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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1019)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2012

FINANCIAL HIGHLIGHTS

Key financial information/ financial ratios	For the six months ended 30 June 2012 *HK$'000* (unaudited)	 2011 *HK$'000* (unaudited)	 % Change Increase/(decrease)
Revenue	**312,517**	316,481	(1.3)%
Net profit attributable to owners of the Company	**18,563**	37,733	(50.8)%
Net profit margin attributable to owners of the Company	**5.9%**	11.9%	(6.0)%
Interim dividend per ordinary share	**3.0 cents**	2.0 cents	50.0%

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 2012, together with the comparative amounts for the corresponding period of last year as follows. These interim results have been reviewed by the audit committee of the Company.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2012

		For the six months ended 30 June	
		2012	2011
	Notes	***HK$'000***	*HK$'000*
		(unaudited)	(unaudited)
REVENUE	*5*	**312,517**	316,481
Other income and gain, net	*5*	**926**	897
Commission expenses		**(184,657)**	(180,922)
Staff costs		**(34,356)**	(24,306)
Depreciation		**(7,525)**	(7,953)
Commission clawback		**(5,735)**	(4,273)
Other expenses		**(59,099)**	(55,326)
PROFIT BEFORE TAX	*6*	**22,071**	44,598
Income tax expense	*7*	**(7,263)**	(7,192)
PROFIT FOR THE PERIOD		**14,808**	37,406
OTHER COMPREHENSIVE LOSS			
Exchange differences on translation of foreign operations		**(34)**	–
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**14,774**	37,406

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (continued)
FOR THE SIX MONTHS ENDED 30 JUNE 2012

	Notes	For the six months ended 30 June 2012 HK$'000 (unaudited)	2011 HK$'000 (unaudited)
PROFIT ATTRIBUTABLE TO:			
Owners of the Company		**18,563**	37,733
Non-controlling interests		**(3,755)**	(327)
		14,808	37,406
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Owners of the Company		**18,568**	37,733
Non-controlling interests		**(3,794)**	(327)
		14,774	37,406
Earnings per share attributable to owners of the Company	*9*		
Basic		**HK4.6 cents**	HK9.4 cents
Diluted		**HK4.6 cents**	HK9.3 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

30 JUNE 2012

	Notes	30 June 2012 HK$'000 (unaudited)	31 December 2011 HK$'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment	10	**21,590**	26,074
Deposits paid for purchases of items of property, plant and equipment		**5,841**	5,680
Goodwill		**5,381**	5,381
Loans and other receivables		**29,450**	21,307
Rental deposits		**14,126**	13,347
Prepayments		**285**	245
Available-for-sale investment		**2,490**	–
Deferred tax assets		**4,704**	3,779
Total non-current assets		**83,867**	75,813
CURRENT ASSETS			
Accounts receivable	11	**34,450**	53,349
Prepayments, deposits and other receivables		**37,793**	14,821
Equity investment at fair value through profit or loss		**175**	183
Due from a fellow subsidiary		**643**	643
Restricted cash		**425**	394
Cash and cash equivalents		**202,919**	219,248
Total current assets		**276,405**	288,638
CURRENT LIABILITIES			
Accounts payable	12	**90,018**	98,429
Other payables and accruals		**43,107**	30,161
Tax payable		**8,204**	217
Commission clawback		**6,363**	6,588
Total current liabilities		**147,692**	135,395
NET CURRENT ASSETS		**128,713**	153,243
Net assets		**212,580**	229,056

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)
30 JUNE 2012

	Notes	**30 June 2012** *HK$'000* **(unaudited)**	31 December 2011 *HK$'000* (audited)
EQUITY			
Equity attributable to owners of the Company			
Issued capital		**40,000**	40,000
Reserves		**176,628**	189,310
		216,628	229,310
Non-controlling interests		**(4,048)**	(254)
Total equity		**212,580**	229,056

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION
FOR THE SIX MONTHS ENDED 30 JUNE 2012

1.1 CORPORATE INFORMATION

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

During the period, the Group was principally engaged in the independent financial advisory ("IFA") business.

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 provisions of 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. It is presented in Hong Kong dollars, which is also the functional currency of the Company.

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 2011 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 2011, 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 2012:

HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Transfers of Financial Assets*
HKAS 12 Amendments	Amendments to HKAS 12 *Income Taxes – Deferred Tax: Recovery of Underlying Asset*

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

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. For the six months ended 30 June 2011, the Group acquired Prosper Ocean together with its subsidiary, Sheng Hai from CFG and accordingly, the Group applied the principle of merger accounting in accordance with the requirements set out in AG 5 to the acquisitions.

4. SEGMENT INFORMATION

All of the Group's revenue and operating profit are generated from the provision of IFA services. Revenue represents the aggregate of investment brokerage commission income, insurance brokerage commission income, pension scheme brokerage commission income and advisory income. 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.

Geographical information

(a) Revenue from external customers

	For the six months ended 30 June	
	2012	2011
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Hong Kong	**309,605**	316,481
Mainland China	**1,740**	–
Macau	**1,172**	–
	312,517	316,481

The revenue information above is based on the location of the customers.

(b) Non-current assets

	30 June	31 December
	2012	2011
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Hong Kong	**21,338**	27,190
Mainland China	**11,560**	9,966
Macau	**199**	224
	33,097	37,380

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

4. **SEGMENT INFORMATION** (continued)

Information about product issuers

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

	For the six months ended 30 June	
	2012	2011
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Product issuer A	**192,047**	166,293
Product issuer B	**N/A***	75,517
Product issuer C	**40,775**	38,927

* The revenue from Product issuer B for the six months ended 30 June 2012 was less than 10% of the Group's revenue.

5. **REVENUE, OTHER INCOME AND GAIN, 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 and advisory income earned during the six months ended 30 June 2012 and 2011.

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

	For the six months ended 30 June	
	2012	2011
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Revenue		
Investment brokerage commission income	**293,220**	312,212
Insurance brokerage commission income	**15,587**	3,097
Pension scheme brokerage commission income	**2,629**	1,172
Advisory income	**1,081**	–
	312,517	316,481
Other income and gain, net		
Interest income	**609**	490
Gain on disposal of items of property, plant and equipment	**261**	–
Fair value loss on an equity investment at fair value through profit or loss	**(8)**	(10)
Service income from a fellow subsidiary*	**–**	373
Others	**64**	44
	926	897

* 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	
	2012	2011
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Employee benefit expenses (including Directors' remuneration):		
Salaries, allowances, bonuses and benefits in kind	**32,614**	23,308
Pension scheme contributions	**1,742**	998
	34,356	24,306
Minimum lease payments under operating leases:		
Land and buildings	**23,827**	19,998
Equipment	**47**	100
	23,874	20,098
Impairment of other receivables, net	**1,562**	741
Write-off of other receivables	**–**	58
Foreign exchange differences, net	**485**	206

7. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2011: 16.5%) on the estimated assessable profits arising in Hong Kong. Taxes on profits assessable in Mainland have been calculated at the rates of tax prevailing in Mainland China.

	For the six months ended 30 June	
	2012	2011
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Group:		
Current – Hong Kong	**8,030**	8,648
Current – Mainland China	**158**	43
Deferred	**(925)**	(1,499)
Total tax charge for the period	**7,263**	7,192

8. DIVIDENDS

The Board has declared an interim dividend of HK3.0 cents per share (2011: HK2.0 cents per share) for the six months ended 30 June 2012. The interim dividend will be payable on Monday, 29 October 2012 to shareholders whose names appear on the register of members of the Company at the close of business on Monday, 15 October 2012.

9. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of basic earnings per share amounts is based on the profit for the period attributable to owners of the Company, and the weighted average number of ordinary shares of 400,000,000 (2011: 400,000,000) in issue during the period.

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 or conversion of all dilutive potential ordinary shares into ordinary shares.

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

	For the six months ended 30 June	
	2012	2011
	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	**18,563**	37,733
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	**400,000**	400,000
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	**400,000**	405,847

10. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2012, the Group incurred approximately HK$3,117,000 (2011: HK$8,839,000) on acquisition of items of property, plant and equipment in order to upgrade its operating capacities.

During the six months ended 30 June 2012, the Group disposed of items of property, plant and equipment with a carrying amount of HK$49,000, at a consideration of HK$310,000, resulting in a gain on disposal of HK$261,000. There was no disposal of items of property, plant and equipment during the six months ended 30 June 2011.

11. ACCOUNTS RECEIVABLE

	30 June 2012 *HK$'000* **(unaudited)**	31 December 2011 *HK$'000* (audited)
Accounts receivable	**34,450**	53,349

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. 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, are aged within one month and neither past due nor impaired.

The Group's accounts receivables relate to a number of reputable product issuers for whom there has been no recent history of default.

12. ACCOUNTS PAYABLE

Accounts payable represented commission payables for the provision of investment, 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 2012 *HK$'000* **(unaudited)**	31 December 2011 *HK$'000* (audited)
Within 1 month	**36,918**	45,231
1 to 2 months	**20,184**	22,791
2 to 3 months	**19,106**	9,765
Over 3 months	**13,810**	20,642
	90,018	98,429

Accounts payable are non-interest-bearing. Included in the accounts payable as at 30 June 2012 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$1,242,000 (31 December 2011: HK$1,553,000), which are payable on similar terms to other consultants of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

The profit attributable to owners of the Company was approximately HK$18.6 million for the six months ended 30 June 2012, representing a decrease of approximately 50.8% compared with that for the six months ended 30 June 2011. The net profit margin attributable to owners of the Company decreased from approximately 11.9% for the six months ended 30 June 2011 to approximately 5.9% for the six months ended 30 June 2012, primarily attributable to the increase in operating expenses due to the regional business expansion of the Group in the PRC and the increase in commission expenses due to the implementation of a new incentive scheme to consultants of the Group.

Our revenue for the six months ended 30 June 2012 was approximately HK$312.5 million, representing a decrease of approximately 1.3% compared with that for the six months ended 30 June 2011. Approximately HK$309,605,000 (2011: HK$316,481,000) of the Group's revenue from external customers were generated in Hong Kong for the six months ended 30 June 2012, while approximately HK$2,912,000 (2011: Nil) of the Group's revenue from external customers were generated in Mainland China and Macau, through our regional expansion strategy. An analysis of the Group's revenue is as follows:

	For the six months ended 30 June						
	2012					2011	
	Hong Kong operations *HK$'000*	**Mainland China operations** *HK$'000*	**Macau operations** *HK$'000*	**Total** *HK$'000*	%	Hong Kong operations *HK$'000*	%
Investment brokerage commission income	**291,957**	**91**	**1,172**	**293,220**	**93.8**	312,212	98.6
Insurance brokerage commission income	**15,019**	**568**	**–**	**15,587**	**5.0**	3,097	1.0
Pension scheme brokerage commission income	**2,629**	**–**	**–**	**2,629**	**0.8**	1,172	0.4
Advisory income	**–**	**1,081**	**–**	**1,081**	**0.4**	–	0.0
	309,605	**1,740**	**1,172**	**312,517**	**100.0**	316,481	100.0

Total operating expenses for the six months ended 30 June 2012 was HK$291.4 million (2011: HK$272.8 million). An analysis of these expenses is as follows:

	For the six months ended 30 June 2012					For the six months ended 30 June 2011				
	Hong Kong operations	Mainland China operations	Macau operations	Total	Margin	Hong Kong operations	Mainland China operations	Macau operations	Total	Margin
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*%*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*%*
Commission expenses	**182,559**	**1,482**	**616**	**184,657**	**59.1**	180,922	–	–	180,922	57.2
Staff costs	**27,367**	**6,731**	**258**	**34,356**	**11.0**	22,961	1,345	–	24,306	7.7
Rental expenses	**19,892**	**3,868**	**114**	**23,874**	**7.6**	19,784	299	15	20,098	6.4
Depreciation	**6,250**	**1,242**	**33**	**7,525**	**2.4**	7,881	72	–	7,953	2.5
Commission clawback	**5,735**	**–**	**–**	**5,735**	**1.8**	4,273	–	–	4,273	1.4
Other expenses	**33,241**	**1,860**	**124**	**35,225**	**11.3**	34,998	226	4	35,228	11.1
	275,044	**15,183**	**1,145**	**291,372**	**93.2**	270,819	1,942	19	272,780	86.3

The below section will describe the Group's financial performance in Hong Kong, Mainland China and Macau for the six months ended 30 June 2012 and its prospects for the second half of 2012 and beyond.

Hong Kong Operations

Our Hong Kong operations remains the core of the Group's operations with profit attributable to owners of the Company of approximately HK$28.3 million, a decrease of approximately 27.4% from that for the six months ended 30 June 2011. The decrease was mainly attributable to the combined effect of the decrease in revenue, the increase in commission expenses and staff costs during the six months ended 30 June 2012.

Revenue

Revenue from our Hong Kong operations for the six months ended 30 June 2012 was approximately HK$309.6 million, a slight decrease of approximately 2.2% from that for the six months ended 30 June 2011.

Revenue derived from ILAS continued to be the major contributor to the Group's total revenue generated from Hong Kong. For the first half 2012, the Group recorded a decrease in revenue derived from ILAS as compared to the corresponding period in 2011. This was largely attributable to the intensification of the eurozone's sovereign debt crisis and the slowdown of global economic growth, which heavily weakened customers' investment sentiment and led to the decrease in the number of customers purchasing new policies of ILAS in the first half 2012. However, by virtue of our strong team of consultancy force and well-established brand name and operation platform, the adverse impacts arising from global economic downturn on our Group's operations were still limited.

Pursuant to the Group's long term strategy of diversification of revenue, we have spent great effort to develop non-linked insurance, general insurance and MPF business. These businesses have achieved satisfactory development and growth in the period under review.

Revenue derived from non-linked and general insurance products achieved significant growth for the six months ended 30 June 2012 compared with that for the six months ended 30 June 2011. To grow these businesses, we have established Insurance Business Department in November 2011 and launched i-Convoy.com, an online insurance shopping platform, in June 2012. In addition, during the period under review, we have organised various training program and promotion campaign to boost up sales. With our dedicated effort, the proportion of revenue derived from other insurance products increased from 1.0% for the six months ended 30 June 2011 to approximately 4.9% for the six months ended 30 June 2012.

Revenue derived from MPF schemes increased by approximately 124.3% and its proportion of revenue increased to approximately 0.8% of our total revenue for the six months ended 30 June 2012 compared with approximately 0.4% of our total revenue for the six months ended 30 June 2011. This was resulted from our Group's continued effort in developing our platform for MPF business during the period under review and therefore achieved encouraging results. This also demonstrated that our role as an MPF intermediary has gained recognition from our customers.

Operating expenses

Total operating expenses recorded by our Hong Kong operations was approximately HK$275.0 million for the six months ended 30 June 2012, representing an increase of approximately 1.6% from that for the six months ended 30 June 2011.

Commission expenses were approximately HK$182.6 million for the six months ended 30 June 2012, representing an increase of approximately 0.9% from that for the six months ended 30 June 2011. The increase was primarily attributable to the implementation of a new incentive scheme to consultants of the Group.

Staff costs were approximately HK$27.4 million (2011: HK$23.0 million) for the six months ended 30 June 2012. Excluding the staff costs incurred specifically for managing the Group's business development in Mainland China for both periods, there was an increase in staff costs of approximately 10.5% from that for the six months ended 30 June 2011. This was resulted from the increase in staff's salaries as a result of regular annual salary review and benefits enhancement.

Mainland China Operations

Pursuant to our regional expansion strategy with an aim of becoming one of the largest quality IFA company in Asia, our Mainland China operations commenced from the second half of 2011 onwards, through the opening of our first wealth management centre in Beijing in August 2011 and the acquisition of an insurance brokerage company in September 2011. During the period under review, the Group has further expanded its insurance business to Mainland China through the opening of a branch office in Chengdu in May 2012, which was a telemarketing centre and principally engaged in provision of insurance brokerage services on life insurance and general insurance products.

Although their operations were still at investment stage and commenced for a short period of time, they have already generated revenue of approximately HK$1.7 million (2011: Nil) during the period under review, which was following the Group's business development planning in Mainland China. The Group will continue to devote dedicated resources to drive these businesses to grow as planned.

Total operating expenses recorded by Mainland China operations for the six months ended 30 June 2012 was approximately HK$15.2 million (2011: HK$1.9 million). The significant increase in operating expenses was mainly attributable to the combined effect of the increase in staff costs and rental expenses during the six months ended 30 June 2012. The Group considered that these expenses were essential and reasonable in the initial development stage of our operations in Mainland China.

Staff costs were approximately HK$6.7 million for the six months ended 30 June 2012, representing an increase of approximately HK$5.4 million from that for the six months ended 30 June 2011. This was mainly attributable to the significant increase in the number of staff from approximately 42 supporting staff as at 30 June 2011 to approximately 98 supporting staff as at 30 June 2012, to support our Mainland China development.

Rental expense was approximately HK$3.9 million for the six months ended 30 June 2012, representing an increase of approximately HK$3.6 million from that for the six months ended 30 June 2011. This was mainly resulted from the addition of office premise in Beijing, Chengdu and Shenzhen.

Depreciation was approximately HK$1.2 million for the six months ended 30 June 2012, which mainly represented depreciation for leasehold improvements of office premises in Mainland China.

Macau Operations

During the six months ended 30 June 2012, our Macau operations achieved profit of approximately HK$27,000, compared to a loss of approximately HK$19,000 for the six months ended 30 June 2011.

During the period under review, our Macau operations have generated investment brokerage commission income of approximately HK$1.2 million (2011: Nil). Total operating expenses recorded by our Macau operations were HK$1,145,000, representing an increase of HK$1,126,000 from that for the six months ended 30 June 2011. This was mainly resulted from the increase in commission expenses and staff costs of HK$616,000 and HK$258,000, respectively, which were nil for the six months ended 30 June 2011 since the Macau operations commenced in the second half of 2011.

Prospects

Our Group will continue to pursue our vision of building the largest quality IFA group in Asia with appropriate pace and strategies in the midst of the current global economic uncertainty. We believe wealth management and financial planning business will have good potential in Asia in the coming decades. Thus, our vision and regional expansion strategy will lead our Group to continue our growth and capture the future opportunities.

Looking into the second half of 2012 and also the year of 2013, it is expected that the operation of our Group would remain challenging due to the slowing down economy in Mainland China, the uncertainties over European debt crisis and the slow recovery of American economy. To encounter the coming challenging environment, the Group will continue its conservative approach in financial management and endeavour to minimise the risk exposure through diversification of business locations and revenue sources.

Hong Kong operations

The Group expects to maintain its leading position in the IFA industry in Hong Kong and continue to pursue its organic growth by expansion of consultancy force and broadening product range.

Though the implementation of a new incentive scheme to consultants of the Group has a bit adverse impact on the profit margin of the Group, it is expected to set up a stronger organisation structure for further expansion of consultancy force in Hong Kong and keep our leading position in the market.

With the prominent growth in non-linked insurance business in the first half of 2012, the revenue diversification strategy has been proven to be effective and the Group expects such momentum would continue. Non-linked insurance would be more counter-cyclical than ILAS. Thus, the Group can reduce a certain risk of revenue volatility due to uncertain global economy. In addition, the successful launch of i-Convoy.com, an online shopping platform for the Group's general insurance business in June 2012, would boost our general insurance business which is also a counter-cyclical business.

ECA is expected to be launched in November 2012. The Group is well prepared to capture such business opportunities with much strengthened MPF specialised team, MPF licence-equipped consultants and comprehensive MPF product range. Owing to the similarity between MPF and ILAS, the launch of ECA would provide not only sustainable long-term business development in MPF sector but also tremendous opportunities for sales of ILAS products of which the Group has absolute competitive advantage. Such benefits would be expected to be materialised in late 2013 and onwards. MPF business would also be counter-cyclical.

With good growth in non-linked insurance and invaluable opportunities in MPF business, the Group expects its business would grow stronger with higher stability in the future.

The Group is committed to upholding corporate social responsibility through a wide range of social and environmental programmes.

Mainland China operations

The Group has entered into IFA industry in Mainland China since January 2011 with business focus on insurance intermediary and wealth management. Mainland China is a very important market in our vision to be a largest quality IFA in Asia. The pace of development by acquisitions and new establishments has been managed in accordance with our overall China business development plan.

Initial investment in the setup of the business in Mainland China has been almost finished. We expect to achieve our presence in Beijing, Guangdong, Sichuan and Jiangxi. Revenue contribution from Mainland China would be expected to increase obviously in second half of 2012 and whole year of 2013. The Group would continue to invest in strengthening various nationwide operation platforms, enhancing the brand awareness and nurturing management and sales talent for the interests of long-term development. We would integrate the platform in Hong Kong with Mainland China in bid to establish one of the strongest regional platform to serve the customers in the midst of continuous growing overseas investment needs. Such integration would differentiate us from other major competitors which are principally domestic background without much overseas experience and uplift our competitiveness in the market to a great extent.

Accompanied with the economic slowdown, the insurance and wealth management industries have lost the growth momentum recently. For the near future, we expect such trend would gradually bottom out and be stable under the trend of interest rate reduction. With huge wealth accumulated in the past decades in the Chinese households, demand for insurance and wealth management would be definitely strong. To satisfy such demand, we would uphold the essence of our success in Hong Kong to provide professional and quality financial services.

The Group believes there is a huge room to grow in Mainland China and we have equipped good conditions to capture such growth potential with our successful experience and good branding in Hong Kong and meaningful presence in Mainland China. Addition of such distribution network to the Group would create a huge synergy and increase the value of the Group to a great extent.

Macau operations

With the continuous prosperity in entertainment and gaming industry, Macau has created a certain size of middle class who would like to gain more protection with insurance and capital enhancement with wealth management. The Group has established business operations in Macau last year and been pleased to have profitable result in the first half of 2012.

The operations will continue to expand at moderate pace to gradually capture the benefits from the economic growth in Macau and the continuous increase in the number of travellers. In addition, this operation would have an important role to serve customers of the Group who frequently travel between Mainland China, Hong Kong and Macau which would indirectly support our business growth in Hong Kong and Mainland China.

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 in 2010 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 the IFA business.

As at 30 June 2012, the Group had cash and cash equivalents of approximately HK$202.9 million (31 December 2011: HK$219.2 million) and had not incurred any borrowings. The Group's total current assets decreased from approximately HK$288.6 million as at 31 December 2011 to approximately HK$276.4 million as at 30 June 2012, while total current liabilities increased from approximately HK$135.4 million as at 31 December 2011 to approximately HK$147.7 million as at 30 June 2012. As a result, the current ratio was decreased from approximately 2.1 as at 31 December 2011 to approximately 1.9 as at 30 June 2012.

As at 30 June 2012, the Group had cash and cash equivalents of approximately HK$202.9 million and had no external borrowings. The Group has sufficient working capital to meet the funding requirements for business development opportunities in the near future. The Group's liquidity, on a long term basis, will be funded by operating cash inflow. Should there be any substantial business expansion in the future, equity and debt financing would be considered for the best interests of the shareholders whichever is appropriate. The Group will continue to seek for development opportunities with a view to balance the risks and opportunities in maximising shareholders' value.

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.

During the period under review, no warrants were exercised and all the warrants were expired on 23 February 2012.

HUMAN RESOURCES AND REMUNERATION POLICIES

As at 30 June 2012, the Group employed 210 (30 June 2011: 149) supporting staff and 72 (30 June 2011: 71) salary-based trainees, of whom 179 (30 June 2011: 178) were employed in our Hong Kong business, 98 (30 June 2011: 42) by our businesses in Mainland China and 5 (2011: Nil) by our business in Macau. The total remuneration of the employees (including the Directors' remuneration) was approximately HK$34.4 million for the six months ended 30 June 2012 (2011: approximately HK$24.3 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 "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. 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. Details of the Award Scheme are disclosed in the section headed "SHARE AWARD SCHEME" of this announcement.

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.

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 during the current period. 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

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.

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES

During the period under review, there was no material acquisition and disposal of subsidiaries and associated companies by the Company.

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 FINANCIAL SERVICES HOLDINGS LTD ("IPP"), whereby the Group made the conditional general offer in accordance with the terms of the Sale & Purchase Agreement to all the shareholders of the IPP to purchase their respective shares of the IPP. Further details of the transactions were set out in the announcement of the Company dated 27 July 2011, 28 July 2011, 10 August 2011, 15 November 2011 and 5 December 2011. A circular containing, among other things, further details of the transactions contemplated under the Sale & Purchase Agreement and the financial information of the IPP (the "Circular") have been despatched to the shareholders on 23 December 2011.

According to the terms of the Sale & Purchase Agreement and as stated in the paragraph headed "Conditions Precedent" in the section entitled "Letter from the Board" of the Circular, in the event that the conditions precedent to the completion of the Sale & Purchase Agreement (including but not limited to all necessary legal and regulatory approvals having been obtained and the due diligence investigations in relation to the Transaction(s) (as defined in the Circular) having been completed and the result of such due diligence investigations being satisfactory to the Purchaser) are not fulfilled or waived on or before 31 March 2012, the Sale & Purchase Agreement shall terminate and no party shall have any claim of any nature whatsoever against the other parties under the Sale & Purchase Agreement. Given that not all necessary legal and regulatory approvals have been obtained and the due diligence investigations in relation to the Transaction(s) have not been completed by 31 March 2012, the conditions precedent to the completion of the Sale & Purchase Agreement have not been fulfilled by 31 March 2012 resulting that the Sale & Purchase Agreement has been terminated on 2 April 2012.

SIGNIFICANT INVESTMENT HELD

The Group did not have any significant investments held as at 30 June 2012.

FUTURE PLANS RELATING TO MATERIAL INVESTMENT OR CAPITAL ASSET

As at the date of this announcement, the Group has not executed any agreement in respect of material investment or capital asset.

CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 30 June 2012.

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 2012 and 2011, the Group incurred capital expenditures in the amounts of approximately HK$3.1 million and HK$8.8 million, respectively.

COMMITMENTS

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

The Group's operating lease commitments amounted to HK$81.6 million and HK$92.5 million in the aggregate as at 30 June 2012 and 31 December 2011, respectively.

The Group's capital commitments related to acquisitions of items of computer equipment and systems and leasehold improvements amounted to HK$3.2 million as at 30 June 2012 (31 December 2011: Nil).

The Group's other commitments related to acquisitions of subsidiaries and an available-for-sale investment amounted to approximately HK$27.6 million (31 December 2011: HK$190.1 million) and HK$10.0 million (31 December 2011: Nil), respectively.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30 June 2012, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

EVENTS AFTER THE INTERIM PERIOD

There were no material events after the interim period that have not been reflected in this announcement.

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 2012, no share options were granted, exercised or cancelled by the Company under the Share Option Scheme.

SHARE AWARD SCHEME

On 25 January 2011, the Company adopted 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.

During the period under review, the Group has paid HK$3,250,000 to the Trustee to acquire the Awarded Shares and was recorded in shares held under the share award scheme account of the Company as a separate equity component of the Company.

No Awarded Shares were purchased or outstanding as at 30 June 2012.

CORPORATE GOVERNANCE PRACTICES

The Directors of the Company recognise the importance of good corporate governance in the management of the Group. During the three months ended 31 March 2012, the Company complied with the code provisions of the Code on Corporate Governance Practices as set out in the then Appendix 14 to the Listing Rules. During the three months from 1 April 2012 to 30 June 2012, 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 2012.

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 2012 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 2012.

INTERIM DIVIDEND

The Board has declared an interim dividend of HK3.0 cents per share (2011: HK2.0 cents) for the six months ended 30 June 2012. The interim dividend will be payable on Monday, 29 October 2012 to shareholders whose names appear on the register of members of the Company at the close of business on Monday, 15 October 2012.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 10 October 2012 to Monday, 15 October 2012 (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 and transfer forms 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, 9 October 2012. Shares of the Company will be traded ex-dividend as from Monday, 8 October 2012.

PUBLICATION OF INFORMATION ON THE STOCK EXCHANGE WEBSITE

This announcement is published on the websites of the Company (www.convoy.com.hk) and the Stock Exchange (www.hkex.com.hk). The interim report of the Company for the six months ended 30 June 2012 will be dispatched to shareholders of the Company and available on the above websites in due course.

DEFINITIONS

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

"Board" or "Board of Directors"	means the board of Directors of the Company as at the date of this announcement
"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
"Hong Kong"	means Hong Kong Special Administrative Region of PRC
"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 Laws of Hong Kong) as amended and supplemented from time to time
"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
"Prosper Ocean"	means Prosper Ocean Investments Limited, a company incorporated in the British Virgin Islands with limited liability
"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
"Stock Exchange"	means The Stock Exchange of Hong Kong Limited
"%"	means per cent.

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

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

Hong Kong, 29 August 2012

As at the date of this announcement, the executive directors of the Company are Mr. Wong Lee Man (Chairman), Ms. Fong Sut Sam and Mr. Mak Kwong Yiu and the independent non-executive directors of the Company are Mrs. Fu Kwong Wing Ting, Francine, Dr. Wu Ka Chee, Davy and Mr. Ma Yiu Ho, Peter.