	(6)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**37,406**	29,208
PROFIT ATTRIBUTABLE TO:			
Owners of the Company		**37,733**	29,214
Non-controlling interests		**(327)**	–
		37,406	29,214
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Owners of the Company		**37,733**	29,208
Non-controlling interests		**(327)**	–
		37,406	29,208
Earnings per share attributable to owners of the Company	*9*		
Basic		**HK9.4 cents**	HK9.7 cents
Diluted		**HK9.3 cents**	HK9.7 cents

Details of the dividend payable for the period are disclosed in note 8 to the condensed consolidated financial information.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2011

	Notes	30 June 2011 HK$'000 (unaudited)	31 December 2010 HK$'000 (restated) (note 3(b))	1 January 2010 HK$'000 (unaudited and restated)
NON–CURRENT ASSETS				
Property, plant and equipment	10	**24,606**	23,721	32,024
Goodwill		**100**	–	–
Deposits paid for purchases of items of property, plant and equipment		**9,053**	5,187	–
Rental deposits		**11,906**	11,873	6,951
Prepayments		**368**	409	805
Deferred tax assets		**4,108**	2,609	683
Total non-current assets		**50,141**	43,799	40,463
CURRENT ASSETS				
Accounts receivable	11	**36,879**	56,261	17,601
Prepayments, deposits and other receivables		**50,657**	9,559	20,836
Equity investment at fair value through profit or loss		**220**	230	238
Due from a related company	14	**–**	360	187
Cash and cash equivalents		**200,698**	227,215	83,873
Total current assets		**288,454**	293,625	122,735
CURRENT LIABILITIES				
Accounts payable	12	**84,206**	99,695	75,565
Other payables and accruals		**14,008**	32,061	19,593
Due to a shareholder	14	**–**	515	555
Tax payable		**15,986**	7,317	15,319
Commission clawback	13	**6,297**	6,115	5,913
Total current liabilities		**120,497**	145,703	116,945
NET CURRENT ASSETS		**167,957**	147,922	5,790
Net assets		**218,098**	191,721	46,253

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 30 June 2011

	Notes	**30 June 2011 HK$'000 (unaudited)**	31 December 2010 HK$'000 (restated) *(note 3(b))*	1 January 2010 HK$'000 (unaudited and restated)
EQUITY				
Equity attributable to owners of the Company				
Issued capital		**40,000**	40,000	–
Reserves		**178,443**	151,721	46,253
		218,443	191,721	46,253
Non-controlling interests		**(345)**	–	–
Total equity		**218,098**	191,721	46,253

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2011

	Attributable to owners of the Company												
	Issued capital HK$'000	Share premium account HK$'000	Capital reserve HK$'000 *(i)*	Merger reserve HK$'000 *(ii)*	Shares held for share award scheme HK$'000 *(iii)*	Warrant reserve HK$'000 *(iv)*	Exchange fluctuation reserve HK$'000	Reserve funds HK$'000 *(v)*	Other reserves HK$'000 *(vi)*	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2010 (as previously stated)	–	–	1,000	–	–	–	–	–	–	44,948	45,948	–	45,948
Adjustments *(Note 3)*	–	–	–	–	–	–	59	23	–	223	305	–	305
At 1 January 2010 (restated)	–	–	1,000	–	–	–	59	23	–	45,171	46, 253	–	46,253
Profit for the period	–	–	–	–	–	–	–	–	–	29,214	29,214	–	29,214
Other comprehensive income for the period:													
Exchange differences on translation of foreign operations	–	–	–	–	–	–	(6)	–	–	–	(6)	–	(6)
Total comprehensive income for the period	–	–	–	–	–	–	(6)	–	–	29,214	29,208	–	29,208
Issue of new shares upon incorporation and pursuant to a group reorganisation	30,000	35,379	(65,379)	–	–	–	–	–	–	–	–	–	–
As at 30 June 2010 (restated)	30,000	35,379	(64,379)	–	–	–	53	23	–	74,385	75,461	–	75,461
At 1 January 2011 (as previously stated)	40,000	133,396	(64,379)	–	–	–	–	–	–	82,191	191,208	–	191,208
Adjustments *(Note 3)*	–	–	–	–	–	–	75	43	–	395	513	–	513
At 1 January 2011 (restated)	40,000	133,396	(64,379)	–	–	–	75	43	–	82,586	191,721	–	191,721
Profit for the period and total comprehensive income for the period	–	–	–	–	–	–	–	–	–	37,733	37,733	(327)	37,406
Gain on dilution of interests in subsidiaries	–	–	–	–	–	–	–	–	65	–	65	(65)	–
Net proceeds from issue of warrants	–	–	–	–	–	965	–	–	–	–	965	–	965
Shares purchased for share award scheme	–	–	–	–	(3,500)	–	–	–	–	–	(3,500)	–	(3,500)
2010 final dividend	–	–	–	–	–	–	–	–	–	(8,000)	(8,000)	–	(8,000)
Acquisition of subsidiaries	–	–	–	(1,056)	–	–	–	–	–	–	(1,056)	–	(1,056)
Waiver of amount due to a shareholder	–	–	–	–	–	–	–	–	515	–	515	–	515
Capital contribution by non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	47	47
As at 30 June 2011	40,000	133,396	(64,379)	(1,056)	(3,500)	965	75	43	580	112,319	218,443	(345)	218,098

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 represents the difference in the fair value of the consideration paid to CFG for the acquisition of Prosper Ocean and its subsidiary, controlled by CFG and the share capital of the subsidiaries under acquisition.

(iii) Details of shares held for share award scheme are disclosed in note 17 to the condensed consolidated financial information.

(iv) Details of warrant reserve are disclosed in note 15 to the condensed consolidated financial information.

(v) In accordance with the relevant laws and regulations of the PRC, the subsidiaries established in the PRC are required to transfer part of their net profit after tax to the reserve funds, which are restricted as to use.

(vi) Other reserves represented the (a) gain on dilution of interests in subsidiaries amounting to approximately HK$65,000 during the period under review and details of which are disclosed in note 16 to the condensed consolidated financial information; and (b) waiver of amount due to a shareholder during the period under review amounted to approximately HK$515,000 and details of which are disclosed in note 22(a)(iv) to the condensed consolidated financial information.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2011

	For the six months ended 30 June	
	2011	2010
	HK$'000	HK$'000
	(unaudited)	(unaudited and restated)
NET CASH FLOWS FROM OPERATING ACTIVITIES	**12,341**	10,779
NET CASH FLOWS USED IN INVESTING ACTIVITIES	**(28,370)**	(2,474)
NET CASH FLOWS USED IN FINANCING ACTIVITIES	**(10,488)**	–
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	**(26,517)**	8,305
Cash and cash equivalents at beginning of period	**227,215**	83,873
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**200,698**	92,178

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2011

1.1 CORPORATE INFORMATION AND REORGANISATION

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.

Pursuant to the Reorganisation to rationalise the structure of the Company and its subsidiaries (collectively referred to as the "Group") in preparation for the Listing on the Stock Exchange, the Company became the direct/indirect holding company of the subsidiaries now comprising the Group on 21 June 2010. Details of the Reorganisation were set out in the section headed "Corporate Reorganisation" in Appendix V to the Prospectus issued by the Company. The Company's shares have been listed on the Stock Exchange since 13 July 2010.

During the period, the Group was principally engaged in IFA business.

The condensed consolidated financial information is presented in Hong Kong dollars, which is also the functional currency of the Company.

This condensed consolidated financial information has not been audited.

1.2 BASIS OF PREPARATION

The condensed consolidated financial information has been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange and 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 information has been prepared on the historical cost basis except for an equity investment, which is measured at fair value.

The condensed consolidated financial information 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 2010 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 2010, 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 2011:

HKFRS 1 Amendment	Amendment to HKFRS 1 *First-time Adoption of HKFRSs – Limited Exemptions from Comparative HKFRS 7 Disclosures for First-time Adopters*
HKAS 24 (Revised)	*Related Party Disclosures*
HKAS 32 Amendment	Amendment to HKAS 32 *Financial Instruments: Presentation – Classification of Rights Issues*
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 *Prepayments of a Minimum Funding Requirement*
HK(IFRIC)-Int 19	*Extinguishing Financial Liabilities with Equity Instruments*
Improvements to HKFRSs (2010)	Amendments to a number of HKFRSs

The adoption of these new and revised HKFRSs has had no material impact on the Group's results of operation and financial position.

3. MERGER ACCOUNTING AND RESTATEMENTS

The Group accounts for all its business combinations involving entities under common control under the principles of merger accounting in accordance with Accounting Guideline 5 "Merger Accounting for Common Control Combinations" ("AG 5") issued by the HKICPA. In the current period, the Group acquired Prosper Ocean together with its subsidiary, Sheng Hai from CFG and accordingly, the Group has applied the principle of merger accounting in accordance with the requirements set out in AG 5 to the acquisitions.

Prosper Ocean and Sheng Hai were incorporated on 20 October 2004 and 29 May 2007, respectively.

The condensed consolidated statement of financial position of the Group as at 31 December 2010 and 1 January 2010 has been restated to include the assets and liabilities of Prosper Ocean and Sheng Hai as if they were within the Group on the respective dates. The condensed consolidated statement of comprehensive income for the six months ended 30 June 2010 has been restated to include the results of Prosper Ocean and Sheng Hai as if they were within the Group throughout the six months ended 30 June 2010 and 2011.

The effect of the application of merger accounting on the condensed consolidated statement of comprehensive income for the six months ended 30 June 2010 and the condensed consolidated statement of financial position as at 31 December 2010 was summarised below:

(a) Condensed consolidated statement of comprehensive income for the six months ended 30 June 2010

	HK$'000 (as previously stated)	Adjustments on merger accounting HK$'000 *(note i)*	HK$'000 (restated)
REVENUE	246,546	–	246,546
Other income and gains, net	156	784	940
Commission expenses	(141,195)	–	(141,195)
Staff costs	(20,899)	(787)	(21,686)
Depreciation	(8,148)	(17)	(8,165)
Commission clawback	(2,935)	–	(2,935)
Other expenses	(37,819)	129	(37,690)
PROFIT BEFORE TAX	35,706	109	35,815
Income tax expense	(6,573)	(28)	(6,601)
PROFIT FOR THE PERIOD	29,133	81	29,214
OTHER COMPREHENSIVE INCOME			
Exchange differences on translation of foreign operations	–	(6)	(6)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	29,133	75	29,208
Earnings per share attributable to owners of the Company			
Basic	HK9.7 cents	–	HK9.7 cents
Diluted	HK9.7 cents	–	HK9.7 cents

3. MERGER ACCOUNTING AND RESTATEMENTS (Continued)

(b) Condensed consolidated statement of financial position as at 31 December 2010

	HK$'000 (as previously stated and audited)	Adjustments on merger accounting HK$'000 *(note ii)*	HK$'000 (restated)
NON–CURRENT ASSETS			
Property, plant and equipment	23,452	269	23,721
Deposits paid for purchases of items of property, plant and equipment	5,187	–	5,187
Rental deposits	11,873	–	11,873
Prepayments	305	104	409
Deferred tax assets	2,609	–	2,609
Total non-current assets	43,426	373	43,799
CURRENT ASSETS			
Accounts receivable	56,261	–	56,261
Prepayments, deposits and other receivables	9,464	95	9,559
Equity investment at fair value through profit or loss	230	–	230
Due from a related company	–	360	360
Cash and cash equivalents	226,845	370	227,215
Total current assets	292,800	825	293,625
CURRENT LIABILITIES			
Accounts payable	99,695	–	99,695
Other payables and accruals	31,891	170	32,061
Due to a shareholder	–	515	515
Tax payable	7,317	–	7,317
Commission clawback	6,115	–	6,115
Total current liabilities	145,018	685	145,703
NET CURRENT ASSETS	147,782	140	147,922
Net assets	191,208	513	191,721
EQUITY			
Equity attributable to owners of the Company			
Issued capital	40,000	–	40,000
Reserves	151,208	513	151,721
Total equity	191,208	513	191,721

Notes:

(i) The adjustments are to include the results of Prosper Ocean and Sheng Hai for the six months ended 30 June 2010 and to eliminate all the transactions between the combining entities and the Group for the six months ended 30 June 2010.

(ii) The adjustments are to include the assets and liabilities of Prosper Ocean and Sheng Hai as at 31 December 2010 and to eliminate all the balances between the combining entities and the Group as at 31 December 2010.

4. SEGMENT INFORMATION

All of the Group's revenue and operating profit for the six months ended 30 June 2011 and 2010 are generated from the provision of insurance and MPF schemes brokerage services in Hong Kong. Revenue represents brokerage commission income earned from product issuers. Information reported to the Group's chief operating decision maker, for the purpose of resources allocation and assessment performance, is focused on the operating results of the Group as a whole as the Group's resources are integrated and no discrete financial information is available. Accordingly, no segment analysis is presented.

All of the Group's revenue from external customers were generated in Hong Kong during the periods presented.

Non-current assets based on the location of assets and excluding financial instruments and deferred tax assets of HK$27,645,000 (2010: HK$28,944,000) and HK$6,482,000 (2010: HK$373,000) are located in Hong Kong and the PRC, respectively.

Information about product issuers

Revenue from major product issuers, each of them accounted for 10% or more of the Group's revenue, is set out below:

	For the six months ended 30 June	
	2011	2010
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Product issuer A	**166,293**	142,649
Product issuer B	**75,517**	67,471
Product issuer C	**38,927**	N/A*

* The revenue from Product issuer C for the six months ended 30 June 2010 was less than 10% of the Group's revenue.

5. 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 and pension scheme brokerage commission income earned during the six months ended 30 June 2011 and 2010.

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

	For the six months ended 30 June	
	2011	2010
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Revenue		
Investment brokerage commission income	**312,212**	242,659
Insurance brokerage commission income	**3,097**	3,310
Pension scheme brokerage commission income	**1,172**	577
	316,481	246,546

	For the six months ended 30 June	
	2011	2010
	HK$'000	HK$'000
	(unaudited)	(unaudited and restated)
Other income and gains, net		
Interest income	**490**	6
Gain on disposal of items of property, plant and equipment	**–**	67
Fair value loss on an equity investment at fair value through profit or loss	**(10)**	(17)
Administrative services fees charged to a related company*	**373**	784
Others	**44**	100
Total other income and gains, net	**897**	940

* The amounts arose from the business combinations of Prosper Ocean and Sheng Hai in accordance with merger accounting as disclosed in Note 3 to the condensed consolidated financial information.

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

	For the six months ended 30 June	
	2011	2010
	HK$'000	HK$'000
	(unaudited)	(unaudited and restated)
Employee benefit expenses (including Directors' remuneration):		
Salaries, allowances, bonuses and benefits in kind	**23,308**	20,782
Pension scheme contributions	**998**	904
	24,306	21,686
Minimum lease payments under operating leases:		
Land and buildings	**19,998**	15,964
Equipment	**100**	44
	20,098	16,008
Impairment of other receivables, net	**741**	527
Write-off of other receivables	**58**	–
Foreign exchange differences, net	**206**	3

7. INCOME TAX EXPENSE

	For the six months ended 30 June	
	2011	2010
	HK$'000	HK$'000
	(unaudited)	(unaudited and restated)
Current tax		
– Hong Kong profits tax	**8,648**	7,455
– PRC corporate income tax	**43**	28
	8,691	7,483
Deferred	**(1,499)**	(882)
Total tax charge for the period	**7,192**	6,601

Hong Kong profits tax has been provided at the rate of 16.5% for the six months ended 30 June 2011 and 30 June 2010 on the estimated assessable profits arising in Hong Kong. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the country in which the Group operates.

8. DIVIDENDS

The Board has declared an interim dividend of HK2.0 cents per share (2010: HK6.8 cents per share) for the six months ended 30 June 2011. The interim dividend will be payable on Friday, 28 October 2011 to shareholders whose names appear on the register of members of the Company at the close of business on Tuesday, 11 October 2011.

9. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of the basic and diluted earnings per share attributable to owners of the Company is based on:

	For the six months ended 30 June	
	2011	2010
	HK$'000	HK$'000
	(unaudited)	(unaudited and restated)
Earnings		
Profit attributable to owners of the Company used in the basic and diluted earnings per share calculation	**37,733**	29,214
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	**400,000**	300,000
Effect of dilution – weighted average number of ordinary shares – Warrants	**5,847**	–
Weighted average number of ordinary shares in issue during the period used in the diluted earnings per share calculation	**405,847**	300,000

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 in issue during the period. In determining the weighted average number of ordinary shares in issue for the six months ended 30 June 2010, a total of 300,000,000 ordinary shares of the Company issued pursuant to the Reorganisation were deemed to have been issued since 1 January 2010.

The calculation of diluted earnings per share amounts 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 of all dilutive potential ordinary shares into ordinary shares.

10. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2011, the Group incurred approximately HK$8,839,000 (HK$3,219,000 for the six months ended 30 June 2010) on acquisition of items of property, plant and equipment in order to upgrade its operating capacities.

There was no disposal of items of property, plant and equipment during the six months ended 30 June 2011. During the six months ended 30 June 2010, the Group disposed of items of property, plant and equipment of HK$673,000.

11. ACCOUNTS RECEIVABLE

	30 June 2011 HK$'000 (unaudited)	31 December 2010 HK$'000 (audited)
Accounts receivable	**36,879**	56,261

Accounts receivable represented brokerage commission receivables which are generally settled within 45 days upon the execution of the insurance policies and/or receipt of statements from product issuers.

The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. Accounts receivable are non-interest-bearing.

Accounts receivables as at the end of the reporting periods, based on the date of recognition of revenue are aged within one month and neither past due nor impaired.

12. ACCOUNTS PAYABLE

Accounts payable represented commission payables for the provision of insurance and MPF schemes brokerage services which are generally settled within 30 days to 120 days upon receipt of payments from product issuers by the Group.

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

	30 June 2011 HK$'000 (unaudited)	31 December 2010 HK$'000 (audited)
Within 1 month	**35,952**	50,272
1 to 2 months	**23,555**	23,040
2 to 3 months	**13,145**	12,604
Over 3 months	**11,554**	13,779
	84,206	99,695

Accounts payable are non-interest-bearing. Included in the Group's accounts payable as at 30 June 2011 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$407,000 (31 December 2010: HK$1,724,000), which are payable on similar terms to other consultants of the Group.

13. 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, the Group's estimated commission clawback charged to the condensed consolidated statement of comprehensive income amounted to HK$4,273,000 (2010: HK$2,935,000).

14. DUE FROM A RELATED COMPANY/ DUE TO A SHAREHOLDER

The amounts as at 31 December 2010 were unsecured and interest free. Amount due from a related company was settled during the six months ended 30 June 2011 and the amount due to a shareholder was being waived during the six months ended 30 June 2011 and was recognised as an equity transaction and was recorded in other reserves. Both balances arose from the business combinations of Prosper Ocean and Sheng Hai in accordance with merger accounting as disclosed in Note 3 to the condensed consolidated financial information.

15. WARRANTS

On 16 February 2011, the Company entered into a warrant placing agreement in connection with the warrant placing, pursuant to which the placing agents conditionally agreed to place, on a best effort basis, up to 50,000,000 warrants conferring rights to subscribe for 50,000,000 warrant shares at the exercise price of HK$1.6 per warrant to HK$2.0 per warrant to not less than six warrant placees who and their respective ultimate beneficial owners are independent third parties. The warrants were placed at a warrant placing price of HK$0.02 each. The proceeds from warrant placing of HK$1,000,000, after netting off the warrant placing commission fee of HK$35,000, were recorded in warrant reserve.

Assuming the full exercise of the subscription rights attaching to each non-listed warrants, it is expected approximately HK$85 million will be raised. The net proceeds of approximately HK$84.5 million will be used for general working capital of the Group.

At the date of approval of this interim report, no warrants have been exercised. Further details of the warrant issue are set out in the announcement of the Company dated 16 February 2011.

16. GAIN ON DILUTION OF INTERESTS IN SUBSIDIARIES

During the period, one of the Company's subsidiaries, CCIA Holdings Limited ("CCIAH"), issued an aggregate of 1,175 shares to certain independent third parties, accordingly, the shareholding held by the Group in CCIAH was diluted and resulted in a gain on dilution of interests in subsidiaries amounting to HK$65,000, which was recognised as an equity transaction and was recorded in other reserves. The gain on dilution of interests in subsidiaries was calculated as the differences between the Group's share of net assets in CCIAH, prior to and after additional issue of shares by CCIAH.

17. SHARES HELD FOR SHARE AWARD SCHEME

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.

During the six months ended 30 June 2011, the Scheme acquired 1,790,000 Shares of the Company through purchases on the open market. The total amount paid to acquire the shares during the period was approximately HK$3,500,000 and was recorded in shares held for share award scheme.

Subsequent to the reporting period on 1 August 2011, the Scheme transferred 1,790,000 Shares to the selected participants.

18. ACQUISITION OF SUBSIDIARIES

(a) On 6 January 2011, the Group has entered into an agreement with an independent third party for the acquisition of an entire issued share capital in CCIA, a company incorporated in Hong Kong, which is engaged in the provision of all insurance agency services in Hong Kong and is certified to be capable to set up wholly-owned insurance agency business in Mainland China, under the Mainland and Hong Kong Closer Economic Partnership Arrangement, at consideration of approximately HK$100,000. The net assets recognised at the date of acquisition amounted to HK$2, gave rise to goodwill of approximately HK$100,000 during the period under review; and

(b) On 12 April 2011, the Group has entered into the share transfer agreement with CFG, whereby the Group has agreed to purchase and CFG has agreed to sell the entire share capital in Prosper Ocean at a consideration of HK$1,056,041.89, equivalent to the unaudited consolidated net asset value of Prosper Ocean as at 31 January 2011 of HK$1,056,041.89. The transaction has been completed on 3 May 2011. Details of the business combination are disclosed in Note 3 to the condensed consolidated financial information.

19. CONTINGENT LIABILITIES

At the end of the reporting period, the Group had no significant contingent liabilities.

20. OPERATING LEASE ARRANGEMENTS

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

At the end of the reporting period, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 June 2011 HK$'000 (unaudited)	31 December 2010 HK$'000 (restated)
Within one year	**42,552**	43,799
In the second to fifth years inclusive	**54,333**	75,143
	96,885	118,942

21. CAPITAL COMMITMENTS

The Group had the following capital commitments at the end of the reporting period.

	30 June 2011 HK$'000 (unaudited)	31 December 2010 HK$'000 (restated)
Contracted, but not provided for:		
Property, plant and equipment	**6,670**	3,284

22. RELATED PARTY TRANSACTIONS

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

	Notes	For the six months ended 30 June **2011** **HK$'000** **(unaudited)**	2010 HK$'000 (restated)
Commission expenses to:			
Spouse of a director of the Group's operating subsidiary	*(i)*	**920**	657
Cousin of a director of the Group's operating subsidiary	*(i)*	**1,629**	805
Brother of a director of the Group's operating subsidiary	*(i)*	**457**	751
Administrative services fees charged to a fellow subsidiary of the Company	*(ii)*	**373**	784
Warrant placing commission fee to a fellow subsidiary of the Company	*(iii)*	**35**	–
Waiver of an amount due to a shareholder	*(iv)*	**515**	–

Notes:

(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.

(ii) The administrative services fees were charged by Sheng Hai to Convoy Collateral Limited, a fellow subsidiary of the Company, based on terms agreed between the two parties.

(iii) The warrant placing commission fee was paid to Convoy Investment Services Limited, a fellow subsidiary of the Company, based on the warrant placing agreement signed on 16 February 2011 as disclosed in note 15 to the condensed consolidated financial information.

(iv) The waiver of an amount due to a shareholder was determined by the directors of CFG.

(b) Compensation of key management personnel of the Group

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

	For the six months ended 30 June **2011** **HK$'000** **(unaudited)**	2010 HK$'000 (restated)
Salaries, allowances, bonuses and benefits in kind	**2,151**	3,135
Pension scheme contributions	**12**	96
	2,163	3,231

23. EVENTS AFTER THE END OF THE INTERIM PERIOD

(a) On 27 July 2011, the Group entered into the sale and purchase agreement (the "Sale & Purchase Agreement") with the holders of 11,236,905 shares of IPP (the "Signing Shareholders"), whereby the Group made the conditional general offer in accordance with the terms of the Sale & Purchase Agreement (the "Offer") to all the shareholders of the IPP to purchase their respective shares of the IPP on the conditions that the Group shall have received from the shareholders of the IPP by 5 August 2011 (a) the valid acceptances in respect of the number of shares of the IPP amounting to a minimum of 75% or more of the voting rights attributable to the issued share capital of the IPP; and (b) documentary evidence to the Group's satisfaction that the sale and purchase of shares of the IPP is not subject to any pre-emption rights of any shareholders of the IPP and/or any pre-emption rights have been duly waived. As at the approved date on 27 July 2011, the Signing Shareholders, holders of 11,236,905 shares of IPP (representing approximately 75.11% of the entire issued share capital of IPP), have accepted the Offer in accordance with the terms and conditions of the Sale & Purchase Agreement.

The consideration payable by the Group for shares of and in the IPP shall be a sum of up to a maximum of S$25,000,000 (equivalent to approximately HK$162,240,000) for 100% of the total number of issued shares in the IPP as at the date of completion of the Sale & Purchase Agreement. In the event the total number of shares transferred to the Group is less than 100% of the total number of issued shares in the IPP as at the date of completion of the Sale & Purchase Agreement, the consideration shall be pro-rated accordingly. Payment for the shares will be made in two tranches on the date of completion of the Sale & Purchase Agreement to Convoy Investment Services Limited, a company incorporated in Hong Kong with limited liability (the "Escrow Agent"). The first tranche will be a maximum of S$10,000,000 (equivalent to approximately HK$64,896,000) (or, in the event that the total number of shares transferred to the Group is less than 100% of the total number of issued shares in the IPP, the sum pro-rated as aforesaid), whilst the second tranche will be of a maximum of S$15,000,000 (equivalent to approximately HK$97,344,000) (or, in the event that the total number of shares transferred to the Group is less than 100% of the total number of issued shares in the IPP, the sum pro-rated as aforesaid) to be paid to the Escrow Agent.

In consideration of the Group making payment of the second tranche as aforesaid, the Vendors agree to severally guarantee that the IPP will generate at least S$4,000,000 (equivalent to approximately HK$25,958,400) consolidated after-tax net profit in any four consecutive quarters within the 24-month period from 1 January 2012 to 31 December 2013. In the event the guarantee is not met and there is a shortfall in such guaranteed consolidated after-tax net profit, a proportionate amount of the second tranche will be refunded to the Group in accordance with an agreed formula.

A circular containing, among other things, further details of the transactions contemplated under the Sale & Purchase Agreement and the financial information of the IPP is expected to be despatched to the shareholders on or before 15 November 2011.

Further details of the transactions are set out in the announcement of the Company dated 27 July 2011.

23. EVENTS AFTER THE END OF THE INTERIM PERIOD (Continued)

(b) On 8 August 2011, the Company has made an application to the Taiwan Stock Exchange and the Taiwan Central Bank for the Proposed TDR Listing, representing 40,000,000 New Shares to be issued by the Company and 40,000,000 existing Shares to be offered by CFG. The TDR Issue is subject to the approval by the Taiwan Securities and Futures Bureau. The Company will also apply to the Hong Kong Stock Exchange for the listing of, and permission to deal in, the New Shares on the Hong Kong Stock Exchange. Further details of the transactions are set out in the announcement of the Company dated 8 August 2011.

(c) Subsequent to the reporting period, 康宏財富投資管理(北京)有限公司, a subsidiary, was incorporated and registered as a wholly-owned foreign enterprise under the PRC law. The total capital investment on the subsidiary will be approximately RMB10,000,000.

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 2011, the Directors, chief executives and their associates had the following interests or short positions in shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of the Securities and Futures Ordinance ("SFO")) 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:

(i) Directors' interests in the shares of associated corporations

Name of associated corporation	Name of Director	Capacity	Long/short position	No. of shares in Convoy Inc. held	Approximate percentage of the issued share capital in Convoy Inc.
Convoy Inc.	Mr. Wong Lee Man	Beneficial owner	Long position	14,074	19.69%
	Ms. Fong Sut Sam	Beneficial owner	Long position	14,034	19.63%
	Mr. Mak Kwong Yiu	Beneficial owner	Long position	3,911	5.47%

Other than as disclosed above, none of the Company's Directors, chief executive nor their associates had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations within the meaning of the SFO as at 30 June 2011.

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 2011, 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	300,000,000	75%
Perfect Team Group Limited ("Perfect Team") *(Note 1)*	Interests of a controlled corporation	Long position	300,000,000	75%
CFG	Beneficial owner	Long position	300,000,000	75%

Note:

1. The 300,000,000 Shares are held by CFG which is owned as to approximately 43.79% by Convoy Inc. and 56.21% by Perfect Team. As a result of such relationship as described in this paragraph, Convoy Inc. and Perfect Team are deemed to be interested in 300,000,000 Shares held by CFG. CFG is beneficially interested in 300,000,000 Shares.

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

Save as disclosed above, and as at 30 June 2011, the Directors were not aware of any persons (who were not Directors or chief executives of the Company) who had an interest or short position in the share capital of the Company which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30 June 2011, 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 the events after the interim period are disclosed in Note 23 to the condensed consolidated financial information.

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 period ended 30 June 2011, no share options were granted, exercised or cancelled by the Company under the Share Option Scheme.

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.

During the six months ended 30 June 2011, the Scheme acquired 1,790,000 Shares of the Company through purchases on the open market. The total amount paid to acquire the shares during the period was approximately HK$3,500,000 and was recorded in shares held for share award scheme.

Subsequent to the reporting period on 1 August 2011, the Scheme granted 1,790,000 Shares to the selected participants.

CORPORATE GOVERNANCE PRACTICES

The Board is of the view that the Company has complied with the Code on Corporate Governance Practices (the "Corporate Governance Code") as set out in Appendix 14 of the Listing Rules during the period ended 30 June 2011. None of the Directors is aware of any information that would reasonably indicate that the Company or any of its directors is not or was not, throughout the six months ended 30 June 2011 in due compliance with the code provisions of the Corporate Governance Code.

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 2011.

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), Mrs. Fu Kwong Wing Ting, Francine and Dr. Wu Ka Chee, Davy have reviewed with the management of the Company the financial statements of the Group for the six months ended 30 June 2011 and discussed with the management of the Company, the auditing, internal control and financial reporting matters including the review of the interim report of the Group for the six months ended 30 June 2011.

INTERIM DIVIDEND

The Board has declared an interim dividend of HK2.0 cents per share (2010: HK6.8 cents) for the six months ended 30 June 2011. The interim dividend will be payable on Friday, 28 October 2011 to shareholders whose names appear on the register of members of the Company at the close of business on Tuesday, 11 October 2011.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 6 October 2011 to Tuesday, 11 October 2011 (both days inclusive), during which period no transfer of shares will be registered. In order to qualify for the aforementioned interim dividend, all transfer of shares accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited, of 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Tuesday, 4 October 2011. Shares of the Company will be traded ex-dividend as from Monday, 3 October 2011.

By Order of the Board
CONVOY FINANCIAL SERVICES HOLDINGS LIMITED
Wong Lee Man
Chairman

Hong Kong, 30 August 2011

DEFINITIONS

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

"Articles"	means the articles of association of the Company
"Board" or "Board of Directors"	means the board of Directors of the Company as at the date of this interim report
"CFG"	means Convoy Financial Group Limited, a company incorporated in the British Virgin Islands with limited liability
"Company" or "our Company"	means Convoy Financial Services Holdings Limited, a company incorporated in the Cayman Islands on 12 March 2010 with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 1019)
"Director(s) "	means the director(s) of our Company
"ECA"	means the Employee Choice Arrangement of MPF
"Group", "we" or "us"	means the Company and its subsidiaries
"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
"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
"Insurance Companies Ordinance" or "ICO"	means the Insurance Companies Ordinance (Chapter 41 of the Law of Hong Kong) as amended and supplemented from time to time
"IPP"	means IPP FINANCIAL SERVICES HOLDINGS LTD, a company incorporated in Singapore with limited liability
"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
"Main Board"	means the main board of the Stock Exchange
"MPF"	means Mandatory Provident Fund
"New Shares"	means 40,000,000 new Shares proposed to be issued as underlying securities for the purpose of the TDR Issue
"PRC"	means the People's Republic of China

"Prosper Ocean"	means Prosper Ocean Investments Limited, a company incorporated in the British Virgin Islands with limited liability
"Proposed TDR Listing"	means the proposed listing of TDRs on the Taiwan Stock Exchange
"Prospectus"	means the prospectus issued by the Company dated 29 June 2010
"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
"Share(s)"	means ordinary share(s) with a nominal value of HK$0.10 each in the share capital of our Company
"Sheng Hai"	means 深圳盛海信息諮詢有限公司 (Shenzhen Sheng Hai Information and Consultation Company Limited#), a wholly foreign owned enterprise in the PRC, the entire equity interest is directly held by Prosper Ocean
"Singapore"	means the Republic of Singapore
"Stock Exchange"	means The Stock Exchange of Hong Kong Limited
"S$"	means Singapore dollars, the lawful currency of Singapore
"Taiwan Central Bank"	means The Central Bank of Republic of China (Taiwan)
"Taiwan Securities and Futures Bureau"	means Securities and Futures Bureau, Financial Supervisory Commission, Executive Yuan, Republic of China (Taiwan)
"Taiwan Stock Exchange"	means Taiwan Stock Exchange Corporation
"TDR"	means the Taiwan depositary receipts proposed to be issued by a depositary bank in Taiwan pursuant to the TDR Issue
"TDR Issue"	means the proposed issue of 40,000,000 units of TDR, subject to the approval by the Taiwan Central Bank, the Taiwan Stock Exchange and the Taiwan Securities and the Futures Bureau and the adjustment (if any) by the Board
"%"	means per cent.

the English translation of the Chinese names or words in this interim report, where indicated, are included for information purpose only, and should not be regarded as the official English translation of such Chinese names or words.