

CONVOY  康宏

CONVOY GLOBAL HOLDINGS LIMITED

康宏環球控股有限公司

(formerly known as Convoy Financial Holdings Limited 前稱康宏金融控股有限公司)
(incorporated in the Cayman Islands with limited liability)
(於開曼群島註冊成立之有限公司)

Stock Code 股份代號 : 1019

THINK
BROADER

vision beyond boundaries
拓闊視野，思維無限

INTERIM REPORT
2017 中期報告



- IFA
獨立理財顧問
- Money lending
借貸
- Proprietary investment
自營投資
- Asset management
資產管理
- Corporate finance
企業融資
- Securities dealing
證券交易

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Corporate Information/

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

Mr. Wong Lee Man (*Chairman*)
Ms. Fong Sut Sam
Mr. Tan Ye Kai, Byron
Mr. Ng Wing Fai
Ms. Chan Lai Yee (appointed on 15 February 2017)
Dr. Cho Kwai Chee (appointed on 9 March 2017)

NON-EXECUTIVE DIRECTOR

Mr. Wang John Hong-chiun

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Ma Yiu Ho, Peter
Mr. Chan Ngai Sang, Kenny
Mr. Pun Tit Shan
Mr. Mak Ka Wing, Patrick (appointed on 9 March 2017)

AUDIT COMMITTEE

Mr. Ma Yiu Ho, Peter (*Chairman*)
Mr. Chan Ngai Sang, Kenny
Mr. Pun Tit Shan

REMUNERATION COMMITTEE

Mr. Chan Ngai Sang, Kenny (*Chairman*)
Mr. Wong Lee Man
Mr. Pun Tit Shan

NOMINATION COMMITTEE

Mr. Wong Lee Man (*Chairman*)
Mr. Chan Ngai Sang, Kenny
Mr. Pun Tit Shan

CORPORATE GOVERNANCE COMMITTEE

Mr. Tan Ye Kai, Byron (*Chairman*)
Ms. Fong Sut Sam
Mr. Wong Lee Man

COMPANY SECRETARY

Mr. Chow Kim Hang

AUTHORISED REPRESENTATIVES

Mr. Tan Ye Kai, Byron
Mr. Chow Kim Hang

REGISTERED OFFICE

Cricket Square
Hutchins Drive
PO Box 2681
Grand Cayman KY1-1111
Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS

5th, 7th, 15th, 37th, 39th, and 40th Floors,
@CONVOY
169 Electric Road
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

SMP Partners (Cayman) Limited
Royal Bank House – 3rd Floor
24 Shedden Road, P.O. Box 1586
Grand Cayman KY1-1110
Cayman Islands

Corporate Information/

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

PRINCIPAL BANKERS

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

OUR COMPANY'S WEBSITE ADDRESS

www.convoy.com.hk

PRINCIPAL AUDITORS

Ernst & Young
Certified Public Accountants



Chairman's Statement/

GRAND VISION BRINGS BOUNDLESS IDEAS

During the year, the Group rolled out a new brand campaign, which had fuelled an enthusiastic discussion on the positioning of Convoy among members of the Group from the management to our Corporate Communications Department colleagues responsible for the project in the course of conception. They debated over whether Convoy nowadays is an independent financial advisor (IFA) or a one-stop financial product service platform. For me, these two roles are not mutually exclusive, but rather complementary to each other and mutually beneficial. Despite the fact that there are diversified services and products with a wide range of choices on open financial service platforms, we still have to rely on impartial and professional advisors to select appropriate wealth management products for clients in today's ever-changing investment world. This is why the Group has been so committed to nurturing people as well as actively investing resources in system optimisation to ensure that the Group's development pace keeps abreast with Hong Kong and global financial markets, while providing the most professional and quality wealth management services to our clients.

Chairman's Statement/

On behalf of the Board of the Company, I would like to present to the shareholders the unaudited half-year results of the Group for the period ended 30 June 2017.

During the period under review, the Group revenue recorded approximately HK\$488.0 million, which remained steady when compared to approximately HK\$484.5 million for the corresponding period of 2016. However, the Group reported a loss in the first half of the year, which was mainly attributable to the increase in financial costs and other operating costs and expenses.

Such loss was mainly attributable to the proprietary investment business, and most of which were merely financial accounting treatment on the book. The performance of the Group's core business remained stable. Please refer to the section "Management Discussion and Analysis" for detailed analysis of the results for the period.

Last year, the Group appointed Mr. Daniel Chong as our Group Chief Executive Officer of Convoy Financial Group. Under his leadership, the Group started streamlining various business units last year with a view to enhancing the market position and management efficiency of each unit. For the IFA segment, in addition to the existing insurance brokerage and MPF business, we strengthened asset management, overseas property consultancy, retail money lending and the newly-started payment business.

Here I wish to shed some light on our business development. Firstly, the insurance brokerage business witnessed dampened market demand for ILAS due to new regulation coming into force. Nevertheless, the Group saw satisfactory performance in the business of Non-ILAS. It was mainly because the government announced its intention to launch a public annuity scheme at the beginning of this year, which not only served to raise public awareness of retirement protection but also increased the understanding of general public towards annuity schemes. The Group grasped the opportunity to launch different competitive annuity schemes in attempt to expand our market share in this segment.

With a view to reinforcing the general insurance business, the Group strengthened its online insurance platform, iConvoy, at the end of last year and introduced more product suppliers, including Target Insurance (Holdings) Limited, the leading player in motor vehicles insurance sector. Meanwhile, we launched three new insurance schemes, namely "Home Insurance Scheme", "Travel Insurance Scheme" and "Small-and-medium Enterprise Insurance Scheme", providing services covering individual and corporate clients in line with the Group's diversified business development strategy. Looking forward, we will continue to explore more diversified insurance and wealth management products according to market demand and consolidate our strengths as a one-stop financial product platform with a view to providing all-round services to our clients while catering for their needs for different types of protection in daily lives.

The MPF business was encouraged by the Hong Kong Government's introduction of a new Default Investment Strategy (DIS) during the current year. If a scheme member does not give his or her trustee an investment instruction, the MPF benefits in the member account will be invested automatically according to the DIS by the trustee. All scheme members can choose to invest according to the DIS or invest in the funds under the DIS. In light of this, the MPF Business Department and Asset Management Department will work together to research on and launch the first MPF scheme under the name of the Group. Looking forward, such move will contribute significantly to the Group's recurring revenue arising from performance fee and management fee of funds.

The asset management business took a step forward during the year with the reshuffle of our original investment team. On top of the existing asset management business and investment portfolio management services, the team also endeavoured to explore new businesses, including the cooperation with Fubon Bank, to develop other wealth management services with a view to offering more innovative and diversified investment product categories. Other possibilities include investment products from other regions to provide local investors with comprehensive investment options. Currently, we are applying for relevant licenses for such scope of business and looking forward to its commencement of operation in this year to generate income for the Group.

Chairman's Statement/

By the time I am writing this message, the Hong Kong stock market is going through a monumental period with immense volatility. Any ill-advised move could result in substantial losses and investors should act only upon objective comparison and rational analysis. In the backdrop of an ever-evolving financial market, Convoy's investment operation managed to deliver a stable performance. Hopefully the investment environment will keep improving in the second half of the year.

As mentioned in the first lines of my message, business development notwithstanding, the Group is actively allocating resources to the establishment of an online business platform, as well as the nurturing of financial planners to boost the professionalism of frontline consultants. In recent years, several platforms have been launched for the comparison of financial products, criteria of which include return of an investment product, claim terms, charges or relevant details. The emergence of such platforms will enhance the transparency of the financial service market as a whole. Being the most sizable financial service provider in Hong Kong, we have already introduced this kind of service and made it available to financial advisors during the year. Meanwhile, we are actively enhancing each trading system and developing other relevant online financial service platforms.

Moreover, with improving market information dissemination, frontline consultants likewise also need to sharpen their expertise to help clients analyse an overwhelming amount of market data. Accordingly, the Group has adjusted the salary and benefits of the local consultants this year and has also deployed more resources in encouraging them to take part in examinations for qualifications and improvement in professional practices. Further, subsequent to a review of the career path of financial advisors, we decided to abandon the traditional framework and introduce a new career ladder to stabilise the existing elite consultancy force of the Group and attract additional talents.

Finally, as the Chairman of the Group, I urge every member of the Group to uphold the spirit of ceaseless exploration and innovation, and continue to provide the best financial planning services to clients. At the same time, on behalf of the Board, I would like to thank all of our shareholders, consultants and backend staff members for their support to the Group.

Wong Lee Man
Chairman

Hong Kong, 22 August 2017

Management Discussion and Analysis/

FINANCIAL HIGHLIGHTS

Key financial information/financial ratios:

	For the six months ended 30 June		Change
	2017	2016	
	HK\$'000	HK\$'000	%
Revenue	488,020	484,456	0.7
(Loss)/profit before tax	(147,374)	11,014	-1,438.1
EBITDA	(106,291)	51,436	-306.6

FINANCIAL REVIEW

GROUP PERFORMANCE

Loss before tax was approximately HK\$147.4 million for the period ended 30 June 2017, representing a decrease of approximately 1,438.1% compared with the profit before tax for the period ended 30 June 2016 of approximately HK\$11.0 million.

GROUP FINANCIAL POSITION

Total consolidated assets of the Group decreased by approximately 5.4% from approximately HK\$6,546.7 million as at 31 December 2016 to approximately HK\$6,193.6 million as at 30 June 2017. Total consolidated net assets of the Group decreased by approximately 1.8% from approximately HK\$4,871.2 million as at 31 December 2016 to approximately HK\$4,782.1 million as at 30 June 2017.

GROUP REVENUE

Group revenue increased by approximately 0.7% from approximately HK\$484.5 million for the period ended 30 June 2016 to approximately HK\$488.0 million for the period ended 30 June 2017. The increase in group revenue is contributed by the increase in revenue from the IFA segment and the securities dealing segment, offset by the decrease in the revenue from the money lending segment, proprietary investment segment, asset management segment and corporate finance segment.

An analysis of the group revenue by reportable segments is as follows:

Revenue by reportable segments:

	For the six months ended 30 June		Increase/ (decrease)	Change
	2017	2016		
	HK\$'000	HK\$'000	HK\$'000	%
IFA segment	461,874	267,082	194,792	72.9
Money lending segment	43,316	85,971	(42,655)	-49.6
Proprietary investment segment	(122,224)	35,803	(158,027)	-441.4
Asset management segment	17,593	19,091	(1,498)	-7.8
Corporate finance segment	13,432	20,014	(6,582)	-32.9
Securities dealing segment	74,029	56,495	17,534	31.0
Total	488,020	484,456	3,564	0.7

Management Discussion and Analysis/

GROUP OPERATING EXPENSES

Group operating expenses by reportable segments increased by approximately 25.3% from approximately HK\$457.9 million for the period ended 30 June 2016 to approximately HK\$573.8 million for the period ended 30 June 2017. The overall increase in group operating expenses was in line with the overall increase in group revenue.

An analysis of group operating expenses by reportable segments is as follows:

Operating expenses by reportable segments:

	For the six months ended 30 June		Increase/ (decrease)	Change
	2017	2016		
	HK\$'000	HK\$'000	HK\$'000	%
IFA segment	483,793	350,791	133,002	37.9
Money lending segment	41,883	53,572	(11,689)	-21.8
Proprietary investment segment	1,891	9,165	(7,274)	-79.4
Asset management segment	16,222	15,576	646	4.1
Corporate finance segment	17,766	16,720	1,046	6.3
Securities dealing segment	12,252	12,088	164	1.4
Sub-total	573,807	457,912	115,895	25.3
Corporate head office	84,670	17,569	67,101	381.9
Total	658,477	475,481	182,996	38.5

Management Discussion and Analysis/

GROUP SEGMENT RESULTS

Group segment results decreased by approximately 423.2% from profit for the period ended 30 June 2016 of approximately HK\$26.5 million to loss for the period ended 30 June 2017 of approximately HK\$85.8 million. The decrease in group segment results is contributed by the decrease in profit from the money lending segment, proprietary investment segment, asset management segment and the corporate finance segment, offset by decrease in loss from the IFA segment and increase in profit from the securities dealing segment.

An analysis of group segment results is as follows:

Segment results:

	For the six months ended 30 June		Increase/ (decrease)	Change
	2017	2016		
	HK\$'000	HK\$'000	HK\$'000	%
IFA segment	(21,919)	(83,709)	61,790	73.8
Money lending segment	1,433	32,399	(30,966)	-95.6
Proprietary investment segment	(124,115)	26,638	(150,753)	-565.9
Asset management segment	1,371	3,515	(2,144)	-61.0
Corporate finance segment	(4,334)	3,294	(7,628)	-231.6
Securities dealing segment	61,777	44,407	17,370	39.1
Total	(85,787)	26,544	(112,331)	-423.2
Comprise of:				
Total segment revenue	488,020	484,456	3,564	0.7
Total segment operating expenses	(573,807)	(457,912)	(115,895)	25.3
	(85,787)	26,544	(112,331)	-423.2

Please refer to below sections for further discussion regarding the results for individual segment.

Management Discussion and Analysis/

IFA BUSINESS

Revenue from IFA business increased by approximately 72.9% from approximately HK\$267.1 million for the period ended 30 June 2016 to approximately HK\$461.9 million for the period ended 30 June 2017.

An analysis of revenue mix of IFA business is as follows:

Revenue mix analysis of IFA business:

	For the six months ended 30 June		Increase/ (decrease) HK\$'000	Change %
	2017 HK\$'000	2016 HK\$'000		
Hong Kong				
Investment brokerage commission income	141,724	82,093	59,631	72.6
Insurance brokerage commission income	258,865	132,578	126,287	95.3
Pension scheme commission income	5,138	3,088	2,050	66.4
	405,727	217,759	187,968	86.3
Mainland China				
Investment brokerage commission income	13,258	9,978	3,280	32.9
Insurance brokerage commission income	42,502	33,246	9,256	27.8
	55,760	43,224	12,536	29.0
Macau				
Investment brokerage commission income	387	6,099	(5,712)	-93.7
Total	461,874	267,082	194,792	72.9

For the period ended 30 June 2017, investment brokerage commission income from IFA Hong Kong and IFA Mainland China operations increased by approximately 72.6% and 32.9% respectively, and investment brokerage commission income from IFA Macau operations decreased by approximately 93.7% compared with that for the period ended 30 June 2016. This was partially due to that major insurance providers have been gradually launching new ILAS products since late 2015 meeting new requirements under the Guidance Note published by the Office of the Commissioner of Insurance and ILAS clients have shifted their regional investment preference from Macau back to Hong Kong and Mainland China. Besides, more internal sales incentive schemes were launched by the Hong Kong office for consultants to increase their selling effort and the overall market shares expanded.

For the period ended 30 June 2017, insurance brokerage commission income from IFA Hong Kong and IFA Mainland China operations increased by approximately 95.3% and 27.8% respectively. The increase was mainly due to more demand from customers for lower-risk-lower-return regular saving products for the period. Besides, more effort was spent to promote our general insurance business in Hong Kong and Mainland China office and this boosted up the sales for the period.

Operating expenses of IFA business increased by approximately 37.9%, from approximately HK\$350.8 million for the period ended 30 June 2016 to approximately HK\$483.8 million for the period ended 30 June 2017. The increase in operating expenses of IFA business was mainly attributable to the increase in commission expenses to consultants and marketing expenses mainly for certain internal sales incentive schemes. Such increase was consistent with the increase in revenue whereas other operating expenses like staff costs, rental and operating expenses were relatively stable compared to prior period. This resulted in an improvement of the operating loss margin by approximately 26.6%, from approximately 31.3% for the period ended 30 June 2016 to approximately 4.7% for the period ended 30 June 2017.

Management Discussion and Analysis/

MONEY LENDING BUSINESS

With increasing market competition of the money lending industry in Hong Kong during recent years, the growth of our money lending business slowed down during the period. There was a decrease in our loan portfolio for the period and the interest income from money lending business decreased by approximately 49.6%, from approximately HK\$86.0 million for the period ended 30 June 2016 to approximately HK\$43.3 million for the period ended 30 June 2017.

Operating profit margin decreased by approximately 34.4%, from approximately 37.7% for the period ended 30 June 2016 to approximately 3.3% for the period ended 30 June 2017 as revenue decreased considerably while some operating expenses remained relatively stable compared to prior period and did not decrease in much extent as the decrease in revenue. During the period, the Group continued to adopt stringent credit policies to mitigate the credit risk arising from the money lending business.

PROPRIETARY INVESTMENT BUSINESS

The Group invested in a variety of debt and equity investments during the period. However, the macroeconomic environment and the stock market was unstable during the period and the revenue from proprietary investment business dropped significantly by approximately 441.4%, from gain for the period ended 30 June 2016 of approximately HK\$35.8 million to loss for the period ended 30 June 2017 of approximately HK\$122.2 million. Such decrease was mainly due to the increase in fair value loss on financial investments of approximately HK\$117.9 million, decrease in interest income from debt investments of approximately HK\$6.0 million and decrease in dividend and distribution income of approximately HK\$35.0 million.

Operating expenses of the proprietary investment business decreased by approximately 79.4%, from approximately HK\$9.2 million for the period ended 30 June 2016 to approximately HK\$1.9 million for the period 30 June 2017. The decrease was mainly due to the Group adopted a more stringent cost control policy and resulted in cost savings during the period.

ASSET MANAGEMENT BUSINESS

The asset management business was established in prior years and over the past few years, we expanded our business scale by developing and managing several new investment funds for professional investors and high net-worth individual clients. As at 30 June 2017, the AUM (Assets Under Management) managed under our Group's portfolio achieved approximately HK\$4 billion.

Revenue from the asset management business decreased by approximately 7.8%, from approximately HK\$19.1 million for the period ended 30 June 2016 to approximately HK\$17.6 million for the period ended 30 June 2017, while the operating profit decreased by approximately 61.0%, from approximately HK\$3.5 million for the period ended 30 June 2016 to approximately HK\$1.4 million for the period ended 30 June 2017. The decrease in operating profit margin by approximately 10.6%, from approximately 18.4% for the period ended 30 June 2016 to approximately 7.8% for the period ended 30 June 2017 was mainly attributable to the increased staff costs for the expansion of our strategic investment team. We believe that CAM will continue to create substantial value for our shareholders by means of generating stable and recurring income for our Group.

Management Discussion and Analysis/

CORPORATE FINANCE BUSINESS

The corporate finance business was established in prior years to provide various corporate finance advisory services on bond placing and underwriting, IPO sponsorship and other related services to our clients.

Revenue from the corporate finance business decreased by approximately 32.9%, from approximately HK\$20.0 million for the period ended 30 June 2016 to approximately HK\$13.4 million for the period ended 30 June 2017. The decrease in revenue was mainly due to more stringent regulatory requirements for bond placing and IPO sponsorship in current period. Operating profit/loss margin decreased by approximately 48.8%, from a profit margin of approximately 16.5% for the period ended 30 June 2016 to a loss margin of approximately 32.3% for the period ended 30 June 2017, which was mainly attributable to the increase in staff costs for the expansion of the corporate finance team.

SECURITIES DEALING BUSINESS

In July 2015, upon completion of the acquisition of CSL Securities Limited (“CSL”), the Group further ventured into the securities dealing business to provide a variety of securities related services including securities brokerage, trading, placing and underwriting to our clients.

The securities dealing business recorded a remarkable growth during the period which is mainly attributed by the increasing volume of margin clients after the securities dealing business started more than one year. Revenue from the securities dealing business increased by approximately 31.0%, from approximately HK\$56.5 million for the period ended 30 June 2016 to approximately HK\$74.0 million for the period ended 30 June 2017, and the operating profit increased by approximately 39.1%, from approximately HK\$44.4 million for the period ended 30 June 2016 to approximately HK\$61.8 million for the period ended 30 June 2017. Operating profit margin slightly improved by approximately 4.8%, from approximately 78.6% for the period ended 30 June 2016 to approximately 83.4% for the period ended 30 June 2017.

PROSPECTS

In order to pursue our vision of becoming one of the leading financial groups across Asia, we have formulated three short-term missions, (i) to establish a comprehensive financial services platform in Asia, particularly in Hong Kong and Mainland China; (ii) to materialise the synergies among different business segments and locations; and (iii) to improve the working capital sufficiency of our Group. For our first mission, we will allocate group resources to strengthen the financial services in our new business lines, including but not limited to corporate finance, investment banking, margin and initial public offering financing, securities brokerage and placing. For our second mission, more cross-selling programs would be organised among different business lines and regions, such as loans to high-net-worth individual clients, cross-border branding promotion and talent development programs. To achieve the third mission, the Company has increased its leverage throughout the past few years by issuing unlisted bonds to secure stable and reasonable cost funding to finance its long term capital-intensive business development, such as money lending, margin financing and initial public offering financing. As at 30 June 2017, the carrying amount of such unlisted bonds were approximately HK\$619.9 million (31 December 2016: HK\$616.4 million).

The introduction of Mr. Ming-Hsing Tsai and the Tsai’s family as substantial shareholders of the Group in late 2015 has further strengthened the capital foundation of our Group.

Management Discussion and Analysis/

IFA BUSINESS

Hong Kong

Our various diversification strategies by way of adding business partners, strengthening consultancy force and enlarging product variety helped to drive a steady growth of the revenue from our IFA business in Hong Kong. While MPF Schemes Authority adopted the ECA arrangement with effective from 1 November 2012 to give employees greater autonomy allowing them to opt to transfer the accrued benefits from the employee mandatory contributions in their contribution accounts to a scheme of their own choice once a year, the Group believes that the demand on our MPF financial planning and advisory services would increase. With the Group's persistent efforts on implementing these strategies, we have confidence in maintaining our competitiveness in the IFA industry in Hong Kong.

Mainland China

To seize business opportunities on the increasing demand for wealth management and financial planning services from Mainland China, the Group has devoted huge capital and resources to its Mainland China business in the past few years to build up and broaden our client base. However, the recent unfavorable factors including slower economic growth, rapid regulatory changes and continuing market reforms in the financial sector has affected our business performance in Mainland China. By adjusting our business strategies from time to time, strengthening our client base and implementing our stringent cost management policies, we would target to achieve profitability for our Mainland China operations in the long run.

Macau

Benefiting from the increasing demand for wealth management services and brand recognition in Macau, although Macau operations recorded a decrease in revenue during the period, going forward, we will continue to maintain our smooth operations in Macau to support business growth and to enhance regional connectivity to tap new business opportunities.

MONEY LENDING BUSINESS

The Group will continue to promote its brand name to develop its all-rounded financial services platform which manages wealth and provides liquidity for customers. To effectively utilise funds from fund raising activities, we will further drive this business by achieving healthy loan growth in corporate and individual segment, while at the same time maintaining strong credit quality and credit risk management accumulate a stable income stream for the Group.

PROPRIETARY INVESTMENT BUSINESS

Apart from investing in a diversified portfolio of listed and unlisted equities, we also allocated a portion of capital to fixed income products to achieve stable income and invested a suitable amount of seed capital in some private equity funds with high potential. Our strategic investment team will continue to implement strict risk controls to minimise the impact of market volatility, so as to maximise the Group's return on equity.

ASSET MANAGEMENT BUSINESS

We intend to grow our asset under management continuously for our asset management business to accumulate a stable income stream for the Group. Riding on the successful experience of our discretionary portfolio management services provided to ILAS customers, CAM will put more effort to develop discretionary mandate through nominee platform. In addition, CAM will continue to introduce competitive fund products for exclusive sales and reinforce our promotion in portfolio management business through our fund distribution platform "iCON" and we believe these fund products would be a new driving force for the Group's income growth. On the other hand, our strategic investment team has kicked off developing several investment funds for professional investors and will continue to develop and manage investment portfolios for high net-worth clients in order to contribute steady revenue to the Group and enhance the Group's asset management scale.

Management Discussion and Analysis/

In February 2017, Fubon Convoy Asset Management (HK) Limited was established. It is a joint venture with 51% shareholding held by our Group and the remaining 49% shareholding held by Fubon Asset Management Co., Ltd., a wholly-owned subsidiary of the Taiwan listed company, Fubon Financial Holding Co., Ltd. Through co-operation with Fubon Asset Management Co., Ltd, we believe that we can contribute to the continuous development of our asset management business in the long run.

CORPORATE FINANCE BUSINESS

Following the completed acquisition of CCHK in prior years, the Group expanded its financial service scope to corporate finance to provide bond placing and underwriting, IPO sponsorship and other corporate finance related advisory services to our clients. We believe that the corporate finance business should further strengthen our institutional client base and provide a good income stream for our Group.

SECURITIES DEALING BUSINESS

Following the completed acquisition of CSL in July 2015, the Group commenced its securities dealing business since August 2015 to deliver various securities related services including securities brokerage, trading, placing and underwriting to our clients. We believe that the securities dealing business not only could open up a new income stream for the Group, but also help to establish a comprehensive and integrated financial services platform for our customers and capture any cross-selling opportunities.

DIGITAL WEALTH MANAGEMENT SERVICES

In 2016, the Group invested approximately HK\$236.1 million in Nutmeg for an equity stake of approximately 15.7%. Nutmeg is a company incorporated in the United Kingdom and engaged in the provision of online discretionary investment management services. As a leading IFA company in Hong Kong, Convoy is committed to the strategic development of Fintech. With the increasing use of online platforms in the financial sector, we believe that Nutmeg, with its technology know-how in the industry, has significant market potential to become a leading online wealth management platform for the mass market.

LIQUIDITY AND FINANCIAL RESOURCES

The Group mainly relies upon the shareholders' fund, placing of bonds and cash generated from its business operations to finance its operations and expansion. As at 30 June 2017, the Group had cash and cash equivalents of approximately HK\$803.7 million (31 December 2016: HK\$967.1 million), bond payables of approximately HK\$619.9 million (31 December 2016: HK\$616.4 million) and interest-bearing bank and other borrowings of approximately HK\$167.6 million (31 December 2016: HK\$59.9 million). The gross gearing ratio, calculated on the basis of the aggregate of the Group's bond payables and interest-bearing bank and other borrowings divided by equity attributable to owners of the Company was approximately 16.4% (31 December 2016: 13.8%). As at 30 June 2017, the net current assets of the Group amounted to approximately HK\$3,183.5 million (31 December 2016: HK\$3,181.3 million) and the current ratio (current assets/current liabilities) was approximately 5.1 (31 December 2016: 4.0).

CAPITAL STRUCTURE

As at 30 June 2017 and 31 December 2016, the authorised share capital of the Company was HK\$2,000.0 million divided into 20,000,000,000 shares of HK\$0.1 each, and the issued share capital of the Company was approximately HK\$1,493.9 million divided into 14,938,896,000 shares of HK\$0.1 each.

There was no change on the Company's overall share capital structure for the six months ended 30 June 2017.

Management Discussion and Analysis/

HUMAN RESOURCES AND REMUNERATION POLICIES

As at 30 June 2017, the Group employed 515 (30 June 2016: 476) supporting staff and 12 (30 June 2016: 7) salary-based trainees. The total remuneration of the employees (including the Directors' remuneration) was approximately HK\$165.0 million for the six months ended 30 June 2017 (six months ended 30 June 2016: HK\$94.8 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 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. The Company also operates a share option scheme which was adopted on 23 June 2010 for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. The share award scheme and share option scheme, unless otherwise cancelled or amended, will remain in force for 10 years from that the adoption date.

RISK MANAGEMENT

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

INTEREST RATE RISK

The Group is exposed to interest rate risk through the impact of rate changes on interest-bearing financial assets and liabilities. Cash at banks earns interest at floating rates based on daily bank deposit rates, and bank borrowings bear interest at floating rates based on bank loan interest rates offered by banks.

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.

The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management.

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

Management Discussion and Analysis/

LIQUIDITY RISK

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

FOREIGN CURRENCY RISK

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

EQUITY, DEBT AND INVESTMENT FUND PRICE RISK

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

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES

There was no material acquisition nor disposal of subsidiaries for the six months ended 30 June 2017.

SIGNIFICANT INVESTMENTS HELD

As at 30 June 2017, significant investments held by the Group are as follows:

	30 June 2017	31 December 2016
	HK\$'000	HK\$'000
Held-to-maturity investments	28,700	141,815
Available-for-sale investments	875,578	761,755
Financial assets at fair value through profit or loss	941,902	1,105,957
Financial liabilities at fair value through profit or loss	(24,213)	(35,122)
Investments in associates	582,999	582,156
Investments in joint ventures	26,587	5,776
Total	2,431,553	2,562,337

Save as disclosed above, the Group did not hold any other significant investment as at 30 June 2017.

Management Discussion and Analysis/

Information in relation to the 10 largest investments as at 30 June 2017 are set out as follows:

Stock code (where applicable)	Name of investee company/fund	Nature of investment	Number of shares/units/ amount of bonds held	Percentage of total share capital/ units owned by the Group as at 30 June 2017	Investment cost HK\$'000	Market value as at 30 June 2017 HK\$'000	Percentage to the Group's net assets as at 30 June 2017	Realised gain on change in fair value for the period ended 30 June 2017 HK\$'000	Unrealised gain/(loss) on change in fair value for the period ended 30 June 2017 HK\$'000
<i>Available-for-sale investments</i>									
Not applicable	Nutmeg Saving and Investment Limited	Investment in preference shares	2,280,090	15.70%	236,148	236,148 [#]	4.9%	Not applicable	-
Not applicable	Mulberry Health Inc.	Investment in shares	2,960,879	0.76%	155,000	155,000 [#]	3.2%	Not applicable	-
Not applicable	Cassia Investments Limited	Investment in fund	Not applicable	30.97%	101,144	89,825	1.9%	877	-
2138	Union Medical Healthcare Limited	Investment in listed shares	31,625,000	3.22%	95,824 [*]	83,490	1.7%	Not applicable	(5,060) [*]
Not applicable	Banyan Partners Fund I, L.P. and Banyan Partners Co-Invest 2015, L.P.	Investment in fund	Not applicable	4.85% and 4.90%	90,389	90,389 [#]	1.9%	Not applicable	-
<i>Financial assets at fair value through profit or loss</i>									
1140	OP Financial Investments Limited	Investment in listed shares	73,340,000	3.87%	132,012 [*]	190,684	4.0%	-	27,869 [*]
6161	Target Insurance (Holdings) Limited	Investment in listed shares	75,484,000	14.48%	230,836 [*]	117,000	2.4%	-	(27,174) [*]
904	China Green (Holdings) Limited	Investment in convertible notes	Not applicable	Not applicable	190,000 [*]	151,093	3.2%	-	(81,967) [*]
<i>Investments in associates</i>									
8215	First Credit Finance Group Limited	Investment in listed shares	1,070,400,000	29.50%	375,473	631,536 [®]	8.1%	Not applicable	Not applicable
Not applicable	JFA Capital	Investment in fund	24,160	60.23%	241,600	197,817 [®]	4.1%	Not applicable	Not applicable
Total					1,848,426	1,942,982	35.4%	877	(86,332)

* Investment cost in these investee companies represented the initial acquisition costs for the respective investee company/fund. Some of the investments in these investee companies/funds were made by the Group in prior years. For those part of investments in these investee companies/funds which were made in prior years, they were subject to fair value adjustments and unrealised gain/(loss) on change in fair value were recognised at the financial year end of the respective years. The unrealised gain/(loss) on change in fair value of these investee companies/funds for the period ended 30 June 2017 excluded those amount being recognised in prior years.

These available-for-sale investments are measured at cost because the range of reasonable fair value estimates is so significant that the Directors are of the opinion that the fair value cannot be measured reliably.

® First Credit Finance Group Limited is a listed company whose shares are listed in the Stock Exchange and its market value is reference to the market price of shares owned by the Group. JFA Capital is a fund with market value measured at the end of the reporting period. However, the Group's investments in the associates is stated at the Group's share of net assets under the equity method of accounting, less any impairment losses.

Management Discussion and Analysis/

BRIEF DESCRIPTION OF PRINCIPAL BUSINESS OR INVESTMENT SCOPE (AS THE CASE MAY BE) OF THE RESPECTIVE INVESTEE COMPANY/FUND OF THE 10 LARGEST INVESTMENTS

Name of investee company/fund	Principal business or investment scope
Nutmeg Saving and Investment Limited	Provision of online discretionary investment management services and is regulated by the Financial Conduct Authority of the United Kingdom
Mulberry Health Inc.	High growth technology and data driven health insurance company
Cassia Investments Limited Partnership II	Private equity investments in the consumer sector across Greater China and South East Asia, as well as in non-Asian enterprises that have a strong exposure to Asian consumers
Union Medical Healthcare Limited	Provision of medical, quasi-medical and traditional beauty services and sale of skincare and beauty products in Hong Kong, Macau and the PRC
Banyan Partners Fund I, L.P. and Banyan Partners Co-Invest 2015, L.P.	Equity investment
OP Financial Investments Limited	Provision of asset management and trading in securities
Target Insurance (Holdings) Limited	Engaged in the writing of motor vehicles insurance business
China Green (Holdings) Limited	Growing, processing and sales of agricultural products, and production and sales of consumer food products
First Credit Finance Group Limited	Provision and arrangement of credit facilities in Hong Kong
JFA Capital	Healthcare management business in Hong Kong

Management Discussion and Analysis/

FUTURE PLANS RELATING TO MATERIAL INVESTMENT OR CAPITAL ASSET

As at 30 June 2017, the Group's capital commitments related to the capital investments of available-for-sale investments amounted to approximately HK\$94.9 million (31 December 2016: HK\$205.3 million).

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

CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 30 June 2017 (31 December 2016: Nil).

PLEDGE OF ASSETS

As at 30 June 2017, assets pledged to banks to secure banking facilities (including bank borrowings and bank overdraft) granted to the Group are as follows:

	30 June 2017	31 December 2016
	HK\$'000	HK\$'000
Investment property	–	111,300
Building	21,919	22,155
Bank deposit	10,128	10,103
Asset classified as held-for-sale	111,300	–
Total	143,347	143,558

SIGNIFICANT EVENT AFTER THE END OF THE REPORTING PERIOD

On 13 July 2017, a sales and purchase agreement was entered by the Group to sell Waller Holdings Limited, a wholly-owned subsidiary of the Group, and its subsidiary (the "Disposal Group") to an Independent Third Party. A gain is expected to be derived from this transaction. Therefore, the assets of the Disposal Group were reclassified as held-for-sale as at 30 June 2017. The Disposal Group had no liabilities as at 30 June 2017. Further details are set out in an announcement of the Company dated 13 July 2017.

The disposal of the Disposal Group was completed on 14 August 2017.

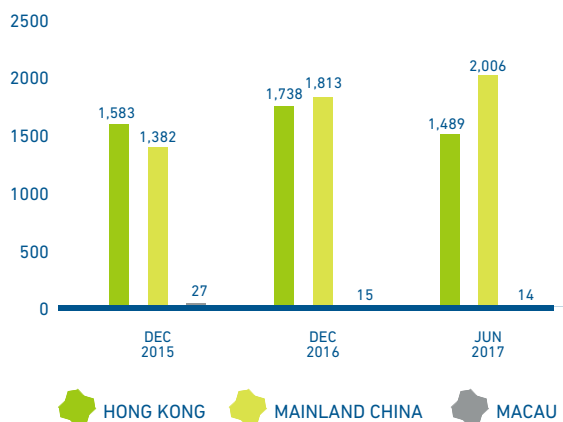
Management Discussion and Analysis

OPERATION REVIEW

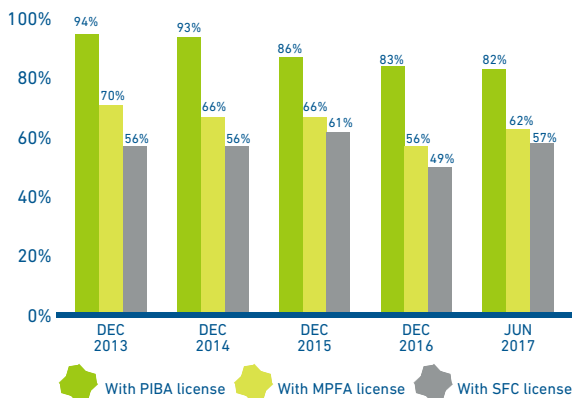
HONG KONG: NUMBER OF CONSULTANTS



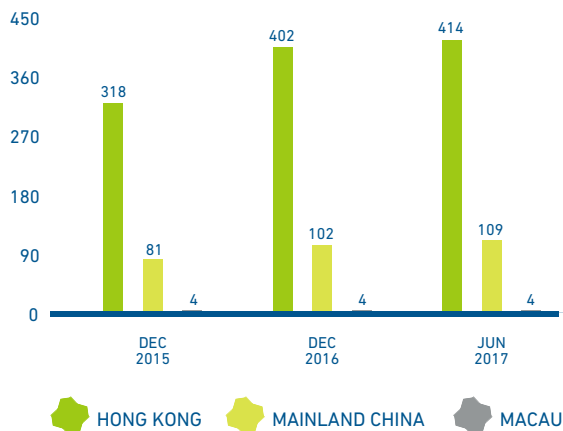
GROUP BY LOCATIONS: NUMBER OF CONSULTANTS



HONG KONG: LICENSE RECORDS OF CONSULTANTS



GROUP BY LOCATIONS: NUMBER OF EMPLOYEES AND SALARY-BASED TRAINEES



Condensed Consolidated Statement of Profit or Loss/

For the six months ended 30 June 2017

	Notes	For the six months ended 30 June	
		2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
REVENUE	5	488,020	484,456
Other income and gains, net	5	6,025	3,113
Commission and advisory expenses		(336,567)	(209,976)
Staff costs		(165,032)	(94,795)
Depreciation		(15,106)	(16,182)
Reversal of provision for commission clawback		–	2,517
Other expenses		(123,366)	(130,783)
Loss/(profit) attributable to non-controlling investors of investment funds		7,571	(2,294)
Finance costs	6	(25,977)	(23,968)
Share of profits/(losses) of associates		21,909	(61)
Share of losses of joint ventures		(4,851)	(1,013)
(LOSS)/PROFIT BEFORE TAX	7	(147,374)	11,014
Income tax credit/(expense)	8	5,401	(6,545)
(LOSS)/PROFIT FOR THE PERIOD		(141,973)	4,469
(LOSS)/PROFIT FOR THE PERIOD ATTRIBUTABLE TO:			
Owners of the Company		(140,527)	7,916
Non-controlling interests		(1,446)	(3,447)
		(141,973)	4,469
(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	10		
Basic (HK cents)		(0.94)	0.05
Diluted (HK cents)		(0.94)	0.05

Condensed Consolidated Statement of Comprehensive Income/

For the six months ended 30 June 2017

	For the six months ended 30 June	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
(LOSS)/PROFIT FOR THE PERIOD	(141,973)	4,469
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods, net of tax:		
Changes in fair value of available-for-sale investments	9,831	(19,170)
Share of reserves of an associate	760	–
Exchange differences on translation of foreign operations	(2,407)	(83)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX	8,184	(19,253)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	(133,789)	(14,784)
TOTAL COMPREHENSIVE LOSS ATTRIBUTABLE TO:		
Owners of the Company	(132,209)	(11,360)
Non-controlling interests	(1,580)	(3,424)
	(133,789)	(14,784)

Condensed Consolidated Statement of Financial Position

30 June 2017

	Notes	30 June 2017 HK\$'000 (unaudited)	31 December 2016 HK\$'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment	11	67,756	77,839
Investment properties		61,100	176,200
Goodwill	13	23,541	23,541
Intangible assets	14	–	–
Investments in associates		582,999	582,156
Investments in joint ventures		26,587	5,776
Held-to-maturity investments	15	13,200	126,326
Available-for-sale investments	16	875,578	761,755
Loans receivable	17	516,056	509,984
Prepayments, deposits and other receivables	18	16,490	23,337
Restricted cash		1,121	1,116
Deferred tax assets		44,260	28,927
Total non-current assets		2,228,688	2,316,957
CURRENT ASSETS			
Accounts receivable	19	78,606	93,241
Loans receivable	17	1,593,057	1,304,677
Prepayments, deposits and other receivables	18	49,973	79,475
Held-to-maturity investments	15	15,500	15,489
Financial assets at fair value through profit or loss	20	941,902	1,105,957
Tax recoverable		38,054	32,540
Restricted cash		1,934	1,176
Cash held on behalf of clients	21	316,406	620,036
Pledged bank deposit		10,128	10,103
Cash and cash equivalents		803,679	967,073
		3,849,239	4,229,767
Assets classified as held-for-sale	12	115,712	–
Total current assets		3,964,951	4,229,767

Condensed Consolidated Statement of Financial Position/

30 June 2017

	Notes	30 June 2017 HK\$'000 (unaudited)	31 December 2016 HK\$'000 (audited)
CURRENT LIABILITIES			
Accounts payable	22	436,761	740,042
Other payables and accruals		120,897	145,756
Interest-bearing bank and other borrowings	23	167,559	59,854
Net (assets)/liabilities attributable to redeemable participation rights		(2,038)	5,533
Financial liabilities at fair value through profit or loss	20	24,213	35,122
Tax payable		32,987	61,075
Commission clawback		1,047	1,047
Total current liabilities		781,426	1,048,429
NET CURRENT ASSETS		3,183,525	3,181,338
TOTAL ASSETS LESS CURRENT LIABILITIES		5,412,213	5,498,295
NON-CURRENT LIABILITIES			
Other payables and accruals		8,775	9,362
Bond payables	24	619,946	616,449
Deferred tax liabilities		1,345	1,278
Total non-current liabilities		630,066	627,089
Net assets		4,782,147	4,871,206
EQUITY			
Equity attributable to owners of the Company			
Issued capital	25	1,493,890	1,493,890
Reserves		3,311,860	3,399,339
		4,805,750	4,893,229
Non-controlling interests		(23,603)	(22,023)
Total equity		4,782,147	4,871,206

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2017

	Attributable to owners of the Company														Non-controlling interests	Total equity
	Issued capital	Share premium account	Capital reserve	Merger reserve	Warrant reserve	Shares held for share award scheme	Available for-sale investment revaluation reserve	Exchange fluctuation reserve	Reserve funds	Legal reserve	Other reserves	Accumulated losses	Total			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2016	1,493,890	3,616,046	(64,379)	(1,920)	776	(723)	(4,853)	(1,367)	660	49	(4,149)	(59,137)	4,974,893	(14,297)	4,960,596	
Profit/(loss) for the period	-	-	-	-	-	-	-	-	-	-	-	7,916	7,916	(3,447)	4,469	
Other comprehensive income/(loss) for the period:																
Changes in fair value of available-for-sale investments	-	-	-	-	-	-	(19,170)	-	-	-	-	-	(19,170)	-	(19,170)	
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	(106)	-	-	-	-	(106)	23	(83)	
Total comprehensive income/(loss) for the period	-	-	-	-	-	-	(19,170)	(106)	-	-	-	7,916	(11,360)	(3,424)	(14,784)	
Transfer to reserve funds	-	-	-	-	-	-	-	-	97	-	-	(97)	-	-	-	
At 30 June 2016 (unaudited)	1,493,890	3,616,046*	(64,379)*	(1,920)*	776*	(723)*	(24,023)*	(1,473)*	757*	49*	(4,149)*	(51,318)*	4,963,533	(17,721)	4,945,812	

	Attributable to owners of the Company														Non-controlling interests	Total equity
	Issued capital	Share premium account	Capital reserve	Merger reserve	Warrant reserve	Shares held for share award scheme	Share option reserve	Available for-sale investment revaluation reserve	Exchange fluctuation reserve	Reserve funds	Legal reserve	Other reserves	Accumulated losses	Total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1 January 2017	1,493,890	3,616,046	(64,379)	(1,920)	776	(723)	2,327	13,200	(7,816)	750	49	(4,222)	(154,749)	4,893,229	(22,023)	4,871,206
Loss for the period	-	-	-	-	-	-	-	-	-	-	-	-	(140,527)	(140,527)	(1,446)	(141,973)
Other comprehensive income/(loss) for the period:																
Changes in fair value of available-for-sale investments	-	-	-	-	-	-	-	9,831	-	-	-	-	-	9,831	-	9,831
Share of reserves of an associate	-	-	-	-	-	-	-	-	-	-	760	-	760	-	760	
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	-	(2,273)	-	-	-	-	(2,273)	(134)	(2,407)
Total comprehensive income/(loss) for the period	-	-	-	-	-	-	9,831	(2,273)	-	-	760	(140,527)	(132,209)	(1,580)	(133,789)	
Equity-settled share option arrangement	-	-	-	-	-	-	44,730	-	-	-	-	-	44,730	-	44,730	
At 30 June 2017 (unaudited)	1,493,890	3,616,046*	(64,379)*	(1,920)*	776*	(723)*	47,057*	23,031*	(10,089)*	750*	49*	(3,462)*	(285,276)*	4,805,750	(23,603)	4,782,147

* These reserve accounts comprise the consolidated reserves of HK\$3,311,860,000 (31 December 2016: HK\$3,399,339,000) in the condensed consolidated statement of financial position.

Condensed Consolidated Statement of Cash Flows/

For the six months ended 30 June 2017

	For the six months ended 30 June	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss)/profit before tax	(147,374)	11,014
Adjustments for:		
Bank interest income	(147)	(402)
Depreciation	15,106	16,182
Amortisation of intangible assets	–	272
Impairment of loans receivable	–	12,100
Impairment of other receivables	877	3,972
Gain on disposal of an available-for-sale investment	(877)	–
Loss on disposal of items of property, plant and equipment	–	224
Loss on disposal of an associate	2,275	–
Equity-settled share option expense	44,730	–
Share of (profits)/losses of associates	(21,909)	61
Share of losses of joint ventures	4,851	1,013
Reversal of provision for commission clawback	–	(2,517)
Finance costs	25,977	23,968
	(76,491)	65,887
Decrease/(increase) in accounts receivable	14,635	(110,939)
Increase in loans receivable	(294,452)	(39,211)
Decrease/(increase) in prepayments, deposits and other receivables	34,013	(36,162)
Decrease/(increase) in financial investments at fair value through profit or loss	153,146	(54,876)
Decrease/(increase) in held-to-maturity investments	113,115	(2,860)
Decrease/(increase) in cash held on behalf of clients	303,630	(111,893)
(Increase)/decrease in accounts payable	(303,281)	142,645
Decrease in other payables and accruals	(25,446)	(52,526)
Increase in net (assets)/liabilities attributable to redeemable participation rights	(7,571)	(9,759)
Cash generated used in operations	(88,702)	(209,694)
Hong Kong profits tax paid	(43,312)	(12,699)
Mainland China taxes paid	(155)	(95)
Net cash used in operating activities	(132,169)	(222,488)

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2017

	Note	For the six months ended 30 June	
		2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
CASH FLOWS FROM INVESTING ACTIVITIES			
Bank interest received		147	402
Proceeds from disposal of an associate		19,634	-
Acquisition of subsidiaries	28	-	(37,167)
Investment in a joint venture		(25,500)	-
Acquisition of an investment property		-	(90,129)
Deposits paid for investments		-	(31,000)
Purchase of available-for-sale investments		(171,691)	(364,002)
Redemption of available-for-sale investments		39,840	-
Proceeds from disposal of an available-for-sale investment		28,736	-
Deposits paid for purchases of items of property, plant and equipment		-	(14,245)
Purchases of items of property, plant and equipment		(3,541)	(13,934)
Increase in restricted cash		(763)	(1,144)
Increase in pledged bank deposit		(25)	(36)
Net cash used in investing activities		(113,163)	(551,255)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of bonds, net of issue expenses		-	9,189
New bank loans		153,000	42,991
Repayment of bank loans		(45,295)	(567)
Redemption of bonds		-	(6,000)
Interest paid		(22,480)	(27,352)
Net cash from financing activities		85,225	18,261
NET DECREASE IN CASH AND CASH EQUIVALENTS		(160,107)	(755,482)
Cash and cash equivalents at beginning of period		967,073	2,113,521
Effect of foreign exchange rate changes, net		(2,682)	16
CASH AND CASH EQUIVALENTS AT END OF PERIOD		804,284	1,358,055
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		803,875	1,357,646
Non-pledged time deposits with original maturity of less than three months when acquired		409	409
		804,284	1,358,055
Represented by:			
Cash and cash equivalents		803,679	1,358,055
Cash and cash equivalents included in assets classified as held-for-sale		605	-
		804,284	1,358,055

Notes to the Condensed Consolidated Financial Statements/

For the six months ended 30 June 2017

1. CORPORATE AND GROUP INFORMATION

Convoy Global 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 primarily engaged in the IFA business, money lending business, proprietary investment business, asset management business, corporate finance business and securities dealing business.

The condensed consolidated financial statements have not been audited.

2. BASIS OF PREPARATION

These unaudited condensed consolidated financial statements for the six months ended 30 June 2017 (the “Interim Financial Statements”) have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). The Interim Financial Statements do 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 2016.

The Interim Financial Statements are presented in Hong Kong dollars (“HK\$”) and all values are rounded to the nearest thousands except when otherwise indicated.

The Interim Financial Statements have been prepared in accordance with the same accounting policies adopted in the Group’s 2016 annual financial statements, except for the changes in accounting policies as set out in note 3.1 below.

3.1 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a number of revised Hong Kong Financial Reporting Standards (“HKFRSs”), which are generally effective for accounting periods beginning on or after 1 January 2017. The Group has adopted the following revised standards for the first time for the current period’s Interim Financial Statements:

Amendments to HKAS 7	<i>Disclosure Initiative</i>
Amendments to HKAS 12	<i>Recognition of Deferred Tax Assets for Unrealised Losses</i>
Annual Improvements 2014–2016 Cycle	Amendments to a number of HKFRSs

Amendments to HKAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The amendments will result in additional disclosure to be provided in the financial statements. The Group is not required to provide additional disclosure in its Interim Financial Statements, but will disclose additional information in its annual financial statements for the year ending 31 December 2017.

Amendments to HKAS 12 were issued with the purpose of addressing the recognition of deferred tax assets for unrealised losses related to debt instruments measured at fair value, although they also have a broader application for other situations. The amendments clarify that an entity, when assessing whether taxable profits will be available against which it can utilise a deductible temporary difference, needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount. The amendments have had no significant effect on the Group’s Interim Financial Statements.

Notes to the Condensed Consolidated Financial Statements/

For the six months ended 30 June 2017

3.1 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

Annual Improvements to HKFRSs 2012-2014 Cycle issued in March 2017 sets out amendments to a number of HKFRSs. Details of the amendment relevant to the Group are as follows:

Amendments to HKFRS 12 *Disclosure of Interests in Other Entities: Clarification of the scope of disclosure requirements in HKFRS 12*: Clarifies that the disclosure requirements in HKFRS 12, other than those in paragraphs HKFRS 12 B10–B16, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held-for-sale. The Group has adopted the amendments retrospectively. As the disclosure requirements in HKFRS 12 do not specifically apply to the Interim Financial Statements, the Group did not provide these disclosures for its interest in Waller Holdings Limited, a wholly-owned subsidiary of the Group, and its subsidiary that was classified as held-for-sale as at 30 June 2017 (see note 12). The Group will disclose the required information in its annual financial statements for the year ending 31 December 2017.

3.2 ISSUED BUT NOT YET EFFECTIVE HKFRSs

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these Interim Financial Statements:

Amendments to HKFRS 2	<i>Classification and Measurement of Share-based Payment Transactions</i> ¹
Amendments to HKFRS 4	<i>Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts</i> ¹
HKFRS 9	<i>Financial Instruments</i> ¹
HKFRS 15	<i>Revenue from Contracts with Customers</i> ¹
Amendments to HKFRS 15	<i>Clarifications to HKFRS 15 Revenue from Contracts with Customers</i> ¹
HKFRS 16	<i>Leases</i> ²
Annual Improvements 2014–2016 Cycle	Amendments to a number of HKFRSs ¹
Amendments to HKAS 40	<i>Transfers of Investment Property</i> ¹
HK(IFRIC)-Int 22	<i>Foreign Currency Transactions and Advance Consideration</i> ¹

¹ Effective for annual periods beginning on or after 1 January 2018

² Effective for annual periods beginning on or after 1 January 2019

Further information about those HKFRSs that are expected to be relevant to the Group is as follows:

The HKICPA issued amendments to HKFRS 2 in August 2016 that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding a certain amount in order to meet the employee's tax obligation associated with the share-based payment; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled. The amendments clarify that the approach used to account for vesting conditions when measuring equity-settled share-based payments also applies to cash-settled share-based payments. The amendments introduce an exception so that a share-based payment transaction with net share settlement features for withholding a certain amount in order to meet the employee's tax obligation is classified in its entirety as an equity-settled share-based payment transaction when certain conditions are met. Furthermore, the amendments clarify that if the terms and conditions of a cash-settled share-based payment transaction are modified, with the result that it becomes an equity-settled share-based payment transaction, the transaction is accounted for as an equity-settled transaction from the date of the modification. The Group expects to adopt the amendments from 1 January 2018. The amendments are not expected to have any significant impact on the Group's financial statements.

Notes to the Condensed Consolidated Financial Statements/

For the six months ended 30 June 2017

3.2 ISSUED BUT NOT YET EFFECTIVE HKFRSs (CONTINUED)

In September 2014, the HKICPA issued the final version of HKFRS 9, bringing together all phases of the financial instruments project to replace HKAS 39 and all previous versions of HKFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group expects to adopt HKFRS 9 from 1 January 2018. The Group is currently assessing the impact of the standard upon adoption and expects that the adoption of HKFRS 9 will have an impact on the classification and measurement of the Group's financial assets. The Group will perform a more detailed analysis which considers all reasonable and supportable information, including forward-looking elements, for accounts estimation of expected credit losses on its held-to-maturity investments, loans receivable and accounts and other receivables upon the adoption of HKFRS 9.

HKFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under HKFRSs. In June 2016, the HKICPA issued amendments to HKFRS 15 to address the implement issues on identifying performance obligations, application guidance on principal versus agent and licences of intellectual property, and transition. The amendments are also intended to help ensure a more consistent application when entities adopt HKFRS 15 and decrease the cost and complexity of applying the standard. The Group expects to adopt HKFRS 15 on 1 January 2018. The amendments are not expected to have any significant impact on the Group's financial statements.

HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases – Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two recognition exemptions for lessees – leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e. the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e. the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in HKAS 40. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessors will continue to classify all leases using the same classification principle as in HKAS 17 and distinguish between operating leases and finance leases. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under HKFRS 16 is substantially unchanged from the accounting under HKAS 17. Lessors will continue to classify all leases using the same classification principle as in HKAS 17 and distinguish between operating leases and finance leases. The Group expects to adopt HKFRS 16 on 1 January 2019. The Group expects that certain portion of the operating lease commitments will be required to be recognised as right-of-use assets and lease liabilities upon adoption of HKFRS 16. The Group will perform a more detailed analysis upon the adoption of HKFRS 16.

Notes to the Condensed Consolidated Financial Statements/

For the six months ended 30 June 2017

3.2 ISSUED BUT NOT YET EFFECTIVE HKFRSs (CONTINUED)

The HKICPA issued amendments to HKAS 40 in April 2017 to clarify that, to transfer to or from investment properties, there must be a change in use. A change in use would involve (i) an assessment of whether a property meets, or has ceased to meet, the definition of investment property; and (ii) supporting evidence that a change in use has occurred. The amendments also re-characterised the list of circumstances in HKAS 40.57(a)-(d) as a non-exhaustive list of examples to allow for other circumstances to be accounted for as a transfer, as long as that change is supported by appropriate evidence. The amendments are effective for annual periods beginning on or after 1 January 2018. The amendments are not expected to have any significant impact on the Group's financial statements.

The HKICPA issued HK(IFRIC)-Int 22 in June 2017 to address the exchange rate to be used in transactions that involve advance consideration paid or received in a foreign currency. The interpretation is effective for annual periods beginning on or after 1 January 2018. The Group has assessed the impact of this interpretation and expects that the interpretation will not have significant impact, when applied, on the Group's financial statements.

4. SEGMENT INFORMATION

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

- (a) the IFA segment engages in insurance brokerage business and the provision of IFA services;
- (b) the money lending segment engages in the provision of loan financing in Hong Kong;
- (c) the proprietary investment segment engages in investment in listed and unlisted investments;
- (d) the asset management segment engages in the provision of asset management services;
- (e) the corporate finance segment engages in the provision of corporate finance and related advisory services; and
- (f) the securities dealing segment engages in the provision of securities brokerage, share placing and margin financing services.

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

Inter-segment transactions, if any, are conducted with reference to the prices charged to third parties.

Notes to the Condensed Consolidated Financial Statements/

For the six months ended 30 June 2017

4. SEGMENT INFORMATION (CONTINUED) REVENUE AND RESULTS

For the six months ended 30 June 2017

	IFA segment HK\$'000	Money lending segment HK\$'000	Proprietary investment segment HK\$'000	Asset management segment HK\$'000	Corporate finance segment HK\$'000	Securities dealing segment HK\$'000	Elimination HK\$'000	Total HK\$'000 (unaudited)
Revenue								
External	461,874	43,316	(122,224)	17,593	13,432	74,029	-	488,020
Inter-segment	-	-	-	916	4,070	-	(4,986)	-
Segment revenue	461,874	43,316	(122,224)	18,509	17,502	74,029	(4,986)	488,020
Results								
Segment results	(21,919)	1,433	(124,115)	1,371	(4,334)	61,777	-	(85,787)
Other income and gains, net								6,025
Unallocated corporate expenses								(84,670)
Share of profits of associates								21,909
Share of losses of joint ventures								(4,851)
Loss before tax								(147,374)

For the six months ended 30 June 2016

	IFA segment HK\$'000	Money lending segment HK\$'000	Proprietary investment segment HK\$'000	Asset management segment HK\$'000	Corporate finance segment HK\$'000	Securities dealing segment HK\$'000	Elimination HK\$'000	Total HK\$'000 (unaudited)
Revenue								
External	267,082	85,971	35,803	19,091	20,014	56,495	-	484,456
Inter-segment	-	728	-	2,099	100	-	(2,927)	-
Segment revenue	267,082	86,699	35,803	21,190	20,114	56,495	(2,927)	484,456
Results								
Segment results	(83,709)	32,399	26,638	3,515	3,294	44,407	-	26,544
Other income and gains, net								3,113
Unallocated corporate expenses								(17,569)
Share of loss of an associate								(61)
Share of loss of a joint venture								(1,013)
Profit before tax								11,014

Notes to the Condensed Consolidated Financial Statements/

For the six months ended 30 June 2017

4. SEGMENT INFORMATION (CONTINUED) SEGMENT ASSETS AND LIABILITIES

	30 June 2017 HK\$'000 (unaudited)	31 December 2016 HK\$'000 (audited)
Segment assets		
IFA segment	128,026	190,287
Money lending segment	928,297	914,526
Proprietary investment segment	2,457,323	2,599,488
Asset management segment	265,939	375,552
Corporate finance segment	16,092	11,959
Securities dealing segment	1,317,986	1,218,583
Total segment assets	5,113,663	5,310,395
Unallocated assets	1,079,976	1,236,329
Total assets	6,193,639	6,546,724
Segment liabilities		
IFA segment	346,684	227,846
Money lending segment	621,506	624,806
Proprietary investment segment	38,123	64,386
Asset management segment	233,825	359,651
Corporate finance segment	765	2,921
Securities dealing segment	134,528	289,276
Total segment liabilities	1,375,431	1,568,886
Unallocated liabilities	36,061	106,632
Total liabilities	1,411,492	1,675,518

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

- (a) all assets are allocated to operating segments other than unallocated assets, investment properties, cash and cash equivalents, tax recoverable and deferred tax assets; and
- (b) all liabilities are allocated to operating segments other than unallocated liabilities, tax payable and other head office and corporate liabilities as these liabilities are managed on a group basis.

Notes to the Condensed Consolidated Financial Statements/

For the six months ended 30 June 2017

5. REVENUE, OTHER INCOME AND GAINS, NET

Revenue represents the aggregate of (i) commission and advisory income from IFA, securities dealing and corporate finance services; (ii) interest income from loan financing and margin financing; (iii) net fair value changes on financial investments at fair value through profit or loss, dividend and distribution income, and interest income from the proprietary investment business; and (iv) the value of services rendered from asset management and corporate finance businesses, earned during the period.

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

	For the six months ended 30 June	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Revenue		
IFA		
IFA commission income	461,874	267,082
Money lending		
Interest income from loan financing	43,316	85,971
Proprietary investment		
Fair value changes on financial investments at fair value through profit or loss, net	(51,890)	(15,967)
Fair value changes on financial investments designated as at fair value through profit or loss, net	(81,967)	–
Gain on disposal of an available-for-sale investment	877	–
Interest income from debt investments	7,670	13,691
Dividend and distribution income	3,086	38,079
	(122,224)	35,803
Asset management		
Asset management service income	17,593	19,091
Corporate finance		
Bond placing commission income	9,628	12,758
Corporate finance service income	3,804	7,256
	13,432	20,014
Securities dealing		
Interest income from margin financing	55,939	28,220
Share placing commission income	9,876	18,658
Securities dealing commission income	8,214	9,617
	74,029	56,495
	488,020	484,456
Other income and gains, net		
Bank interest income	147	402
Service fee income	807	287
Gross rental income	820	838
Others	4,251	1,586
	6,025	3,113

Notes to the Condensed Consolidated Financial Statements/

For the six months ended 30 June 2017

6. FINANCE COSTS

An analysis of finance costs is as follows:

	For the six months ended 30 June	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Interest on:		
Bond payables	23,507	23,043
Bank borrowings	1,953	394
Other borrowing	517	531
	25,977	23,968

7. (LOSS)/PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Amortisation of intangible assets	-	272
Impairment of loans receivable	-	12,100
Impairment of other receivables	877	3,972
Loss on disposal of items of property, plant and equipment	-	224
Loss on disposal of an associate	2,275	-
Foreign exchange differences, net	101	262

Notes to the Condensed Consolidated Financial Statements/

For the six months ended 30 June 2017

8. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2016: 16.5%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries (or jurisdictions) in which the Group operates.

	For the six months ended 30 June	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Current – Hong Kong		
Charge for the period	9,170	15,317
Under/(over)provision in prior years	162	(228)
Current – Elsewhere		
Charge for the period	514	131
Underprovision in prior years	19	–
Deferred	(15,266)	(8,675)
Total tax (credit)/charge for the period	(5,401)	6,545

9. DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2017 (2016: Nil).

Notes to the Condensed Consolidated Financial Statements/

For the six months ended 30 June 2017

10. (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of the basic (loss)/earnings per share amount is based on the (loss)/profit for the period attributable to owners of the Company, and the weighted average number of ordinary shares of 14,938,896,000 (2016: 14,938,896,000) in issue during the period.

No adjustment had been made to the basic (loss)/earnings per share amount presented for the six months ended 30 June 2017 and 2016 in respect of a dilution as the impact of the warrants and share options (2016: warrants) of the Company outstanding had an anti-dilutive effect on the basic (loss)/earnings per share amount presented.

The calculations of the basic and diluted (loss)/earnings per share are based on:

	For the six months ended 30 June	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
(Loss)/earnings		
(Loss)/profit for the period attributable to owners of the Company, used in the basic and diluted (loss)/earnings per share calculations	(140,527)	7,916
	Number of shares	
	2017 (unaudited)	2016 (unaudited)
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic and diluted (loss)/earnings per share calculations	14,938,896,000	14,938,896,000

11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2017, the Group acquired property, plant and equipment through additions of HK\$4,993,000 (six months ended 30 June 2016: HK\$13,934,000) in order to upgrade its operating capacities. There were no additions through acquisition of subsidiaries during the six months ended 30 June 2017 (six months ended 30 June 2016: HK\$15,057,000).

During the six months ended 30 June 2016, the Group disposed items of property, plant and equipment with a carrying amount of HK\$224,000, at nil consideration, resulting in a loss on disposal of HK\$224,000. There was no disposal of items of property, plant and equipment during the six months ended 30 June 2017.

As at 30 June 2017, the Group's building with a net carrying amount of HK\$21,919,000 (31 December 2016: HK\$22,155,000) was pledged to secure banking facilities granted to the Group.

Notes to the Condensed Consolidated Financial Statements/

For the six months ended 30 June 2017

12. ASSETS CLASSIFIED AS HELD-FOR-SALE

On 13 July 2017, a sales and purchase agreement was entered by the Group to sell Waller Holdings Limited, a wholly-owned subsidiary of the Group, and its subsidiary (the “Disposal Group”) to an Independent Third Party. A gain is expected to be derived from this transaction. Therefore, the assets of the Disposal Group were reclassified as held-for-sale as at 30 June 2017. The Disposal Group had no liabilities as at 30 June 2017.

Details of the assets of the Disposal Group as at 30 June 2017 were follows:

	30 June 2017 HK\$'000 (unaudited)	31 December 2016 HK\$'000 (audited)
Investment property (Note)	115,100	–
Prepayments, deposits and other receivables	7	–
Cash and cash equivalents	605	–
At end of the reporting period	115,712	–

Note: A portion of the investment properties with a carrying value of HK\$111,300,000 was pledged to secure banking facilities granted to the Group.

13. GOODWILL

	30 June 2017 HK\$'000 (unaudited)	31 December 2016 HK\$'000 (audited)
Cost		
At beginning of the reporting period	67,234	52,660
Acquisition of subsidiaries (note 28)	–	14,574
At end of the reporting period	67,234	67,234
Accumulated impairment		
At beginning of the reporting period	43,693	39,840
Impairment during the period	–	3,853
At end of the reporting period	43,693	43,693
Net carrying amount		
At end of the reporting period	23,541	23,541

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2017

14. INTANGIBLE ASSETS

	30 June 2017 HK\$'000 (unaudited)	31 December 2016 HK\$'000 (audited)
Cost		
At beginning and end of the reporting period	2,173	2,173
Accumulated amortisation		
At beginning of the reporting period	2,173	1,735
Amortisation during the period	-	438
At end of the reporting period	2,173	2,173
Net carrying amount		
At end of the reporting period	-	-

The intangible assets represent customers' contracts with definite useful lives and are amortised on straight-line basis over 4 years.

15. HELD-TO-MATURITY INVESTMENTS

	30 June 2017 HK\$'000 (unaudited)	31 December 2016 HK\$'000 (audited)
Unlisted debt investments	28,700	141,815
Analysed into:		
Non-current assets	13,200	126,326
Current assets	15,500	15,489
	28,700	141,815

Held-to-maturity investments represented the Group's unlisted debt investments with fixed interest rates ranging from 6.3% to 9.3% (31 December 2016: 6.3% to 10.9%) measured at amortised cost.

Notes to the Condensed Consolidated Financial Statements/

For the six months ended 30 June 2017

16. AVAILABLE-FOR-SALE INVESTMENTS

	30 June 2017 HK\$'000 (unaudited)	31 December 2016 HK\$'000 (audited)
Available-for-sale investments, at cost		
Unlisted equity investments	404,452	404,452
Unlisted fund investments	90,389	88,383
	494,841	492,835
Available-for-sale investments, at fair value		
Listed equity investments	83,490	88,550
Unlisted equity investments	7,900	7,900
Unlisted fund investments	277,227	160,350
Club debentures	12,120	12,120
	380,737	268,920
	875,578	761,755

As at 30 June 2017, unlisted equity and debt investments with an aggregate carrying amount of HK\$494,841,000 (31 December 2016: HK\$492,835,000) were stated at cost less impairment because the range of reasonable fair value estimates is so significant that the Directors are of the opinion that the fair value cannot be measured reliably. The Group does not intend to dispose these investments in the near future.

17. LOANS RECEIVABLE

	30 June 2017 HK\$'000 (unaudited)	31 December 2016 HK\$'000 (audited)
Loans receivable from:		
– Money lending business	942,597	937,878
– Securities dealing business – margin financing	1,221,221	931,488
	2,163,818	1,869,366
Less: impairment allowances	(54,705)	(54,705)
	2,109,113	1,814,661
Analysed into:		
Non-current assets	516,056	509,984
Current assets	1,593,057	1,304,677
	2,109,113	1,814,661

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2017

17. LOANS RECEIVABLE (CONTINUED)

Loans receivable arising from the money lending business of the Group bear interest at rates ranging from 1% to 18% (31 December 2016: 1% to 22%) per annum. The grants of these loans were approved and monitored by the Group's management. As at 30 June 2017, certain loans receivable with an aggregate carrying amount of HK\$309,473,000 (31 December 2016: HK\$302,591,000) and HK\$172,795,000 (31 December 2016: HK\$74,625,000) were secured by the pledge of collaterals and with personal guarantees provided by certain independent third parties, respectively.

Loans receivable arising from the margin financing business in the securities dealing segment are secured by the pledge of the customers' securities as collateral. As at 30 June 2017, the total value of securities pledged as collateral in respect of the margin receivables was HK\$2,779,049,000 (31 December 2016: HK\$3,811,015,000) based on the market value of the securities as at the end of the reporting period.

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

	30 June 2017 HK\$'000 (unaudited)	31 December 2016 HK\$'000 (audited)
Neither past due nor impaired	2,078,676	1,750,555
1 to 3 months past due	5,062	21,826
Over 3 months past due	813	4,871
	2,084,551	1,777,252

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

	30 June 2017 HK\$'000 (unaudited)	31 December 2016 HK\$'000 (audited)
At beginning of the reporting period	54,705	46,069
Impairment losses recognised	-	40,736
Provision written off as uncollectible	-	(32,100)
At end of the reporting period	54,705	54,705

Notes to the Condensed Consolidated Financial Statements/

For the six months ended 30 June 2017

17. LOANS RECEIVABLE (CONTINUED)

Included in the above provision for impairment of loans receivable was a provision for individually impaired loans receivable of HK\$54,705,000 (31 December 2016: HK\$54,705,000) with an aggregate carrying amount of HK\$79,267,000 (31 December 2016: HK\$92,114,000). The individually impaired loans receivable relate to borrowers that were in default and were not expected to be fully recoverable.

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

Loans receivable that were past due but not impaired relate to a number of independent borrowers that have a good track record and/or sufficient collateral maintained with the Group. Based on past experience, the Directors are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

As at 31 December 2016, included in the Group's loans receivable is an amount due from the Group's joint venture of HK\$4,602,000, which is repayable on terms similar to those offered to other borrowers of the Group. As at 30 June 2017, the amount due from the Group's joint venture was settled.

18. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	30 June 2017 HK\$'000 (unaudited)	31 December 2016 HK\$'000 (audited)
Deposits paid for purchase of items of property, plant and equipment	1,859	3,311
Deposit paid for a fund investment	19,619	19,619
Rental and other deposits	29,695	36,591
Other receivables	39,315	49,730
Prepaid expenses	33,300	50,009
	123,788	159,260
Impairment of other receivables	(37,706)	(36,829)
Impairment of a deposit paid for a fund investment	(19,619)	(19,619)
	66,463	102,812
Analysed into:		
Non-current assets	16,490	23,337
Current assets	49,973	79,475
	66,463	102,812

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2017

19. ACCOUNTS RECEIVABLE

	30 June 2017 HK\$'000 (unaudited)	31 December 2016 HK\$'000 (audited)
Accounts receivable from:		
Product issuers	59,343	69,754
Customers	16,337	14,990
Cash clients from securities dealing business	2,356	1,589
Product issuers, customers brokers, dealers and clearing houses	570	6,908
	78,606	93,241

The normal settlement terms of accounts receivable from product issuers arising from the provision of brokerage services are within 45 days upon the execution of the insurance policies, investment products' subscription agreements and/or receipt of statements from product issuers.

Credit terms with customers of investment advisory, funds dealing, asset management and corporate finance services are mainly 30 to 60 days or a credit period mutually agreed between the contracting parties.

Accounts receivable from cash client arising from securities dealing businesses and brokers, dealers and clearing houses arising from proprietary investments and securities dealing businesses are repayable on settlement date. The normal settlement terms of the said accounts receivable are, in general, within 2 days after the trade date.

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.

An aging analysis of the accounts receivable as at the end of the reporting period, based on the date of recognition of revenue, is as follows:

	30 June 2017 HK\$'000 (unaudited)	31 December 2016 HK\$'000 (audited)
Within 1 month	70,673	84,578
1 to 2 months	1,547	724
2 to 3 months	506	716
Over 3 months	5,880	7,223
	78,606	93,241

Notes to the Condensed Consolidated Financial Statements/

For the six months ended 30 June 2017

19. ACCOUNTS RECEIVABLE (CONTINUED)

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

	30 June 2017 HK\$'000 (unaudited)	31 December 2016 HK\$'000 (audited)
Neither past due nor impaired	72,726	86,018
Over 3 months past due	5,880	7,223
	78,606	93,241

Accounts receivable that were neither past due nor impaired relate to a number of reputable product issuers, brokers and clients for whom there was no recent history of default.

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

20. FINANCIAL INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets at fair value through profit or loss:

	30 June 2017 HK\$'000 (unaudited)	31 December 2016 HK\$'000 (audited)
<u>Long position</u>		
Financial assets at fair value through profit or loss – held for trading		
Listed equity investments	535,694	624,854
Listed debt investments	58,174	58,960
Unlisted debt investments	4,594	7,080
Unlisted fund investments	56,816	53,319
	655,278	744,213
Financial assets designated as at fair value through profit or loss		
Private equity investments	11,176	5,114
Convertible note receivables	257,551	339,518
Derivative instruments	17,897	17,112
	286,624	361,744
	941,902	1,105,957

Notes to the Condensed Consolidated Financial Statements/

For the six months ended 30 June 2017

20. FINANCIAL INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

Financial liabilities at fair value through profit or loss:

	30 June 2017 HK\$'000 (unaudited)	31 December 2016 HK\$'000 (audited)
<u>Short position</u>		
Listed equity investments	24,213	35,122

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

21. CASH HELD ON BEHALF OF CLIENTS

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

22. ACCOUNTS PAYABLE

	30 June 2017 HK\$'000 (unaudited)	31 December 2016 HK\$'000 (audited)
Accounts payable to:		
Consultants	75,786	106,466
Brokers	-	1,954
Cash held on behalf of clients from securities dealing business	133,433	286,363
Cash held on behalf of clients from asset management business	227,542	345,259
	436,761	740,042

Accounts payable to consultants arising from provision of IFA services and asset management services are generally settled within 30 days to 120 days upon receipt of payments from product issuers/fund houses by the Group.

Accounts payable to clearing house, brokers and clients arising from securities dealing business, which are repayable on settlement date. The normal settlement terms of the said accounts payable are, in general, within 2 days after the trade date.

Notes to the Condensed Consolidated Financial Statements/

For the six months ended 30 June 2017

22. ACCOUNTS PAYABLE (CONTINUED)

No aging analysis is disclosed for cash held on behalf of clients from asset management business as in the opinion of the Directors, the aging analysis does not give additional value in view of the nature of this business.

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

	30 June 2017 HK\$'000 (unaudited)	31 December 2016 HK\$'000 (audited)
Accounts payable (other than cash held on behalf of clients from asset management):		
Within 1 month/repayable on demand	187,366	369,256
1 to 2 months	2,530	20,547
2 to 3 months	4,331	3,372
Over 3 months	14,992	1,608
	209,219	394,783
Accounts payable arising from cash held on behalf of clients from asset management	227,542	345,259
	436,761	740,042

Accounts payable are non-interest-bearing.

Included in the accounts payable were commission payables totalling HK\$469,000 (31 December 2016: HK\$732,000) to the spouse, a brother and a cousin of a director of the Group's major operating subsidiary who are consultants of the Group, which are payable on terms similar to those offered to other consultants of the Group.

Notes to the Condensed Consolidated Financial Statements/

For the six months ended 30 June 2017

24. BOND PAYABLES

	30 June 2017 HK\$'000 (unaudited)	31 December 2016 HK\$'000 (audited)
Unsecured unlisted bonds, at nominal value:		
– repayable within one year	–	–
– repayable after one year but within five years	590,500	–
– repayable after five years	66,000	656,500
	656,500	656,500
Discount and issue costs	(36,554)	(40,051)
	619,946	616,449

At the end of the reporting period, particulars of the bonds issued by the Company are as follows:

Straight bond	Placing period	Maturity from issue date	Coupon rate	Effective interest rate	Principal outstanding	
					30 June 2017 HK\$'000 (unaudited)	31 December 2016 HK\$'000 (audited)
A	8 July 2014 – 7 July 2015	7th anniversary	6%	7.53%	50,000	50,000
B	16 September 2014 – 15 September 2015	7th anniversary	6%	7.53%	300,000	300,000
C	14 November 2014 – 2 July 2015	7th anniversary	9%	9.02%	16,000	16,000
D	14 January 2015 – 13 January 2016	7th anniversary	9%	9.02%	5,000	5,000
E	21 January 2015 – 20 January 2016	7th anniversary	6%	7.53%	285,500	285,500
					656,500	656,500

All bonds are unsecured and contain no conversion feature.

Notes to the Condensed Consolidated Financial Statements/

For the six months ended 30 June 2017

25. SHARE CAPITAL

	30 June 2017 HK\$'000 (unaudited)	31 December 2016 HK\$'000 (audited)
Authorised: 20,000,000,000 (31 December 2016: 20,000,000,000) ordinary shares of HK\$0.10 each	2,000,000	2,000,000
Issued and fully paid: 14,938,896,000 (31 December 2016: 14,938,896,000) ordinary shares of HK\$0.10 each	1,493,890	1,493,890

26. SHARE AWARD SCHEME

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

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

Pursuant to the rules governing the operation of the Award Scheme (the "Scheme Rules"), the board of Directors of the Company (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.

Notes to the Condensed Consolidated Financial Statements/

For the six months ended 30 June 2017

26. SHARE AWARD SCHEME (CONTINUED)

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 six months ended 30 June 2017 and 2016, no Awarded Shares were awarded to the Selected Participants and the Trustee did not acquire ordinary shares of the Company under the Award Scheme.

27. SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include Employee, business Associate and the trustee. For the purpose of this section, Employee means (i) any fulltime employee and director (including executive director, non-executive Director and independent non-executive Director or proposed executive Director, non-executive Director and independent non-executive Director) of any member of the Group; and (ii) any part-time employee with weekly working hours of 10 hours or above of the Group; and business Associate means (a) any adviser, consultant or agent (in the areas of legal, technical, financial or corporate managerial) to the Group; (b) any provider of goods and/or services to the Group; or (c) any other person who, at the sole discretion of the Board, has contributed or may contribute to the Group (the assessment criterion of which are (i) such person's contribution to the development and performance of the Group; (ii) the quality of work performed by such person for the Group; (iii) the initiative and commitment of such person in performing his or her duties; and (iv) the length of service or contribution of such person to the Group).

The Scheme became effective on 23 June 2010 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a Director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive Directors. In addition, any share options granted to a substantial shareholder or an independent non-executive Director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of grant) in excess of HK\$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

Notes to the Condensed Consolidated Financial Statements/

For the six months ended 30 June 2017

27. SHARE OPTION SCHEME (CONTINUED)

The offer of a grant of share options may be accepted within 21 days from the date of offer, upon payment of a nominal consideration of HK\$1 in total by the grantee. The exercise period and the vesting period of the share options granted are the Board's absolute discretion and determinable by the Directors, save that such period shall not be more than 10 years from the date of grant of the share options.

The exercise price of share options is determinable by the Directors, but may not be less than the higher of (i) the Stock Exchange closing price of the Company's shares on the date of offer of the share options; and (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of offer.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

At the end of the reporting period, the Company had 448,164,000 (31 December 2016: 448,164,000) share options outstanding under the Scheme. During the six months ended 30 June 2017 and 2016, no share option was granted, lapsed, forfeited or exercised.

The exercise price and exercise period of the share options outstanding as at 30 June 2017 and 31 December 2016 are HK\$0.2332 and from 24 June 2017 to 23 December 2019, respectively. The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

The Group recognised a share option expense of approximately HK\$44,730,000 (six months ended 30 June 2016: nil) during the six months ended 30 June 2017.

28. BUSINESS COMBINATIONS

For the six months ended 30 June 2017

There was no material acquisition nor disposal of subsidiaries for the six months ended 30 June 2017.

For the six months ended 30 June 2016

(A) ACQUISITION OF MAXTHREE LIMITED AND ITS WHOLLY-OWNED SUBSIDIARY ("MAX GROUP")

On 22 January 2016, the Group entered into an agreement with an Independent Third Party to acquire the entire interests in the MAX Group at a cash consideration of HK\$24,630,000. On the same date, the Group also entered into an agreement with the MAX Group to assume the loan from a director of HK\$11,790,000.

The principal activity of the MAX Group is the provision of consultancy services. The acquisition of the MAX Group was part of the Group's strategy to expand its existing money lending business.

Notes to the Condensed Consolidated Financial Statements/

For the six months ended 30 June 2017

28. BUSINESS COMBINATIONS (CONTINUED)

For the six months ended 30 June 2016 (continued)

(A) ACQUISITION OF MAXTHREE LIMITED AND ITS WHOLLY-OWNED SUBSIDIARY (“MAX GROUP”) (CONTINUED)

The fair values of the identifiable assets and liabilities of MAX Group at date of acquisition were as follows:

	HK\$'000
Property, plant and equipment	22,600
Loans receivable	2,695
Deposits and other receivables	332
Cash and bank balances	5,448
Other payables and accruals	(130)
Interest-bearing bank borrowing	(3,942)
Deferred tax liabilities	(1,304)
Total identifiable net assets at fair value	25,699
Goodwill on acquisition	10,721
	36,420
Satisfied by:	
Cash	24,630
Assumption of the loan from a director of the MAX Group	11,790
	36,420

An analysis of cash flows in respect of the acquisition of MAX Group is as follows:

	HK\$'000
Cash consideration	(36,420)
Cash and bank balances acquired	5,448
Net outflow of cash and cash equivalents included in cash flows investing activities	(30,972)

Since the acquisition, the MAX Group contributed HK\$91,000 to the Group's revenue and loss of HK\$3,684,000 to the consolidated profit for the six months ended 30 June 2016.

Had the combination taken place at the beginning of the period, the revenue of the Group and the profit of the Group for the six months ended 30 June 2016 would have been HK\$484,482,000 and HK\$4,360,000.

Notes to the Condensed Consolidated Financial Statements/

For the six months ended 30 June 2017

28. BUSINESS COMBINATIONS (CONTINUED)

For the six months ended 30 June 2016 (continued)

(B) ACQUISITION OF ZEED ASIA TECHNOLOGY LIMITED ("ZAT")

On 31 March 2016, the Group completed the acquisition of the entire interests in ZAT and assumed its shareholder's loan from an Independent Third Party at an aggregate consideration of HK\$6,200,000.

ZAT was primarily engaged in the provision of internet financial platform and solutions. The acquisition was made as part of the Group's strategy to develop the existing asset management business through the provision of internet financial platform and solutions.

The fair values of the identifiable assets and liabilities of ZAT at date of acquisition were as follows:

	HK\$'000
Property, plant and equipment	359
Prepayments, deposits and other receivables	2,070
Cash and bank balances	5
Other payables and accruals	(87)
Total identifiable net assets at fair value	2,347
Goodwill on acquisition	3,853
Satisfied by cash consideration	6,200

29. CAPITAL COMMITMENTS

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

	30 June 2017 HK\$'000 (unaudited)	31 December 2016 HK\$'000 (audited)
Contracted, but not provided for:		
Capital investments in available-for-sale investments	94,920	205,298

Notes to the Condensed Consolidated Financial Statements/

For the six months ended 30 June 2017

30. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances detailed elsewhere in the Interim Financial Statements, the Group had the following material transactions with related parties during the period:

(A) TRANSACTIONS WITH RELATED PARTIES IN ORDINARY COURSE OF BUSINESS:

	Notes	For the six months ended 30 June	
		2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Commission expenses paid by Convoy Financial Services Limited ("CFS") to:			
Spouse of Mr. Shin Kin Man	(i)	1,070	557
Brother of Mr. Shin Kin Man	(i)	893	1,075
Cousin of Mr. Shin Kin Man	(i)	4,058	3,049
Commission expenses paid by CAM to:			
Spouse of Mr. Shin Kin Man	(ii)	260	237
Brother of Mr. Shin Kin Man	(ii)	102	67
Cousin of Mr. Shin Kin Man	(ii)	338	300
Rental and related expenses (management charges) paid to Great Felicity Limited ("GFL")	(iii)	4,077	2,614

Notes:

- (i) The commission expenses were paid to three close family members of Mr. Shin Kin Man, who are related parties of the Company and also the consultants of CFS, an operating subsidiary of the Group. The commission expenses were determined based on the volume of insurance and MPF brokerage transactions executed by them for the account of CFS. The commissions offered are charged pursuant to the terms in the agreements signed between the Group and the three close family members of Mr. Shin Kin Man.
- (ii) The commission expenses were paid to three close family members of Mr. Shin Kin Man, who are related parties of the Company and also licensed representatives of CAM, an operating subsidiary of the Group. The commission expenses were determined based on the volume of funds dealing and securities brokerage transactions executed by them for the account of CAM. The commission offered are charged pursuant to the terms in the agreements signed between the Group and the three close family members of Mr. Shin Kin Man.
- (iii) Rental and related expenses (management charges) were paid to GFL, a related company indirectly wholly-owned by a shareholder of the Company. The terms and conditions associated with the rental and related services were made according to the terms and conditions offered to the external customers of GFL.

Notes to the Condensed Consolidated Financial Statements/

For the six months ended 30 June 2017

30. RELATED PARTY TRANSACTIONS (CONTINUED)

(B) COMPENSATION OF KEY MANAGEMENT PERSONNEL OF THE GROUP:

	For the six months ended 30 June	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Fees, salaries, allowances, bonuses and benefits in kind	10,100	11,242
Pension scheme contributions	722	708
Total compensation paid to key management personnel	10,822	11,950

31. PLEDGE OF ASSETS

Details of the Group's bank loans, which are secured by assets of the Group, are included in note 23 to the Interim Financial Statements.

At the end of each reporting period, the balance of pledged bank deposit represented deposit that has been pledged to secure overdraft facility granted to a subsidiary of the Company.

32. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS FINANCIAL INSTRUMENTS NOT MEASURED AT FAIR VALUE

Liquid and fixed rate financial instruments include cash and cash equivalents, pledged bank deposit, restricted cash, loans receivable, accounts receivable, accounts payable, interest-bearing bank and other borrowings, held-to-maturity investments, deposits, other receivables and financial liabilities included in other payables and accruals are carried at amortised cost based on prevailing market interest rates or current interest rates offered for similar financial instruments appropriate for the remaining term to maturity. The carrying amounts of such financial instruments are not materially different from their fair values.

Certain available-for-sale investments are measured at cost because the range of reasonable fair value estimates is so significant that the Directors of the Company are of the opinion that the fair value cannot be measured reliably.

The fair values of the bonds have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for the bonds is assessed to be insignificant. The carrying amounts are not significantly different from their respective fair values.

Notes to the Condensed Consolidated Financial Statements/

For the six months ended 30 June 2017

32. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED) FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

The Level 1 and Level 2 fair values of financial assets are measured by reference to quoted market prices and brokers' quotes, respectively. Level 2 investments include positions that are not traded in active markets and/or subject to transfer restrictions, valuation may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information.

The Group has engaged independent professionally qualified valuers to perform the valuation of certain financial instruments in Level 3 for financial reporting purposes or by reference to recent transaction price of certain investments.

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

ASSETS MEASURED AT FAIR VALUE:

	Fair value measurement using			Total HK\$'000
	Quoted prices in active markets (Level 1) HK\$'000	Significant observable inputs (Level 2) HK\$'000	Significant unobservable inputs (Level 3) HK\$'000	
At 30 June 2017 (unaudited)				
Available-for-sale investments	95,610	3,354	281,773	380,737
Financial investments at fair value through profit or loss	593,867	48,105	299,930	941,902
	689,477	51,459	581,703	1,322,639
At 31 December 2016 (audited)				
Available-for-sale investments	100,670	4,375	163,875	268,920
Financial investments at fair value through profit or loss	683,814	46,797	375,346	1,105,957
	784,484	51,172	539,221	1,374,877

During the six months ended 30 June 2017, there were no transfers of the Group's fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for the Group's financial assets (year ended 31 December 2016: Nil).

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2017

32. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

The movements in fair value measurements within Level 3 during the period/year are as follows:

	For the six months ended 30 June 2017 HK\$'000 (unaudited)	For the year ended 31 December 2016 HK\$'000 (audited)
Available-for-sale investments – unlisted:		
At beginning of the reporting period	163,875	329,552
Transfer to investment in associate during the year	–	(239,654)
Investments made during the period	154,849	73,024
Redemption during the period	(39,158)	(500)
Fair value changes recognised through other comprehensive income	2,207	12,771
Fair value changes recognised in profit or loss	–	(11,318)
At end of the reporting period	281,773	163,875
Financial assets at fair value through profit or loss – unlisted:		
At beginning of the reporting period	375,346	63,811
Investments made during the period	–	320,582
Fair value changes during the period	(75,416)	37,168
Transfer to Level 1 during the period	–	(46,215)
At end of the reporting period	299,930	375,346

LIABILITIES MEASURED AT FAIR VALUE:

	Fair value measurement using			Total HK\$'000
	Quoted prices in active markets (Level 1) HK\$'000	Significant observable inputs (Level 2) HK\$'000	Significant unobservable inputs (Level 3) HK\$'000	
At 30 June 2017 (unaudited)				
Financial liabilities at fair value through profit or loss	(24,213)	–	–	(24,213)
At 31 December 2016 (audited)				
Financial liabilities at fair value through profit or loss	(35,122)	–	–	(35,122)

During the period, there were no transfers of the Group's fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for the Group's financial liabilities (year ended 31 December 2016: Nil).

Notes to the Condensed Consolidated Financial Statements/

For the six months ended 30 June 2017

32. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

Below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at 30 June 2017 and 31 December 2016:

Financial instruments	Valuation technique	Significant unobservable input	Percentage of ratio range	Sensitivity of fair value to the input
Unlisted equity investments	Recent transaction price	Not applicable	Not applicable	Not applicable
	Market comparable companies	EBITDA multiple	4.6x to 10.6x	5% increase in EBITDA multiple would result in increase in fair value by HK\$226,000
		Discount for lack of marketability	20% to 40%	5% increase in the discount rate for lack of marketability would result in decrease in fair value by HK\$409,000
		Control premium	20%	5% increase in rate of control premium would result in increase in fair value by HK\$48,000
Derivative financial instruments	Binomial pricing model	Volatility of comparable companies	42.73%	5% increase in volatility rate would result in decrease in fair value by HK\$34,000
Unlisted investments in funds	Net asset value	Not applicable	Not applicable	Not applicable
Unlisted convertible notes	Binomial pricing model	Volatility	48.41% to 105.94% (31 December 2016: 48.41% to 84.57%)	5% increase in volatility rate would result in increase in fair value by HK\$766,000 (31 December 2016: HK\$345,000)

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2017

32. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

ASSETS FOR WHICH FAIR VALUES ARE DISCLOSED:

The following table illustrates the fair value measurement hierarchy of the Group's investment properties and assets classified as held-for-sale:

	Fair value measurement using			Total HK\$'000
	Quoted prices in active markets (Level 1) HK\$'000	Significant observable inputs (Level 2) HK\$'000	Significant unobservable inputs (Level 3) HK\$'000	
At 30 June 2017 (unaudited)				
Investment properties:				
Commercial properties	–	–	61,100	61,100
Assets classified as held-for-sale:				
Commercial properties	–	–	111,300	111,300
Car parking spaces	–	–	3,800	3,800
	–	–	115,100	115,100
Total	–	–	176,200	176,200

At 31 December 2016 (audited)

Investment properties:				
Commercial properties	–	–	172,400	172,400
Car parking spaces	–	–	3,800	3,800
	–	–	176,200	176,200

During the six months ended 30 June 2017, there were no transfers of fair value measurements between Level 1 and Level 2 (year ended 31 December 2016: Nil) and no transfers into or out of Level 3 (year ended 31 December 2016: a transfer of fair value measurements of HK\$63,922,000 from Level 2 to Level 3). A reconciliation of fair value measurements categorised within Level 3 of the fair value hierarchy is as follows:

	Commercial properties HK\$'000	Car parking spaces HK\$'000	Total HK\$'000
Carrying amount at 1 January 2016	–	–	–
Transfer from Level 2	63,922	–	63,922
Additions (from acquisition)	117,941	2,831	120,772
Net (loss)/gain from a fair value adjustment recognised in other expenses in profit or loss	(9,463)	969	(8,494)
Carrying amount at 31 December 2016, 1 January 2017 and 30 June 2017	172,400	3,800	176,200

Notes to the Condensed Consolidated Financial Statements/

For the six months ended 30 June 2017

32. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

Below is a summary of the valuation techniques used and the key inputs to the valuation of investment properties as at 30 June 2017 and 31 December 2016:

Investment properties	Valuation techniques	Significant unobservable inputs	Range
Commercial properties	Market comparison method	Price per square foot	HK\$10,294 to HK\$18,691
Car parking spaces	Market comparison method	Price per unit	HK\$1,900,000 to HK\$2,000,000

A significant increase/(decrease) in price per square foot and price per unit in isolation would result in a significant increase/(decrease) in the fair value of the investment properties. The investment properties are valued by the market comparison method having regard to comparable sales transactions as available in the relevant market. The valuations take into account the characteristics of the properties which included the location, size, floor/level, year of completion and other factors collectively.

33. SIGNIFICANT EVENT AFTER THE END OF THE REPORTING PERIOD

On 13 July 2017, a sales and purchase agreement was entered by the Group to sell Waller Holdings Limited, a wholly-owned subsidiary of the Group, and its subsidiary (the "Disposal Group") to an Independent Third Party. A gain is expected to be derived from this transaction. Therefore, the assets of the Disposal Group were reclassified as held-for-sale as at 30 June 2017. The Disposal Group had no liabilities as at 30 June 2017. Further details are set out in an announcement of the Company dated 13 July 2017.

The disposal of the Disposal Group was completed on 14 August 2017.

Additional Information/

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

As at 30 June 2017, so far as the Directors are aware, the interests or short positions of the Directors or chief executives in Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the 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, are as follows:

Name of Directors or chief executive	Capacity	Long/Short position	Class of Shares	Number of Shares held	Approximate percentage of the issued share capital
Wong Lee Man	Beneficial owner	Long position	Share option	149,388,000	1.00%
Cho Kwai Chee (Note)	Interests of a controlled corporation	Long position	Ordinary shares	30,000,000	0.20%

Note: Dr. Cho Kwai Chee holds 100% interest in Wonderful Bright Limited which holds 30,000,000 Shares. By virtue of the SFO, Dr. Cho Kwai Chee is deemed to be interested in these 30,000,000 Shares.

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 2017, so far as the Directors are aware, the following corporations had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Name of shareholder	Capacity	Long/Short position	Number of Shares held	Approximate percentage of the issued share capital
Eagle Legacy Limited	Beneficial owner	Long position	2,240,000,000	14.99%
Oceana Glory Limited	Beneficial owner	Long position	2,240,000,000	14.99%
Classictime Investments Limited (Note 1)	Beneficial owner	Long position	1,483,788,000	9.93%
Jun Yang Financial Holdings Limited (Note 1)	Interests of a controlled corporation	Long position	1,483,788,000	9.93%
Ever Robust Holdings Limited (Note 2)	Beneficial owner	Long position	1,361,104,000	9.11%
Interactive Entertainment China Cultural Technology Investments Limited (Note 2)	Interests of a controlled corporation	Long position	1,361,104,000	9.11%
GET Holdings Limited (Note 3)	Interests of a controlled corporation	Long position	747,806,000	5.01%
Lucky Famous Limited (Note 3)	Interests of a controlled corporation	Long position	747,806,000	5.01%
Perfect Growth Limited (Note 3)	Beneficial owner	Long position	747,806,000	5.01%

Additional Information/

Notes:

1. The entire issued share capital of ClassicTime Investments Limited is directly beneficially owned by Jun Yang Financial Holdings Limited. By virtue of the SFO, Jun Yang Financial Holdings Limited is deemed to have interest in 1,483,788,000 Shares owned by ClassicTime Investments Limited.
2. The entire issued share capital of Ever Robust Holdings Limited is indirectly beneficially owned by Interactive Entertainment China Cultural Technology Investments Limited. By virtue of the SFO, Interactive Entertainment China Cultural Technology Investments Limited is deemed to have interest in 1,361,104,000 Shares owned by Ever Robust Holdings Limited.
3. The entire issued share capital of Perfect Growth Limited is directly beneficially owned by Lucky Famous Limited, which in turn is indirectly beneficially owned by GET Holdings Limited. By virtue of the SFO, GET Holdings Limited and Lucky Famous Limited are deemed to have interest in 747,806,000 Shares owned by Perfect Growth Limited.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30 June 2017, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

SHARE OPTION SCHEME

The share options granted as disclosed in the announcement of the Company dated 15 November 2016 entitled the relevant grantees to subscribe for an aggregate 448,164,000 new shares of HK\$0.1 each in the share capital of the Company. Detail of movements of the options granted to the Directors and employees under the share option scheme of the Company (the "Share Option Scheme") for the six months ended 30 June 2017 are as follows:

Category and name of grantee	Outstanding at 1 January 2017	Outstanding at 30 June 2017	Exercise price per share	Date of grant	Exercise period
Director					
Mr. Wong Lee Man	149,388,000	149,388,000	HK\$0.2332	24 December 2016	24 June 2017 to 23 December 2019
Employees of the Group	298,776,000	298,776,000	HK\$0.2332	24 December 2016	24 June 2017 to 23 December 2019
Total	448,164,000	448,164,000			

During the six months ended 30 June 2017, no share options were granted, exercised, cancelled or lapsed by the Company under the Share Option Scheme. Details of the Share Option Scheme are disclosed in note 27 to the Interim Financial Statements.

SHARE AWARD SCHEME

The Company's share award scheme (the "Award Scheme") was adopted pursuant to a resolution passed on 25 January 2011 for the primary purpose of recognising the contributions by certain selected participants and giving incentives thereto in order to retain them for the continual operation and development of the Group and attracting suitable personnel for further development of the Group. Details of the Award Scheme are disclosed in note 26 to the Interim Financial Statements.

Additional Information/

CORPORATE GOVERNANCE PRACTICES

The Directors recognise the importance of good corporate governance in the management of the Group. During the six months ended 30 June 2017, the Company has complied with the code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules, save as explained below:

Code provision A.2.1 stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing.

The Company did not have a designated chief executive officer and the day-to-day management of the Group's business has been handled by the executive Directors collectively. The Board believes that the arrangement is adequate to ensure an effective management and control of the Group's business operations. Throughout the six months ended 30 June 2017, the Board also reviewed the Group structure and assessed whether any changes needed, including the appointment of a chief executive officer.

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 2017.

CHANGE OF DIRECTORS AND COMPOSITION OF BOARD COMMITTEES

With effect from 15 February 2017, Ms. Chan Lai Yee has been appointed as an executive Director.

With effect from 9 March 2017, Dr. Cho Kwai Chee has been appointed as an executive Director.

With effect from 9 March 2017, Mr. Mak Ka Wing, Patrick has been appointed as an independent non-executive Director.

CHANGE OF INFORMATION OF DIRECTORS

Mr. Chan Ngai Sang, Kenny was appointed as an independent non-executive director of Minsheng Education Group Company Limited (stock code: 1569) since March 2017 and an independent non-executive director of Zhongyuan Bank Co., Ltd. (stock code: 1216) since May 2017. He has resigned as an independent non-executive director of AMCO United Holding Limited (stock code: 630) since August 2017.

Ms. Fong Sut Sam was appointed as a trustee of the HKSAR Lord Wilson Heritage Trust since April 2017, a committee member of the HKSAR Sir Murray Macle hose Trust Fund Investment Advisory Committee since July 2017 and a director of the Social Ventures (Hong Kong) (SVhk) since August 2017.

Additional Information/

Mr. Mak Ka Wing, Patrick was appointed as an independent non-executive director of Far East Holdings International Limited (stock code: 0036) since July 2017.

Mr. Ma Yiu Ho, Peter has resigned as an independent non-executive director and chairman of audit committee of Huisheng International Holdings Limited (stock code: 1340) since July 2017.

AUDIT COMMITTEE

The Company established the Audit Committee on 23 June 2010 with written terms of reference in compliance with the Listing Rules. The Audit Committee which comprises of three independent non-executive Directors, namely Mr. Ma Yiu Ho, Peter (the chairman of the Audit Committee), Mr. Chan Ngai Sang, Kenny and Mr. Pun Tit Shan have reviewed with the management of the Company the financial statements of the Group for the six months ended 30 June 2017 and discussed with the management of the Company, the internal control and financial reporting matters including the review of the interim report of the Group for the six months ended 30 June 2017.

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend in respect of the six months ended 30 June 2017 (2016: Nil).

On behalf of the Board

Convoy Global Holdings Limited

Wong Lee Man

Chairman

22 August 2017

Definitions/

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

“Board” or “Board of Directors”	means	the board of Directors as at the date of this interim report
“CAM”	means	Convoy Asset Management Limited, a company incorporated in Hong Kong with limited liability on 24 November 1999 and is licensed by the SFC to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the SFO
“CCHK”	means	Convoy Capital Hong Kong Limited, a company incorporated in Hong Kong with limited liability on 11 October 2011 and is licensed by the SFC to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
“Company” or “our Company”	means	Convoy Global 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
“EBITDA”	means	earnings before interest, tax, depreciation and amortisation
“ECA”	means	the Employee Choice Arrangement of MPF
“Group”, “we”, “us” or “Convoy”	means	the Company and its subsidiaries
“HK\$”	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
“ICO”	means	the Insurance Companies Ordinance (Chapter 41 of the Laws of Hong Kong) as amended and supplemented from time to time
“IFA”	means	independent financial advisory
“ILAS”	means	the acronym for Investment-linked Assurance Scheme, an insurance policy of the “linked long term” class as defined in First Schedule, Part 2 of the ICO

Definitions/

“Independent Third Party”	means	independent third party who is not connected person (as defined in the Listing Rules) of the Company and is independent of and not connected with the connected persons of the Company
“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
“MPF”	means	Mandatory Provident Fund
“Nutmeg”	means	Nutmeg Saving and investment Limited
“PRC”	means	the People’s Republic of China
“SFC”	means	Securities and Futures Commission
“SFO”	means	The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	means	ordinary share(s) with a nominal value of HK\$0.10 each in the share capital of our Company
“Stock Exchange”	means	The Stock Exchange of Hong Kong Limited
“%”	means	percent

CONVOY  康宏