

# COWELL

**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**



# 2015

## Interim Report



**Cowell e Holdings Inc.**  
**高偉電子控股有限公司**

Interim Report 2015



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# 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. Kim Jae Min  
Mr. Yoon Yeo Eul (resigned on August 31, 2015)  
Mr. Lee Dong-Chun (resigned on August 31, 2015)

### 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

**PRINCIPAL PLACE OF BUSINESS  
IN HONG KONG**

Suite 3208–9  
32/F, Tower 6  
The Gateway  
9 Canton Road  
Tsimshatsui  
Kowloon  
Hong Kong

**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 Limited

Australia and New Zealand Banking Group Limited

**COMPANY WEBSITE**

[www.cowelleholdings.com](http://www.cowelleholdings.com)

**PUBLIC RELATIONS CONSULTANT**

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

# 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 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.

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 the first half of 2015, the Group sold approximately 91.6 million units of camera modules and approximately 99.9 million units of optical components, compared to approximately 77.4 million units of camera modules and approximately 129.5 million units of optical components in the first half of 2014. The Group’s revenue amounted to US\$279.0 million in the first half of 2014 and US\$460.4 million in the first half of 2015. This increase was primarily due to increase of unit price and sales quantity of new flip-chip camera modules. The Group recorded a profit for the period of US\$9.7 million in the first half of 2014 and US\$26.5 million in the first half of 2015. The Group had total assets of US\$410.0 million and total equity of US\$265.2 million as of June 30, 2015, compared to total assets of US\$505.9 million and total equity of US\$192.4 million as of 2014.

## 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.

## RESULTS OF OPERATIONS

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

	Six months ended June 30		Changes	
	2015	2014	Amount	%
	(US\$ in millions, except percentages)			
Revenue				
Camera modules				
Flip-chip	376.7	165.0	211.7	128.3%
COB	77.3	108.7	(31.4)	(28.9)%
	454.0	273.7	180.3	65.9%
Optical components	6.4	5.3	1.1	20.8%
<b>Total</b>	<b>460.4</b>	<b>279.0</b>	<b>181.4</b>	<b>65.0%</b>

The Group's revenue increased by 65.0% from US\$279.0 million in the first half of 2014 to US\$460.4 million in the first half of 2015. This increase was primarily due to an increase in revenue of US\$211.7 million from sales of flip-chip camera modules.

Cost of sales increased by 61.0% from US\$248.8 million in the first half of 2014 to US\$400.5 million in the first half of 2015, primarily as a result of an increase in costs of components and materials. The higher rate of increase in the Group's costs of components and materials resulted mainly from an increase in the volume of such components and materials used by Group, in line with higher revenue.

As a result of the cumulative effect of the factors described above, the Group's gross profit increased by 98.2% from US\$30.2 million in the first half of 2014 to US\$59.9 million in the first half of 2015. Gross margin, which represents gross profit as a percentage of revenue, increased from 10.8% in the first half of 2014 to 13.0% in the first half of 2015. Such increase in the Group's gross margin mainly reflected an increase in production yields during the period of improvement typically associated with the implementation of 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 technology and production processes for the new flip-chip camera modules, and improved the production yield during the first half of 2015, as well as the overall stabilization of the Group's manufacturing operations.

Other revenue increased by 122.6% from US\$0.6 million in the first half of 2014 to US\$1.3 million in the first half of 2015, primarily due to a US\$0.8 million 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\$0.1 million in the first half of 2014 to US\$0.9 million in the first half of 2015.



## Management Discussion and Analysis

The Group recorded other net income of US\$1.2 million in the first half of 2014, while the Group recorded other net income of US\$0.2 million in the first half of 2015, primarily due to a net foreign exchange gain of US\$0.6 million in the first half of 2015, compared to a net foreign exchange gain of US\$1.2 million in the first half of 2014. The decrease in net foreign exchange gain in the first half of 2015 resulted mainly from a general depreciation of the U.S. dollar against Korean Won 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 the Group. Such decrease in net foreign exchange gain in the first half of 2015 was aggravated by a US\$0.4 million increase in net loss on disposal of plant and equipment from first half of 2014 to first half of 2015, mainly as a result of the sale of certain unnecessary equipment based on the Group's annual review of assets.

Selling and distribution expenses decreased by 28.3% from US\$2.2 million in the first half of 2014 to US\$1.6 million in the first half of 2015. Such increase was primarily due to a decrease in export related government fees.

Administrative expenses increased by 53.6% from US\$14.7 million in the first half of 2014 to US\$22.7 million in the first half of 2015. The increase was primarily due to US\$5.8 million increase in research and development expenses, which reclassified from cost of sales to administrative expenses, from US\$0.3 million in the first half of 2014 to US\$6.1 million in the first half of 2015. Such increase was further attributable to the overall operational expansion of the Group.

Finance costs decreased by 15.2% from US\$1.1 million in the first half of 2014 to US\$1.0 million in the first half of 2015, which mainly reflected repayment of bank loans with available cash in the first half of 2015.

The Group's income tax expense increased by 118.3% from US\$3.0 million in the first half of 2014 to US\$6.6 million in the first half of 2015, as the Group's profit before taxation increased by 159.0% from US\$12.8 million in the first half of 2014 to US\$33.1 million in the first half of 2015.

As a result of the cumulative effect of the factors described above, the Group's profit for the year increased by 171.7% from US\$9.7 million in the first half of 2014 to US\$26.5 million in the first half of 2015. The Group's net margin, which represents profit for the year as a percentage of revenue, increased from 3.5% in the first half of 2014 to 5.7% in the first half of 2015, as a 65.0% increase in revenue outpaced a 61.2% increase in cost of sales, selling and distribution expenses, administrative expenses, listing expenses, finance costs and income tax (net of other revenue and other net income or loss), on an aggregate basis, from US\$269.3 million in the first half of 2014 to US\$433.9 million in the first half of 2015. Such increase in the Group's net margin was primarily due to the increase in the Group's operating margin.

### Liquidity, Financial Resources and Capital Structure

As at June 30, 2015, the Group had total assets of US\$410.0 million (December 31, 2014: US\$505.9 million); net current assets of US\$146.3 million (December 31, 2014: US\$77.9 million) and total equity of US\$265.2 million (December 31, 2014: US\$192.4 million).

The Group had a solid financial position and continued to maintain a strong and steady inflow from operating activities. As at June 30, 2015, the Group had US\$50.6 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.

### **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. As at June 30, 2015, investment property, plant and equipment, trade receivables and pledged deposit with a net carrying value of US\$142.6 million (December 31, 2014: US\$189.0 million) has been pledged to bank to secure banking facilities.

### **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 six months ended June 30, 2015 amounted to US\$8.5 million, compared to US\$12.5 million for the six months ended June 30, 2014. The Group's capital expenditures in the first half of 2015 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.

### **Contingent Liabilities**

As at June 30, 2015, the Group had no significant contingent liabilities except for the guarantees issued by the Company to secure the banking facilities granted by banks to certain subsidiaries amounting to US\$177,562,000 (December 31, 2014: US\$130,469,000).

### **Human Resources**

The Group employed a total of 6,408 full-time employees as of June 30, 2015 (December 31, 2014: 5,835). Total staff costs for the six months ended June 30, 2015, excluding Directors' remuneration were approximately US\$33.7 million (first half of 2014: US\$29.9 million).

In particular, professional employment agencies located in Dongguan were involved in hiring most of the Group's factory workers. The Group also provided 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.

The Group has an emolument policy with respect to long-term incentive schemes of the Group. The basis of determining emoluments payable to the 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.



# Supplementary Information

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

At June 30, 2015, the interests and short positions of the Directors and the chief executive officer 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 for securities transactions by Directors of Listed Issuer (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 <sup>(1)</sup>	Approximate percentage of shareholding interest
Mr. Kwak Joung Hwan	Beneficial interest	374,159,400	45.00

Notes:

(1) All interests are long positions.

Saved as disclosed above, as at June 30, 2015, so far as is known to the Directors, none of the Directors or the chief executive officer 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.

## SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

At June 30, 2015, the following persons had interests or short positions in our Shares or relevant Shares which were required to be disclosed to the Company 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	Number of Shares or underlying Shares <sup>(4)</sup>	Approximate percentage of shareholding interest
Mr. Kwak Joung Hwan	Beneficial interest	374,159,400	45.00
Ms. Yang Won Sun <sup>(1)</sup>	Interest of spouse	374,159,400	45.00
Hahn & Co. Eye	Beneficial interest	218,159,400	26.24
Hahn & Company 1 Private Equity Fund ("Hahn & Co. PEF") <sup>(2)</sup>	Interests in controlled corporation	218,159,400	26.24
Hahn & Company LLC ("Hahn & Co. LLC") <sup>(3)</sup>	Interests in controlled corporation	218,159,400	26.24

*Notes:*

- (1) Ms. Yang Won Sun is the spouse of Mr. Kwak Joung Hwan. 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) All interests are long positions.

## 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 June 30, 2015, no option had been granted or agreed to be granted under the Share Option Scheme.

## INTERIM DIVIDEND

The Board do not recommend the payment of an interim dividend for the six months ended June 30, 2015.

## 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 six months ended June 30, 2015.

## CORPORATE GOVERNANCE

The Board reviewed governance of the Group in accordance with the code provisions (the “Code Provisions”) as set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules (the “CG Code”) and considered that, from the date of listing of the Company (the “Listing Date”) to June 30, 2015 (the “Current Period”), the Company regulated its operation and carried out appropriate governance in accordance with the Code Provisions. The Company has complied with the Code Provisions during the Current Period, with the exception that the roles of chairman and chief executive of the Company are both vested in Mr. Kwak Joung Hwan.

Pursuant to Code Provision A.2.1 of the principles and code provisions of the Corporate Governance Code and Corporate Governance Report, 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.

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## Supplementary Information

Save as disclosed above, the Directors consider that, from the Listing Date to the date of this interim 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.

### **AUDIT COMMITTEE**

The Audit Committee has reviewed together with the management the accounting principles and policies adopted by the Group and the unaudited consolidated financial report for the six months ended June 30, 2015. Based on this review, the Audit Committee was satisfied that the financial statements were prepared in accordance with applicable accounting standards and fairly presented the Group's financial position and results for the six months ended June 30, 2015.

### **MODEL CODE OF SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules. All Directors have confirmed, following specific enquiry of all Directors that they have fully complied with the required standard set out in the Model Code throughout the Current Period.

### **REVIEW OF INTERIM FINANCIAL REPORT**

The unaudited interim financial report has been reviewed by the Company's independent auditor, KPMG, in accordance with the Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" and by the audit committee of the Company. The review report of the independent auditor is set out on page 12.

### **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\$295.4 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 of the Company (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.

### **RECTIFYING TITLE DEFECTS OF LEASED PROPERTIES**

The Company has compiled a list of its leased properties with title defects and will assess the risks arising from the title defects. The Company will provide an update on the progress of rectifying such title defects in the annual report of the Company for the year ending December 31, 2015.

## EVENTS AFTER THE LATEST ANNUAL REPORT

There were no significant events affecting the Company nor any of its subsidiaries after the latest annual report requiring disclosure in this interim 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.

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

Hong Kong, August 14, 2015

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# Review Report



## **Review report to the board of directors of Cowell e Holdings Inc.**

*(Incorporated in the Cayman Islands with limited liability)*

### **Introduction**

We have reviewed the interim financial report set out on pages 13 to 24 which comprises the consolidated statement of financial position of Cowell e Holdings Inc. as of June 30, 2015 and the related consolidated statement of profit or loss, statement of profit or loss and other comprehensive income, statement of changes in equity and condensed consolidated cash flow statement for the six month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and International Accounting Standard 34, *Interim financial reporting*, issued by the International Accounting Standards Board. The directors are responsible for the preparation and presentation of the interim financial report in accordance with International Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

### **Scope of review**

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants. A review of the interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

### **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at June 30, 2015 is not prepared, in all material respects, in accordance with International Accounting Standard 34, *Interim financial reporting*.

### **KPMG**

*Certified Public Accountants*

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

August 14, 2015

# Consolidated Statement of Profit or Loss

for the six months ended June 30, 2015 — unaudited  
(Expressed in United States dollars)

	Note	Six months ended June 30	
		2015 \$'000	2014 \$'000
<b>Revenue</b>	3 & 4	<b>460,397</b>	279,013
Cost of sales		<b>(400,482)</b>	(248,789)
<b>Gross profit</b>		<b>59,915</b>	30,224
Other revenue		<b>1,322</b>	594
Other net income		<b>248</b>	1,198
Selling and distribution expenses		<b>(1,568)</b>	(2,187)
Administrative expenses		<b>(22,656)</b>	(14,748)
Listing expenses		<b>(3,248)</b>	(1,192)
<b>Profit from operations</b>		<b>34,013</b>	13,889
Finance costs	5(a)	<b>(956)</b>	(1,128)
<b>Profit before taxation</b>	5	<b>33,057</b>	12,761
Income tax	6	<b>(6,594)</b>	(3,020)
<b>Profit for the period</b>		<b>26,463</b>	9,741
<b>Earnings per share</b>	7		
Basic and diluted		<b>\$0.034</b>	\$0.013

The notes on pages 18 to 24 form part of this interim financial report.



# Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the six months ended June 30, 2015 — unaudited  
(Expressed in United States dollars)

	Six months ended June 30	
	2015 \$'000	2014 \$'000
<b>Profit for the period</b>	<b>26,463</b>	9,741
<b>Other comprehensive income for the period (after tax adjustments):</b>		
<i>Items that may be reclassified subsequently to profit or loss</i>		
Exchange differences on translation of financial statements of overseas subsidiaries	33	(1,038)
<i>Items that will not be reclassified to profit or loss</i>		
Remeasurement of net defined benefit liability	—	(1)
	<b>33</b>	(1,039)
<b>Total comprehensive income for the period</b>	<b>26,496</b>	8,702

The notes on pages 18 to 24 form part of this interim financial report.

# Consolidated Statement of Financial Position

at June 30, 2015 — unaudited  
(Expressed in United States dollars)

	Note	At June 30, 2015 \$'000	At December 31, 2014 \$'000
<b>Non-current assets</b>			
Investment property		3,351	3,427
Other property, plant and equipment	8	104,439	103,253
		<b>107,790</b>	106,680
Intangible assets		2,550	2,569
Other receivables		9,994	6,823
		<b>120,334</b>	116,072
<b>Current assets</b>			
Inventories	9	55,407	66,002
Trade and other receivables	10	139,115	221,001
Current tax recoverable		717	1,426
Pledged deposits		43,839	19,126
Cash and cash equivalents	11	50,574	82,224
		<b>289,652</b>	389,779
<b>Current liabilities</b>			
Trade and other payables	12	126,768	209,746
Bank loans		7,651	91,939
Current tax payable		8,927	10,207
		<b>143,346</b>	311,892
<b>Net current assets</b>		<b>146,306</b>	77,887
<b>Total assets less current liabilities</b>		<b>266,640</b>	193,959
<b>Non-current liabilities</b>			
Net defined benefit retirement obligation		665	789
Deferred tax liabilities		807	738
		<b>1,472</b>	1,527
<b>NET ASSETS</b>		<b>265,168</b>	192,432
<b>CAPITAL AND RESERVES</b>			
Share capital	13(b)	3,326	2,993
Reserves		261,842	189,439
<b>TOTAL EQUITY</b>		<b>265,168</b>	192,432

The notes on pages 18 to 24 form part of this interim financial report.

# Consolidated Statement of Changes in Equity

for the six months ended June 30, 2015 — unaudited  
(Expressed in United States dollars)

	Share capital \$'000	Share premium \$'000	Capital reserve \$'000	Capital redemption reserve \$'000	Other reserve \$'000	General reserve fund \$'000	Property revaluation reserve \$'000	Exchange reserve \$'000	Retained profits \$'000	Total \$'000
<b>Balance at January 1, 2014</b>	2,993	22,531	—	7	762	3,362	1,030	8,846	100,332	139,863
<b>Changes in equity for the six months ended June 30, 2014:</b>										
Profit for the period	—	—	—	—	—	—	—	—	9,741	9,741
Other comprehensive income	—	—	—	—	—	—	—	(1,038)	(1)	(1,039)
Total comprehensive income	—	—	—	—	—	—	—	(1,038)	9,740	8,702
Transfer from retained profits	—	—	—	—	—	313	—	—	(313)	—
<b>Balance at June 30, 2014 and July 1, 2014</b>	2,993	22,531	—	7	762	3,675	1,030	7,808	109,759	148,565
<b>Changes in equity for the six months ended December 31, 2014:</b>										
Profit for the period	—	—	—	—	—	—	—	—	43,503	43,503
Other comprehensive income	—	—	—	—	—	—	—	490	(126)	364
Total comprehensive income	—	—	—	—	—	—	—	490	43,377	43,867
Transfer from retained profits	—	—	—	—	—	1,832	—	—	(1,832)	—
<b>Balance at December 31, 2014</b>	2,993	22,531	—	7	762	5,507	1,030	8,298	151,304	192,432
<b>Balance at January 1, 2015</b>	2,993	22,531	—	7	762	5,507	1,030	8,298	151,304	192,432
<b>Changes in equity for the six months ended June 30, 2015:</b>										
Profit for the period	—	—	—	—	—	—	—	—	26,463	26,463
Other comprehensive income	—	—	—	—	—	—	—	33	—	33
Total comprehensive income	—	—	—	—	—	—	—	33	26,463	26,496
Transfer from retained profits	—	—	—	—	—	953	—	—	(953)	—
Issuance of new shares, net of relevant expenses (note 13(b))	333	43,867	—	—	—	—	—	—	—	44,200
Contribution by a shareholder (note 13(b))	—	—	2,040	—	—	—	—	—	—	2,040
<b>Balance at June 30, 2015</b>	3,326	66,398	2,040	7	762	6,460	1,030	8,331	176,814	265,168

The notes on pages 18 to 24 form part of this interim financial report.

# Condensed Consolidated Cash Flow Statement

for the six months ended June 30, 2015 — unaudited  
(Expressed in United States dollars)

	Note	Six months ended June 30	
		2015 \$'000	2014 \$'000
<b>Operating activities</b>			
Cash generated from operations		47,614	46,058
Tax paid		(7,102)	(4,983)
<b>Net cash generated from operating activities</b>		<b>40,512</b>	41,075
<b>Investing activities</b>			
Payment for purchase of property, plant and equipment		(8,484)	(12,484)
Other cash flows arising from investing activities		72	(142)
<b>Net cash used in investing activities</b>		<b>(8,412)</b>	(12,626)
<b>Financing activities</b>			
Proceeds from bank loans		375,723	232,708
Repayment of bank loans		(460,011)	(280,836)
Proceeds from issuance of new shares, net of relevant expenses	13(b)	44,200	—
Proceeds from contribution by a shareholder	13(b)	2,040	—
(Increase)/decrease in pledged deposits		(24,713)	2,239
Other cash flows arising from financing activities		(956)	(3,128)
<b>Net cash used in financing activities</b>		<b>(63,717)</b>	(49,017)
<b>Net decrease in cash and cash equivalents</b>		<b>(31,617)</b>	(20,568)
<b>Cash and cash equivalents at January 1</b>	11	<b>82,224</b>	45,220
<b>Effect of foreign exchange rate changes</b>		<b>(33)</b>	31
<b>Cash and cash equivalents at June 30</b>	11	<b>50,574</b>	24,683

The notes on pages 18 to 24 form part of this interim financial report.

# Notes to the Unaudited Interim Financial Report

(Expressed in United States dollars unless otherwise indicated)

## 1 Basis of preparation

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with International Accounting Standard (“IAS”) 34, *Interim financial reporting*, issued by the International Accounting Standards Board (“IASB”). It was authorised for issue on August 14, 2015.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2014 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2015 annual financial statements. Details of any changes in accounting policies are set out in note 2.

The preparation of an interim financial report in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of Cowell e Holdings Inc. (the “Company”) and its subsidiaries (the “Group”) since the 2014 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with International Financial Reporting Standards (“IFRSs”).

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants. KPMG’s independent review report to the Board of Directors is included on pages 12.

The financial information relating to the financial year ended December 31, 2014 that is included in the interim financial report as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended December 31, 2014 are available on both the websites of The Stock Exchange of Hong Kong Limited and the Company. The auditors have expressed an unqualified opinion on those financial statements in their report dated April 15, 2015.

## 2 Changes in accounting policies

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

- *Annual Improvements to IFRSs 2010–2012 Cycle*
- *Annual Improvements to IFRSs 2011–2013 Cycle*

None of these developments have had a material effect on how the Group’s results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

### 3 Segment reporting

The Group manages its businesses by divisions, which are 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 identified two reportable segments. No operating segments have been aggregated to form the following reportable segments.

#### (a) Information about profit or loss

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 period is set out below.

For the six months ended June 30	Camera module		Optical components		Total	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Revenue from external customers	453,991	273,720	6,406	5,293	460,397	279,013
Reportable segment revenue	453,991	273,720	6,406	5,293	460,397	279,013
Segment profit	37,176	13,571	199	705	37,375	14,276

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

#### (b) Reconciliations of reportable segment profit or loss

	Six months ended June 30,	
	2015 \$'000	2014 \$'000
Reportable segment profit	37,375	14,276
Unallocated head office and corporate expenses	(4,318)	(1,515)
Consolidated profit before taxation	33,057	12,761

### 4 Seasonality of operations

The Group's camera module segment, on average experiences higher sales in the fourth quarter, compared to other quarters in the year, due to the increased retail demand for its products during the holiday season. As a result, this division of the Group typically reports lower revenues and segment results for the first half of the year than the second half.



Notes to the Unaudited Interim Financial Report  
(Expressed in United States dollars unless otherwise indicated)

#### 4 Seasonality of operations (continued)

For the twelve months ended June 30, 2015, the camera module segment reported reportable segment revenue of \$1,054,635,000 (twelve months ended June 30, 2014: \$780,575,000), and reportable segment profit of \$94,237,000 (twelve months ended June 30, 2014: \$68,460,000).

#### 5 Profit before taxation

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

##### (a) Finance costs

	Six months ended June 30	
	2015 \$'000	2014 \$'000
Interest expense on bank borrowings wholly repayable within five years	956	1,128

##### (b) Other items

	Six months ended June 30	
	2015 \$'000	2014 \$'000
Amortisation	183	109
Depreciation	6,972	6,053
Inventory write-down and losses	—	151
Reversal of write-down of inventories (note 9)	(206)	(260)
Interest income	(236)	(126)
Net loss on disposal of plant and equipment	360	—

#### 6 Income tax

	Six months ended June 30	
	2015 \$'000	2014 \$'000
Current tax — Hong Kong Profits Tax	3,623	1,241
Current tax — Overseas	2,922	1,884
Deferred taxation	49	(105)
	6,594	3,020

## 6 Income tax (continued)

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 is calculated by applying the estimated annual effective tax rate of 16.5% (2014: 16.5%) to the six months ended June 30, 2015. Taxation for overseas subsidiaries is similarly calculated using the estimated annual effective rates of taxation that are expected to be applicable in the relevant countries.

## 7 Earnings per share

### (a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of \$26,463,000 (six months ended June 30, 2014: \$9,741,000) and the weighted average of 789,918,800 ordinary shares (six months ended June 30, 2014: 748,318,800 ordinary shares), after adjusting retrospectively for the share subdivision in 2014 as described in note 13(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 any dilutive potential ordinary shares outstanding during the periods.

## 8 Other property, plant and equipment

### (a) Acquisitions and disposals

During the six months ended June 30, 2015, the Group acquired items of plant and equipment with a cost of \$8,484,000 (six months ended June 30, 2014: \$12,484,000). Items of plant and equipment with a net book value of \$360,000 were disposed of during the six months ended June 30, 2015 (six months ended June 30, 2014: \$Nil), resulting in a loss on disposal of \$360,000 (six months ended June 30, 2014: \$Nil).

### (b) Customer's equipment

At June 30, 2015, the Group issued stand-by letter of credit of \$50,000,000 to a customer to pledge against machinery provided to the Group by the customer for production of goods to that customer. The stand-by letter of credit will expire upon the earlier of December 31, 2015 or the Group's net cash balance being at or above a certain level for two consecutive quarters. The original acquisition costs of machinery borne by the customer amounted to \$116,920,000 (December 31, 2014: \$116,684,000) and was not recognised as the Group's other 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 prices with the customer.

## Notes to the Unaudited Interim Financial Report

(Expressed in United States dollars unless otherwise indicated)

### 9 Inventories

During the six months ended June 30, 2015, \$206,000 (six months ended June 30, 2014: \$260,000) has been recognised as a reduction in the amount of inventories recognised as an expense in profit or loss during the period, being the amount of reversal of a write-down of inventories to estimated net realisable value. This reversal arose due to an increase in the estimated net realisable value of certain camera modules as a result of a change in consumer preferences.

### 10 Trade and other receivables

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:

	At June 30, 2015 \$'000	At December 31, 2014 \$'000
Within 1 month	71,979	134,340
Over 1 month but within 2 months	54,143	67,986
Over 2 months but within 3 months	869	646
Over 3 months	560	1,159
Trade receivables, net of allowance for doubtful debts	127,551	204,131
Other receivables and prepayments	11,564	16,870
	<b>139,115</b>	<b>221,001</b>

Trade receivables are due within 30 to 90 days from the date of billing.

Trade receivables with carrying amount of \$97,281,000 (December 31, 2014: \$168,221,000) were used to secure the Group's bank loans.

### 11 Cash and cash equivalents

	At June 30, 2015 \$'000	At December 31, 2014 \$'000
Bank deposits within three months to maturity when placed	2,214	1,271
Cash at bank and in hand	48,360	80,953
Cash and cash equivalents in the statement of financial position and the condensed consolidated cash flow statement	<b>50,574</b>	<b>82,224</b>

Notes to the Unaudited Interim Financial Report  
(Expressed in United States dollars unless otherwise indicated)

## 12 Trade and other payables

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:

	At June 30, 2015 \$'000	At December 31, 2014 \$'000
Within 1 month	109,174	86,123
Over 1 month but within 3 months	2,416	103,774
Over 3 months but within 6 months	13	1,686
Trade payables	111,603	191,583
Accrued charges and other payables	15,165	18,163
	<b>126,768</b>	209,746

## 13 Dividends and share capital

### (a) Dividends

The Directors do not recommend the payment of an interim dividend for the six months ended June 30, 2015 (six months ended June 30, 2014: \$Nil).

### (b) Share capital

	At June 30, 2015		At December 31, 2014	
	Number of shares '000	Amount \$'000	Number of shares '000	Amount \$'000
<b>Authorised:</b>				
Ordinary shares of \$0.004 each	10,000,000	40,000	10,000,000	40,000
<b>Ordinary shares, issued and fully paid:</b>				
At January 1	748,319	2,993	29,933	2,993
Share subdivision (note 1)	—	—	718,386	—
Issuance of new shares (note 2)	83,200	333	—	—
At June 30/December 31	<b>831,519</b>	3,326	<b>748,319</b>	2,993

Note 1: 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 authorised 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.

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

Note 2: On March 31, 2015, the Company's shares were listed on The Stock Exchange of Hong Kong Limited, among which 83,200,000 new shares of \$0.004 each were issued to investors following the completion of the Company's initial public offering at a price of HK\$4.25 per share. The gross proceeds received by the Company from the global offering was approximately HK\$353,600,000 (equivalent to \$45,567,000). One of the substantial shareholders has contributed \$2,040,000 to compensate part of the listing expenses incurred and such amount has been recognised under capital reserve.

## Notes to the Unaudited Interim Financial Report

(Expressed in United States dollars unless otherwise indicated)

### 14 Capital commitments outstanding not provided for in the interim financial report

	At June 30, 2015 \$'000	At December 31, 2014 \$'000
Contracted for	62,721	10,431

Included in the above is mainly the Group's unpaid capital injection into a subsidiary of \$61,124,000 (December 31, 2014: \$10,216,000).

### 15 Contingent liabilities

#### Financial guarantees issued

As at the end of the reporting period, the Company has issued guarantees to certain banks to secure banking facilities granted by banks to certain subsidiaries amounting to \$177,562,000 (December 31, 2014: \$130,469,000). The Company did not recognise 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 \$7,651,000 (December 31, 2014: \$91,939,000).

### 16 Material related party transactions

The Group entered into the following material related party transactions.

#### Key management personnel remuneration

All members of key management personnel are the directors of the Company, and their salaries and other short-term benefits for the period are \$2,017,000 (six months ended June 30, 2014: \$684,000).