Cowell e Holdings Inc.
高偉電子控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1415

Annual Report 2014

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Contents

Corporate Information

COMPANY NAME

Cowell e Holdings Inc.

PLACE OF LISTING OF SHARES

The Stock Exchange of Hong Kong Limited

STOCK CODE

1415

STOCK NAME

Cowell

BOARD OF DIRECTORS

Executive Directors

Mr. Kwak Joung Hwan
Mr. Kim Kab Cheol
Mr. Seong Seokhoon

Non-executive Directors

Mr. Yoon Yeo Eul
Mr. Lee Dong-Chun
Mr. Kim Jae Min

Independent Non-executive Directors

Mr. Okayama Masanori
Mr. Kim Chan Su
Dr. Song Si Young

COMPANY SECRETARY

Ms. Lam Wing Yan

AUTHORIZED REPRESENTATIVES

Mr. Seong Seokhoon
Ms. Lam Wing Yan

AUDIT COMMITTEE

Mr. Kim Chan Su *(Chairman)*
Dr. Song Si Young
Mr. Okayama Masanori

REMUNERATION COMMITTEE

Dr. Song Si Young *(Chairman)*
Mr. Kim Chan Su
Mr. Seong Seokhoon

NOMINATION COMMITTEE

Mr. Kwak Joung Hwan *(Chairman)*
Dr. Song Si Young
Mr. Kim Chan Su

REGISTERED OFFICE

PO Box 309
Ugland House
Grand Cayman
KY1-1104
Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

No. 1 Songbai Road
Huanan Industrial Zone
Liaobu Town
Dongguan City
Guangdong Province
PRC

Corporate Information

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suite 3208-9
32/F, Tower 6
The Gateway
9 Canton Road
Tsimshatsui
Kowloon

AUDITOR

KPMG
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

COMPLIANCE ADVISOR

Guotai Junan Capital Limited
27/F, Low Block
Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER AGENT

Maples Fund Services (Cayman) Limited
PO Box 1093
Boundary Hall
Cricket Square
Grand Cayman
KY1-1102
Cayman Islands

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712–1716
17/F, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

PRINCIPAL BANKERS

Hong Kong and Shanghai Banking Corporation

Australia and New Zealand Banking Group Limited

COMPANY WEBSITE

www.cowelleholdings.com

PUBLIC RELATIONS CONSULTANT

Strategic Public Relations Group Limited
Unit A, 29/F., Admiralty Centre I,
18 Harcourt Road, Hong Kong

Chairman's Statement

Dear Shareholders,

On behalf of Cowell e Holdings Inc., I am proud to present our key milestones and achievements for the financial year ended December 31, 2014.

Benefiting from increased sales performance of our camera modules, we have been able to report record-high revenue and net profit for four consecutive years. For the year ended December 31, 2014, our revenue increased to US$886.5 million, 8.9% higher than that of 2013, and we recorded a net profit of US$53.2 million, also an increase of 6.0% compared to the prior year.

On the back of the continued growth of mobile devices, we continue to focus on developing innovative technology designs and improving our production efficiencies to meet the ever-changing needs and rising expectations of our customers. We have well-established relationships with three of the largest global mobile device brands, each with a dominant market share and a track record of technology and product innovation.

Our strategic objective is to enhance our position as a major manufacturer of camera modules. To achieve this objective, we intend to continue to provide strong technology and product development expertise, manufacturing execution and customer service in order to strengthen our relationships with our major customers and to grow our business. We also seek to increase our penetration of the camera modules market by expanding our product portfolio from primarily fixed-focus camera modules to a variety of high-end camera modules.

We will continue to recruit executives with professional expertise and experience to strengthen our management team. I am confident that the management team will continue to execute our strategies and deliver our innovative solutions for continued growth, building on the solid base that has already been established.

Finally, I am grateful to all our staff and management for their hard work through the year. On behalf of the Company, I would also like to thank all our shareholders. We look forward to their continued support. As always, my sincere appreciation goes to our Board members for their contribution and invaluable guidance during the year.

Mr. Kwak Joung Hwan
Chairman

Management Discussion and Analysis

BUSINESS REVIEW

Cowell e Holdings Inc. (the "Group" or the "Company") is a major supplier of camera modules for mobile devices. The Group primarily engages in the design, development, manufacture and sale of a variety of camera modules that serve as critical components for smartphones, multimedia tablets and other mobile devices with camera functions. Customers for the Group's camera modules include some of the leading mobile device manufacturers in the world and are Apple, LG Electronics and Samsung Electronics. The Group also designs, develops, manufactures and sells optical components used in a number of consumer electronics products. Major customers for the Group's optical components include Optis (which is a supplier of electronic components to Samsung Electronics and Toshiba) and subsidiaries or affiliates of leading global electronics companies such as Samsung Electronics, LG Electronics and Hitachi.

The Group believes that the Group's state-of-the-art manufacturing facilities, engineering capabilities, technical expertise and accumulated know-how in manufacturing camera modules and optical components, as well as the Group's strong relationships with the Group's customers, will continue to differentiate the Group as a provider of high-performance and cost-effective camera modules and optical components, and position the Group to take advantage of attractive growth opportunities. The Group operates two production facilities at Hengkeng and Huanan in Dongguan, PRC, where The Group is able to take advantage of a high-quality labor force, extensive infrastructure for the Group's operations, and a strategic location to facilitate the transportation of products to the Group's customers. In 2014, the Group sold approximately 193.4 million units of camera modules and approximately 256.0 million units of optical components, compared to approximately 197.6 million units of camera modules and approximately 239.0 million units of optical components in 2013. The Group's turnover amounted to US$813.9 million in 2013 and US$886.5 million in 2014. The Group recorded a profit for the year of US$50.2 million in 2013 and US$53.2 million in 2014. The Group had total assets of US$505.9 million and total equity of US$192.4 million as of December 31, 2014, compared to total assets of US$400.2 million and total equity of US$139.9 million as of December 31, 2013. During 2014, the Group began producing a new model of flip-chip camera modules for a major customer, and also commenced commercial production of blue filters, which contributed to the Group's growth.

Management Discussion and Analysis

OUTLOOK AND FUTURE STRATEGIES

The Group intends to continue to provide strong technology and product development expertise, manufacturing execution and customer service in order to strengthen the Group's relationships with the Group's major customers and to grow the Group's business with them. The Group plans to maximize benefits from key mobile device products introduced by the Group's largest customers and aim to expand the Group's share of their demand for camera modules. The Group is also seeking to increase the Group's penetration of the camera modules market by expanding the Group's product portfolio from primarily fixed-focus camera modules to a variety of high-end camera modules. In addition, the Group aims to produce higher resolution camera modules, which the Group believes will help the Group achieve higher profit margins.

Furthermore, the Group intends to work with the Group's customers to develop camera module solutions for new product introductions. These new products may be improvements in existing categories which the Group currently does not serve or enable the creation of new market segments. The Group also intends to develop and manufacture components which may be used in camera modules, including advanced IR cut filters, and other optical components which provide synergistic value. In addition, the Group intends to continue to enhance and expand the Group's flip-chip and COB technologies and manufacturing capabilities and production capacity to align the Group's camera module solutions with expected customer requirements. The Group also aims to continuously enhance the Group's operational efficiency by improving the Group's manufacturing technologies and processes, which can lead to increased productivity, higher production yields and reduced costs.

Since December 31, 2014, the Group did not experience any significant change of pricing policy for the Group's products and there was no material change in the unit cost of the Group's components and materials. Furthermore, as far as the Group is aware, since December 31, 2014, there has been no material adverse change in the Group's business, profitability or financial condition or in market conditions in the camera modules industry.

Management Discussion and Analysis

RESULTS OF OPERATIONS

The following table sets forth a summary, for the periods indicated, of the Group's consolidated results of operations.

	Year ended December 31,		Changes	
	2014	2013	**Amount**	**%**
	(US$ in millions, except percentages)			
Turnover	**886.5**	813.9	72.6	8.9%
Cost of Sales	**(774.4)**	(710.7)	63.7	9.0%
Gross profit	**112.1**	103.2	8.9	8.6%
Other revenue	**2.0**	1.3	0.7	50.8%
Other net income/(loss)	**0.2**	(1.1)	1.3	N.A.*
Selling and distribution expenses	**(6.5)**	(5.9)	0.6	10.0%
Administrative expenses	**(37.2)**	(28.5)	8.7	30.3%
Profit from operations	**70.6**	69.0	1.6	2.5%
Finance costs	**(3.1)**	(5.2)	(2.1)	(39.8)%
Profit before taxation	**67.5**	63.8	3.7	5.9%
Income tax	**(14.3)**	(13.6)	0.7	5.6%
Profit for the year	**53.2**	50.2	3.0	6.0%
Other comprehensive income				
Exchange difference on translation of financial statements of overseas subsidiaries	**(0.5)**	3.3	(3.8)	N.A.*
Remeasurement of net defined benefit liability	**(0.1)**	0.0	(0.1)	N.A.*
Total comprehensive income for the year	**52.6**	53.5	(0.9)	(1.7)%

* N.A. means not applicable.

Turnover

The following table presents a breakdown of the Group's turnover by product type and changes therein for the periods indicated.

	Year ended December 31,		Changes	
	2014	2013	**Amount**	**%**
	(US$ in millions, except percentages)			
Turnover				
Camera modules	**874.4**	802.8	71.6	8.9%
Flip-chip	**646.8**	588.5	58.3	9.9%
COB	**227.6**	214.3	13.3	6.2%
Optical components	**12.1**	11.1	1.0	9.0%
Total	**886.5**	813.9	72.6	8.9%

Management Discussion and Analysis

The Group's turnover increased by 8.9% from US$813.9 million in 2013 to US$886.5 million in 2014. This increase was primarily due to an increase in turnover of US$71.6 million from sales of camera modules.

Camera Modules. Turnover from sales of camera modules increased by 8.9% from US$802.8 million in 2013 to US$874.4 million in 2014, principally as a result of a 9.9% increase in turnover from sales of flip-chip camera modules from US$588.5 million in 2013 to US$646.8 million in 2014, due mainly to the commencement of production of new models of flip-chip camera modules with higher average selling prices in the second half of 2014, in line with the launch of a new mobile phone product by a major customer. Such increase was further enhanced by a 6.2% increase in turnover from sales of COB camera modules from US$214.3 million in 2013 to US$227.6 million in 2014, mainly due to increases in sales to LG Electronics and Samsung Electronics. The effect of such increases was offset in part by a 2.1% decrease in the volume of camera modules produced, primarily due to a decrease in orders for older models of flip-chip camera modules.

Optical Components. Turnover from sales of optical components increased by 9.0% from US$11.1 million in 2013 to US$12.1 million in 2014, primarily due to a 7.1% increase in the number of units sold from 239.0 million units in 2013 to 256.0 million units in 2014, mainly reflecting new sales of blue filters, which the Group commenced producing commercially in April 2014. The average selling price of the Group's optical components remained relatively constant at US$0.047 during 2013 and 2014.

Cost of Sales

The following table presents a breakdown of the Group's cost of sales and changes therein for the periods indicated.

	Year ended December 31,		Changes	
	2014	2013	**Amount**	**%**
	(US$ in millions, except percentages)			
Cost of Sales				
Costs of components and materials				
CMOS image sensors	**294.0**	239.2	54.8	22.9%
PCBs	**117.0**	124.1	(7.1)	(5.7)%
Lenses/lens holders	**139.1**	122.8	16.3	13.3%
HTCC boards	**30.8**	40.0	(9.2)	(23.0)%
Others	**96.1**	84.9	11.2	13.2%
	677.0	611.0	66.0	10.8%
Manufacturing costs				
Labor costs	**46.2**	51.9	(5.7)	(11.0)%
Supplies	**28.4**	16.8	11.6	168.7%
Depreciation and amortization	**12.6**	10.6	2.0	19.1%
Utilities	**7.5**	7.1	0.4	6.5%
Others	**11.3**	4.7	6.6	137.3%
	106.0	91.1	14.9	16.2%
Others(1)	**(8.6)**	8.6	(17.2)	N.A.*
Total	**774.4**	710.7	63.7	9.0%

* N.A. means not applicable.

(1) includes changes in closing inventory and valuation losses.

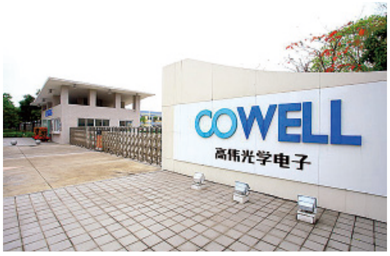
Management Discussion and Analysis

Cost of sales increased by 9.0% from US$710.7 million in 2013 to US$774.4 million in 2014, primarily as a result of an increase in costs of components and materials. Costs of components and materials increased by 10.8% from US$611.0 million in 2013 to US$677.0 million in 2014, primarily as a result of a 22.9% increase in the cost of CMOS image sensors from US$239.2 million in 2013 to US$294.0 million in 2014, mainly due to a 26.5% increase in their average unit price, and a 13.3% increase in the cost of lenses and lens holders from US$122.8 million in 2013 to US$139.1 million in 2014, mainly due to a 16.6% increase in their average unit price. Such increases in the average unit price of CMOS image sensors and lenses and lens holders used by the Group resulted mainly from the fact that the new flip-chip camera modules the Group began producing in the second half of 2014 have specifications for higher quality components. Such increases were partially offset by a 23.0% decrease in the cost of HTCC boards from US$40.0 million in 2013 to US$30.8 million in 2014, mainly due to a 20.7% decrease in their average unit price, and a 5.7% decrease in the cost of PCBs from US$124.1 million in 2013 to US$117.0 million in 2014, mainly due to a 3.0% decrease their average unit price. Such decreases in the average unit price of HTCC boards and PCBs used by the Group mainly reflected improved price terms negotiated between the Group's major customers and the Group's suppliers for such components and materials. Cost of sales as a percentage of turnover increased from 87.3% in 2013 to 87.4% in 2014 primarily due to a higher rate of increase in costs of components and materials, compared to the 8.9% increase in turnover.

The higher rate of increase in the Group's costs of components and materials resulted mainly from the short-term decrease in production yields during the period of adjustment typically associated with the implementation of new technology and production processes, which was required for the new flip-chip camera modules the Group began producing in the second half of 2014.

Gross Profit and Gross Margin

As a result of the cumulative effect of the factors described above, the Group's gross profit increased by 8.6% from US$103.2 million in 2013 to US$112.1 million in 2014. Gross margin, which represents gross profit as a percentage of turnover, decreased from 12.7% in 2013 to 12.6% in 2014, as a 9.0% increase in cost of sales outpaced an 8.9% increase in turnover. Such decrease in the Group's gross margin mainly reflected the short-term decrease in production yields during the period of adjustment typically associated with the implementation of new technology and production processes, which was required for the new flip-chip camera modules the Group began producing in the second half of 2014. The Group made significant progress in resolving such issues with the implementation of new technology and production processes for the new flip-chip camera modules, and achieved the Group's target production yield for mass production in October 2014.



Management Discussion and Analysis

Other Revenue

Other revenue increased by 50.8% from US$1.3 million in 2013 to US$2.0 million in 2014, primarily due to a US$0.5 million, or a 115.0%, increase in government subsidies, which represents awards the Group receives occasionally from the local government in recognition of the Group's contribution to the regional economy and are conditioned upon the amount of exports that the Group's PRC subsidiary achieves during the period of award consideration, from US$0.4 million in 2013 to US$0.9 million in 2014. Such increase was further enhanced by a write-off of trade payables of US$0.2 million in 2014, compared to no such write-offs in 2013, as the Group wrote off certain payables in 2014 whose payment terms had passed the statute of limitations under applicable law, due to reasons such as dissolution of the payee or the payee not requiring payment from the Group as the payables related to sample production materials for testing.

Other Net Income/(Loss)

The Group recorded other net loss of US$1.1 million in 2013, while the Group recorded other net income of US$0.2 million in 2014, primarily due to a net foreign exchange loss of US$1.1 million in 2013, compared to a net foreign exchange gain of US$0.7 million in 2014. The net foreign exchange gain in 2014 resulted mainly from a general depreciation of the U.S. dollar against Korean Won during such period, while the net foreign exchange loss in 2013 resulted mainly from a general depreciation of the U.S. dollar against the Renminbi during such period. The Group generally does not use any forward exchange contracts or other derivative instruments to hedge against fluctuations in currency exchange rates applicable to us. Such net foreign exchange gain in 2014 was partially offset by a US$0.3 million increase in net loss on disposal of plant and equipment from 2013 to 2014, mainly as a result of the sale of certain unnecessary equipment based on the Group's annual review of assets.

Selling and Distribution Expenses

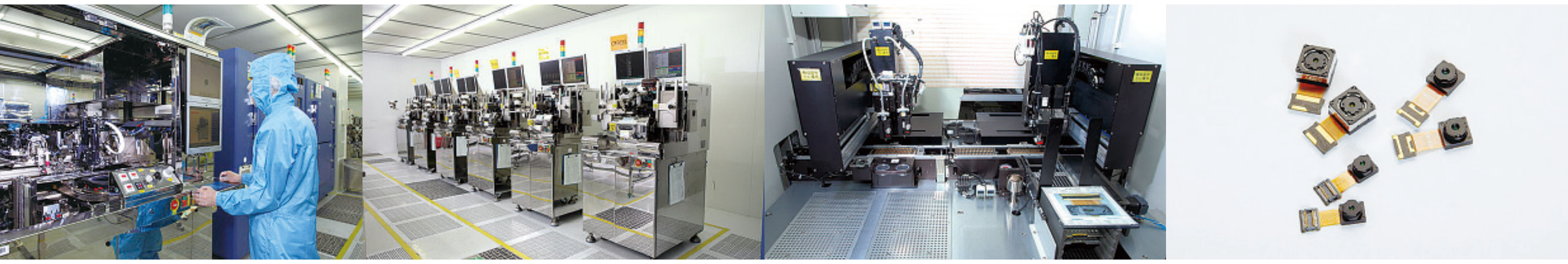
Selling and distribution expenses increased by 10.0% from US$5.9 million in 2013 to US$6.5 million in 2014. Such increase was primarily due to a US$0.6 million, or 25.4%, increase in customs declaration fees from US$2.3 million in 2013 to US$2.9 million in 2014, resulting mainly from an increase in local customs declaration fees, which are calculated based on the Group's cost of sales, which also increased from 2013 to 2014.

Management Discussion and Analysis

Administrative Expenses

The following table presents a breakdown of the Group's administrative expenses for the periods indicated:

	Year ended December 31,		Changes	
	2014	2013	**Amount**	**%**
	(US$ in millions, except percentages)			
Salaries, allowance, social insurance and welfare	**23.4**	20.7	2.7	13.0%
Handling charges	**5.6**	2.0	3.6	180.0%
Supplies	**0.9**	1.1	(0.2)	(18.2)%
Travel	**1.6**	1.2	0.4	33.3%
Local government tax	**2.7**	0.6	2.1	350.0%
Rental	**0.4**	0.6	(0.2)	(33.3)%
Entertainment	**0.4**	0.3	0.1	33.3%
Finance charges	**0.1**	0.1	0.0	0.0%
Communications	**0.4**	0.3	0.1	33.3%
Water and electricity	**0.4**	0.4	0.0	0.0%
Depreciation	**0.2**	0.2	0.0	0.0%
Amortization	**0.3**	0.1	0.2	200.0%
Repairs and maintenance	**0.3**	0.4	(0.1)	(25.0)%
Insurance	**0.0**	0.1	(0.1)	(100.0)%
Others	**0.5**	0.4	0.1	25.0%
Total	**37.2**	28.5	8.7	30.3%



Management Discussion and Analysis

Administrative expenses increased by 30.3% from US$28.5 million in 2013 to US$37.2 million in 2014. The increase was primarily due to a US$3.6 million, or 180.0%, increase in handling charges (which primarily include legal, audit and security personnel fees, as well as other expenses relating to the Group's initial public offering) from US$2.0 million in 2013 to US$5.6 million in 2014, which resulted mainly from increases in legal, accounting and other professional service fees in preparation of the Group's initial public offering. Such increase was further enhanced by a US$2.7 million, or 13.0%, increase in labor costs for the Group's administrative staff from US$20.7 million in 2013 to US$23.4 million in 2014, which resulted mainly from an increase in the Group's engineering staff and additional staff hired to accommodate the Group's increase in turnover in 2014, in addition to a US$2.1 million, or 350.0%, increase in local government tax from US$0.6 million in 2013 to US$2.7 million in 2014, which resulted mainly from an increase in the applicable rates for PRC local government rent and rates, as well as higher duties assessed by Korean customs authorities on the Group's products.

Profit from Operations and Operating Margin

As a result of the cumulative effect of the factors described above, the Group's profit from operations increased by 2.5% from US$69.0 million in 2013 to US$70.6 million in 2014. The Group's operating margin, which represents profit from operations as a percentage of turnover, decreased from 8.5% in 2013 to 8.0% in 2014, as a 9.5% increase in cost of sales, selling and distribution expenses and administrative expenses (net of other revenue and other net income or loss), on an aggregate basis, from US$744.9 million in 2013 to US$815.9 million in 2014 outpaced an 8.9% increase in turnover. Such decrease in the Group's operating margin was primarily due to the decrease in the Group's gross margin and the increase in the Group's administrative expenses as discussed above.

Finance Costs

Finance costs decreased by 39.8% from US$5.2 million in 2013 to US$3.1 million in 2014, primarily as a result of a 38.1% decrease in interest expense on bank borrowings from US$5.0 million in 2013 to US$3.1 million in 2014, which mainly reflected repayment of bank loans with available cash in 2014.

Management Discussion and Analysis

Income Tax

The Group's income tax expense increased by 5.6% from US$13.6 million in 2013 to US$14.3 million in 2014, primarily due to an increase in provision for overseas current tax, which was partially offset by a decrease in provision for Hong Kong current tax. Such changes mainly reflected an increase in profits from the Group's PRC subsidiary and a decrease in profits from the Group's Hong Kong subsidiary as a result of the Group's discontinuation since the end of 2013 of the Group's practice of making adjustments to the Group's cost of sales to achieve the targeted profit level in the PRC that decreased the taxable profit of the Group's PRC subsidiary in 2013, as well as an overall increase in the Group's profits before tax in 2014. Such increase was further offset by a US$0.9 million increase from 2013 to 2014 in over-provisioned amounts of Hong Kong profits tax in respect of prior years. The Group's effective tax rate decreased from 21.3% in 2013 to 21.2% in 2014, as the Group's profit before taxation increased by 5.9% from US$63.8 million in 2013 to US$67.5 million in 2014, while the Group's income tax expense increased by 5.6%.

Profit for the Year and Net Margin

As a result of the cumulative effect of the factors described above, the Group's profit for the year increased by 6.0% from US$50.2 million in 2013 to US$53.2 million in 2014. The Group's net margin, which represents profit for the year as a percentage of turnover, decreased from 6.2% in 2013 to 6.0% in 2014, as a 9.1% increase in cost of sales, selling and distribution expenses, administrative expenses, finance costs and income tax (net of other revenue and other net income or loss), on an aggregate basis, from US$763.7 million in 2013 to US$833.3 million in 2014 outpaced an 8.9% increase in turnover. Such decrease in the Group's net margin was primarily due to the decrease in the Group's operating margin.

Management Discussion and Analysis

FINANCIAL AND LIQUIDITY POSITION

Key Financial Ratios

	Year ended December 31,	
	2014	2013
Profitability ratios		
Turnover growth(1)	**8.9%**	54.3%
Net profit growth(2)	**6.0%**	281.1%
Gross margin(3)	**12.6%**	12.7%
Operating margin(4)	**8.0%**	8.5%
Net margin(5)	**6.0%**	6.2%
Return on equity(6)	**27.7%**	35.9%
Return on total assets(7)	**10.5%**	12.6%

	Year ended December 31,	
	2014	2013
Liquidity ratios		
Current ratio(8)	**125.0%**	113.3%
Quick ratio(9)	**103.8%**	92.0%
Capital adequacy ratios		
Gearing ratio(10)	**(5.1)%**	27.2%
Debt to equity ratio(11)	**(4.9)%**	37.4%
Interest coverage ratio(12)	**22.6%**	13.3%

(1) The calculation of turnover growth is based on turnover for the period divided by turnover for the previous period, minus one and multiplied by 100%.

(2) The calculation of net profit growth is based on profit for the period divided by profit for the previous period, minus one and multiplied by 100%.

(3) The calculation of gross margin is based on gross profit divided by turnover and multiplied by 100%.

(4) The calculation of operating margin is based on profit from operations divided by turnover and multiplied by 100%.

(5) The calculation of net margin is based on profit for the period divided by turnover and multiplied by 100%.

(6) The calculation of return on equity is based on profit for the period divided by capital and reserves and multiplied by 100%.

(7) The calculation of return on total assets is based on profit for the period divided by total assets and multiplied by 100%.

(8) The calculation of current ratio is based on current assets divided by current liabilities and multiplied by 100%.

(9) The calculation of quick ratio is based on current assets less inventories divided by current liabilities and multiplied by 100%.

(10) The calculation of gearing ratio is based on net debt (defined as bank loans and overdrafts and loan from a director less cash and cash equivalents and pledged deposits) divided by the sum of net debt and total equity, and multiplied by 100%.

(11) The calculation of debt to equity ratio is based on net debt divided by total equity and multiplied by 100%.

(12) The calculation of interest coverage ratio is based on profit before interest and income tax expenses divided by finance costs.

See "Results of Operations" above for a discussion of the factors affecting the Group's turnover growth, net profit growth, gross margin, operating margin and net margin.

Management Discussion and Analysis

Return on Equity

The Group's return on equity decreased from 35.9% in 2013 to 27.7% in 2014, primarily due to an increase in the Group's equity.

Return on Total Assets

The Group's return on total assets decreased from 12.6% in 2013 to 10.5% in 2014, primarily due to an increase in the Group's total assets.

Current Ratio

The Group's current ratio increased from 113.3% in 2013 to 125.0% in 2014, primarily due to increases in the Group's trade and other receivables and cash and cash equivalents and a decrease in the Group's bank loans, which were partially offset by a corresponding increase in the Group's trade and other payables.

Quick Ratio

Consistent with the changes in the Group's current ratio, the Group's quick ratio increased from 92.0% in 2013 to 103.8% in 2014, mainly due to increases in the Group's trade and other receivables and cash and cash equivalents and a decrease in the Group's bank loans, which were partially offset by a corresponding increase in the Group's trade and other payables.

Gearing Ratio

The Group's gearing ratio decreased from 27.2% in 2013 to -5.1% in 2014, primarily due to a decrease in the Group's bank loans and an increase in the Group's cash and cash equivalents, which were partially offset by a decrease in the Group's pledged deposits.

Human Resources

The Group employed a total of approximately 5,835 full-time employees as of December 31, 2014 (December 31, 2013: 5,082). Total staff costs for the year ended December 31, 2014, excluding Directors' remuneration were approximately US$68.4 million (2013: US$67.5 million).

In particular, professional employment agencies located in Dongguan were involved in hiring most of the Group's factory workers. The Group also provide living, entertainment, dining and training facilities for the Group's employees. Such training scope includes management skills and technology training, as well as other courses.

Management Discussion and Analysis

The Group has an emolument policy with respect to long-term incentive schemes of the Group. The basis of determining emoluments payable to the Group's directors is made on a discretionary basis with reference to the Company's operating results, individual performance and comparable market statistics. Further, the Board has delegated the remuneration committee in reviewing and making recommendations to the Board in respect of the remuneration packages and overall benefits for the directors and senior management of the Company. The emolument policy of the Group is determined by the remuneration committee on the basis of their merit qualifications and competence. Details of such bonuses paid to the Group's directors are disclosed in note 7 to the consolidated statements.

Pledge of the Group's assets

The Group had pledged its assets as securities for bank loans and other borrowings and banking facilities which were used to finance daily business operation and purchase of machinery. Details of such pledges are disclosed in note 18 to the consolidated financial statements.

The Group had pledged its interest in Cowell Optic Electronics Limited, a wholly-owned subsidiary of the Group, to a customer as disclosed in note 13 to the consolidated financial statements. The pledge was released and replaced by a stand-by letter of credit on the Listing Date.

Contingent Liabilities

As at December 31, 2014, the Group had no significant contingent liabilities except for the guarantees issued by the Company to secure the banking facilities with banks as disclosed in note 24 to the consolidated financial statements.

Debt to Equity Ratio

Consistent with the Group's gearing ratio, the Group's debt to equity ratio decreased from 37.4% in 2013 to -4.9% in 2014, primarily due to a decrease in the Group's bank loans and an increase in the Group's cash and cash equivalents, which were partially offset by a decrease in the Group's pledged deposits.

Interest Coverage Ratio

The Group's interest coverage ratio increased from 13.3 in 2013 to 22.6 in 2014, primarily due to an increase in the Group's profit before interest and income taxes between the two periods, as well as a decrease in the Group's finance costs resulting from a decrease in the Group's bank loans.

Management Discussion and Analysis

Current Assets and Liabilities

The following table sets forth a breakdown of the Group's current assets and liabilities as of the dates indicated:

	As of December 31,	
	2014	2013
	(US$ in millions)	
Current assets		
Inventories	**66.0**	55.0
Trade and other receivables	**221.0**	167.4
Current tax recoverable	**1.5**	—
Pledged deposits	**19.1**	26.3
Cash and cash equivalents	**82.2**	45.2
	389.8	293.9
Current liabilities		
Trade and other payables	**209.8**	123.1
Bank loans	**91.9**	121.8
Current tax payable	**10.2**	12.6
Loans from a director	**—**	2.0
	311.9	259.5
Net current assets	**77.9**	34.4

As of December 31, 2014, the Group had net current assets of US$77.9 million, compared to net current assets of US$34.4 million as of December 31, 2013, representing an increase of US$43.5 million. This change was primarily due to an increase in the Group's trade and other receivables of US$53.6 million, an increase in the Group's cash and cash equivalents of US$37.0 million and a decrease in the Group's bank loans of US$29.9 million, which were offset in part by an increase in trade and other payables of US$86.7 million. The Group's trade and other receivables and trade and other payables increased mainly as a result of an increase in the Group's turnover. The Group's balance of cash and cash equivalents as of December 31, 2014 was unusually large compared to 2013, as the Group had a large amount of cash on hand from factoring of the Group's trade and other receivables at the end of 2014, before such cash was used to settle trade and other payables and pay off bank loans after the period end.

Inventories

The Group's inventory balance increased by 19.9%, or US$11.0 million, from US$55.0 million as of December 31, 2013 to US$66.0 million as of December 31, 2014 due mainly to an increase in production of camera modules in anticipation of a continuing increase in the Group's sales.

Management Discussion and Analysis

The following table sets forth the Group's average inventory turnover days for the periods indicated:

	As of December 31,	
	2014	2013
Inventory turnover days[1]	**28.5**	29.1

(1) Inventory turnover days were calculated based on the average of the opening and closing inventory balances divided by the cost of sales for the relevant period and multiplied by the number of days in the period.

The Group's average inventory turnover days for the year ended December 31, 2014 were lower as compared to the year ended December 31, 2013 due primarily to the Group's continued disciplined inventory monitoring and more efficient manufacturing processes.

Trade and Other Receivables

Trade receivables represent outstanding amounts due from the Group's customers for the purchase of the Group's products. Besides trade receivables, the Group's other receivables and prepayments primarily comprise prepayments on the Group's purchase of components and materials, value-added tax refunds due and guarantee deposits for the Group's leases.

The Group's trade and other receivables increased by 32.0%, or US$53.6 million, from US$167.4 million as of December 31, 2013 to US$221.0 million as of December 31, 2014, mainly reflecting the commencement of sales of new models of flip-chip camera modules with higher average selling prices in the second half of 2014, which resulted in an increase in turnover as well as trade receivables.

The table below sets forth an aging analysis of the Group's trade receivables (which are included in trade and other receivables), based on the invoice date and net of allowance for doubtful debts, as of the dates indicated:

	As of December 31,	
	2014	2013
	(US$ in millions)	
Trade receivables		
Within 1 month	**134.3**	86.2
Over 1 to 2 months	**68.0**	69.6
Over 2 to 3 months	**0.6**	0.6
Over 3 months	**1.2**	0.4
Total	**204.1**	156.8

Management Discussion and Analysis

The following table sets forth the turnover days for the Group's trade receivables for the periods indicated:

	Year ended December 31,	
	2014	2013
Trade receivables turnover days(1)	**74.3**	63.7

(1) Trade receivables turnover days were calculated based on the average of the opening and closing trade receivables divided by turnover for the relevant period multiplied by the number of days in the period.

The Group's average trade receivables turnover days for the year ended December 31, 2014 were higher as compared to the year ended December 31, 2013 due primarily to the significant increase in the balance of the Group's trade receivables as of December 31, 2014, mainly reflecting higher turnover resulting from the commencement of sales of new models of flip chip camera modules with higher average selling prices in the second half of 2014.

Trade and Other Payables

Trade payables represent outstanding amounts due on the Group's purchases of components and materials and equipment from external suppliers. Besides trade payables, the Group's accrued charges and other payables primarily comprise accrued salaries and other remuneration benefits and interest expenses payable.

The Group's trade and other payables increased by 70.4%, or US$86.7 million, from US$123.1 million as of December 31, 2013 to US$209.8 million as of December 31, 2014, primarily due to an increase in the Group's purchased components and materials resulting mainly from the commencement of production of new models of flip-chip camera modules in the second half of 2014.

The following table sets forth an aging analysis of the Group's trade payables (which are included in trade and other payables) as of the dates indicated:

	As of December 31,	
	2014	2013
	(US$ in millions)	
Trade payables		
Within 1 month	**86.1**	40.0
Over 1 to 3 months	**103.8**	66.2
Over 3 to 6 months	**1.7**	0.3
Over 6 months	**—**	0.2
Total	**191.6**	106.7

Management Discussion and Analysis

The following table sets out the turnover days for the Group's trade payables for the periods indicated:

	Year ended December 31,	
	2014	2013
Trade payables turnover days[1]	**61.4**	52.0

(1) Trade payables turnover days were calculated based on the average of the opening and closing trade payables divided by turnover for the relevant period multiplied by the number of days in the period.

The Group's average trade payables turnover days for the year ended December 31, 2014 were higher as compared to the year ended December 31, 2013 primarily as a result of the high balance of the Group's trade payables as of December 31, 2014, reflecting the increase in the Group's purchases of components and materials for the production of camera modules in the second half of 2014.

Indebtedness

The table below sets forth the Group's borrowings as of the dates indicated. As of December 31, 2014, except as disclosed below, the Group did not have any other outstanding debt securities, charges, mortgages or other similar indebtedness, hire purchase and finance lease commitments, or guarantees or other material contingent liabilities.

	As of December 31,	
	2014	2013
	(US$ in millions)	
Current liabilities:		
Secured bank loans[1]	**91.9**	121.8
Loan from a director[2]	**—**	2.0
Total	**91.9**	123.8

(1) Bank loans are all due within one year or on demand.

(2) The loan from a director was unsecured and payable on demand. Such loan was repaid in full in January 2014.

As of the close of business on December 31, 2014, the Group had aggregate banking facilities of approximately US$132.3 million, of which US$91.9 million were utilized.

Management Discussion and Analysis

Quantitative and Qualitative Disclosures on Market Risk

The Group's exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. The market risks to which the Group is exposed to, as well as the Group's practices to manage such risks, are as follows:

Credit Risk

The Group's credit risk is primarily attributable to the Group's trade and other receivables, financial assets and deposits with banks. In respect of trade and other receivables, the Group performs individual credit evaluations on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and may take into account information specific to the customer and the economic environment in which the customer operates. Trade and other receivables are generally due within 30 to 90 days from the date of billing. Debtors with balances that are more than three months overdue are requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collateral from customers. In respect of deposits with banks, the Group only places deposits with major financial institutions which the Group's management believes are of high credit rating.

The Group's exposure to credit risk is influenced primarily by the individual characteristics of each customer, and to a lesser extent, by the default risk of the industry and country in which the Group's customers operate. As of December 31, 2014, 88.7% (2013: 90.6%) of the Group's trade receivables were due from the Group's largest customer, and 98.7% (2013: 98.9%) of the Group's trade receivables were due from the Group's five largest customers in the aggregate.

Liquidity Risk

The Group's policy is to regularly monitor the Group's liquidity risk to ensure that the Group maintains sufficient reserves of cash and adequate bank facilities to meet the Group's liquidity requirements in the short and longer term. The Group's bank loans amounting to 91.9 million (2013: US$121.8 million) were due, or expected to be due, during 2015. The short-term liquidity risk inherent in this contractual loan maturity schedule was reviewed at the time the loans were drawn and was accounted for in the Group's cash flow forecasts.

Please refer to note 22(b) to the financial statements for further information.

Interest Rate Risk

The Group's interest rate risk arises primarily from the Group's interest-bearing borrowings subject to variable rates, which expose the Group to cash flow interest rate risk, and those subject to fixed rates, which expose the Group to fair value interest rate risk. As of December 31, 2014, the Group's variable rate and fixed rate borrowings amounted to US$91.9 million (2013: US$121.7 million) and US$Nil (2013: US$2.1 million), respectively.

As of December 31, 2014, it is estimated that if interest rates increased generally by 100 basis points, with all the other variables held constant, the Group's profit after tax and retained profits would have decreased by approximately US$0.8 million (2013: US$1.0 million). Other components of the Group's equity would not have been affected by a general increase in interest rates.

Management Discussion and Analysis

Currency Risk

The Group's exposure to currency risk arises primarily through sales and purchases giving rise to receivables, payables and cash balances that are denominated in a currency other than the functional currency of the operations to which they relate. The currencies giving rise to this risk are primarily Hong Kong dollars (which is pegged to the U.S. dollar), Renminbi and Korean Won.

The functional currency of the Company and the Group's subsidiaries operating in Hong Kong, the PRC and Korea are U.S. dollars, Hong Kong dollars, Renminbi and Korean Won, respectively. While both the Group's sales of products and the Group's purchases of components, materials and equipment are denominated mainly in U.S. dollars, a portion of the Group's purchases, as well as the Group's labor and other operating costs, are denominated in other currencies, including Renminbi and Korean Won. For the year ended December 31, 2014, the Group did not use any forward exchange contracts to mitigate the Group's currency risk.

As of December 31, 2014, it is estimated that if the exchange rate of the Korean Won against the U.S. dollar had appreciated by 5%, with all the other variables held constant, the Group's profit after tax and retained profits would have increased by approximately US$0.8 million (2013: US$1.0 million).

Please refer to note 22(d) to the consolidated financial statements for further details.

Liquidity, Financial Resources and Capital Structure

The Group had a solid financial position and continued to maintain a strong and steady inflow from operating activities. As at December 31, 2014, the Group had US$52.5 million in unencumbered cash and cash equivalents. Management believes that the Group's current cash and cash equivalents, together with available credit facilities and expected cash flow from operations, will be sufficient to satisfy the current operational requirements of the Group.

Capital Expenditures and Commitments

The Group's capital expenditures (equivalent to the cash the Group spent for payment for purchases of property, plant and equipment) for the year ended December 31, 2014 amounted to US$21.5 million, compared to US$15.8 million for the year ended December 31, 2013. The increase in the Group's capital expenditures in 2014 mainly reflected purchases of additional equipment to produce more advanced flip-chip camera modules. The Group intends to fund the Group's planned future capital expenditures through a combination of cash flow from operating activities, available banking facilities and the net proceeds from the issuance of new Shares in the Global Offering. The Group expects its capital expenditures for the year ending December 31, 2015 to amount to approximately US$50 million, which shall be used to purchase materials and equipment to produce high-end camera modules. The Group expects to fund the majority of these expenditures through the net proceeds as a result of listing its shares on the Main Board of the Hong Kong Stock Exchange on the Listing Date.

Management Discussion and Analysis

The Group's capital commitments that were contracted but not provided as of December 31, 2014 amounted to US$10.4 million, compared to US$7.8 million as of December 31, 2013. Such capital commitments mainly represent the Group's unpaid capital injection into the Group's subsidiary in China, as well as commitments arising out of a contractual relationship where the relevant property, plant and equipment were not provided as of the relevant dates.

The Group is the lessee in respect of a number of properties held under operating leases. These leases are non-cancellable for the remaining period from two to 16 years, with an option to renew the lease upon expiration. None of the leases includes contingent rental. The table below sets forth the Group's operating lease commitments under these non-cancellable operating leases for factory, office, equipment and vehicles, by lease term, as of the dates indicated:

	As of December 31,	
	2014	2013
	(US$ in millions)	
Within one year	**2.2**	2.4
Between one and five years	**6.5**	6.6
Over five years	**19.0**	20.8
Total	**27.7**	29.8

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

There were no material acquisitions and disposals of subsidiaries and associated companies performed by the Group for the year ended December 31, 2014.

Directors and Senior Management

As of the date of this annual report, the Board consists of nine Directors including three executive Directors, three non-executive Directors and three independent non-executive Directors. The following sets forth the profile of the Directors and senior management:

Executive Directors

Mr. Kwak Joung Hwan, aged 51, is the chairman, executive Director and chief executive officer of the Company. Mr. Kwak is responsible for managing the overall business operations and strategic planning of the Group. Mr. Kwak has over 13 years of experience in the industry of manufacturing and sale of optical components for cameras and is the founder of the Group. Prior to starting his business venture into the toy manufacturing business in 1992, Mr. Kwak worked at the former Daewoo International Corporation, a company listed on the Korea Exchange (stock code: 047050) and engaged in trade and commerce, as an assistant manager from January 1988 to July 1992. In June 2001, Mr. Kwak decided to diversify his business portfolio by investing in Cowell Korea. He has been appointed as a director and the chief executive officer of Cowell Hong Kong since March 2002. On October 24, 2011, Mr. Kwak was appointed as a Director and subsequently re-designated as an executive Director on April 14, 2014. He was appointed as the chairman and chief executive officer of the Company on March 24, 2014. Mr. Kwak received a bachelor's degree in economics from Yonsei University in Korea in February 1988.

Mr. Kim Kab Cheol, aged 54, is an executive Director of the Company. Mr. Kim is responsible for assisting the chairman in the business operations and responsible for the day-to-day management of our Group. Prior to joining our Group in May 2004 as a plant manager at the Cowell Korea factory located in Dae-Jeon, Korea, he worked at the production, research and development and quality management department at LG Chem Ltd. ("LG Chem"), an integrated chemical company listed on the Korea Exchange (stock code: 051910), as an assistant manager between November 1987 and December 1998. Between January 1999 and April 2004, Mr. Kim worked as a senior manager at the quality management department of Orion Engineered Carbon Co., Ltd., a private company based in Korea which supplies carbon black. Mr. Kim has been a director and chief executive officer of Cowell China since June 2005 and June 2011 respectively. He served as a chief executive officer and a director of Cowell Korea between October 2008 and May 2011. Mr. Kim was appointed as a Director on March 27, 2009 and subsequently re-designated as an executive Director on April 14, 2014. Mr. Kim has also been a director of Cowell Hong Kong since September 2011. Mr. Kim received a bachelor's degree in chemical engineering from Inha University in Korea in February 1988.

Mr. Seong Seokhoon, aged 51, is an executive Director and the chief financial officer of the Company. Mr. Seong is responsible for supervising the financial operation of the Group. Prior to joining the Group in May 2003 as the chief executive officer of Cowell Korea, Mr. Seong worked at the planning department at LG Chem as an assistant manager between January 1989 and December 1994 and the financial affairs and planning department at Woobang Construction Co., Ltd., a Korean company engaged in the construction business, as a senior manager between January 1995 and February 2001. In the periods between November 2001 and May 2003 and between October 2008 and May 2012, Mr. Seong served as the chief executive officer of DSD Marketing, a marketing agency based in Korea, and from August 2007 to September 2008, he served as a director of Cowell Korea. From May 2003 to September 2008, Mr. Seong served as the chief executive officer of Cowell Korea. He was appointed as the chief financial officer of Cowell China in May 2012 and in December 2012, he was appointed as a director of Cowell Hong Kong. Mr. Seong was appointed as a Director on December 17, 2012. He was re-designated as an executive Director on April 14, 2014 and was appointed the chief financial officer of the Company in October 2014. Mr. Seong received a bachelor's degree in accounting from Kyungpook National University in Korea in February 1989.

Directors and Senior Management

Non-executive Directors

Mr. Yoon Yeo Eul, aged 59, is a non-executive Director. Mr. Yoon is currently the representative director of Hahn & Co. Eye and the chairman of Hahn & Co. LLC, the general partner of Hahn & Co. PEF, which is one of Korea's largest private equity funds and is based in Seoul and holds 100% interests in Hahn & Co. Eye. At Hahn & Co. LLC, Mr. Yoon oversees the day-to-day operations of portfolio companies owned by Hahn & Co. PEF. Prior to joining Hahn & Co. LLC in August 2010, Mr. Yoon spent 21 years, from December 1989 to June 2010, at Sony Korea Corporation, which is a Korean based private company with businesses in the country across semiconductors, LCD panel displays, handset components, consumer electronics and broadcasting equipment. He held the positions of president and chief executive officer of Sony Korea Corporation, president of Sony Computer Entertainment Korea Inc. and chief executive officer of Sony Music Entertainment Korea Inc. during his tenure. Mr. Yoon is also the chairman of the boards of the following Korean based private companies: H-Line Shipping Co., Ltd., COAVIS Inc., N Search Marketing Corporation, Daehan Cement Co., Ltd., Hannam Cement Co., Ltd. and Woongjin Foods Co., Ltd. Mr. Yoon has been a director of the Company, Cowell Hong Kong and Cowell China since September 2011, October 2011 and November 2011, respectively. He is primarily responsible for overseeing the corporate development and strategic planning of the Group as a director without carrying out any day-to-day managerial functions. Mr. Yoon was later re-designated as a non-executive Director of the Company on April 14, 2014. Mr. Yoon obtained a bachelor's degree in science from Sophia University in Japan in March 1983 and a master's degree in business administration from Harvard Business School in June 1989.

Mr. Lee Dong-Chun, aged 50, is a non-executive Director. Mr. Lee is currently a director of Hahn & Co. Eye and a managing director of Hahn & Co. LLC, where he is responsible for the management and operations of companies acquired by Hahn & Co. PEF, with a focus on devising and implementing strategic change and operational improvements. Prior to joining Hahn & Co. LLC in March 2011, Mr. Lee spent over 16 years, from October 1994 to February 2011, at Sony Korea Corporation, where he was a vice president in the applications and devices marketing group in Korea. Mr. Lee also serves as a non-executive director on the boards of the following Korean based private companies: H-Line Shipping Co., Ltd., COAVIS Inc., N Search Marketing Corporation, Daehan Cement Co., Ltd. and Hannam Cement Co., Ltd. Mr. Lee has been a director of the Company and Cowell Hong Kong since January 2013. He is primarily responsible for overseeing the corporate development and strategic planning of the Group as a director without carrying out any day-to-day managerial functions. Mr. Lee was later re-designated as a non-executive Director of the Company on April 14, 2014. Mr. Lee obtained a bachelor's degree in engineering from Myongji University in Korea in February 1991.

Mr. Kim Jae Min, aged 40, is a non-executive Director. Mr. Kim is currently a director of Hahn & Co. Eye and a managing director of Hahn & Co. LLC where he is responsible for acquisitions and investments. Prior to joining Hahn & Co. LLC in January 2011, Mr. Kim was a business analyst at the Seoul office of McKinsey & Company, a global management consulting firm, from January 2000 to May 2003 and was also a principal at the Seoul office of H&Q Asia Pacific, a leading Asian private equity firm, from June 2003 to January 2011. Mr. Kim also serves as a non-executive director on the boards of the following Korean based private companies: H-Line Shipping Co., Ltd., COAVIS Inc. and N Search Marketing Corporation. Mr. Kim has also been a director of the Company, Cowell Hong Kong and Cowell China since April 2014. He is primarily responsible for overseeing the corporate development and strategic planning of the Group as a director without carrying out any day-to-day managerial functions. Mr. Kim was appointed as a non-executive Director of the Company on April 14, 2014. Mr. Kim obtained a bachelor's degree in science majoring in chemical engineering from Yonsei University in Korea in February 2000.

Directors and Senior Management

Independent non-executive Directors

Mr. Okayama Masanori, aged 62, is an independent non-executive Director. He has over 30 years' experience in the consumer electronics industry. Mr. Okayama has held various positions at different entities under Sony Corporation, a company listed on the Tokyo Stock Exchange (stock code: 6758), between April 1971 and October 2012, including the deputy plant manager of Sony Computer Entertainment Inc. Fab1, the representative of the Nagasaki Technology Centre, and the president and representative director of Sony Semiconductor Kyushu Corporation. Mr. Okayama has also been an independent non-executive director of Cowell Hong Kong and the Company since April 2014. He is primarily responsible for supervising and providing independent judgment to the board of directors of the Company and Cowell Hong Kong. Mr. Okayama graduated from the department of electronics (evening division) of Shohoku College in Japan with an associate degree in March 1977.

Mr. Kim Chan Su, aged 48, is an independent non-executive Director. Mr. Kim is responsible for supervising and providing independent judgment to the Board. Mr. Kim has over 20 years' experience in professional accounting and consulting services. Since November 2004, Mr. Kim has been the chief executive officer and representative partner of IL SHIN Corporate Consulting Limited and IL Shin CPA Limited, private companies based in Hong Kong which provide professional tax and accounting advisory services to clients in Hong Kong, China and overseas. From August 2002 to October 2004, Mr. Kim worked at PricewaterhouseCoopers Hong Kong as a representative of the Korean desk in charge of Korean companies' investment in Hong Kong and China. From October 1993 to July 2002, Mr. Kim served as a senior manager at Samil Accounting Corporation in Seoul. From September 2004 to January 2013, Mr. Kim also acted as an independent non-executive director of Forebase International Holdings Limited (formerly known as Kwang Sung Electronics H.K. Co. Limited), which is listed on the Hong Kong Stock Exchange (stock code: 2310). Mr. Kim obtained a bachelor's degree in economics from Yonsei University in Korea in February 1992. Mr. Kim is a certified public accountant in Korea, Hong Kong and the States of Washington of the United States. He is a also member of AICPA and the HKCPA respectively. Mr. Kim was appointed as an independent non-executive Director of the Company on March 10, 2015.

Dr. Song Si Young, aged 57, is an independent non-executive Director. Dr. Song is responsible for supervising and providing independent judgment to the Board. Dr. Song has over 20 years' experience in medicine and the healthcare industry. Since March 1993, Dr. Song has been a faculty member of Yonsei University College of Medicine in Korea and he currently serves as a professor in the Department of Internal Medicine. Dr. Song served as an exchange assistant professor at Vanderbilt University College of Medicine in the United States from September 1996 to November 1998. He has also served as the director of the Division of Medical Science Research Affairs and the president of the Industry-Academy Cooperation Foundation of Yonsei University Health System since September 2010 where he was in charge of the management and administration of Yonsei University Health System's research, development and participation in the healthcare industry. Dr. Song has also served as a director of Yonsei Technology Holdings, Inc., a company engaged in the commercialization of Yonsei University's technologies through forming subsidiaries since June 2011, where he is responsible for the operational management of technological holding companies affiliated with the Industry-Academy Cooperation Foundation of Yonsei University. Dr. Song was appointed as an independent non-executive Director of the Company on March 10, 2015.

Directors and Senior Management

Dr. Song has provided professional advice to the following companies in connection with the healthcare and medical device manufacturing industries:

Company	Nature of Company	Principal Business	Duration of Tenure
LG Chem Ltd.	listed on the Korea Exchange (stock code: 051910)	manufacture of chemicals	February 2001 to January 2003
LG Life Science Co., Ltd.	listed on the Korea Exchange (stock code: 068870)	research and development of pharmaceuticals	August 2003 to March 2006
IntroMedic Co., Ltd.,	listed on the Korea Exchange (stock code: 150840)	development and manufacture of optical medical device and equipment	January 2007 to present
Hanwha Chemical Corporation	listed on the Korea Exchange (stock code: 009830)	production and sale of organic and inorganic chemicals	from June 2006 to May 2007
CJ Co., Ltd.	a private company based in Korea	development of research, business and marketing strategies of healthcare industry	March 2004 to February 2005
M.I.Tech Co., Ltd.	a private company based in Korea	manufacture of non-vascular stents and medical electronic devices	May 2009 to November 2012
various subsidiaries of LG Corp.	listed on the Korea Exchange (stock code: 003550)	healthcare business	January 2011 to June 2011
HooH Healthcare	a private joint venture company between Korean Telecommunication and Yonsei University Health System	healthcare IT service and business strategic development	August 2012 to present
CrystalGenomics, Inc.	listed on the Korea Exchange (stock code: 083790)	structural chemoproteiomics-based drug discovery and development	August 2013 to present

Dr. Song obtained a bachelor's degree in medicine in February 1983 from Yonsei University College of Medicine in Korea. In March 1987 and March 1989, Dr. Song obtained a master's degree and a doctorate degree respectively in medical sciences, both from the Graduate School of Yonsei University.

Directors and Senior Management

Save as disclosed above, the Directors (i) have not held any directorships in other listed public companies, whether in Hong Kong or overseas, during the last three years; and (ii) do not have any other relationships with any Directors, senior management or substantial or controlling shareholders of the Company. Regarding the Directors' interests in shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance, please refer to the paragraph headed "Directors' and Chief Executive Officers' Interests and Short Positions in Shares, Underlying Shares and Debentures" in the Directors' Report section of this report for more details.

SENIOR MANAGEMENT

The senior management team of the Group, in addition to the executive Directors listed above, is as follows:

Mr. Ryu Ho Yong, aged 52, has been a director and the director of research and development department of Cowell China since March 2010. Mr. Ryu is responsible for supervising the research and development activities of Cowell China. Prior to joining the Group in January 2008 as the head of research and development department of Cowell Korea, Mr. Ryu worked at the product development team at Samsung Electronics, a company listed on the Korea Exchange (stock code: 005930), as a senior engineer between January 1985 and November 2003 and served as a general director of Three A Solution in Korea, which makes software solution for cameras, from January 2004 to December 2007. Mr. Ryu received a bachelor's degree in electronic engineering from Kyungpook National University in Korea in February 1985.

Mr. Cho Kyu Beom, aged 51, has been the chief executive officer of Cowell Korea since April 2012. Mr. Cho is responsible for supervising the daily operations of Cowell Korea. Prior to joining the Group in July 2002 as a department manager at Cowell China, Mr. Cho worked at LG Chem as an assistant manager from July 1989 to April 1996 and at LG Siltron Incorporated, a private company based in Korea engaged in the manufacture and sale of semiconductor materials such as wafer, as a senior manager from May 1996 to July 2002. In December 2008, Mr. Cho was promoted to be a chief executive officer of Cowell China and remained in that position until April 2011. Mr. Cho has been a director of Cowell Korea since March 2009. Between May 2011 and March 2012, he served as an executive vice president of Cowell Korea and since April 2012, he has been the chief executive officer of Cowell Korea. Mr. Cho received a bachelor's degree in mechanical engineering from Hanyang University in Korea in February 1987.

Mr. Lee Chung Yun, aged 47, has been a director and the chief financial officer of Cowell Korea since May 2011 and May 2008 respectively. Mr. Lee is responsible for supervising the financial operations of Cowell Korea. Prior to joining the Group in August 2003 as a general manager at Cowell Korea, Mr. Lee worked at the accounting department of Jindo Co., Ltd., a company listed on the Korea Exchange (stock code: 088790) and engaged in the manufacture and sale of container boxes, fur and freight trucks, as an assistant manager from January 1995 to June 2002. Mr. Lee received a bachelor's degree in business administration from Ajou University in Korea in February 1995.

Directors and Senior Management

Mr. Park Bumcheol, aged 54, has been the director of the production department of Cowell China since August 2013. Mr. Park is responsible for supervising the daily operations of the factories of Cowell China. Prior to joining the Group in August 2013, Mr. Park worked for Samsung Electronics between August 1983 and May 2008, where he served as the managing director of product development. He also worked for Samsung Techwin Co., Ltd., a company listed on the Korea Exchange (stock code: 012450) and engaged in the engine and energy equipment, security solutions, camera modules and semiconductor components and equipment, between June 2008 and March 2011, where he served as the managing director of operation. Between March 2011 and July 2013, Mr. Park served as the vice president and also the head of the research laboratory of HS Networks Co, Ltd., a company in Korea that develops and sells camera modules for CCTVs. Mr. Park received a bachelor's degree in electronic engineering from Sungkyunkwan University in Korea in February 1984.

Mr. Yoo Hee Yeoul, aged 56, has been the chief technical officer of Cowell China since September 2013. Mr. Yoo is responsible for supervising the engineering department of Cowell China. Prior to joining the Group in September 2013, Mr. Yoo worked for Amkor Technology Korea, Inc., a private company based in Korea which provides contract semiconductor assembly and test services, from December 1993 to September 2013, where he served as the managing director of technology. Mr. Yoo received bachelor's and master's degrees in chemical engineering from the University of Seoul in February 1981 and February 1983 respectively. Mr. Yoo also received a doctorate degree in organic material engineering from Tokyo Institute of Technology in Japan in March 1993.

Mr. Lee David Hyung Tek, aged 42, has been the managing director, finance director and head of the corporate strategy team of the Company since January 2014. Mr. Lee is responsible for formulating the corporate strategies of the Company. Prior to joining the Group in January 2014, Mr. Lee was an associate with Cleary Gottlieb Steen & Hamilton LLP, a global law firm, from September 1999 to February 2007. Between September 2007 and December 2009, he served as an associate director of Macquarie Securities Limited, a global investment banking and financial services firm, and he was the managing director and head of investment banking of KDB Daewoo Securities (Hong Kong) Co, Ltd., the investment banking arm of the KDB Financial Group, from July 2010 to November 2013. Mr. Lee received a bachelor's degree in arts majoring in political science from the University of California, Los Angeles in September 1995 and a Juris Doctor degree from Harvard Law School in June 1998. Mr. Lee is also a member of the New York Bar, the Chartered Alternative Investment Analyst Association and the Hong Kong Securities and Investment Institute.

COMPANY SECRETARY

Ms. Lam Wing Yan (林詠欣), aged 38, is the finance manager of Cowell Hong Kong and was appointed as the company secretary of our Company on September 17, 2014. Ms. Lam joined our Group in August 2013 and has been primarily responsible for corporate financial management. She has over 13 years of experience in corporate financial management, accounting and the company secretarial area. Prior to joining our Group, Ms. Lam held various positions, including the senior manager of finance and operations at Iriver Hong Kong Limited, a private company based in Hong Kong and provides, among others, broadcasting equipment and semiconductors and the holding company of which is listed on the Korea Exchange, for approximately 10 years from March 2001 to June 30, 2011. Ms. Lam obtained a master's degree in business administration from the University of South Australia in March 2012. Ms. Lam is a certified public accountant, a fellow member of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants.

Director's Report

The Board of Directors is pleased to present their report together with the audited consolidated financial statements of the Group for the year ended December 31, 2014.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The activities of its subsidiaries are set out in note 13 to the consolidated financial statements. The Group is a major supplier of camera modules for mobile devices. The Group primarily engages in the design, development, manufacture and sale of a variety of camera modules that serve as critical components for smartphones, multimedia tablets and other mobile devices with camera functions. Major customers for the Group's camera modules include some of the leading mobile device manufacturers in the world, such as Apple, LG Electronics and Samsung Electronics. The Group also designs, develops, manufactures and sells optical components used in a number of consumer electronics products. Major customers for the Group's optical components include Optis (which is a supplier of electronic components to Samsung Electronics and Toshiba) and subsidiaries or affiliates of leading global electronics companies such as Samsung Electronics, LG Electronics and Hitachi.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended December 31, 2014 and the state of the Company's and the Group's affairs as at that date are set out in the consolidated financial statements on pages 51 to 113.

The Board do not recommend the payment of a final dividend for the year ended December 31, 2014.

CLOSURE OF REGISTER OF MEMBERS FOR ENTITLEMENT TO ATTEND AND VOTE AT ANNUAL GENERAL MEETING

For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from June 22, 2015 to June 24, 2015, both dates inclusive, during which period no transfers of shares of the Company will be registered. In order to qualify for attending and voting at the AGM, shareholders must complete and lodge all transfer documents accompanied by the relevant share certificates with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on June 19, 2015.

FOUR-YEAR FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the last four years ended December 31, 2014 are set out on page 114 of this annual report. That summary does not form part of the audited financial statements.

Director's Report

SHARE CAPITAL

Details of the movements in the share capital of the Company are set out in note 21(b) to the consolidated financial statements.

TRANSFER TO RESERVES

Profits attributable to equity shareholders of the Company of US$53,244,827 (2013: US$50,241,737) has been transferred to reserves. Other movements in the reserves of the Group and of the Company during the year are set out in the consolidated statement of changes in equity and note 21(a) to the consolidated financial statements.

DISTRIBUTABLE RESERVES

As at December 31, 2014, the reserves of the Company available for distribution to shareholders amounted to approximately US$6,783,000 (2013: US$12,196,000).

FIXED ASSETS

Details of the movements in fixed assets during the year are set out in note 11 to the consolidated financial statements.

DONATIONS

Charitable donations made by the Group during the year ended December 31, 2014 amounted to US$32,306 (2013: US$97,800).

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles of Association or the relevant laws of the Cayman Islands which would oblige the Company to offer new shares on a pro-rata basis to its existing shareholders.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended December 31, 2014.

Director's Report

SHARE OPTION SCHEME

The Company adopts a share option scheme (the "**Share Option Scheme**") to provide incentives and/or rewards to eligible persons for their contribution to, and continuing efforts to promote the interests of the Group. As at the date of this annual report, no option had been granted or agreed to be granted under the Share Option Scheme. A summary of the terms of the Share Option Scheme is set out in the Prospectus.

SUBSIDIARIES

Details of the Company's subsidiaries as at December 31, 2014 are set out in note 13 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended December 31, 2014, the percentage of the Group's turnover attributable to the Group's largest customers and the five largest customers in aggregate were 77.7% and 99.6% (2013: 85.8% and 99.7% respectively) respectively.

During the year ended December 31, 2014, the percentage of the Group's purchases attributable to the Group's largest suppliers and the five largest suppliers in aggregate were 23.6% and 48.1% (2013: 26.4% and 55.2% respectively) respectively.

During the year ended December 31, 2014, none of the Directors or any of their associates or any shareholders which to the best knowledge of the Directors, who own more than 5% of the Company's issued share capital, had any interest in any of the Group's five largest customers or suppliers.

RETIREMENT BENEFIT SCHEMES

The Group participated in various retirement benefit schemes in accordance with relevant rules and regulations in the PRC, Hong Kong and Korea. Particulars of the retirement benefit schemes are set out in note 19 to the consolidated financial statements.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

The Company has established a formal and transparent procedure for formulating policies on the remuneration of senior management of the Group. Details of the remuneration of each Director for the year ended December 31, 2014 are set out in note 7 to the consolidated financial statements of this annual report.

Director's Report

The remuneration of members of the senior management by band for the year ended December 31, 2014 is set out below:

Remuneration Bands:	2014 Number of individuals	2013 Number of individuals
HKD1(USD0.128) ~ HKD1,000,000(USD128,000)	4	4
HKD1,000,001(USD128,001) ~ HKD1,500,000(USD192,000)	1	1
HKD1,500,001(USD192,001) ~ HKD2,000,000(USD256,000)	1	1

DIRECTORS

The Directors during the 2014 financial year and up to the date of this annual report are:

Executive Directors

Mr. Kwak Joung Hwan *(Chairman and Chief Executive Officer)*
Mr. Kim Kab Cheol
Mr. Seong Seokhoon

Non-executive Directors

Mr. Yoon Yeo Eul
Mr. Lee Dong-Chun
Mr. Kim Jae Min

Independent non-executive Directors

Mr. Okayama Masanori
Mr. Kim Chan Su *(appointed on March 10, 2015)*
Dr. Song Si Young *(appointed on March 10, 2015)*

Directors

Mr. Sang Won Hahn *(resigned on April 14, 2014)*
Mr. Kei Kodera *(resigned on April 14, 2014)*

In the forthcoming annual general meeting of the Company, Mr. Yoon Yeo Eul, Mr. Lee Dong Chun and Mr. Okayama Masanori will retire as Directors in accordance with Article 16.18 of the Articles of Association of the Company and, being eligible, will offer themselves for re-election.

Director's Report

DIRECTORS' SERVICE CONTRACTS

None of the Directors offering for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable within one year without payment of compensation other than statutory compensation.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended December 31, 2014.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save for the contracts described under the paragraph headed "Connected Transactions and Continuing Connected Transactions" below and note 25 to the consolidated financial statements, no contracts of significance in relation to the Group's business or for the provision of services to which the Company or any of its subsidiaries was a party and in which a Director or a controlling shareholder of the Company had a material interest, whether directly or indirectly, subsisted at the end of 2014 or at any time during 2014.

CONTRACTS WITH CONTROLLING SHAREHOLDERS

No contract of significance has been entered into among the Company or any of its subsidiaries and the controlling shareholders during the year ended December 31, 2014.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

Continuing connected transactions

As of the Listing Date, the Group has the following continuing connected tractions which are required to be disclosed in this annual report pursuant to the Listing Rules.

Framework agreement on the supply of camera module parts with Bai Shi:

Agreement date	Name of counterparty	Term of agreement	2014 Annual cap *(USD'000)*	Amount for the year *(USD'000)*
March 10, 2015	Bai Shi (as supplier); and Cowell Hong Kong (as the purchaser)	March 31, 2015 to December 31, 2016 (and will be automatically extended for a further period of three years)	2,600	2,535

Director's Report

Mr. Lee Nam Oh (a brother-in-law of the Chairman of the Board, Mr. Kwak Joung Hwan) owns the entire equity interests in Bai Shi and hence Bai Shi is an associate (as defined under Chapter 14A of the Listing Rules) of Mr. Kwak and a connected person of the Group. Details of the terms of the framework purchase agreement with Bai Shi and the transactions contemplated thereunder were set out in the Prospectus.

Annual review of the continuing connected transactions

The independent non-executive Directors have reviewed the above continuing connected transactions and confirmed that the transactions have been entered into:

a. in the ordinary and usual course of business of the Group;

b. on normal commercial terms or terms better to the Group than terms available to or from, as appropriate, independent third parties; and

c. according to the agreement governing them on terms that are fair and reasonable and in the interests of the Company's shareholders as a whole.

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued their unqualified letter containing the auditor's findings and conclusions in respect of the continuing connected transactions disclosed by the Group on page 34 to 35 of this annual report in accordance with Main Board Listing Rule 14A.56. A copy of the auditor's letter has been provided by the Company to the Hong Kong Stock Exchange.

RELATED PARTY TRANSACTIONS

Details of the material related party transactions undertaken by the Group in its normal course of business are set out in note 25 to the consolidated financial statements.

DEED OF NON-COMPETITION

Pursuant to a deed of non-competition dated March 10, 2015 (the "**Deed of Non-competition**") entered into among Mr. Kwak Joung Hwan and Hahn & Co. Eye (the "**Covenantors**") and the Company, the Covenantors have given certain non-competition undertakings in favour of the Company. Please refer to the Prospectus for details of the terms of the Deed of Non-competition. Since Hahn & Co. Eye will cease to be a controlling shareholder (as defined in the Listing Rules) of the Company immediately following the completion of the global offering of the Company, Hahn & Co. Eye will not be subject to the Deed of Non-competition from the Listing Date.

Director's Report

There is nothing to report on regarding compliance with the Deed of Non-competition for the year ended December 31, 2014 since the Deed of Non-Competition has not been entered into. Going forward, the independent non-executive Directors will review, on an annual basis, Mr. Kwak Joung Hwan's compliance with the Deed of Non-competition (in particular, the right of first refusal relating to any business opportunity) and Mr. Kwak will provide all information requested by the Company which is necessary for the annual review by the independent non-executive Directors. The Company will disclose decisions on matters reviewed by the independent non-executive Directors relating to compliance with and enforcement of the Deed of Non-competition in its next annual report or by way of announcement to the public.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at December 31, 2014, none of the Directors is interested in any business, apart from the Group's businesses, which competes or is likely to compete, either directly or indirectly, with the businesses of the Group.

DIRECTORS' AND CHIEF EXECUTIVE OFFICERS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As the Shares of the Company were not listed on the Hong Kong Stock Exchange as of December 31, 2014, Division 7 and 8 of Part XV of the SFO and section 352 of the SFO were not applicable to the Directors or chief executive of the Company as of December 31, 2014.

On March 31, 2015, the shares of the Company were listed on the Hong Kong Stock Exchange. According to the Prospectus, immediately following the completion of the Global Offering, the interests and short positions of the Directors and the chief executive officers of the Company in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were (i) recorded in the register required to be kept under section 352 of the SFO, or (ii) otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code set out in Appendix 10 to the Listing Rules were as follows:

Interest in the Company

Name of Director	Nature of interest	Number of Shares or underlying Shares[(1)]	Approximate percentage of shareholding interest
Mr. Kwak Joung Hwan	Beneficial interest	374,159,400	45.00

Notes:

(1) All interests are long positions.

Director's Report

Save as disclosed above, as of the date of this annual report, so far as is known to the Directors, none of the Directors or the chief executive officers of the Company had any interests or short positions in the Shares, underlying Shares or debenture of the Company or its associated corporations which were (i) recorded in the register required to be kept under section 352 of the SFO, or (ii) otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS

As the Shares of the Company were not listed on the Stock Exchange as of December 31, 2014, Division 2 and 3 of Part XV of the SFO and section 336 of the SFO were not applicable to the Company as of December 31, 2014.

On March 31, 2015, the shares of the Company were listed on the Hong Kong Stock Exchange. According to the Prospectus, immediately following completion of the Global Offering, the following persons had interests or short positions in our Shares or relevant Shares which were required to be disclosed to us and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO and section 336 of the SFO:

Interest of substantial shareholders

Name of shareholder	Nature of interest	Shares held immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised)[(4)]	
		Number[(5)]	Percentage
Mr. Kwak	Beneficial interest	374,159,400	45.00
Ms. Yang Won Sun[(1)]	Interest of spouse	374,159,400	45.00
Hahn & Co. Eye	Beneficial interest	249,359,400	29.99
Hahn & Company 1 Private Equity Fund ("**Hahn & Co. PEF**")[(2)]	Interests in controlled corporation	249,359,400	29.99
Hahn & Company LLC ("**Hahn & Co. LLC**")[(3)]	Interests in controlled corporation	249,359,400	29.99

Notes:

(1) Ms. Yang Won Sun is the spouse of Mr. Kwak. Under Part XV of the SFO, Ms. Yang is deemed to be interested in the same number of Shares in which Mr. Kwak is interested.

(2) Hahn & Co. Eye is wholly-owned by Hahn & Co. PEF. Therefore, Hahn & Co. PEF is deemed to be interested in all the Shares held by Hahn & Co. Eye under the provisions of Part XV of the SFO.

(3) The general partner of Hahn & Co. PEF is Hahn & Co. LLC. Therefore, Hahn & Co. LLC is deemed to be interested in all the Shares held by Hahn Co. Eye under the provisions of Part XV of the SFO.

(4) The Over-allotment Option was fully exercised on April 14, 2015. As a result, the number of Shares held by Hahn & Co. Eye was reduced to 218,159,400 Shares.

(5) All interests are long positions.

Director's Report

USE OF PROCEEDS

The shares of the Company were successfully listed on the Main Board of the Hong Kong Stock Exchange on the Listing Date. The net proceeds received from the initial public offering, after deducting underwriting commissions and other estimated expenses payable for the offering, were approximately HK$322.3 million. Such net proceeds were deposited at the Group's bank accounts and will be used in the manner consistent with that mentioned in the section headed "Future plans and use of proceeds" of the Prospectus. In the event that the Directors decide to use such net proceeds in a manner different from that stated in the Prospectus, the Company will issue a further announcement in compliance with the Listing Rules.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, from March 31, 2015, the date on which the shares of the Company were listed on the Hong Kong Stock Exchange, up to the date of this report, there has been sufficient public float of more than 25% of the Company's issued shares as required under the Listing Rules.

CORPORATE GOVERNANCE

Principal corporate governance practices adopted by the Company are set out in the "Corporate Governance Report" section on pages 40 to 48 of this annual report.

AUDIT COMMITTEE

The Audit Committee has reviewed together with the management the accounting principles and policies adopted by the Group and the audited consolidated financial statements for the year ended December 31, 2014.

AUDITOR

KPMG retire and, being eligible, offer themselves for re-appointment. A resolution for the reappointment of KPMG as the Company's auditors is to be proposed at the forthcoming annual general meeting of the Company.

Director's Report

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the independent non-executive Directors an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive Directors to be independent.

On behalf of the Board
Cowell e Holdings Inc.
Kwak Joung Hwan
Chairman

Hong Kong, April 15, 2015

Corporate Governance Report

The Company believes that maintaining high standards of corporate governance is the foundation for effective management and successful business growth. The Company is committed to developing and maintaining robust corporate governance practices to safeguard the interests of Shareholders and to enhance corporate value, accountability and transparency of the Company.

The Company has adopted the principles and code provisions of the Corporate Governance Code and Corporate Governance Report (the "**CG Code**") set out in Appendix 14 to the Listing Rules as the basis of the Company's corporate governance practices. As the Company was not a listed company during the year ended December 31, 2014, the CG Code was not applicable to the Company during that period. The CG Code has been applicable to the Company with effect from the Listing Date. Throughout the period from the Listing Date up to the publication date of this annual report, the Company has complied with all applicable code provisions of the CG Code, with the exception that the roles of Chairman and Chief Executive of the Group are both vested in Mr. Kwak Joung Hwan, details of which are disclosed in the paragraph headed "Chairman and Chief Executive" below.

SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as the code of conduct regarding Directors' dealings in the securities of the Company. As the Shares of the Company were not listed on the Hong Kong Stock Exchange as at December 31, 2014, the provisions under the Listing Rules in relation to compliance with the Model Code by the Directors regarding securities transactions were not applicable to the Company for the year ended December 31, 2014.

The Company, after making specific inquiries to all Directors, confirmed that all of them have complied with the required standards in the Model Code throughout the period from the Listing Date to the publication date of this annual report.

THE BOARD OF DIRECTORS

Board Responsibilities

The Board is at the core of the Company's corporate governance structure, and is responsible for the overall strategic leadership and planning of the Company. All important matters of the Company are reserved for the Board's decision and the Board retains the authority of deciding such matters, including formulating and monitoring the Company's long term strategies and policy matters, reviewing financial performance, approving annual budgets, monitoring and reviewing internal control and risk management systems, assuming responsibility for the corporate governance of the Company, and upholding the core values of the Company.

Delegation by the Board

The Board relies on management for the day-to-day operation of the Company's business, and has delegated the authority and responsibility for the daily management, administration and operation of the Group as well as the implementation of the Board's policies and strategies to the senior management of the Group. The Board and senior management fully appreciate their respective responsibilities, and they complement each other in formulating and maintaining higher standards of corporate governance practices of the Company.

Corporate Governance Report

Board Composition

The Board is structured with a view to ensuring that it is of high caliber and has a balance of skills and experience appropriate for the needs of the Company's business. The Board currently comprises nine members, consisting of three executive Directors, three non-executive Directors and three independent non-executive Directors as set out below.

Executive Directors
Mr. Kwak Joung Hwan *(Chairman and Chief Executive)*
Mr. Kim Kab Cheol
Mr. Seong Seokhoon

Non-executive Directors
Mr. Yoon Yeo Eul
Mr. Lee Dong-Chun
Mr. Kim Jae Min

Independent non-executive Directors
Mr. Okayama Masanori
Mr. Kim Chan Su *(appointed on March 10, 2015)*
Dr. Song Si Young *(appointed on March 10, 2015)*

Further description of the biographical details and backgrounds of the Board members are set out under the section headed "Directors and Senior Management" in this annual report. A list of the Directors is available on the designated website of the Hong Kong Stock Exchange and the website of the Company.

There is no financial, business, family or other material or relevant relationships among the Directors.

Non-executive Directors

Each of the non-executive Directors has entered into a letter of appointment with the Company for an initial term of three years commencing from March 10, 2015. Under the Articles of Association of the Company, every Director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. Retiring Directors shall be eligible for re-election at the annual general meeting at which he retires.

Independent Non-executive Directors

Independent non-executive Directors play an important role in the Board by bringing independent judgment and advice and through scrutiny of the Company's performance. Since the Listing Date and up to the publication date of this annual report, the Company has been in compliance with Rules 3.10(1) and 3.10(2) of the Listing Rules relating to the appointment of at least three independent non-executive Directors with at least one of them possessing the appropriate professional qualifications or accounting or related financial management expertise. The Company has also complied with Rule 3.10A of the Listing Rules which requires that independent non-executive Directors appointed must represent at least one-third of the Board.

Corporate Governance Report

Each of the independent non-executive Directors has confirmed his or her independence pursuant to Rule 3.13 of the Listing Rules, and the Company considers each of them to be independent with reference to the criteria set out in Rule 3.13 of the Listing Rules.

The Board will continually review and consider whether there are circumstances that are likely to affect the independence of the independent non-executive Directors.

CHAIRMAN AND CHIEF EXECUTIVE

Pursuant to code provision A.2.1 of the CG Code, the role of chairman and the chief executive should be segregated and should not be performed by the same individual. However, the Company does not have a separate chairman and chief executive and Mr. Kwak Joung Hwan currently performs these two roles. The Board considers that having Mr. Kwak acting as both the Company's chairman and the Company's chief executive officer will provide a strong and consistent leadership to the Company and allow for more effective planning and management for the Group. In view of Mr. Kwak's extensive experience in the industry, personal profile and critical role in the Group and its historical development, the Board considers that it is beneficial to the business prospects of the Group that Mr. Kwak continues to act as both the chairman and the chief executive officer. After taking into account the overall circumstances of the Group, the Board will continue to review and consider the separation of the duties of the chairman and chief executive if and when appropriate.

Save as disclosed above, the Directors consider that, from the Listing Date to the publication date of this annual report, the Company has fully complied with the applicable code provisions as set out in the Code of Corporate Governance Practices as contained in Appendix 14.

APPOINTMENT, RETIREMENT AND RE-ELECTION OF DIRECTORS

The Articles of Association of the Company provide that any Director appointed by the Board to fill a casual vacancy shall hold office only until the first general meeting of the Company after his appointment and be subject to re-election at such meeting. Any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following general meeting of the Company and shall then be eligible for re-election.

At each annual general meeting of the Company, one-third of the current Directors should retire from office by rotation, provided that every Director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. A retiring Director shall be eligible for re-election.

The Nomination Committee is responsible for reviewing the Board's structure, size and composition and making recommendations to the Board on the appointment and re-appointment of Directors and succession planning of Directors.

INDUCTION AND CONTINUOUS PROFESSIONAL DEVELOPMENT

The Directors have been provided with relevant training to ensure that they fully understand their responsibilities, duties and obligations as directors of a listed company.

The attendance record of professional training received by the Directors in preparation of the Company's listing on the Hong Kong Stock Exchange is set out below:

Name of Director	Date of attendance of Directors' training
Executive Directors:	
Mr. Kwak Joung Hwan	March 26, 2014
Mr. Kim Kab Cheol	March 26, 2014
Mr. Seong Seokhoon	March 26, 2014
Non-executive Directors:	
Mr. Yoon Yeo Eul	April 2, 2014
Mr. Lee Dong-Chun	April 2, 2014
Mr. Kim Jae Min	April 2, 2014
Independent Non-executive Directors:	
Mr. Okayama Masanori	April 2, 2014
Mr. Kim Chan Su	March 26, 2014
Dr. Song Si Young	April 2, 2014

The Directors will continue to be updated by the Company on any changes or developments affecting their obligations as directors of a listed company.

BOARD MEETINGS

Notice of regular Board meetings is given to each Director at least 14 days before the meeting. The agenda and the relevant board papers are circulated to each Director at least three days before regular Board meetings to enable them to make informed decisions at the meeting.

ATTENDANCE RECORDS OF BOARD MEETINGS

Code provision A.1.1 of the CG Code requires that at least four regular Board meetings should be held each year at approximately quarterly intervals, with active participation of a majority of directors, either in person or through other electronic means of communication.

As the Company was not a listed company during the year ended December 31, 2014, the above Code provision was not applicable to the Company during the year under review. The Board intends to hold Board meetings regularly at least four times a year at approximately quarterly intervals. Other Board meetings will be held if necessary.

DIRECTORS' AND OFFICERS' INSURANCE

The Company has arranged appropriate insurance cover in respect of potential legal actions against its Directors and senior management members.

Corporate Governance Report

BOARD COMMITTEES

The Board has established three Board committees to oversee particular aspects of the Company's affairs, namely the Audit Committee, the Remuneration Committee and the Nomination Committee. The Board has delegated to the Board committees responsibilities as set out in their respective terms of reference. The independent non-executive Directors, as members of the various Board committees, bring their range of experiences and expertise and provide objective perspectives to them. The Board has provided the Board committees with sufficient resources to discharge their duties, and the Board committees may seek independent professional advice as and when required at the Company's expense.

Audit Committee

The Audit Committee comprises three members, all of whom are independent non-executive Directors. It is currently chaired by Mr. Kim Chan Su (independent non-executive Director), and its other members are Dr. Song Si Young (independent non-executive Director) and Mr. Okayama Masanori (independent non-executive Director).

The primary functions of the Audit Committee include the following:

- making recommendations to the Board on the appointment, reappointment and removal of external auditors, and to approve remuneration and terms of such engagement;
- reviewing and monitoring the external auditors' independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;
- discussing with the external auditors the nature and scope of the audit and reporting obligations before the audit commences;
- developing and implementing policy on engaging external auditors to supply non-audit services;
- monitoring the integrity of the Company's financial statements and annual report and accounts, half-yearly reports and, if prepared for publication, quarterly reports, and to review significant financial reporting opinions contained in them;
- reviewing the Company's financial controls, internal control and risk management systems and discussing the internal control system with management to ensure that management has performed its duty to have an effective internal control system;
- considering major investigation findings on internal control matters as delegated by the Board or on the Audit Committee's own initiative, as well as management's response to these findings; and
- reviewing the Group's financial and accounting policies and practices.

The written terms of reference of the Audit Committee are available on the website of the Company and the designated website of the Hong Kong Stock Exchange. The Audit Committee did not hold meetings during the year ended December 31, 2014 (when the Company was not yet a listed company), and will hold at least two meetings each year from 2015 onwards.

Corporate Governance Report

Remuneration Committee

The Remuneration Committee comprises three members. It is currently chaired by Dr. Song Si Young (independent non-executive Director), and its other members are Mr. Kim Chan Su (independent non-executive Director) and Mr. Seong Seokhoon (executive Director). It has an overall majority of independent non-executive Directors.

The primary functions of the Remuneration Committee include the following:

- reviewing and making recommendations to the Board in respect of the remuneration packages and overall benefits for the Directors and senior management of the Company;
- making recommendations to the Board on the Company's policy and structure for all directors' and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;
- reviewing and approving the management's remuneration proposals with reference to the Board's corporate goals and objectives;
- making recommendations to the Board on the remuneration packages of individual executive directors and senior management;
- making recommendations to the Board on the remuneration of non-executive directors; and
- ensuring that no Director or any of his associates is involved in deciding his own remuneration.

The written terms of reference of the Remuneration Committee are available on the website of the Company and the designated website of the Hong Kong Stock Exchange. The Remuneration Committee did not hold meetings during the year ended December 31, 2014 (when the Company was not yet a listed company), and will hold at least one meeting each year from 2015 onwards.

Nomination Committee

The Nomination Committee comprises three members. It is currently chaired by Mr. Kwak Joung Hwan (executive Director), and its other members are Dr. Song Si Young (independent non-executive Director) and Mr. Kim Chan Su (independent non-executive Director). It has an overall majority of independent non-executive Directors.

The primary functions of the Nomination Committee include the following:

- reviewing the structure, size and composition of the Board and making recommendations on any proposed changes to the Board to complement the Company's corporate strategy;
- identifying individuals suitably qualified to become members of the Board and selecting or making recommendations to the Board on the selection of individuals nominated for directorships;
- assessing the independence of independent non-executive Directors;

Corporate Governance Report

- making recommendations to the Board on the appointment or reappointment of Directors and succession plan for Directors; and

- reviewing the board diversity policy regularly.

The Nomination Committee has a board diversity policy under which, with the assistance of the Nomination Committee, the Company will implement its Board members selection process by referring to various factors, including but not limited to gender, age, cultural and educational background, professional expertise, independence, skills, knowledge and length of service. Decision shall ultimately be made based on the merits of and contribution to be made by the candidate.

The written terms of reference of the Nomination Committee are available on the website of the Company and the designated website of the Hong Kong Stock Exchange. The Nomination Committee did not hold meetings during the year ended December 31, 2014 (when the Company was not yet a listed company), and will hold at least one meeting each year from 2015 onwards.

CORPORATE GOVERNANCE FUNCTIONS

The corporate governance functions have been reserved to the Board. The primary governance functions include:

- developing and reviewing the Company's policies and practices on corporate governance;

- reviewing and monitoring training and continuous professional development of Directors and senior management;

- reviewing and monitoring the Company's compliance with the CG Code and other legal and regulatory requirements;

- developing, reviewing and monitoring any code of conduct and compliance manual applicable to Directors and employees of the Company; and

- reviewing the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

ACCOUNTABILITY AND AUDIT

Directors' Responsibilities for Financial Reporting in respect of Financial Statements

The Directors acknowledge their responsibility for preparing the financial statements for the year ended December 31, 2014, presenting a balanced, clear and comprehensible assessment of the Company's performance, position and prospects, and for ensuring that the financial report are prepared in accordance with applicable statutory requirements and accounting standards. To the best knowledge, information and belief of the Directors, the Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

Corporate Governance Report

The management of the Company has provided the Board with such explanation and information necessary to enable the Board to carry out an informed assessment of the Company's financial statements, which are put to the Board for approval.

Internal Control

The Board acknowledges that it is its responsibility to maintain an adequate internal control system to safeguard Shareholders' investment and the Company's assets, and to review the effectiveness of such system on an annual basis, including considering the adequacy of resources, staff qualifications and experience, training programmes for staff and budget of the Group's accounting and financial reporting function.

The Board has conducted a review of the effectiveness of the internal control system of the Group and considers the internal control system to be effective and adequate. Going forward, the Audit Committee will also review the effectiveness of the Company's internal control system.

Auditor's Remuneration

For the year ended December 31, 2014, the total remuneration paid or payable to the Company's auditors for audit and non-audit services amounted to US$0.5 million and US$0.1 million respectively.

COMPANY SECRETARY

Ms. Lam Wing Yan is the Company's company secretary, and she is responsible for advising the Board on corporate governance matters and ensuring that Board policy and procedures and applicable laws, rules and regulations are followed.

The Company will provide funds for Ms. Lam Wing Yan for her to take not less than 15 hours of appropriate continuous professional training in each financial year as required under Rule 3.29 of the Listing Rules.

SHAREHOLDERS' RIGHTS

Convening of extraordinary general meeting and putting forward proposals

Pursuant to Article 12.3 of the Articles of Association, extraordinary general meetings shall be convened on the requisition of two or more Shareholders holding, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing and deposited at the principal office of the Company in Hong Kong and the business to be dealt with shall be specified in such requisition. Such meeting shall be held within the further 21 days after such requisition being proceeded within 21 days of its deposition in the manner as described above. If within 21 days of such deposit, the Board fails to proceed to convene such meeting within a further 21 days, the requisitionist(s) or any of them representing more than one-half of the total voting rights of all of them may do so in the same manner on or before the expiration of 3 months from the date of the deposit of requisition, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Corporate Governance Report

Constitutional Documents

Pursuant to a special resolution of the Shareholders passed on March 10, 2015, the Amended and Restated Memorandum and Articles of Association of the Company were adopted with effect from the Listing Date, copies of which are available on both the websites of the Hong Kong Stock Exchange and the Company.

Communication with Shareholders and investor relations

The Board recognizes that it is accountable to its stakeholders, and values the importance of communications with Shareholders. The Company is dedicated to maintaining an open dialogue with its Shareholders, and it will continually improve its communications with Shareholders to obtain their feedback.

The Company has established a shareholder communication policy to ensure effective communication with its Shareholders. The Company's corporate website also serves as a channel for Shareholders to access information about the Group. The Group's key corporate governance policies and documents, including the terms of reference of the various Board committees, as well as all communications for Shareholders including the Group's financial reports and announcements, are available on the website.

Shareholders are welcome to send their request for general meeting, proposed resolutions or enquiries to the Board to the primary contact person of the Company as follows:

Cowell e Holdings Inc.
Suite 3208-9
32/F Tower 6
The Gateway
9 Canton Road
Tsimshatsui
Kowloon
Attention: Ms. Lam Wing Yan
Email: carol@cowell.com.hk

Independent Auditor's Report

Independent auditor's report to the shareholders of Cowell e Holdings Inc.
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Cowell e Holdings Inc. ("the Company") and its subsidiaries (together "the Group") set out on pages 51 to 113, which comprise the consolidated and company statements of financial position as at December 31, 2014, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board and the disclosure requirements of the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent Auditor's Report

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group at December 31, 2014 and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

KPMG
Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

April 15, 2015

Consolidated Statement of Profit or Loss

For the year ended December 31, 2014
(Expressed in United States dollars)

	Note	2014 $	2013 $
Turnover	3	**886,467,162**	813,935,600
Cost of sales		**(774,364,131)**	(710,688,582)
Gross profit		**112,103,031**	103,247,018
Other revenue	4	**1,982,545**	1,314,661
Other net income/(loss)	4	**229,605**	(1,172,997)
Selling and distribution expenses		**(6,482,641)**	(5,892,020)
Administrative expenses		**(37,146,671)**	(28,511,809)
Profit from operations		**70,685,869**	68,984,853
Finance costs	5(a)	**(3,121,430)**	(5,182,334)
Profit before taxation	5	**67,564,439**	63,802,519
Income tax	6	**(14,319,612)**	(13,560,782)
Profit for the year		**53,244,827**	50,241,737
Earnings per share	10		
Basic and diluted		**0.071**	0.067

The notes on pages 57 to 113 form part of these consolidated financial statements.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended December 31, 2014
(Expressed in United States dollars)

	Note	2014 $	2013 $
Profit for the year		**53,244,827**	50,241,737
Other comprehensive income for the year (after tax adjustments):	9		
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of financial statements of overseas subsidiaries		**(547,979)**	3,267,590
Items that will not be reclassified to profit or loss			
Remeasurement of net defined benefit liability		**(127,218)**	(35,352)
		(675,197)	3,232,238
Total comprehensive income for the year		**52,569,630**	53,473,975

The notes on pages 57 to 113 form part of these consolidated financial statements.

Consolidated Statement of Financial Position

As at December 31, 2014
(Expressed in United States dollars)

	Note	2014 $	2013 $
Non-current assets			
Fixed assets	11		
— Investment property		**3,427,241**	3,654,990
— Property, plant and equipment		**103,252,823**	95,944,622
		106,680,064	99,599,612
Intangible assets	12	**2,568,598**	1,442,543
Other receivables	15(d)	**6,822,759**	5,287,713
		116,071,421	106,329,868
Current assets			
Inventories	14	**66,002,147**	55,034,171
Trade and other receivables	15	**221,001,452**	167,400,739
Current tax recoverable	20(a)	**1,426,635**	—
Pledged deposits	16(a)	**19,125,705**	26,237,518
Cash and cash equivalents	16(b)	**82,223,720**	45,220,376
		389,779,659	293,892,804
Current liabilities			
Trade and other payables	17	**209,746,110**	123,114,666
Bank loans	18	**91,938,790**	121,808,780
Current tax payable	20(a)	**10,207,380**	12,579,340
Loan from a director	25(b)	**—**	2,000,000
		311,892,280	259,502,786
Net current assets		**77,887,379**	34,390,018
Total assets less current liabilities		**193,958,800**	140,719,886
Non-current liabilities			
Net defined benefit retirement obligation	19	**788,417**	534,272
Deferred tax liabilities	20(b)	**737,892**	322,753
		1,526,309	857,025
NET ASSETS		**192,432,491**	139,862,861
CAPITAL AND RESERVES			
Share capital	21(b)	**2,993,275**	2,993,275
Reserves		**189,439,216**	136,869,586
TOTAL EQUITY		**192,432,491**	139,862,861

Approved and authorized for issue by the board of directors on

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The notes on pages 57 to 113 form part of these consolidated financial statements.

Statement of Financial Position

As at December 31, 2014
(Expressed in United States dollars)

	Note	2014 $	2013 $
Non-current assets			
Intangible assets	*12*	**2,443,177**	1,381,963
Investments in subsidiaries	*13*	**843,575**	843,575
		3,286,752	2,225,538
Current assets			
Other receivables	*15*	**274,439**	155,050
Pledged deposits	*16(a)*	**15,465,793**	21,226,192
Cash and cash equivalents	*16(b)*	**3,374,473**	227,470
		19,114,705	21,608,712
Current liability			
Other payables	*17*	**12,618,153**	8,638,583
Net current assets		**6,496,552**	12,970,129
Total assets less current liabilities		**9,783,304**	15,195,667
NET ASSETS		**9,783,304**	15,195,667
CAPITAL AND RESERVES	*21*		
Share capital		**2,993,275**	2,993,275
Reserves		**6,790,029**	12,202,392
TOTAL EQUITY		**9,783,304**	15,195,667

Approved and authorized for issue by the board of directors on

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The notes on pages 57 to 113 form part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended December 31, 2014
(Expressed in United States dollars)

	Share capital	Share premium (Note 21(c)(i))	Capital redemption reserve (Note 21(c)(i))	Other reserve (Note 21(c)(ii))	General reserve fund (Note 21(c)(iii))	Property revaluation reserve (Note 21(c)(iv))	Exchange reserve (Note 21(c)(v))	Retained profits	Total
	$	$	$	$	$	$	$	$	$
Balance at January 1, 2013	2,993,275	22,531,288	6,725	761,639	1,698,280	1,029,978	5,578,541	51,789,160	86,388,886
Changes in equity for 2013:									
Profit for the year	–	–	–	–	–	–	–	50,241,737	50,241,737
Other comprehensive income	–	–	–	–	–	–	3,267,590	(35,352)	3,232,238
Total comprehensive income	–	–	–	–	–	–	3,267,590	50,206,385	53,473,975
Transfer from retained profits	–	–	–	–	1,663,656	–	–	(1,663,656)	–
Balance at December 31, 2013 and January 1, 2014	**2,993,275**	**22,531,288**	**6,725**	**761,639**	**3,361,936**	**1,029,978**	**8,846,131**	**100,331,889**	**139,862,861**
Changes in equity for 2014:									
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**53,244,827**	**53,244,827**
Other comprehensive income	**–**	**–**	**–**	**–**	**–**	**–**	**(547,979)**	**(127,218)**	**(675,197)**
Total comprehensive income	**–**	**–**	**–**	**–**	**–**	**–**	**(547,979)**	**53,117,609**	**52,569,630**
Transfer from retained profits	**–**	**–**	**–**	**–**	**2,145,156**	**–**	**–**	**(2,145,156)**	**–**
Balance at December 31, 2014	**2,993,275**	**22,531,288**	**6,725**	**761,639**	**5,507,092**	**1,029,978**	**8,298,152**	**151,304,342**	**192,432,491**

The notes on pages 57 to 113 form part of these consolidated financial statements.

Consolidated Cash Flow Statement

For the year ended December 31, 2014
(Expressed in United States dollars)

	Note	2014 $	2013 $
Operating activities			
Cash generated from operations	*16(c)*	**105,129,416**	51,904,624
Tax paid			
— Hong Kong Profits Tax paid		**(9,575,496)**	(907,093)
— Overseas tax paid		**(7,991,152)**	(4,204,576)
Net cash generated from operating activities		**87,562,768**	46,792,955
Investing activities			
Payment for purchase of property, plant and equipment		**(21,522,719)**	(15,807,825)
Proceeds from sale of property, plant and equipment		**24,474**	444,120
Payment for purchase of intangible assets		**(1,380,778)**	(1,049,732)
Interest received		**308,937**	592,072
Net cash used in investing activities		**(22,570,086)**	(15,821,365)
Financing activities			
Repayment of loan from a director		**(2,000,000)**	—
Proceeds from bank loans		**654,002,893**	693,950,868
Repayment of bank loans		**(683,856,573)**	(714,068,754)
Interest paid		**(3,121,430)**	(5,182,334)
Decrease in pledged deposits		**7,111,813**	25,877,547
Net cash (used in)/generated from financing activities		**(27,863,297)**	577,327
Net increase in cash and cash equivalents		**37,129,385**	31,548,917
Cash and cash equivalents at January 1		**45,220,376**	13,606,046
Effect of foreign exchange rate changes		**(126,041)**	65,413
Cash and cash equivalents at December 31	*16(b)*	**82,223,720**	45,220,376

The notes on pages 57 to 113 form part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

(Expressed in United States dollars unless otherwise indicated)

The Company was incorporated in the Cayman Islands on November 28, 2006 as an exempted company with limited liability under the Cayman Companies Law. The Company and its subsidiaries are engaged in manufacturing and sale of camera module and optical components.

On March 31, 2015, the shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited, with a total number of 83,200,000 shares issued to the public, with par value of $0.004 each. The gross proceeds received by the Company from the global offering were approximately $45.6 million.

1 Significant accounting policies

(a) Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs"), which collective term includes International Accounting Standards ("IASs") and related interpretations, promulgated by the International Accounting Standards Board ("IASB"). These financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance, which for this financial year and the comparative period continue to be those of the predecessor Hong Kong Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangements for Part 9 of the new Hong Kong Companies Ordinance (Cap. 622), "Accounts and Audit", which are set out in sections 76 to 87 of Schedule 11 to that Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). A summary of the significant accounting policies adopted by the Group is set out below.

The IASB has issued certain new and revised IFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 1(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended December 31, 2014 comprise the Company and its subsidiaries.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that investment property and certain employee benefits are stated at their fair value as explained in the accounting policies set out below.

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Notes to the Consolidated Financial Statements

(Expressed in United States dollars unless otherwise indicated)

1 Significant accounting policies (continued)

(b) Basis of preparation of the financial statements (continued)

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 2.

(c) Changes in accounting policies

The IASB has issued the following amendments to IFRSs and one new interpretation that are first effective for the current accounting period of the Group and the Company:

— Amendments to IFRS 10, IFRS 12 and IAS 27, *Investment entities*

— Amendments to IAS 32, *Offsetting financial assets and financial liabilities*

— Amendments to IAS 36, *Recoverable amount disclosures for non-financial assets*

— IFRIC 21, *Levies*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of the new or amended IFRSs are discussed below:

Amendments to IFRS 10, IFRS 12 and IAS 27, Investment entities

The amendments provide consolidation relief to those parents which qualify to be an investment entity as defined in the amended IFRS 10. Investment entities are required to measure their subsidiaries at fair value through profit or loss. These amendments do not have an impact on these financial statements as the Company does not qualify to be an investment entity.

Amendments to IAS 32, Offsetting financial assets and financial liabilities

The amendments to IAS 32 clarify the offsetting criteria in IAS 32. The amendments do not have an impact on these financial statements as they are consistent with the policies already adopted by the Group.

Amendments to IAS 36, Recoverable amount disclosures for non-financial assets

The amendments to IAS 36 modify the disclosure requirements for impaired non-financial assets. Among them, the amendments expand the disclosures required for an impaired asset or cash generating unit whose recoverable amount is based on fair value less costs of disposal. The amendments do not have an impact on these financial statements as the Group did not have any impaired non-financial assets for the years presented in these financial statements.

Notes to the Consolidated Financial Statements

(Expressed in United States dollars unless otherwise indicated)

1 Significant accounting policies (continued)

(c) Changes in accounting policies (continued)

IFRIC 21, Levies

The interpretation provides guidance on when a liability to pay a levy imposed by a government should be recognized. The amendments do not have an impact on these financial statements as the guidance is consistent with the Group's existing accounting policies.

(d) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no gain or loss is recognized.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognized in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognized at fair value.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 1(i)).

Notes to the Consolidated Financial Statements

(Expressed in United States dollars unless otherwise indicated)

1 Significant accounting policies (continued)

(e) Investment property

Investment properties are land and/or buildings which are owned or held under a leasehold interest to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use and property that is being constructed or developed for future use as investment property.

Investment properties are stated at fair value, unless they are still in the course of construction or development at the end of the reporting period and their fair value cannot be reliably measured at that time. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognized in profit or loss. Rental income from investment properties is accounted for as described in note 1(s)(ii).

When the Group holds a property interest under an operating lease to earn rental income and/or for capital appreciation, the interest is classified and accounted for as an investment property on a property-by-property basis. Any such property interest which has been classified as an investment property is accounted for as if it were held under a finance lease (see note 1(h)), and the same accounting policies are applied to that interest as are applied to other investment properties leased under finance leases. Lease payments are accounted for as described in note 1(h).

(f) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 1(i)), with the exception of construction in progress which is stated at cost less any impairment losses (see note 1(i)).

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see note 1(u)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognized in profit or loss on the date of retirement or disposal.

Notes to the Consolidated Financial Statements

(Expressed in United States dollars unless otherwise indicated)

1 Significant accounting policies (continued)

(f) Property, plant and equipment (continued)

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

— Leasehold improvements	Shorter of terms of leases or 20 years
— Plant and machinery	10 years
— Office equipment, furniture and fixtures	3–5 years
— Motor vehicles	3–5 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

(g) Intangible assets

Expenditure on research activities is recognized as an expense in the period in which it is incurred. Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Group or the Company has sufficient resources and the intention to complete development. The expenditure capitalised includes the costs of materials, direct labour, and an appropriate proportion of overheads and borrowing costs, where applicable (see note 1(u)). Capitalised development costs are stated at cost less accumulated amortization and impairment losses (see note 1(i)). Other development expenditure is recognized as an expense in the period in which it is incurred.

Other intangible assets that are acquired by the Group or the Company are stated at cost less accumulated amortization (where the estimated useful life is finite) and impairment losses (see note 1(i)).

Amortization of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible assets with finite useful lives are amortized from the date they are available for use and their estimated useful lives are as follows:

— Development costs	5 years
— Software	5 to 10 years

Both the period and method of amortization are reviewed annually.

Notes to the Consolidated Financial Statements

(Expressed in United States dollars unless otherwise indicated)

1 Significant accounting policies (continued)

(h) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Group

Assets that are held by group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases, with the following exceptions:

— property held under operating leases that would otherwise meet the definition of an investment property is classified as investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease (see note 1(e)); and

— land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease. For these purposes, the inception of the lease is the time that the lease was first entered into by the Group, or taken over from the previous lessee.

(ii) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognized in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

The cost of acquiring land held under an operating lease is amortized on a straight-line basis over the period of the lease term except where the property is classified as an investment property (see note 1(e)).

Notes to the Consolidated Financial Statements

(Expressed in United States dollars unless otherwise indicated)

1 Significant accounting policies (continued)

(i) Impairment of assets

(i) Impairment of receivables

Receivables that are stated at cost or amortized cost are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group or the Company about one or more of the following loss events:

— significant financial difficulty of the debtor;

— a breach of contract, such as a default or delinquency in interest or principal payments;

— it becoming probable that the debtor will enter bankruptcy or other financial reorganisation; and

— significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

If any such evidence exists, any impairment loss is determined and recognized as follows:

The impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where these financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognized, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognized in prior years.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognized in respect of trade debtors and bills receivable included within trade and other receivables, whose recovery is considered receivables but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group or the Company is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade receivables and bills receivable directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognized in profit or loss.

Notes to the Consolidated Financial Statements

(Expressed in United States dollars unless otherwise indicated)

1 Significant accounting policies (continued)

(i) Impairment of assets (continued)

(ii) Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or an impairment loss previously recognized no longer exists or may have decreased:

— property, plant and equipment;

— intangible assets; and

— investments in subsidiaries in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

— *Calculation of recoverable amount*

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

— *Recognition of impairment losses*

An impairment loss is recognized in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable), or value in use (if determinable).

— *Reversals of impairment losses*

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognized in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognized.

Notes to the Consolidated Financial Statements

(Expressed in United States dollars unless otherwise indicated)

1 Significant accounting policies (continued)

(j) Inventories

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognized as an expense in the period in which the related revenue is recognized. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognized as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognized as a reduction in the amount of inventories recognized as an expense in the period in which the reversal occurs.

(k) Trade and other receivables

Trade and other receivables are initially recognized at fair value and thereafter stated at amortized cost using the effective interest method, less allowance for impairment of doubtful debts (see note 1(i)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

Trade and other receivables are derecognized if substantially all the risks and rewards of ownership of the trade and other receivables are transferred. If substantially all the risks and rewards of ownership of trade and other receivables are retained, the trade and other receivables are continued to recognize in the consolidated statement of financial position. For discounted commercial acceptance bills to banks with recourse, the bills receivable are not derecognized until the customer settled the respective bills with the banks.

(l) Interest-bearing borrowings

Interest-bearing borrowings are recognized initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortized cost with any difference between the amount initially recognized and redemption value being recognized in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

Notes to the Consolidated Financial Statements

(Expressed in United States dollars unless otherwise indicated)

1 Significant accounting policies (continued)

(m) Preference share capital

Preference share capital is classified as equity if it is non-redeemable, or redeemable only at the Company's option, and any dividends are discretionary. Dividends on preference share capital classified as equity are recognized as distributions within equity.

Preference share capital is classified as a liability if it is redeemable on a specific date or at the option of the shareholders, or if dividend payments are not discretionary. The liability is recognized in accordance with the Group's policy for interest-bearing borrowings set out in note 1(l) and accordingly dividends thereon are recognized on an accrual basis in profit or loss as part of finance costs.

(n) Trade and other payables

Trade and other payables are initially recognized at fair value and are subsequently stated at amortized cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(o) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement.

(p) Employee benefits

(i) Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Defined benefit retirement plan obligations

The Group's net obligation in respect of defined benefit retirement plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine the present value, and the fair value of any plan assets is deducted. The calculation is performed by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Group, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan.

Notes to the Consolidated Financial Statements

(Expressed in United States dollars unless otherwise indicated)

1 Significant accounting policies (continued)

(p) Employee benefits (continued)

(ii) ***Defined benefit retirement plan obligations*** (continued)

Service cost and net interest expense/(income) on the net defined benefit liability/(asset) are recognized in profit or loss and allocated by function as part of "cost of sales", "selling and distribution expenses" or "administrative expenses". Current service cost is measured as the increase in the present value of the defined benefit obligation resulting from employee service in the current period. When the benefits of a plan are changed, or when a plan is curtailed, the portion of the changed benefit related to past service by employees, or the gain or loss on curtailment, is recognized as an expense in profit or loss at the earlier of when the plan amendment or curtailment occurs and when related restructuring costs or termination benefits are recognized. Net interest expense/(income) for the period is determined by applying the discount rate used to measure the defined benefit obligation at the beginning of the reporting period on high quality corporate bonds that have maturity dates approximating the terms of the Group's obligations.

Remeasurements arising from defined benefit retirement plans are recognized in other comprehensive income and reflected immediately in retained earnings. Remeasurements comprise actuarial gains and losses, the return on plan assets (excluding amounts included in net interest on the net defined benefit liability/(asset)) and any change in the effect of the asset ceiling (excluding amounts included in net interest on the net defined benefit liability/(asset)).

(iii) ***Termination benefits***

Termination benefits are recognized at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognizes restructuring costs involving the payment of termination benefits.

(q) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognized in profit or loss except to the extent that they relate to business combinations, items recognized in other comprehensive income or directly in equity, in which case the relevant amount of tax are recognized in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses.

Notes to the Consolidated Financial Statements
(Expressed in United States dollars unless otherwise indicated)

1 Significant accounting policies (continued)

(q) Income tax (continued)

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognized. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

Where investment properties are carried at their fair value in accordance with the accounting policy set out in note 1(e), the amount of deferred tax recognized is measured using the tax rates that would apply on sale of those assets at their carrying value at the reporting date unless the property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. In all other cases, the amount of deferred tax recognized is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

— in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

Notes to the Consolidated Financial Statements
(Expressed in United States dollars unless otherwise indicated)

1 Significant accounting policies (continued)

(q) Income tax (continued)

— in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  — the same taxable entity; or

  — different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(r) Provisions and contingent liabilities

Provisions are recognized for liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(s) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognized in profit or loss as follows:

(i) Sale of goods

Revenue is recognized when goods are delivered at the customers' premises or consumed by customers, depending on sales terms, which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

(ii) Rental income from operating leases

Rental income receivable under operating leases is recognized in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognized in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognized as income in the accounting period in which they are earned.

Notes to the Consolidated Financial Statements

(Expressed in United States dollars unless otherwise indicated)

1 Significant accounting policies (continued)

(s) Revenue recognition (continued)

(iii) Interest income

Interest income is recognized as it accrues using the effective interest method.

(iv) Compensation income

Compensation income is recognized when the right to receive payment is established.

(v) Subsidy income

Subsidies are recognized initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attached to them. Subsidies that compensate the Group for expenses incurred are recognized as revenue in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Subsidies that compensate the Group for the cost of an asset are initially recognized as deferred income and consequently are recognized in profit or loss over the useful life of the assets by way of reduced depreciation expense.

(t) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognized in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

The results of foreign operations are translated into United States dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into United States dollars at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognized in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognized.

Notes to the Consolidated Financial Statements
(Expressed in United States dollars unless otherwise indicated)

1 Significant accounting policies (continued)

(u) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(v) Related parties

(i) A person, or a close member of that person's family, is related to the Group if that person:

(1) has control or joint control over the Group;

(2) has significant influence over the Group; or

(3) is a member of the key management personnel of the Group or the Group's parent.

(ii) An entity is related to the Group if any of the following conditions applies:

(1) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(2) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(3) Both entities are joint ventures of the same third party.

(4) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(5) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(6) The entity is controlled or jointly controlled by a person identified in (i).

(7) A person identified in (i)(1) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

Notes to the Consolidated Financial Statements

(Expressed in United States dollars unless otherwise indicated)

1 Significant accounting policies (continued)

(w) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

2 Accounting judgements and estimates

Note 19 contains information about the assumptions and their risk factors relating to defined benefit retirement obligations. Other key areas of estimation uncertainty are as follows:

(a) Impairment of fixed assets and intangible assets

If the circumstances indicate that the carrying values of these assets may not be recoverable, the assets may be considered "impaired" and an impairment loss may be recognized in accordance with IAS 36, Impairment of assets. Under IAS 36, these assets are tested for impairment whenever events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. When such a decline has occurred, the carrying amount is reduced to recoverable amount. The recoverable amount is the greater of its fair value less costs of disposal and value in use. In determining the value in use, expected cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to level of sales volume, selling prices and amount of operating costs. The Group and the Company use all readily available information in determining an amount that is a reasonable approximation of the recoverable amount. However, actual sales volume, selling prices and operating costs may be different from assumptions which may result in a material adjustment to the carrying amount of the assets affected. Details of the nature and carrying amounts of fixed assets and intangible assets are disclosed in notes 11 and 12 respectively.

(b) Impairment of receivables

Receivables that are measured at cost or amortized cost are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. If any such evidence exists, an impairment loss is recorded. Objective evidence of impairment includes observable data that comes to the attention of the Group or the Company about loss events such as a significant decline in the estimated future cash flow of an individual debtor or the portfolio of debtors, and significant changes in the financial condition that have an adverse effect on the debtor. If there is a change in the objective evidence of impairment in relation to the debtors, the actual impairment loss would be higher or lower than the allowance for doubtful debts recognized in the financial statements.

Notes to the Consolidated Financial Statements
(Expressed in United States dollars unless otherwise indicated)

2 Accounting judgements and estimates (continued)

(c) Write down of inventories

The Group performs regular reviews of the carrying amounts of inventories with reference to aged inventories analysis, projections of expected future saleability of goods and, management experience and judgement. Based on this review, a write down of inventories will be made when the carrying amounts of inventories decline below their estimated net realisable value. Due to changes in technological environment, actual saleability of goods may be different from estimation and the statement of profit or loss in future accounting periods could be affected by differences in this estimation.

(d) Taxation, indirect taxes and duties

Determining the provision for income tax, indirect taxes and duties involves judgement, including the interpretation and application of tax and other legislation, on the future treatment of certain transactions. The Group carefully evaluates tax and other implications of transactions and provisions are set up accordingly. The treatment of such transactions is reconsidered periodically to take into account all changes in, including interpretation of, tax and other legislation. Where the final outcome of these transactions is different from the amounts that were initially recorded, such differences will impact provisions in the year in which such determination is made.

3 Turnover and segment reporting

(a) Turnover

The principal activities of the Group are manufacturing and sale of camera module and optical components. Turnover represents the sales value of goods supplied to customers and excludes value added tax or other sales taxes and is after deduction of any trade discounts.

The Group's customer base includes two customers (2013: two customers), with each of whom transactions have exceeded 10% of the Group's revenues, for the year ended December 31, 2014. Revenues from sales to these customers, during the reporting period are set out below. Details of concentrations of credit risk arising from these customers are set out in note 22(a).

	2014	2013
	$	$
Largest customer	**685,395,471**	637,140,225
Second largest customer	**172,179,903**	102,658,248

Notes to the Consolidated Financial Statements

(Expressed in United States dollars unless otherwise indicated)

3 Turnover and segment reporting (continued)

(b) Segment reporting

The Group manages its businesses by division, which is organised by a mixture of both business lines and geography. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following two reportable segments. No operating segments have been aggregated to form the following reportable segments.

— Camera module: this segment is involved in the design, development, manufacture and sale of camera modules for mobile devices and home appliances. These products are either sourced externally or are manufactured in the Group's manufacturing facilities located primarily in the People's Republic of China ("PRC") and sold to customers mainly located in the PRC and the Republic of Korea ("Korea").

— Optical components: this segment is involved in the design, development, manufacture and sale of optical components for optical disk drivers. These products are manufactured in the PRC and sold to customers mainly located in the PRC and Korea.

(i) Segment results

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results attributable to each reportable segment on the following bases:

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortization of assets attributable to those segments. Other than reporting inter-segment sales, assistance provided by one segment to another, including sharing of assets, is not measured.

Segment profit is the profit before tax. To arrive at segment profit, the Group's earnings are further adjusted for items not specially attributed to individual segments, such as certain directors' remuneration and other head office or corporate administration costs.

In addition to receiving segment information concerning segment profit, management is provided with segment information concerning revenue (including inter-segment sales), interest income and expense from cash balances and borrowings managed directly by the segments, depreciation, amortization and additions to non-current segment assets used by the segments in their operations.

Notes to the Consolidated Financial Statements

(Expressed in United States dollars unless otherwise indicated)

3 Turnover and segment reporting (continued)

(b) Segment reporting (continued)

(i) ***Segment results*** (continued)

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the year ended December 31, 2014 is set out below.

	Camera module	
	2014	2013
	$	$
Revenue from external customers	**874,363,904**	802,804,942
Reportable segment revenue	**874,363,904**	802,804,942
Segment profit	**70,632,445**	65,402,851
Bank interest income	**304,858**	583,975
Finance costs	**(3,080,261)**	(5,111,465)
Depreciation and amortization	**(11,756,901)**	(10,035,852)
Additions to non-current segment assets	**21,251,787**	13,338,779

	Optical components	
	2014	2013
	$	$
Revenue from external customers	**12,103,258**	11,130,658
Reportable segment revenue	**12,103,258**	11,130,658
Segment profit	**1,982,596**	4,143,086
Bank interest income	**4,079**	8,097
Finance costs	**(41,169)**	(70,869)
Depreciation and amortization	**(1,361,241)**	(928,338)
Additions to non-current segment assets	**1,651,710**	3,518,778

	Total	
	2014	2013
	$	$
Revenue from external customers	**886,467,162**	813,935,600
Reportable segment revenue	**886,467,162**	813,935,600
Segment profit	**72,615,041**	69,545,937
Bank interest income	**308,937**	592,072
Finance costs	**(3,121,430)**	(5,182,334)
Depreciation and amortization	**(13,118,142)**	(10,964,190)
Additions to non-current segment assets	**22,903,497**	16,857,557

Notes to the Consolidated Financial Statements

(Expressed in United States dollars unless otherwise indicated)

3 Turnover and segment reporting (continued)

(b) Segment reporting (continued)

(ii) Reconciliations of reportable segment revenues and profit or loss

	2014 $	2013 $
Revenue		
Reportable segment revenue	886,467,162	813,935,600
Profit		
Reportable segment profit	72,615,041	69,545,937
Unallocated head office and corporate expenses	(5,050,602)	(5,743,418)
Consolidated profit before taxation	67,564,439	63,802,519

(iii) Geographic information

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's fixed assets and intangible assets ("specified non-current assets"). The geographical location of customers is based on the location at which the goods were delivered. The geographical location of the specified non-current assets is based on the physical location of the asset, in the case of property, plant and equipment and the location of the operation to which they are allocated, in the case of intangible assets.

	Revenue from external customers		Specified non-current assets	
	2014 $	2013 $	2014 $	2013 $
Hong Kong	714,280,459	711,134,045	32,211	20,404
PRC	—	—	104,845,899	96,877,569
Korea	172,186,703	102,801,555	4,370,552	4,144,182
	886,467,162	813,935,600	109,248,662	101,042,155

Notes to the Consolidated Financial Statements

(Expressed in United States dollars unless otherwise indicated)

4 Other revenue and other net income/(loss)

		2014 $	2013 $
(a)	**Other revenue**		
	Bank interest income	308,937	592,072
	Compensation income	99,904	—
	Rental income		
	— Investment property	141,310	252,340
	— Other	189,493	—
	Government subsidy	881,796	410,086
	Write-off of trade payables *(note)*	167,581	—
	Others	193,524	60,163
		1,982,545	1,314,661

Note: The Group derecognized aged trade payables which have passed the statutes of limitation.

		2014 $	2013 $
(b)	**Other net income/(loss)**		
	Net loss on disposal of plant and equipment	(311,689)	(23,235)
	Net foreign exchange gain/(loss)	685,060	(1,107,413)
	Valuation loss on investment property	(85,346)	(42,349)
	Others	(58,420)	—
		229,605	(1,172,997)

5 Profit before taxation

Profit before taxation is arrived at after charging/(crediting):

		2014 $	2013 $
(a)	**Finance costs**		
	Interest expense on bank borrowings wholly repayable within five years	3,121,430	5,044,409
	Interest expense on loan from a director	—	137,925
		3,121,430	5,182,334

Notes to the Consolidated Financial Statements

(Expressed in United States dollars unless otherwise indicated)

5 Profit before taxation (continued)

Profit before taxation is arrived at after charging/(crediting): (continued)

		2014 $	2013 $
(b)	**Staff costs#**		
	Contributions to defined contribution retirement plan	2,963,091	3,455,913
	Expenses recognized in respect of defined benefit retirement plan	159,075	109,607
	Total retirement costs	3,122,166	3,565,520
	Salaries, wages and other benefits	66,744,760	69,188,966
		69,866,926	72,754,486

Staff costs also include directors' remuneration disclosed in note 7.

		2014 $	2013 $
(c)	**Other items**		
	Amortization	253,116	114,610
	Depreciation#	12,865,026	10,849,580
	Reversal of impairment of trade receivables	(8,272)	(10,959)
	Auditors' remuneration	134,843	59,562
	Operating lease charges: minimum lease payments in respect of property rentals#	3,560,033	3,886,775
	Rentals income from investment property less direct outgoings of $39,633 (2013: $138,906)	(101,677)	(113,434)
	Cost of inventories#	774,364,131	710,688,582
	Listing expenses	4,470,792	456,932

\# Cost of inventories includes $62,281,947 (2013: $66,023,945) for the year ended December 31, 2014 relating to staff costs, depreciation expenses and operating lease charges, which amounts are also included in the respective total amounts disclosed separately above or in note 5(b) for each of these types of expenses.

Notes to the Consolidated Financial Statements

(Expressed in United States dollars unless otherwise indicated)

6 Income tax in the consolidated statement of profit or loss

(a) Taxation in the consolidated statement of profit or loss represents:

	2014 $	2013 $
Current tax — Hong Kong Profits Tax		
Provision for the year	**5,078,710**	6,412,578
Over-provision in respect of prior years	**(901,489)**	(155)
	4,177,221	6,412,423
Current tax — Overseas		
Provision for the year	**9,916,943**	6,960,162
(Over)/under-provision in respect of prior years	**(234,973)**	5,562
	9,681,970	6,965,724
Deferred tax		
Origination and reversal of temporary differences	**460,421**	182,635
	14,319,612	13,560,782

Pursuant to the rules and regulations of the Cayman Islands, the Group is not subject to any income tax in the Cayman Islands.

The provision for Hong Kong Profits Tax for 2014 is calculated at 16.5% (2013: 16.5%) of the estimated assessable profits for the year.

The Corporate Income Tax ("CIT") rate applicable to the subsidiary registered in the PRC is 25% (2013: 25%) for the year.

Under the tax law in Korea, the statutory corporate tax rate applicable to the subsidiary in Korea is 10% for assessable income below Korean Won ("KRW") 200 million, 20% for assessable income between KRW200 million and KRW20 billion and 22% for assessable income above KRW20 billion for the years presented.

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	2014 $	2013 $
Profit before taxation	**67,564,439**	63,802,519
Notional tax on profit before taxation, calculated at the rates applicable to profits in the jurisdictions concerned	**15,092,542**	13,695,037
Tax effect of non-deductible expenses	**999,227**	1,097,908
Tax effect of non-taxable income	**(622,098)**	(1,228,395)
(Over)/under-provision in prior years	**(1,136,462)**	5,407
Others	**(13,597)**	(9,175)
Actual tax expense	**14,319,612**	13,560,782

Notes to the Consolidated Financial Statements
(Expressed in United States dollars unless otherwise indicated)

7 Directors' remuneration

Directors' remuneration disclosed pursuant to section 78 of Schedule 11 to the new Hong Kong Companies Ordinance (Cap. 622), with reference to section 161 of the predecessor Hong Kong Companies Ordinance (Cap. 32), is as follows:

Year ended December 31, 2014

	Discretionary bonuses $	Salaries, allowances and benefits in kind $	Retirement scheme contributions $	Total $
Chairman				
Kwak Joung Hwan	–	899,999	2,158	902,157
Executive directors				
Kim Kab Cheol	51,606	241,491	–	293,097
Seong Seokhoon	54,057	216,150	–	270,207
Hahn Sang Won (resigned on April 14, 2014)	–	–	–	–
Kodera Kei (resigned on April 14, 2014)	–	14,418	–	14,418
Non-executive directors				
Yoon Yeo Eul (re-designated from director on April 14, 2014)	–	–	–	–
Lee Dong Chun (re-designated from director on April 14, 2014)	–	–	–	–
Kim Jae Min (appointed on April 14, 2014)	–	–	–	–
Independent non-executive director				
Okayama Masanori (appointed on April 14, 2014)	–	35,685	–	35,685
	105,663	1,407,743	2,158	1,515,564

Notes to the Consolidated Financial Statements
(Expressed in United States dollars unless otherwise indicated)

7 Directors' remuneration (continued)

Year ended December 31, 2013

	Discretionary bonuses $	Salaries, allowances and benefits in kind $	Retirement scheme contributions $	Total $
Chairman				
Kwak Joung Hwan	4,050,000	749,999	1,933	4,801,932
Executive directors				
Kim Kab Cheol	32,629	196,464	11,345	240,438
Yoon Yeo Eul	—	—	—	—
Hahn Sang Won	—	—	—	—
Kodera Kei	—	50,000	—	50,000
Seong Seokhoon	31,475	133,193	—	164,668
Lee Dong Chun (appointed on January 30, 2013)	—	—	—	—
Kubota Yukio (resigned on January 30, 2013)	—	4,167	—	4,167
	4,114,104	1,133,823	13,278	5,261,205

(i) No director received any emoluments from the Group as an inducement to join or upon joining the Group or as compensation for loss of office.

(ii) Two more independent non-executive directors were appointed in March 2015.

8 Individuals with highest emoluments

Of the five individuals with the highest emoluments, three (2013: three) are directors for the year ended December 31, 2014 whose emoluments are disclosed in note 7 above. The aggregate of the emoluments in respect of the remaining individuals are as follows:

	2014 $	2013 $
Salaries and other emoluments	344,377	300,066
Contributions to retirement benefit scheme	26,114	63,582
	370,491	363,648

Notes to the Consolidated Financial Statements

(Expressed in United States dollars unless otherwise indicated)

8 Individuals with highest emoluments (continued)

The emoluments of the two (2013: two) individuals with the highest emoluments for the year ended December 31, 2014 are within the following bands:

	2014 Number of individuals	2013 Number of individuals
HK$1,000,001 (equivalent to $128,001) to HK$1,500,000 (equivalent to $192,000)	1	1
HK$1,500,001 (equivalent to $192,001) to HK$2,000,000 (equivalent to $256,000)	1	1

9 Other comprehensive income

Tax effects relating to each component of other comprehensive income

	2014			2013		
	Before tax amount $	Tax benefit $	Net-of-tax amount $	Before tax amount $	Tax benefit $	Net-of-tax amount $
Exchange differences on translation of financial statements of overseas subsidiaries	(547,979)	–	(547,979)	3,267,590	–	3,267,590
Remeasurement of net defined benefit liability	(163,100)	35,882	(127,218)	(44,192)	8,840	(35,352)
Other comprehensive income	(711,079)	35,882	(675,197)	3,223,398	8,840	3,232,238

10 Earnings per share

(a) Basis earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of $53,244,827 (2013: $50,241,737) and the weighted average number of 748,318,800 ordinary shares (2013: 748,318,800) in issue during the year, which has been adjusted retrospectively for the share subdivision on September 19, 2014 as described in note 21(b).

(b) Diluted earnings per share

The diluted earnings per share is the same as the basic earnings per share as the Group did not have dilutive potential ordinary shares (2013: Nil).

Notes to the Consolidated Financial Statements
(Expressed in United States dollars unless otherwise indicated)

11 Fixed assets

(a) The Group

	Leasehold improvements $	Plant and machinery $	Office equipment, furniture and fixtures $	Motor vehicles $	Construction in progress $	Sub-total $	Investment property $	Total $
Cost or valuation:								
At January 1, 2013	31,689,105	73,091,182	11,700,048	379,371	1,721,903	118,581,609	3,664,177	122,245,786
Exchange adjustments	802,916	1,445,984	292,700	8,577	21,030	2,571,207	33,162	2,604,369
Additions	5,996,241	1,648,280	2,443,798	47,328	5,672,178	15,807,825	–	15,807,825
Disposals	–	(578,584)	(150,852)	(10,222)	–	(739,658)	–	(739,658)
Transfers	–	6,630,104	–	–	(6,630,104)	–	–	–
Fair value adjustment	–	–	–	–	–	–	(42,349)	(42,349)
At December 31, 2013	38,488,262	82,236,966	14,285,694	425,054	785,007	136,220,983	3,654,990	139,875,973
Representing:								
Cost	38,488,262	82,236,966	14,285,694	425,054	785,007	136,220,983	–	136,220,983
Valuation – 2013	–	–	–	–	–	–	3,654,990	3,654,990
	38,488,262	82,236,966	14,285,694	425,054	785,007	136,220,983	3,654,990	139,875,973
At January 1, 2014	**38,488,262**	**82,236,966**	**14,285,694**	**425,054**	**785,007**	**136,220,983**	**3,654,990**	**139,875,973**
Exchange adjustments	**(121,249)**	**(307,207)**	**(8,003)**	**(1,069)**	**(5,537)**	**(443,065)**	**(142,403)**	**(585,468)**
Additions	**4,552,614**	**8,914,108**	**6,073,916**	**103,353**	**1,878,728**	**21,522,719**	**–**	**21,522,719**
Disposals	**(253,225)**	**(1,528,367)**	**(53,384)**	**(6,947)**	**–**	**(1,841,923)**	**–**	**(1,841,923)**
Transfers	**–**	**2,533,014**	**–**	**–**	**(2,533,014)**	**–**	**–**	**–**
Fair value adjustment	**–**	**–**	**–**	**–**	**–**	**–**	**(85,346)**	**(85,346)**
At December 31, 2014	**42,666,402**	**91,848,514**	**20,298,223**	**520,391**	**125,184**	**155,458,714**	**3,427,241**	**158,885,955**
Representing:								
Cost	**42,666,402**	**91,848,514**	**20,298,223**	**520,391**	**125,184**	**155,458,714**	**–**	**155,458,714**
Valuation – 2014	**–**	**–**	**–**	**–**	**–**	**–**	**3,427,241**	**3,427,241**
	42,666,402	**91,848,514**	**20,298,223**	**520,391**	**125,184**	**155,458,714**	**3,427,241**	**158,885,955**

Notes to the Consolidated Financial Statements

(Expressed in United States dollars unless otherwise indicated)

11 Fixed assets (continued)

(a) The Group (continued)

	Leasehold improvements	Plant and machinery	Office equipment, furniture and fixtures	Motor vehicles	Construction in progress	Sub-total	Investment property	Total
	$	$	$	$	$	$	$	$
Accumulated depreciation:								
At January 1, 2013	1,536,896	21,593,924	5,659,245	157,598	–	28,947,663	–	28,947,663
Exchange adjustments	64,630	528,524	154,305	3,962	–	751,421	–	751,421
Charge for the year	1,745,079	7,231,876	1,811,062	61,563	–	10,849,580	–	10,849,580
Written back on disposals	–	(170,830)	(91,251)	(10,222)	–	(272,303)	–	(272,303)
At December 31, 2013 and January 1, 2014	**3,346,605**	**29,183,494**	**7,533,361**	**212,901**	**–**	**40,276,361**	**–**	**40,276,361**
Exchange adjustments	**(4,829)**	**(103,029)**	**(9,910)**	**(371)**	**–**	**(118,139)**	**–**	**(118,139)**
Charge for the year	**2,010,073**	**8,171,432**	**2,596,440**	**87,081**	**–**	**12,865,026**	**–**	**12,865,026**
Written back on disposals	**(253,225)**	**(506,170)**	**(51,015)**	**(6,947)**	**–**	**(817,357)**	**–**	**(817,357)**
At December 31, 2014	**5,098,624**	**36,745,727**	**10,068,876**	**292,664**	**–**	**52,205,891**	**–**	**52,205,891**
Net book value:								
At December 31, 2013	35,141,657	53,053,472	6,752,333	212,153	785,007	95,944,622	3,654,990	99,599,612
At December 31, 2014	**37,567,778**	**55,102,787**	**10,229,347**	**227,727**	**125,184**	**103,252,823**	**3,427,241**	**106,680,064**

The Group's investment property with carrying value of $3,427,241 (2013: $3,654,990) and the Group's other property, plant and equipment with total carrying value of $1,924,562 (2013: $12,889,634) were pledged to various banks to secure banking facilities granted to the Group (note 18) at December 31, 2014.

(b) Fair value measurement of properties

The investment property is stated at fair value measured at the end of the reporting period on a recurring basis, which is valued on an open market basis assuming sale with existing tenancies by using the investment method and otherwise with vacant possession by using the sale comparison approach. The valuation was carried out by an independent firm of surveyors, Daehwa Appraisal Corporation, who have among their staff fellows of Korean Association of Property Appraisers with recent experience in the location and category of property being valued. The Group's property manager and the chief financial officer have discussion with the surveyors on the valuation assumptions and valuation results when the valuation is performed at each annual reporting date.

Notes to the Consolidated Financial Statements

(Expressed in United States dollars unless otherwise indicated)

11 Fixed assets (continued)

(b) Fair value measurement of properties (continued)

The fair value measurements are categorized as Level 3 valuations under the three-level fair value hierarchy as defined in IFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

— Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

— Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.

— Level 3 valuations: Fair value measured using significant unobservable inputs.

During the year ended December 31, 2014, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2013: Nil). The Group's policy is to recognize transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

Significant unobservable inputs are recent sales prices of comparable properties and standard price per square foot announced by the Korean government.

Information about Level 3 fair value measurements

	Valuation techniques	Unobservable input	Range	Weighted average
Investment property — land	Standard price assessment	Expected land price fluctuation	0.864% to 1.155% (2013: (0.055)% to 0.605%)	1.134% (2013: 0.548%)
		Expected market transaction comparable factor	(12.50)% to 19.05% (2013: (22.20)% to 24.50%)	15.00% (2013: 20.00%)
Investment property — building	Replacement cost approach	Obsolescence factor	50.00% to 66.67% (2013: 45.00% to 64.67%)	63.02% (2013: 60.73%)

Notes to the Consolidated Financial Statements

(Expressed in United States dollars unless otherwise indicated)

11 Fixed assets (continued)

(b) Fair value measurement of properties (continued)

Information about Level 3 fair value measurements (continued)

The valuations take into account expected land price fluctuation, expected market transaction comparable and obsolescence factor of the respective properties and have been adjusted for comparable property price growth, the quality and location of the property. The fair value measurement is positively correlated to the expected land price fluctuation and expected market transaction comparables, and negatively correlated to the obsolescence factor.

The movements during the period in the balance of these Level 3 fair value measurements are as follows:

	2014 $	2013 $
At January 1	3,654,990	3,664,177
Fair value adjustment	(85,346)	(42,349)
Exchange adjustment	(142,403)	33,162
At December 31	3,427,241	3,654,990

Fair value adjustment of investment property is recognized in the line item "valuation loss on investment property" included in other net income/(loss) on the face of the consolidated statement of profit or loss.

Exchange adjustment of investment property is recognized in other comprehensive income in "exchange reserve".

(c) The analysis of net book value of properties of the Group is as follows:

	2014 $	2013 $
Outside Hong Kong — freehold factory land and building in Daejeon, Korea	3,427,241	3,654,990
Representing: Investment property	3,427,241	3,654,990

(d) Fixed assets leased out under operating leases

The Group leases out investment property under operating leases. The leases typically run for an initial period of 1 year, with an option to renew the lease after that date at which time all terms are renegotiated. Lease payments are usually increased every year to reflect market rentals. None of the leases includes contingent rentals.

Notes to the Consolidated Financial Statements
(Expressed in United States dollars unless otherwise indicated)

11 Fixed assets (continued)

(d) Fixed assets leased out under operating leases (continued)

The Group's total future minimum lease payments under non-cancellable operating leases are receivable as follows:

	2014 $	2013 $
Within 1 year	**27,447**	138,046

12 Intangible assets

	The Group		
	Development costs $	Software $	Total $
Cost:			
At January 1, 2013	171,448	477,167	648,615
Exchange adjustments	(1,689)	505	(1,184)
Additions	—	1,049,732	1,049,732
Written off	(88,035)	—	(88,035)
At December 31, 2013 and January 1, 2014	**81,724**	**1,527,404**	**1,609,128**
Exchange adjustments	**(3,264)**	**(1,164)**	**(4,428)**
Additions	**—**	**1,380,778**	**1,380,778**
At December 31, 2014	**78,460**	**2,907,018**	**2,985,478**
Accumulated amortization:			
At January 1, 2013	122,874	18,672	141,546
Exchange adjustments	(1,557)	21	(1,536)
Charge for the year	15,752	98,858	114,610
Written off	(88,035)	—	(88,035)
At December 31, 2013 and January 1, 2014	**49,034**	**117,551**	**166,585**
Exchange adjustments	**(2,643)**	**(178)**	**(2,821)**
Charge for the year	**16,377**	**236,739**	**253,116**
At December 31, 2014	**62,768**	**354,112**	**416,880**
Net book value:			
At December 31, 2013	32,690	1,409,853	1,442,543
At December 31, 2014	**15,692**	**2,552,906**	**2,568,598**

The amortization charges of intangible assets for the year are included in administrative expenses in the consolidated statement of profit or loss.

Notes to the Consolidated Financial Statements

(Expressed in United States dollars unless otherwise indicated)

12 Intangible assets (continued)

	The Company
	Software
	$
Cost:	
At January 1, 2013	477,167
Additions	1,021,132
At December 31, 2013 and January 1, 2014	**1,498,299**
Additions	**1,289,219**
At December 31, 2014	**2,787,518**
Accumulated amortization:	
At January 1, 2013	18,672
Charge for the year	97,664
At December 31, 2013 and January 1, 2014	**116,336**
Charge for the year	**228,005**
At December 31, 2014	**344,341**
Net book value:	
At December 31, 2013	1,381,963
At December 31, 2014	**2,443,177**

13 Investments in subsidiaries

	2014	2013
	$	$
Unlisted equities, at cost	**843,575**	843,575

Notes to the Consolidated Financial Statements

(Expressed in United States dollars unless otherwise indicated)

13 Investments in subsidiaries (continued)

The following list contains the particulars of subsidiaries. The class of shares held is ordinary unless otherwise stated.

Name of company	Place of incorporation/ registration and operation	Type of entity	Particulars of issued and paid up capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
Cowell Optic Electronics Limited *(Note (i))*	Hong Kong	Limited liability company	100 shares	100%	100%	–	Trading of camera module and optical products
Dongguan Cowell Optic Electronics Co., Ltd. *(Note (i))*	The PRC	Limited liability company	$118,820,342	100%	–	100%	Manufacture of camera module and optical products
Cowell Electronics Co., Ltd	Korea	Limited liability company	KRW1,934,540,000	100%	100%	–	Trading of camera module and optical products

Notes:

(i) The Group's equity interests in Cowell Optic Electronics Limited is pledged to a customer against machinery provided to the Group by the customer for production of goods to that customer. The machinery amounted to $116,683,832 (2013: $77,795,912) and were not recognized as the Group's property, plant and equipment. There is no rental charge for the machinery and the management consider that the arrangement has been taken into account in determining sales price with the customer.

Movements in authorized and paid up capital of Dongguan Cowell Optic Electronics Co., Ltd. ("Cowell DG") during the years were as follows:

	2014 $	2013 $
Authorized capital	129,035,988	185,831,900
Total paid up capital	118,820,342	178,751,327
Paid up by the Group	(118,820,342)	(100,955,415)
Paid up by the customer	–	77,795,912

Paid up capital by the Group was smaller than total paid up capital by $77,795,912 as at December 31, 2013 as the Group has registered the machinery provided by a customer aforementioned as its capital in the PRC. The Group completed deregistration of customer's machinery and reduction of the capital of Cowell DG accordingly in June 2014.

During 2014, the Group increased authorized capital of Cowell DG to $129,035,988 (net of the above reduction) and paid up $17,864,927 with the cumulative unpaid amount of $10,215,646 included in the capital commitment as at December 31, 2014 (note 23(a)).

Authorized capital of Cowell DG was increased to $186,035,988 in January 2015.

Notes to the Consolidated Financial Statements

(Expressed in United States dollars unless otherwise indicated)

14 Inventories

(a) Inventories in the statement of financial position comprise:

	The Group	
	2014	2013
	$	$
Raw materials	**27,166,696**	29,634,588
Work in progress	**6,605,034**	7,477,387
Finished goods	**32,230,417**	17,922,196
	66,002,147	55,034,171

(b) The analysis of the amount of inventories recognized as an expense and included in profit or loss is as follows:

	The Group	
	2014	2013
	$	$
Carrying amount of inventories sold	**774,103,636**	710,329,369
Write-down of inventories	**529,226**	359,213
Reversal of write-down of inventories	**(268,731)**	—
	774,364,131	710,688,582

The reversal of write-down of inventories arose upon sales of inventories, the value of which was written-down in prior years.

15 Trade and other receivables

	The Group		The Company	
	2014	2013	**2014**	2013
	$	$	**$**	$
Trade receivables	**204,139,169**	156,800,295	**—**	—
Less: allowance for doubtful debts *(note 15(b))*	**(7,732)**	(16,310)	**—**	—
	204,131,437	156,783,985	**—**	—
Other receivables and prepayments	**16,870,015**	10,616,754	**274,439**	155,050
	221,001,452	167,400,739	**274,439**	155,050

All of the trade and other receivables are expected to be recovered or recognized as expense within one year. Some of the trade receivables were pledged to banks to secure banking facilities granted to the Group (note 18).

Notes to the Consolidated Financial Statements

(Expressed in United States dollars unless otherwise indicated)

15 Trade and other receivables (continued)

(a) Ageing analysis

As of the end of the reporting period, the ageing analysis of trade receivables (which are included in trade and other receivables), based on the invoice date and net of allowance for doubtful debts, is as follows:

	The Group	
	2014	2013
	$	$
Within 1 month	**134,340,099**	86,211,668
Over 1 to 2 months	**67,985,914**	69,565,439
Over 2 to 3 months	**645,934**	646,900
Over 3 months	**1,159,490**	359,978
	204,131,437	156,783,985

Trade receivables are due within 30 to 90 days from the date of billing. Further details on the Group's credit policy are set out in note 22(a).

(b) Impairment of trade receivables

Impairment losses in respect of trade receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly (see note 1(i)).

The movement in the allowance for doubtful debts during the year is as follows:

	The Group	
	2014	2013
	$	$
At January 1	**16,310**	92,962
Reversal of impairment loss	**(8,272)**	(10,959)
Uncollectible amounts written off	**—**	(65,465)
Exchange differences	**(306)**	(228)
At December 31	**7,732**	16,310

The Group's trade receivables of $7,732 (2013: $16,310) were individually determined to be impaired as at December 31, 2014. The individually impaired receivables related to customers that were in financial difficulties and management assessed that none of the receivables is expected to be recovered. Consequently, specific allowances for doubtful debts of $7,732 (2013: $16,310) were recognized as at December 31, 2014. The Group does not hold any collateral over these balances.

Notes to the Consolidated Financial Statements

(Expressed in United States dollars unless otherwise indicated)

15 Trade and other receivables (continued)

(c) Trade receivables that are not impaired

The ageing analysis of trade receivables that are neither individually nor collectively considered to be impaired is as follows:

	The Group	
	2014	2013
	$	$
Neither past due nor impaired	**202,538,367**	151,892,428
Less than 1 month past due	**960,597**	4,536,985
1 to 3 months past due	**632,473**	224,783
More than 3 months but less than 12 months past due	**–**	129,789
	1,593,070	4,891,557
	204,131,437	156,783,985

Receivables that were neither past due nor impaired relate to customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

(d) Non-current other receivables represented deposits and prepayments for property rental, fixed assets purchase, and guaranteed deposits paid to local customs authority.

16 Cash and cash equivalents and pledged deposits

(a) Pledged deposits

At December 31, 2013 and 2014, the Group and the Company had deposits pledged to secure the Group's banking facilities respectively, the details of which are set out in note 18.

At December 31, 2014, the Group's pledged deposits included $3,659,912 (2013: $Nil) provided to local customs authority in the PRC.

Notes to the Consolidated Financial Statements
(Expressed in United States dollars unless otherwise indicated)

16 Cash and cash equivalents and pledged deposits (continued)

(b) Cash and cash equivalents comprise:

	The Group		The Company	
	2014	2013	**2014**	2013
	$	$	**$**	$
Bank deposits within three months to maturity when placed	**1,270,931**	1,878,737	**—**	—
Cash at bank and in hand	**80,952,789**	43,341,639	**3,374,473**	227,470
Cash and cash equivalents in the statement of financial position and the consolidated cash flow statements	**82,223,720**	45,220,376	**3,374,473**	227,470

Included in the above are $29,735,278 (2013: $33,026,714), which are placed at banks which have general security over the bank accounts with them for banking facilities granted to the Group.

(c) Reconciliation of profit before taxation to cash generated from operations:

	Note	**2014** **$**	2013 $
Profit before taxation		**67,564,439**	63,802,519
Adjustments for:			
Interest income	*4(a)*	**(308,937)**	(592,072)
Net loss on disposal of plant and equipment	*4(b)*	**311,689**	23,235
Valuation loss on investment property	*4(b)*	**85,346**	42,349
Finance costs	*5(a)*	**3,121,430**	5,182,334
Amortization	*5(c)*	**253,116**	114,610
Depreciation	*5(c)*	**12,865,026**	10,849,580
Foreign exchange (gain)/loss		**(69,850)**	1,316,528
Changes in working capital:			
(Increase)/decrease in inventories		**(10,967,976)**	3,181,415
Increase in trade and other receivables		**(54,447,356)**	(10,691,000)
Increase/(decrease) in trade and other payables		**86,631,444**	(21,410,363)
Increase in defined benefit obligations		**91,045**	85,489
Cash generated from operations		**105,129,416**	51,904,624

Notes to the Consolidated Financial Statements

(Expressed in United States dollars unless otherwise indicated)

17 Trade and other payables

	The Group		The Company	
	2014	2013	**2014**	2013
	$	$	**$**	$
Trade payables	**191,582,969**	106,701,048	**—**	—
Accrued charges and other payables	**18,163,141**	16,413,618	**1,930,417**	3,312,500
Amounts due to subsidiaries	**—**	—	**10,687,736**	5,326,083
	209,746,110	123,114,666	**12,618,153**	8,638,583

Amounts due to subsidiaries are unsecured, interest-free and repayable on demand.

All of the trade and other payables are expected to be settled or recognized as income within one year or are repayable on demand.

As of the end of the reporting period, the ageing analysis of trade creditors (which are included in trade and other payables), based on the invoice date, is as follows:

	The Group	
	2014	2013
	$	$
Within 1 month	**86,122,587**	39,973,960
Over 1 to 3 months	**103,774,263**	66,231,598
Over 3 to 6 months	**1,686,119**	326,607
Over 6 months	**—**	168,883
	191,582,969	106,701,048

18 Bank loans

	The Group	
	2014	2013
	$	$
Current — Within 1 year or on demand (secured)	**91,938,790**	121,808,780

As at December 31, 2014, the Group's bank loans were secured by pledged deposits, trade receivables and plant and equipment, the carrying amounts of which were $15,465,793 (2013: $16,109,163), $168,221,095 (2013: $115,416,254) and $1,924,562 (2013: $12,889,634), respectively. Certain loans were also secured by corporate guarantee given by the Company.

Notes to the Consolidated Financial Statements

(Expressed in United States dollars unless otherwise indicated)

18 Bank loans (continued)

Unused facilities of the Group amounted to $40,349,271 (2013: $71,780,381) as at December 31, 2014 which were secured by the securities disclosed above. Unused facilities as at December 31, 2014 were also secured by pledged deposits of $Nil (2013: $10,128,355) and investment property of $3,427,241 (2013: $3,654,990).

As at December 31, 2014, some of the Group's banking facilities were subject to the fulfillment of covenants relating to certain of the Group's statement of financial position ratios, as are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants, the drawn down facilities would become payable on demand. The Group regularly monitors its compliance with these covenants. Further details of the Group's management of liquidity risk and covenants are set out in notes 22(b) and 21(e), respectively. None of the covenants relating to drawn down facilities had been breached during the years ended December 31, 2013 and 2014.

19 Employees retirement schemes

(a) Defined benefit retirement plan

The Group makes contributions to a defined benefit retirement plan for Korean employees working in Korea which covers 0.4% (2013: 0.3%) of the Group's employees. The plan is administered by a trustee, who is independent, with its assets held separately from those of the Group.

The plan is funded by contributions from the Group in accordance with an independent actuary's recommendation based on an annual actuarial valuation. The independent actuarial valuation of the plan at December 31, 2013 and 2014 was prepared by qualified actuaries of Aon Hewitt Korea, who are Associates of the Society of Actuaries of the United States of America, using the projected unit credit method. The actuarial valuation indicates that the Group's obligations under the defined benefit retirement plan are 14.0% (2013: 19.6%) covered by the plan assets held by the trustees at December 31, 2014.

(i) The amounts recognized in the consolidated statement of financial position are as follows:

	The Group	
	2014	2013
	$	$
Present value of wholly or partly funded by obligation	**917,017**	664,626
Fair value of plan assets	**(128,600)**	(130,354)
	788,417	534,272

A portion of the above asset is expected to be settled after more than one year. However, it is not practicable to segregate this amount from the amounts recoverable in the next twelve months, as future contributions will also relate to future services rendered and future changes in actuarial assumptions and market conditions. The Group expects to pay $33,879 in contributions to the defined benefit retirement plan in 2015.

Notes to the Consolidated Financial Statements

(Expressed in United States dollars unless otherwise indicated)

19 Employees retirement schemes (continued)

(a) Defined benefit retirement plan (continued)

(ii) Plan assets

As at December 31, 2013 and 2014, the Group's liability under this plan is covered by deposits placed with several banks. There is no plan asset invested in the Company's own financial instruments or any property occupied or other assets used by the Group.

(iii) Movements in the present value of the defined benefit obligation

	The Group	
	2014	2013
	$	$
At January 1	**664,626**	542,045
Remeasurements		
— Actuarial losses arising from changes in demographic assumptions	**—**	82,780
— Actuarial losses arising from experience	**48,273**	—
— Actuarial losses/(gains) arising from changes in financial assumptions	**112,697**	(40,044)
	160,970	42,736
Benefits paid	**(34,667)**	(44,264)
Current service cost	**136,203**	94,393
Interest cost	**28,606**	20,313
Exchange difference	**(38,721)**	9,403
At December 31	**917,017**	664,626

The weighted average duration of the defined benefit obligation is 13.7 years (2013: 13.6 years).

Notes to the Consolidated Financial Statements
(Expressed in United States dollars unless otherwise indicated)

19 Employees retirement schemes (continued)

(a) Defined benefit retirement plan (continued)

(iv) Movements in plan assets

	The Group	
	2014	2013
	$	$
At January 1	**130,354**	137,454
Group's contributions paid to the plan	**34,667**	32,522
Benefits paid	**(34,667)**	(44,264)
Interest income	**5,734**	5,099
Return on plan assets, excluding interest income	**(2,130)**	(1,456)
Exchange difference	**(5,358)**	999
At December 31	**128,600**	130,354

(v) Amounts recognized in the consolidated statement of profit or loss and other comprehensive income are as follows:

	The Group	
	2014	2013
	$	$
Current service cost	**136,203**	94,393
Net interest on net defined benefit liability	**22,872**	15,214
Total amount recognized in profit or loss	**159,075**	109,607
Actuarial losses	**160,970**	42,736
Return on plan assets, excluding interest income	**2,130**	1,456
Total amounts recognized in other comprehensive income	**163,100**	44,192
Total defined benefits costs	**322,175**	153,799

The current service cost and the net interest on net defined benefit liability are recognized in administrative expenses in the consolidated statement of profit or loss.

Notes to the Consolidated Financial Statements

(Expressed in United States dollars unless otherwise indicated)

19 Employees retirement schemes (continued)

(a) Defined benefit retirement plan (continued)

(vi) Significant actuarial assumptions (expressed as weighted averages) and sensitivity analysis are as follows:

	2014	2013
Discount rate	3.41%	4.39%
Future salary increases	5.00%	5.00%

The below analysis shows how the defined benefit obligation as at December 31, 2014 would have increased/(decreased) as a result of 1% change in the significant actuarial assumptions:

	Increase in 1%		Decrease in 1%	
	2014 $	2013 $	2014 $	2013 $
Discount rate	(119,078)	(78,559)	123,309	95,422
Future salary increases	120,013	93,885	(118,727)	(78,847)

The above sensitivity analysis is based on the assumption that changes in actuarial assumptions are not correlated and therefore it does not take into account the correlations between the actuarial assumptions.

(b) Defined contribution retirement plan

The subsidiary in Hong Kong also participates in a Mandatory Provident Fund Scheme (the "MPF scheme") under the Hong Kong Mandatory Provident Fund Scheme Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF scheme is a defined contribution retirement scheme administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the scheme at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$30,000 (HK$25,000 prior to June 2014). Contributions to the scheme vest immediately.

Cowell DG participates in the defined contribution retirement schemes operated by the local authorities for employees in the PRC. Contributions to these schemes are charged to profit or loss when incurred. The Group is required to contribute 16.3% to 17.3% of employees' remuneration to these schemes during the year.

Notes to the Consolidated Financial Statements
(Expressed in United States dollars unless otherwise indicated)

20 Income tax in the consolidated statement of financial position

(a) Current taxation in the consolidated statement of financial position represents:

	The Group	
	2014	2013
	$	$
Provision for Hong Kong Profits Tax for the year	**5,078,710**	6,412,578
Provisional Profits Tax paid	**(5,512,378)**	(1,447,971)
	(433,668)	4,964,607
Provision for tax outside Hong Kong	**9,214,413**	7,614,733
	8,780,745	12,579,340
Representing:		
Tax recoverable	**(1,426,635)**	—
Tax payable	**10,207,380**	12,579,340
	8,780,745	12,579,340

Notes to the Consolidated Financial Statements

(Expressed in United States dollars unless otherwise indicated)

20 Income tax in the consolidated statement of financial position (continued)

(b) Deferred tax assets and liabilities recognized:

The Group

The components of deferred tax assets/(liabilities) recognized in the consolidated statement of financial position and the movements during the year are as follows:

	Depreciation allowances less than/ (in excess of) the related depreciation $	Defined benefit retirement plan liability $	Provisions $	Revaluation of investment property $	Unrealised profits $	Others $	Total $
At January 1, 2013	185,690	97,559	32,432	(499,404)	25,433	(10,321)	(168,611)
(Charged)/credited to profit or loss *(note 6(a))*	(376,737)	15,403	8,506	8,470	93,702	68,021	(182,635)
Credited to reserves *(note 9)*	–	8,840	–	–	–	–	8,840
Exchange adjustments	10,446	5,311	6,281	(4,813)	–	2,428	19,653
At December 31, 2013 and January 1, 2014	**(180,601)**	**127,113**	**47,219**	**(495,747)**	**119,135**	**60,128**	**(322,753)**
(Charged)/credited to profit or loss *(note 6(a))*	**(370,745)**	**33,187**	**109,575**	**(2,943)**	**(164,763)**	**(64,732)**	**(460,421)**
Credited to reserves *(note 9)*	**–**	**35,882**	**–**	**–**	**–**	**–**	**35,882**
Exchange adjustments	**(1,265)**	**(7,969)**	**(1,477)**	**19,922**	**–**	**189**	**9,400**
At December 31, 2014	**(552,611)**	**188,213**	**155,317**	**(478,768)**	**(45,628)**	**(4,415)**	**(737,892)**

(c) Deferred tax liabilities not recognized

Under the CIT and its implementation rules, a withholding tax at 10%, unless reduced by a tax treaty or arrangement, is applied on dividends received by non-PRC-resident corporate investors from PRC-resident enterprises, such as the Company's PRC subsidiary. Undistributed earnings prior to January 1, 2008 are exempt from such withholding tax. Under the China-Hong Kong Tax Arrangement and the relevant regulations, a qualified Hong Kong tax resident which is the "beneficial owner" and holds 25% equity interests or more of a PRC enterprise is entitled to a reduced withholding tax rate of 5%. The Group has determined that it qualifies for the 5% withholding tax rate.

As at December 31, 2014, temporary differences relating to the undistributed profits of the Group's PRC subsidiary amounted to $55,070,918 (2013: $33,619,356). Deferred tax liabilities of $2,753,546 (2013: $1,680,968) have not been recognized in respect of these undistributed profits as the Company controls the dividend policy of the subsidiary and it has been determined that it is probable that these profits will not be distributed in the foreseeable future.

Notes to the Consolidated Financial Statements

(Expressed in United States dollars unless otherwise indicated)

21 Capital and reserves

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

The Company

	Share capital $	Share premium $	Capital redemption reserve $	Other reserve $	Accumulated losses $	Total $
At January 1, 2013	2,993,275	22,531,288	6,725	707,336	(6,489,394)	19,749,230
Changes in equity for 2013:						
Loss for the year and total comprehensive income	–	–	–	–	(4,553,563)	(4,553,563)
At December 31, 2013 and January 1, 2014	**2,993,275**	**22,531,288**	**6,725**	**707,336**	**(11,042,957)**	**15,195,667**
Changes in equity for 2014:						
Loss for the year and total comprehensive income	**–**	**–**	**–**	**–**	**(5,412,363)**	**(5,412,363)**
At December 31, 2014	**2,993,275**	**22,531,288**	**6,725**	**707,336**	**(16,455,320)**	**9,783,304**

Notes to the Consolidated Financial Statements

(Expressed in United States dollars unless otherwise indicated)

21 Capital and reserves (continued)

(b) Share capital

(i) Authorized and issued share capital

	2014		2013	
	Number of shares '000	**Amount $**	Number of shares '000	Amount $
Authorized:				
Ordinary shares of $0.004 (2013: $0.1) each				
At December 31	**10,000,000**	**40,000,000**	50,000	5,000,000
Redeemable preference shares of $0.1 each				
At December 31	**–**	**–**	30,000	3,000,000
Ordinary shares, issued and fully paid:				
At December 31	**748,319**	**2,993,275**	29,933	2,993,275

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

The holders of redeemable preference shares carry the right to vote. Dividends accrue on the preference shares at a rate to be agreed between the holders and the Company. The redeemable preference shares can be redeemed at a date to be agreed between the holder and the Company at an amount of the aggregate consideration paid for the redeemable preference shares and the aggregate accrued dividends not paid. There were no redeemable preference shares issued or in issue during the years presented.

Each of the redeemable preference shares was converted into one ordinary share on September 19, 2014.

Pursuant to a resolution dated September 19, 2014, the Company subdivided one share into 25 shares and reduced par value from $0.1 each to $0.004 each accordingly. After the share subdivision, total number of authorized ordinary shares were increased to 2,000,000,000 shares of $0.004 each and total number of issued and fully paid ordinary shares were increased to 748,318,800 shares of $0.004 each.

Notes to the Consolidated Financial Statements
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21 Capital and reserves (continued)

(b) Share capital (continued)

(ii) Increase in authorized share capital

By a resolution dated September 19, 2014, the Company's authorized share capital was increased to $40,000,000 by the creation of an additional 8,000,000,000 ordinary shares of $0.004 each.

(c) Nature and purpose of reserves

(i) Share premium and capital redemption reserve

The application of the share premium account and the capital redemption reserve of the Group and the Company is governed by the Companies Law of the Cayman Islands.

(ii) Other reserve

The Company's other reserve represents the fair value of the estimated number of unexercised share options granted to directors and employees of the Group in 2010. The share options were cancelled without any exercise in 2012.

The Group's other reserve comprises the Company's other reserve and the difference between the consideration paid by the Company to acquire non-controlling interests in Cowell Electronics Co., Ltd. and its carrying amount on the date of acquisition in 2012.

(iii) General reserve fund

According to the PRC laws applicable to wholly-owned foreign investment enterprises, the PRC subsidiary of the Group is required to set up a general reserve fund and appropriate at least 10% of their annual net profits after taxation, as determined under PRC accounting regulations, to the general reserve fund until the balance of the fund equals to 50% of the respective enterprise's authorized capital. This fund can be used to make good losses and to convert into paid-up capital.

(iv) Property revaluation reserve

The fair value reserve of the Group comprises the revaluation gain upon transfer of a property from property, plant and equipment to investment property.

(v) Exchange reserve

The exchange reserve of the Group comprises all foreign exchange differences arising from the translation of the financial statements of operations outside Hong Kong. The reserve is dealt with in accordance with the accounting policies set out in note 1(t).

Notes to the Consolidated Financial Statements

(Expressed in United States dollars unless otherwise indicated)

21 Capital and reserves (continued)

(d) Distributability of reserves of the Company

The application of the share premium account is governed by the Companies Law of the Cayman Islands. Under the Companies Law of the Cayman Islands, the funds in share premium account are distributable to shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

The aggregate amount of distributable reserves of the Company as at December 31, 2014 was $6,783,304 (2013: $12,195,667).

(e) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors its capital structure on the basis of a net debt-to-capital ratio. For this purpose the Group defines net debt as total debt less cash and cash equivalents and pledged deposits.

The Group's strategy was to maintain a relatively low net debt-to-capital ratio. In order to maintain or adjust the ratio, the Group may adjust the amount of dividends paid to shareholders, issue new shares, return capital to shareholders, raise new debt financing or sell assets to reduce debt.

	The Group	
	2014	2013
	$	$
Bank loans *(note 18)*	**91,938,790**	121,808,780
Less: Cash and cash equivalents *(note 16(b))*	**(82,223,720)**	(45,220,376)
Pledged deposits *(note 16(a))*	**(19,125,705)**	(26,237,518)
Adjusted net debt	**(9,410,635)**	50,350,886
Total equity	**192,432,491**	139,862,861
Adjusted net debt-to-capital ratio	**(0.049)**	0.360

Notes to the Consolidated Financial Statements

(Expressed in United States dollars unless otherwise indicated)

21 Capital and reserves (continued)

(e) Capital management (continued)

As at December 31, 2014, the Group is subject to the fulfillment of certain covenants which include maintaining its total indebtedness over earnings before interest, tax, depreciation and amortization of the Group is not and will not be at any time greater than 2.5 times and the maximum tangible net worth of the Group is not and will not be at any time less than $100 million. Except for the above, neither the Company nor any of its other subsidiaries are subject to externally imposed capital requirements, during the years ended December 31, 2013 and 2014.

22 Financial risk management and fair values

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

The Group's credit risk is primarily attributable to trade and other receivables and deposits with banks. Management has a credit policy of monitoring the exposures to these credit risks on an ongoing basis.

In respect of trade and other receivables, individual credit evaluations are performed on all customers. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due within thirty to ninety days from the date of billing. Debtors with balances that are more than three months past due are requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collateral from customers. In respect of deposits with banks, the Group only places deposits with major financial institutions which the Group's management believes are of high credit rating.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At the end of the reporting period, 88.7% (2013: 90.6%) of the total trade receivables was due from the Group's largest customer, and 98.7% (2013: 98.9%) of total trade receivables were due from the Group's five largest customers.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position, after deducting any impairment provisions. Except for the financial guarantees given by the Company as set out in notes 18 and 24, the Group and the Company do not provide other guarantees which would expose the Group to credit risk.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in note 15.

Notes to the Consolidated Financial Statements

(Expressed in United States dollars unless otherwise indicated)

22 Financial risk management and fair values (continued)

(b) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to the approval by the parent company's board in respect of borrowings. The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants, if any, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following table shows the remaining contractual maturities at the end of the reporting period of the Group's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates, or if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay.

	2014	
	Contractual undiscounted cash outflow Within 1 year or on demand	**Carrying amount**
	$	**$**
Trade and other payables	**209,746,110**	**209,746,110**
Bank loans	**91,938,790**	**91,938,790**
	301,684,900	**301,684,900**

	2013	
	Contractual undiscounted cash outflow Within 1 year or on demand	Carrying amount
	$	$
Trade and other payables	123,114,666	123,114,666
Bank loans	121,813,189	121,808,780
Loan from a director	2,071,600	2,000,000
	246,999,455	246,923,446

Notes to the Consolidated Financial Statements

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22 Financial risk management and fair values (continued)

(b) Liquidity risk (continued)

As shown in the above analysis, bank loans of the Group amounting to $91,938,790 (2013: $121,813,189) were due to be repaid during 2015. The short-term liquidity risk inherent in this contractual maturity has been addressed at the time the loans were drawn and are accounted for in the Group's cash flow forecasts.

The Company's financial liabilities were all expected to be repaid within 1 year or on demand at their carrying amounts as at December 31, 2013 and 2014.

(c) Interest rate risk

The Group's interest rate risk arises primarily from bank loans. Borrowings issued at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. The Group monitors the level of its fixed rate and variable rate borrowings and manages the contractual terms of the interest-bearing financial liabilities. The Group's interest rate profile as monitored by management is set out in (i) below.

(i) Interest rate profile

The Group

	2014 Effective interest rate %	**2014** Amount $	2013 Effective interest rate %	2013 Amount $
Fixed rate borrowings:				
Bank loans	–	–	2.72	2,115,362
		–		2,115,362
Variable rate borrowings:				
Bank loans	1.71	91,938,790	1.62	119,693,418
Loan from a director	–	–	3.58	2,000,000
		91,938,790		121,693,418
Total borrowings		91,938,790		123,808,780
Fixed rate borrowings as a percentage of total net borrowings		–		1.71%

Notes to the Consolidated Financial Statements

(Expressed in United States dollars unless otherwise indicated)

22 Financial risk management and fair values (continued)

(c) Interest rate risk (continued)

(ii) Sensitivity analysis

At December 31, 2014, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have decreased/increased the Group's profit after taxation and retained profits by approximately $767,689 (2013: $1,016,140). Other components of consolidated equity would not be affected in response to a general increase/decrease in interest rates.

The sensitivity analysis above indicates the instantaneous change in the Group's profit after taxation (and retained profits) and other components of consolidated equity that would arise assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to fair value interest rate risk at the end of the reporting period. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the end of the reporting period, the impact on the Group's profit after taxation (and retained profits) and other components of consolidated equity is estimated as an annualised impact on interest expense of such a change in interest rates. The analysis is performed on the same basis for 2013.

(d) Currency risk

The Company's functional currency and presentation currency are US$.

The Group is exposed to currency risk primarily through sales and purchases which give rise to receivables, payables and cash balances that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk are primarily Hong Kong dollars ("HK$") and KRW.

As the HK$ is pegged to the US$, the Company does not expect any significant movements in the US$/HK$ exchange rate.

The Group's foreign operations do not undertake significant transactions in a currency other than their respective functional currencies. Funds are retained by the foreign operations for use within the respective operations.

Notes to the Consolidated Financial Statements

(Expressed in United States dollars unless otherwise indicated)

22 Financial risk management and fair values (continued)

(d) Currency risk (continued)

(i) Exposure to currency risk

The following table details the Group's and the Company's exposure at the end of the reporting period to currency risk arising from recognized assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in US$, translated using spot rate at the year end date. Differences resulting from the translation of financial statements of foreign operations into the Group's presentation currency are excluded.

The Group

	Exposure to foreign currencies (expressed in US$)			
	2014		2013	
	US$	**KRW**	US$	KRW
	$	**$**	$	$
Trade and other receivables	**210,525,074**	**—**	159,065,981	—
Pledged deposits	**—**	**15,465,793**	5,011,326	21,226,192
Cash and cash equivalents	**73,118,193**	**442,012**	41,756,539	218,671
Trade and other payables	**(188,814,224)**	**(177,644)**	(113,260,013)	(741,609)
Bank loans	**(91,938,790)**	**—**	(121,793,418)	—
Loan from a director	**—**	**—**	(2,000,000)	—
Net exposure arising from recognized assets and liabilities	**2,890,253**	**15,730,161**	(31,219,585)	20,703,254

The Company

	Exposure to foreign currencies (expressed in US$)	
	2014	2013
	KRW	KRW
	$	$
Pledged deposits	**15,465,793**	21,226,192
Cash and cash equivalents	**442,012**	218,671
Net exposure arising from recognized assets and liabilities	**15,907,805**	21,444,863

Notes to the Consolidated Financial Statements

(Expressed in United States dollars unless otherwise indicated)

22 Financial risk management and fair values (continued)

(d) Currency risk (continued)

(ii) Sensitivity analysis

The following table indicates the instantaneous change in the Group's and the Company's profit after tax (and retained profits) and other components of consolidated equity that would arise if foreign exchange rates to which the Group and the Company have significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remained constant. In this respect, it is assumed that the pegged rate between the HK$ and the US$ would be materially unaffected by any changes in movement in value of the US$ against other currencies.

The Group

	2014		2013	
	Increase/ (decrease) in foreign exchange rates	**Effect on profit after tax and retained profits $**	Increase/ (decrease) in foreign exchange rates	Effect on profit after tax and retained profits $
KRW	**5%**	**787,974**	5%	1,041,281
	(5)%	**(787,974)**	(5)%	(1,041,281)

The Company

	2014		2013	
	Increase/ (decrease) in foreign exchange rates	**Effect on loss after tax and accumulated losses $**	Increase/ (decrease) in foreign exchange rates	Effect on loss after tax and accumulated losses $
KRW	**5%**	**(795,390)**	5%	(1,072,243)
	(5)%	**795,390**	(5)%	1,072,243

Notes to the Consolidated Financial Statements
(Expressed in United States dollars unless otherwise indicated)

22 Financial risk management and fair values (continued)

(d) Currency risk (continued)

(ii) ***Sensitivity analysis*** (continued)

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group entities' profit after tax and equity measured in the respective functional currencies, translated to the US$ at the exchange rate ruling at the end of the reporting period for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period, including inter-company payables and receivables within the Group which are denominated in a currency other than the functional currencies of the lender or the borrower. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into the Group's presentation currency. The analysis is performed on the same basis for 2013.

(e) Fair values

The directors consider that the carrying amounts of the Group's and the Company's financial instruments carried at cost or amortized cost are not materially different from their fair values at the end of the reporting period.

23 Commitments

(a) Capital commitments outstanding at December 31, 2014 not provided for in the financial statements were as follows:

	The Group	
	2014	2013
	$	$
Contracted for	**10,431,062**	7,828,262

Included in the above is the Group's un-paid capital injection into Cowell DG of $10,215,646 (2013: $7,080,573).

Notes to the Consolidated Financial Statements

(Expressed in United States dollars unless otherwise indicated)

23 Commitments (continued)

(b) At December 31, 2014, the total future minimum lease payments in respect of properties under non-cancellable operating leases are payable as follows:

	The Group	
	2014	2013
	$	$
Within 1 year	**2,235,632**	2,366,109
After 1 year but within 5 years	**6,502,794**	6,640,805
After 5 years	**19,008,897**	20,751,405
	27,747,323	29,758,319

The Group is the lessee in respect of a number of properties held under operating leases. The leases typically run for an initial period of one to eighteen years, with an option to renew the leases when all terms are renegotiated. None of the leases includes contingent rentals.

24 Contingent liabilities

Financial guarantees issued

As at the end of the reporting period, the Company has issued guarantees to bank to secure banking facilities granted by banks to certain subsidiaries amounting to $130,468,556 (2013: $191,000,000). The Company did not recognize any deferred income in respect of the guarantees as the fair values could not be reliably measured and its transaction price was $Nil. Accordingly, the guarantees have not been accounted for as financial liabilities and measured at fair value.

As at the end of the reporting period, the directors do not consider it to be probable that a claim will be made against the Company under any of the guarantees issued. The maximum liability of the Company under the guarantees issued is the amount of banking facilities drawn down by the relevant subsidiaries amounting to $91,938,790 (2013: $119,693,418).

25 Material related party transactions

The Group entered into the following material related party transactions.

(a) Key management personnel remuneration

All members of key management personnel are the directors of the Company, and their remuneration is disclosed in note 7.

(b) Loan from a director

Loan from a director was unsecured and repayable on demand. The loan bore interest at LIBOR plus 3% which was at 3.58% in 2013. It was fully repaid in January 2014.

Notes to the Consolidated Financial Statements
(Expressed in United States dollars unless otherwise indicated)

25 Material related party transactions (continued)

(c) Applicability of the Listing Rules relating to connected transactions

None of the above related party transactions fall under the definition of connected transaction or continuing connected transaction as defined in Chapter 14A of the Listing Rules.

26 Non-adjusting events after the reporting period

(a) Authorized capital of Cowell DG was increased to $185,035,988 in January 2015.

(b) The Company issued 83,200,000 ordinary shares on March 30, 2015 and listed all of its ordinary shares issued on the Main Board of The Stock Exchange of Hong Kong Limited on March 31, 2015.

(c) A stand-by letter of credit was issued in favor of the Group's major customer in an amount of $50,000,000, which became effective and replaced the pledge on the Group's interests in Cowell Optic Electronics Limited disclosed in note 13 upon the listing. The stand-by letter of credit will expire upon the earlier of December 31, 2015 and the Group's net cash balance being at or above a certain level for two consecutive quarters.

27 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended December 31, 2014

Up to the date of issue of these financial statements, the IASB has issued a few amendments and new standards which are not yet effective for the year ended December 31, 2014 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to IAS 19, *Defined benefit plans: Employee contributions*	July 1, 2014
Annual improvements to IFRSs 2010–2012 cycle	July 1, 2014
Annual improvements to IFRSs 2011–2013 cycle	July 1, 2014
Amendments to IAS 16 and IAS 38, *Clarification of acceptable methods of depreciation and amortization*	January 1, 2016
IFRS 15, *Revenue from contracts with customers*	January 1, 2017
IFRS 9, *Financial instruments*	January 1, 2018

The Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

Four-Year Financial Summary

	2011 (in US$)	2012 (in US$)	2013 (in US$)	**2014 (in US$)**
Revenue	323,118,954	527,501,615	813,935,600	**886,467,162**
Gross profit	35,783,766	42,502,628	103,247,018	**112,103,031**
Gross profit margin	11.1%	8.1%	12.7%	**12.6%**
Operating profit	23,123,608	24,722,277	68,984,853	**70,685,869**
Operating margin	7.2%	4.7%	8.5%	**8.0%**
Profit attributable to equity holders of the Company	18,144,566	13,183,101	50,241,737	**53,244,827**
Bank balance and cash	2,874,802	13,606,046	45,220,376	**82,223,720**
Borrowings	52,435,552	144,113,656	123,808,780	**91,938,790**
Total assets	213,115,339	380,466,769	400,222,672	**505,851,080**
Total liabilities	140,822,224	294,077,883	260,359,811	**313,418,589**
Total equity	72,293,115	86,388,886	139,862,861	**192,432,491**

Note: The figures for the years ended December 31, 2011, 2012 and 2013 are extracted from the Prospectus.

Definitions

"Articles of Association"	the articles of association of the Company (as amended from time to time), conditionally adopted on March 10, 2015
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Bai Shi"	Bai Shi Electronics Limited (百世電子有限公司), a limited liability company incorporated in Hong Kong on June 11, 2008, which is wholly owned by Mr. Lee Nam Oh (a brother-in-law of the Chairman of the Board, Mr. Kwak Joung Hwan)
"Board"	the board of Directors
"Company"	Cowell e Holdings Inc., an exempted company incorporated in the Cayman Islands with limited liability on November 28, 2006
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"Cowell China"	Dongguan Cowell Optic Electronics Co., Ltd. (東莞高偉光學電子有限公司), a wholly foreign-owned enterprise incorporated in the PRC on February 5, 2002, which is a wholly owned subsidiary of Cowell Hong Kong
"Cowell Hong Kong"	Cowell Optic Electronics Limited (高偉光學電子有限公司), a limited liability company incorporated in Hong Kong on March 6, 2002, which is a wholly owned subsidiary of the Company
"Cowell Korea"	Cowell Electronics Co., Ltd. (formerly known as Cowell World Optic Co., Ltd. and World Optic Co., Ltd.), a stock corporation incorporated under the laws of Korea on January 29, 1997, which is a wholly owned subsidiary of the Company
"Director(s)"	the director(s) of the Company
"Global Offering"	has the meaning ascribed to it in the Prospectus
"Group"	the Company and its subsidiaries
"Hahn & Co. Eye"	Hahn & Company Eye Holdings Co., Ltd., a company incorporated in Korea on July 15, 2011
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited

Definitions

"Listing Date"	March 31, 2015, on which the Shares are listed on the Hong Kong Stock Exchange and from which dealings in the Shares are permitted to commence on the Hong Kong Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended or supplemented from time to time
"Over-allotment Option"	has the meaning ascribed to it in the Prospectus
"PRC"	People's Republic of China
"Prospectus"	the prospectus of the Company dated March 19, 2015
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented from time to time
"Shareholder(s)"	holder(s) of Shares
"Shares"	ordinary share(s) of US$0.004 each in the share capital of the Company
"US$"	U.S. dollars, the lawful currency of the United States of America