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

Annual Report 2015

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高偉電子控股有限公司

Annual Report 2015

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
(Chairman and Chief Executive Officer) —
(resigned on February 29, 2016)
Mr. Kim Kab Cheol
Mr. Seong Seokhoon *(Chairman)*
(redesignated on March 1, 2016)

Non-executive Directors

Mr. Yoon Yeo Eul *(resigned on August, 31, 2015)*
Mr. Lee Dong-Chun *(resigned on August 31, 2015)*
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)*

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; resigned on February 29, 2016 & Mr. Seong Seokhoon has been redesignated as the Chairman of Nomination Committee)
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

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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

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,

I would like to present our key milestones and achievements for the financial year ended December 31, 2015 on behalf of Cowell e Holdings Inc..

Benefiting from increased sales of flip-chip camera modules, we have been able to continuously report record-high revenue and net profit for four consecutive years. For the year ended December 31, 2015, our revenue increased to US$980.2 million, 10.6% higher than that of 2014, and we recorded a net profit of US$60.7 million, also an increase of 14.1% compared to the prior year.

In order to meet fastly changing requirements and rising expectations of our customers, we have focused on developing innovative technology and improving our production efficiency. We have well-maintained relationship 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 take the lead in the camera module industry. To achieve this objective, we have continued to develop design technology, product development expertise, manufacturing processes and customer services which eventually strengthened business relationships with our major customers. Due to our continued effort, we were able to expand 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.

Finally, I am grateful to all our staff and management for their hard work throughout 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. Seong Seokhoon
Chairman

BUSINESS REVIEW

Cowell e Holdings Inc. 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 2015, the Group sold approximately 197.4 million units of camera modules and approximately 183.6 million units of optical components, compared to approximately 193.4 million units of camera modules and approximately 256.0 million units of optical components in 2014. The Group's revenue amounted to US$886.5 million in 2014 and US$980.2 million in 2015. The Group recorded a profit for the year of US$53.2 million in 2014 and US$60.7 million in 2015. The Group had total assets of US$452.5 million and total equity of US$285.7 million as of December 31, 2015, compared to total assets of US$505.9 million and total equity of US$192.4 million as of December 31, 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 chip-on-board ("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, 2015, 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, 2015, 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.

RESULTS OF OPERATIONS

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

	2015	2014	Changes Amount	%
	(US$ in millions, except percentages)			
Revenue	**980.2**	886.5	93.7	10.6%
Cost of Sales	**(843.3)**	(774.4)	(68.9)	8.9%
Gross profit	**136.9**	112.1	24.8	22.1%
Other revenue	**2.3**	2.0	0.3	15.0%
Other net income/(loss)	**0.1**	0.2	(0.1)	(50)%
Selling and distribution expenses	**(6.9)**	(6.5)	(0.4)	6.2%
Administrative expenses	**(50.4)**	(32.7)	(17.7)	54.1%
Listing Expense	**(3.4)**	(4.5)	1.1	(24.4%)
Profit from operations	**78.6**	70.6	8.0	11.3%
Finance costs	**(1.6)**	(3.1)	1.5	(48.4)%
Profit before taxation	**77.0**	67.5	9.5	14.1%
Income tax	**(16.3)**	(14.3)	(2.0)	14.0%
Profit for the year	**60.7**	53.2	7.5	14.1%
Other comprehensive income				
Exchange difference on translation of financial statements of overseas subsidiaries	**(14.1)**	(0.5)	13.6	N.A.*
Remeasurement of net defined benefit liability	**0.1**	(0.1)	(0.0)	N.A.*
Total comprehensive income for the year	**46.7**	52.6	(5.9)	11.2%

* N.A. means not applicable.

Revenue

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

	2015	2014	Changes Amount	%
	(US$ in millions, except percentages)			
Revenue				
Camera modules				
Flip-chip	**802.5**	646.8	155.7	24.1%
COB	**164.9**	227.6	(62.7)	(27.5%)
	967.4	874.4	93.0	10.6%
Optical components	**12.8**	12.1	0.7	5.8%
Total	**980.2**	886.5	93.7	10.6%

The Group's revenue increased by 10.6% from US$886.5 million in 2014 to US$980.2 million in 2015. This increase was primarily due to an increase in revenue of US$93.0 million from sales of camera modules.

Camera Modules. Revenue from sales of camera modules increased by 10.6% from US$874.4 million in 2014 to US$967.4 million in 2015, principally as a result of a 24.1% increase in revenue from sales of flip-chip camera modules from US$646.8 million in 2014 to US$802.5 million in 2015. Such increase was partially offset by a 27.5% decrease in revenue from sales of COB camera modules from US$227.6 million in 2014 to US$164.9 million in 2015, mainly due to decrease in order from customer.

Optical Components. Revenue from sales of optical components increased by 5.8% from US$12.1 million in 2014 to US$12.8 million in 2015, primarily due to increased sales in blue filters in 2015. The average selling price of the Group's optical components increased from US$0.047 in 2014 to US$0.060 in 2015.

Cost of Sales

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

			Changes	
	2015	2014	**Amount**	**%**
	(US$ in millions, except percentages)			
Cost of Sales				
Costs of components and materials				
CMOS image sensors	**363.1**	294.0	69.1	23.5%
PCBs	**134.8**	117.0	17.8	15.2%
Lenses/lens holders	**150.9**	139.1	11.8	8.5%
HTCC boards	**29.7**	30.8	(1.1)	(3.6)%
Others	**105.5**	96.1	9.4	9.8%
	784.0	677.0	107.0	15.8%
Manufacturing costs				
Labor costs	**50.4**	46.2	4.2	9.1%
Supplies	**18.9**	28.4	(9.5)	(33.5)%
Depreciation and amortization	**13.6**	12.6	1.0	7.9%
Utilities	**7.4**	7.5	(0.1)	(1.3)%
Others	**10.3**	11.3	(1.0)	(8.8)%
	100.6	106.0	(5.4)	(5.1)%
Others(1)	**(41.3)**	(8.6)	(32.7)	380.2%
Total	**843.3**	774.4	68.9	8.9%

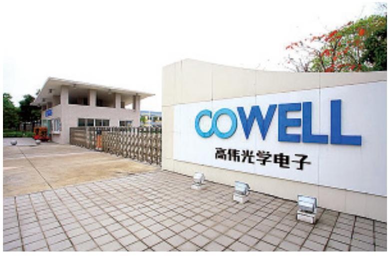
* N.A. means not applicable.

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

Cost of sales increased by 8.9% from US$774.4 million in 2014 to US$843.3 million in 2015, primarily as a result of an increase in costs of components and materials. Costs of components and materials increased by 15.8% from US$677.0 million in 2014 to US$784.0 million in 2015, primarily as a result of a 23.5% increase in the cost of CMOS image sensors from US$294.0 million in 2014 to US$363.1 million in 2015, mainly due to increase in sales and production of camera module and a 15.2% increase in the cost of PCBs from US$117.0 million in 2014 to US$134.8 million in 2015. These increases in the cost of CMOS image sensors and PCBs used by the Group resulted partially from the fact that the new flip-chip camera modules the Group began producing in the second half of 2015 have specifications for higher quality components, which are slightly more expensive than the cost of components for the previous camera modules. Such increases were partially offset by a 3.6% decrease in the cost of HTCC boards from US$30.8 million in 2014 to US$29.7 million in 2015, mainly due to about an 20% decrease in their average unit price. Cost of sales as a percentage of revenue decreased from 87.4% in 2014 to 86.0% in 2015 primarily due to decrease in supplies driven by efficient management for supplies and improved production yield.

Gross Profit and Gross Margin

As a result of the cumulative effect of the factors described above, the Group's gross profit increased by 22.1% from US$112.1 million in 2014 to US$136.9 million in 2015. Gross margin, which represents gross profit as a percentage of revenue, increased from 12.6% in 2014 to 14.0% in 2015, as an 8.9% increase in cost of sales was lower than an 10.6% increase in revenue. Such increase in the Group's gross margin mainly reflected the increase in production yields during 2015, as well as the overall stabilization of the Group's manufacturing operations.



Other Revenue

Other revenue increased by 15.0% from US$2.0 million in 2014 to US$2.3 million in 2015, primarily due to a US$0.5 million, or a 55.6%, 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$0.9 million in 2014 to US$1.4 million in 2015.

Other Net Income

The Group recorded other net income of US$0.1 million in 2015, while the Group recorded other net income of US$0.2 million in 2014, primarily due to a net loss on disposal of plant and equipment of US$4.8 million in 2015, compared to a net loss on disposal of plant and equipment of US$0.3 million in 2014, mainly as a result of the Group's annual review of assets. Such increase in loss was offset by a US$4.7 million increase in the net foreign exchange gain of US$5.4 million in 2015, compared to the net foreign exchange gain of US$0.7 million in 2014. The net foreign exchange gain in 2015 resulted mainly from a general appreciation 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.

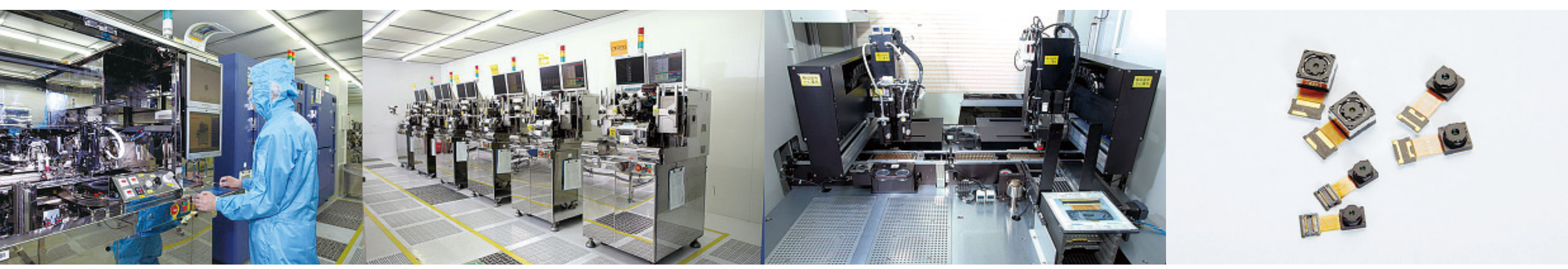
Selling and Distribution Expenses

Selling and distribution expenses increased by 6.2% from US$6.5 million in 2014 to US$6.9 million in 2015. Such increase was primarily due to a US$1.0 million, or 32.1%, increased in local customs declaration fees.

Administrative Expenses

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

	Year ended December 31,		Changes	
	2015	2014	**Amount**	**%**
	(US$ in millions, except percentages)			
Salaries, allowance, social insurance and welfare	**25.8**	23.4	2.4	10.3%
Handling charges	**2.4**	1.1	1.3	118%
Supplies	**1.1**	0.9	0.2	22.2%
Travel	**1.6**	1.6	0.0	0.0%
Local government tax	**1.2**	2.7	(1.5)	(55.6%)
Rental	**0.4**	0.4	0.0	0%
Entertainment	**0.4**	0.4	0.0	0%
Finance charges	**0.6**	0.1	0.5	500.0%
Communications	**0.4**	0.4	0.0	0%
Water and electricity	**0.5**	0.4	0.1	25.0%
Depreciation	**0.4**	0.2	0.2	100.0%
Amortization	**0.4**	0.3	0.1	33.3%
Repairs and maintenance	**0.3**	0.3	0.0	0.0%
R&D expense	**14.6**	0.0	14.6	N.A.
Others	**0.3**	0.5	(0.2)	(40%)
Total	**50.4**	32.7	17.7	54.1%



Administrative expenses increased by 54.1% from US$32.7 million in 2014 to US$50.4 million in 2015. This increase was primarily due to a US$14.6 million increase in research and development expense, which was based on the reclassification to clearly define research and development expense from cost of sales and selling and distribution expenses. Such increase was further enhanced by a US$2.6 million, or 11.1% increase in salaries, allowance, social insurance and welfare from US$23.4 million in 2014 to US$26.0 million in 2015, which resulted mainly from an increase in the Group's engineers and additional staff hired to accommodate the Group's increase in revenue in 2015.

The total listing expense incurred in 2015 was amounted to US$3.4 million while that in 2014 was US$4.5 million, the decrease was due to most listing expenses was charged in 2014.

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 11.3% from US$70.6 million in 2014 to US$78.6 million in 2015. The Group's operating margin, which represents profit from operations as a percentage of revenue, marginally increased to 8.02% in 2015 from 7.96% in 2014. In 2015. as a 10.5% increase in cost of sales, selling and distribution expenses, listing expenses and administrative expenses (net of other revenue and other net income or loss), on an aggregate basis, from US$815.8 million in 2014 to US$901.6 million in 2015 was marginally lower than an 10.6% increase in revenue.

Finance Costs

Finance costs decreased by 48.4% from US$3.1 million in 2014 to US$1.6 million in 2015, which mainly reflected repayment of bank loans with available cash in 2015.

Income Tax

The Group's income tax expense increased by 14.0% from US$14.3 million in 2014 to US$16.3 million in 2015. The Group's effective tax rate remained at 21.2% in 2015 as the Group's profit before taxation increased by 13.9% from US$67.6 million in 2014 to US$77.0 million in 2015, while the Group's income tax expense increased by 14.0%.

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 14.1% from US$53.2 million in 2014 to US$60.7 million in 2015. The Group's net margin, which represents profit for the year as a percentage of revenue, increased from 6.0% in 2014 to 6.2% in 2015, as a 10.3% 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), on an aggregate basis, from US$833.3 million in 2014 to US$919.5 million in 2015 was lower than an 10.6% increase in revenue. Such margin increase in the Group's net margin was primarily due to the marginal increase in the Group's operating margin.

FINANCIAL AND LIQUIDITY POSITION

Key Financial Ratios

	Year ended December 31,	
	2015	2014
Profitability ratios		
Revenue growth(1)	**10.6%**	8.9%
Net profit growth(2)	**14.1%**	6.0%
Gross margin(3)	**14.0%**	12.6%
Operating margin(4)	**8.0%**	8.0%
Net margin(5)	**6.2%**	6.0%
Return on equity(6)	**21.2%**	27.7%
Return on total assets(7)	**13.4%**	10.5%

	Year ended December 31,	
	2015	2014
Liquidity ratios		
Current ratio(8)	**197. 6%**	125.0%
Quick ratio(9)	**136.8%**	103.8%
Capital adequacy ratios		
Gearing ratio(10)	**(39.7)%**	(5.1)%
Debt to equity ratio(11)	**(28.4)%**	(4.9)%
Interest coverage ratio(12)	**48.7**	22.6

(1) The calculation of revenue growth is based on revenue for the period divided by revenue 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 revenue and multiplied by 100%.

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

(5) The calculation of net margin is based on profit for the period divided by revenue 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 revenue growth, net profit growth, gross margin, operating margin and net margin.

Return on Equity

The Group's return on equity decreased from 27.7% in 2014 to 21.2% in 2015, primarily due to an increase in the Group's equity.

Return on Total Assets

The Group's return on total assets increased from 10.5% in 2014 to 13.4% in 2015, primarily due to an decrease in the Group's total assets.

Current Ratio

The Group's current ratio increased from 125.0% in 2014 to 197.6% in 2015, 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 and trade and other payables, which were partially offset by a corresponding decrease in the Group's trade and other receivables and cash and cash equivalents.

Quick Ratio

Consistent with the changes in the Group's current ratio, the Group's quick ratio increased from 103.8% in 2014 to 136.8% in 2015, mainly due to decrease in the Group's bank loans and trade and other payabls, which were partially offset by a corresponding decrease in the Group's trade and other receivables and cash and cash equivalents.

Gearing Ratio

The Group's gearing ratio decreased from -5.1% in 2014 to -39.7% in 2015, primarily due to a decrease in the Group's bank loans and an increase in the Group's capital and reserves.

Human Resources

The Group employed a total of approximately 5,372 full-time employees as of December 31, 2015 (December 31, 2014: 5,835). Total staff costs for the year ended December 31, 2015, excluding Directors' remuneration were approximately US$77.7 million (2014: US$68.4 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.

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 8 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 19 to the consolidated financial statements.

The Group had pledged a stand-by-letter of credit to a customer, but it was withdrawn on December 31, 2015 based on the agreement with a customer.

Contingent Liabilities

As at December 31, 2015, 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 26 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 -4.9% in 2014 to -28.4% in 2015, primarily due to a increase of cash and decrease of debt.

Interest Coverage Ratio

The Group's interest coverage ratio increased from 22.6 in 2014 to 48.7 in 2015, 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.

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,	
	2015	2014
	(US$ in millions)	
Current assets		
Inventories	**101.3**	66.0
Trade and other receivables	**105.5**	221.0
Current tax recoverable	**0.4**	1.5
Pledged deposits	**28.5**	19.1
Bank deposits	**14.5**	—
Cash and cash equivalents	**79.0**	82.2
	329.2	389.8
Current liabilities		
Trade and other payables	**114.6**	209.8
Bank loans	**40.8**	91.9
Current tax payable	**11.1**	10.2
	166.5	311.9
Net current assets	**162.7**	77.9

As of December 31, 2015, the Group had net current assets of US$162.7 million, compared to net current assets of US$77.9 million as of December 31, 2014, representing an increase of US$84.8 million. This change was primarily due to a decrease in the Group's trade and other payables of US$95.2 million and, a decrease in the Group's bank loans of US$51.1 million, which were offset in part by a decrease in trade and other receivables of US$115.5 million. The Group's trade and other receivables and trade and other payables decreased mainly as a result of decreased revenue in the fourth quarter of 2015.

Inventories

The Group's inventory balance increased by 53.5%, or US$35.3 million, from US$66.0 million as of December 31, 2014 to US$101.3 million as of December 31, 2015, due mainly to an increase in production of camera modules in anticipation of a continuing increase in the Group's sales.

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

	As of December 31,	
	2015	2014
Inventory turnover days(1)	**36.2**	28.5

(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, 2015 were higher as compared to the year ended December 31, 2014 due primarily to an increase in production of camera modules in anticipation of a continuing increase in the Group's sales.

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 decreased by 52.3%, or US$115.5 million, from US$221.0 million as of December 31, 2014 to US$105.5 million as of December 31, 2015, mainly due to a reduction in order as compared to the projected order at the end of the fourth quarter of 2015.

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,	
	2015	2014
	(US$ in millions)	
Trade receivables		
Within 1 month	**51.8**	134.3
Over 1 to 2 months	**31.0**	68.0
Over 2 to 3 months	**0.9**	0.6
Over 3 months	**2.5**	1.2
Total	**86.2**	204.1

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

	Year ended December 31,	
	2015	2014
Trade receivables turnover days[1]	**54.1**	74.3

(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, 2015 were lower as compared to the year ended December 31, 2014 due primarily to the decrease in the balance of the Group's trade receivables as of December 31, 2015.

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 decreased by 45.3%, or US$95.1 million, from US$209.8 million as of December 31, 2014 to US$114.7 million as of December 31, 2015, primarily due to an decrease in the Group's purchased components and materials resulting mainly from the decrease of production in the fourth quarter of 2015.

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,	
	2015	2014
	(US$ in millions)	
Trade payables		
Within 1 month	**35.0**	86.1
Over 1 to 3 months	**62.4**	103.8
Over 3 to 6 months	**1.3**	1.7
Total	**98.7**	191.6

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

	Year ended December 31,	
	2015	2014
Trade payables turnover days[1]	53.8	61.4

(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, 2015 were lower as compared to the year ended December 31, 2014 primarily as a result of the low balance of the Group's trade payables as of December 31, 2015, reflecting the decrease in the Group's purchases of components and materials for the production of camera modules in the fourth quarter of 2015.

Indebtedness

The table below sets forth the Group's borrowings as of the dates indicated. As of December 31, 2015, 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,	
	2015	2014
	(US$ in millions)	
Current liabilities:		
Secured bank loans[1]	40.8	91.9

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

As of the close of business on December 31, 2015, the Group had aggregate banking facilities of approximately US$105.0 million, of which US$40.8 million were utilized.

Treasury policies

The Group has adopted a prudent financial management approach towards its treasury policies and thus maintained a healthy liquidity position throughout the period under review. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and other commitments can meet its funding requirements from time to time.

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, 2015, 78.5% (2014: 88.7%) of the Group's trade receivables were due from the Group's largest customer, and 98.1% (2014: 98.7%) 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 US$40.8 million (2014: US$91.9 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 24(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, 2015, the Group's variable rate borrowings amounted to US$40.8 million (2014: US$91.9 million).

As of December 31, 2015, 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$0.3 million (2014: US$0.8 million). Other components of the Group's equity would not have been affected by a general increase in interest rates.

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, 2015, the Group did not use any forward exchange contracts or other derivative instruments to hedge against fluctuations in currency exchange rates applicable to us.

As of December 31, 2015, 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 (2014: US$0.8 million).

Please refer to note 24(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, 2015, the Group had US$79.0 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, equipment and intangible assets) for the year ended December 31, 2015 amounted to US$36.9 million which was funded through cash flow from operation and IPO proceeds, compared to US$22.9 million for the year ended December 31, 2014. The Group's capital expenditures in 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 and available banking facilities.

The Group's capital commitments that were contracted but not provided as of December 31, 2015 amounted to US$3.4 million, compared to US$0.2 million as of December 31, 2014. Such capital commitments represent commitments arising out of a contractual relationship where the relevant property, plant and equipment and intangible assets 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 1 to 18 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,	
	2015	2014
	(US$ in millions)	
Within one year	**2.1**	2.2
Between one and five years	**6.7**	6.5
Over five years	**16.4**	19.0
Total	**25.2**	27.7

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, 2015.

Directors and Senior Management

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

Executive Directors

Mr. Kim Kab Cheol, aged 55, 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 52, 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 has been redesigned as the Company's chairman of the board with effect on March 1, 2016. Mr. Seong received a bachelor's degree in accounting from Kyungpook National University in Korea in February 1989.

Non-executive Director

Mr. Kim Jae Min, aged 41, 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.

Independent non-executive Directors

Mr. Okayama Masanori, aged 63, 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 the Company since April 2014. He is primarily responsible for supervising and providing independent judgment to the board of directors of the Company. 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 58, 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.

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	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.

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. Lee Sun Yong, aged 58, is the Chief Executive Officer. Mr. Lee is responsible for managing the overall business operations and achieving the strategic objectives of the Group. Prior to joining our Group in March 2016 as the Chief Executive Officer, Mr. Lee had over 30 years of work experience in shaping senior level strategic deliverables across organizations, developing and driving roadmaps of memory Integrated Circuit ("IC")/Organic Light-Emitting Diode ("OLED") production, diagnosing needs and solving high-value manufacturing/business problems, as well as operational experience in construction, sustaining, maintenance, and administration of semiconductor/display manufacturing lines and support facilities systems. Mr. Lee started his career in Samsung Electronics Co., Ltd., where he worked as a manufacturing process engineer of the memory manufacturing division between 1984 and 2001. Between 2001 and 2011, Mr. Lee undertook various senior roles at Samsung Electronics, including a director in the memory Twelve-inch Wafer ("TW") team, a managing director in the system Large Scale Integration ("LSI") S1 manufacturing line and a senior managing director of the Infra Technology Center, before he moved to Samsung Display Co., Ltd. From 2011 to 2013, at Samsung Display, Mr. Lee served as a senior managing director in the OLED Manufacturing Center and, in February 2013, Mr. Lee became an executive vice president of the Asan-Cheonan Manufacturing Complex, directing its manufacturing division with overall responsibility for yield, quality, productivity, cost control, environment control, occupational safety and health, and profit & loss. From December 2015 to February 2016 before joining our Group, Mr. Lee served as an executive advisor of Samsung Display. Mr. Lee received a bachelor's degree in electronics engineering from Kwangwoon University in February 1980 and completed Advanced Innovative Management Program ("AIM") courses at KAIST ("Korea Advanced Institute of Science and Technology") in July 2014.

Mr. Cho Kyu Beom, aged 52, 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 48, 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.

COMPANY SECRETARY

Ms. Lam Wing Yan (林詠欣), aged 39, is the senior 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.

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, 2015.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The activities of its subsidiaries are set out in note 14 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, 2015 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 55 to 125.

The Board does not recommend the payment of a final dividend for the year ended December 31, 2015.

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 May 10, 2016 to May 12, 2016, 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 May 9, 2016.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the last five years ended December 31, 2015 are set out on page 126 of this annual report. That summary does not form part of the audited financial statements.

SHARE CAPITAL

Details of the movements in the share capital of the Company are set out in note 23(b) to the consolidated financial statements.

DISTRIBUTABLE RESERVES

As at December 31, 2015, the reserves of the Company available for distribution to shareholders amounted to approximately US$44,694,000 (2014: US$6,783,000).

DONATIONS

Charitable donations made by the Group during the year ended December 31, 2015 amounted to US$29,000 (2014: US$32,000).

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, 2015.

SHARE OPTION SCHEME

The Company's existing share option scheme (the "Share Option Scheme") was approved for adoption pursuant to written resolution of all of our Shareholders passed on February 4, 2015 for the purpose to provide incentives and/or rewards to eligible persons for their contribution to, and continuing efforts to promote the interests of the group.

Purpose of the Share Option Scheme

The purpose of the Share Option Scheme is to provide an incentive for the Qualified Participants (as defined in paragraph "who may join" below) to work with commitment towards enhancing the value of the Company and its Shares for the benefit of its shareholders, and to maintain or attract business relationship with the Qualified Participants whose contributions are or may be beneficial to the growth of the Group.

The Board is of the view that the Share Option Scheme may provide the Qualified Participants with the opportunity of participating in the growth of the Group by acquiring Shares in the Company which may in turn assist in the attraction and retention of the Qualified Participants. To ensure the achievement of the purpose of the Share Option Scheme, its rules do not specify any minimum holding period and/or performance targets as a condition for the exercise of an option but subject to the determination of the Board. The Board is given the authority under the Share Option Scheme rules to determine and state in the offer letter of grant any minimum holding period and/or performance targets as conditions for exercise of an option. In addition, the Board has the authority under the Share Option Scheme rules to determine the basis of eligibility of any Qualified Participant and the grant of an option on a case by case basis as the Board in its sole discretion considers appropriate. Hence, the Board believes that the rules of the Share Option Scheme will serve to achieve its purpose as well as protect the value of the Company.

Who may join

The Board may, at its absolute discretion, offer to grant an option to subscribe for such number of Shares as the Board may determine to:

(i) any executive director, or employee (whether full time or part time) of the Company, any subsidiary or any entity in which the Company or any subsidiary holds any equity interest;

(ii) any non-executive directors (including independent non-executive directors) of the Company, any subsidiary or any entity in which the Company or any subsidiary holds any equity interest (together with (i) above, "Eligible Employee");

(iii) any customer, business or joint venture partner, advisor, consultant, contractor, supplier, agent or service provider of the Company, any subsidiary or any entity in which the Company or any subsidiary holds any equity interest who is an individual; or

(iv) any full-time employee of any customer, business or joint venture partner, advisor, consultant, contractor, supplier, agent, customer or service provider of the Company or any subsidiary or any entity in which the Company or any subsidiary holds any equity interest, who the Board considers, in its sole discretion, has contributed or will contribute to the Company or any subsidiary or any entity in which the Company or any subsidiary holds any equity interest (collectively, the "Qualified Participant").

Maximum number of Shares in respect of which options may be granted

The maximum number of Shares in respect of which options may be granted under the Share Option Scheme and any other share option schemes of the Company shall not in aggregate exceed the number of Shares that shall represent 5% of the total number of Shares in issue as at the Listing Date (the "Scheme Mandate"), excluding for this purpose options which have lapsed in accordance with the terms of the Share Option Scheme and any other share option schemes of the Company, provided that:

(i) the Company may seek approval by the Shareholders in general meeting for refreshing the Scheme Mandate provided that the total number of Shares in respect of which options may be granted under the Share Option Scheme and any other share option schemes of the Company under the Scheme Mandate as refreshed must not exceed 5% of the total number of Shares in issue as at the date of such shareholder approval. For these purposes, options previously granted under the Share Option Scheme and any other share option schemes of the Company, whether outstanding, cancelled, lapsed in accordance with its applicable rules or already exercised, will not be counted. The Company shall send to the Shareholders a circular containing the information required under Chapter 17 of the Listing Rules;

(ii) the Company may seek separate approval by the Shareholders in general meeting for granting options beyond the Scheme Mandate provided the options in excess of the Scheme Mandate are granted only to Qualified Participants who are specifically identified before such approval is sought. A circular will be sent by the Company to the Shareholders in accordance with the Listing Rules; and

(iii) the limit on the number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company must not exceed such number of Shares as shall represent 30 per cent of the Shares in issue from time to time. No options may be granted if such grant will result in this 30 per cent limit being exceeded.

The maximum number of Shares in respect of which options may be granted shall be adjusted in such manner as the auditors of the Company shall certify in writing to the Board to be fair and reasonable in the event of any alteration to the capital structure of the Company whether by way of capitalization of profits or reserves, rights issue, consolidation, reclassification, reconstruction, subdivision or reduction of the share capital of the Company but shall not in any event exceed the limits imposed by the Listing Rules.

Maximum entitlement of each Qualified Participant

Unless approved by shareholders in general meeting in the manner prescribed in the Listing Rules, the Board shall not grant options to any grantee if the acceptance of those options would result in the total number of Shares issued and to be issued to that grantee on exercise of his options (including both exercised and outstanding options) during any 12 month period exceeding 1% of the total Shares then in issue.

Acceptance of an offer of options

An offer of the grant of an option shall be made to a Qualified Participant by letter in such form as the Board may from time to time determine, requiring the Qualified Participant to undertake to hold the option on the terms on which it is to be granted and to be bound by the provisions of the Share Option Scheme. The offer shall remain open for such period (not exceeding 30 days, inclusive of, and from, the date of offer) as the Board may determine and notify to the Qualified Participant.

An option shall be deemed to have been accepted and to have taken effect when the duplicate letter comprising acceptance of the option duly signed by the grantee together with a remittance in favor of the Company of HK$1 by way of consideration for the grant of the option shall have been received by the Company on or before the last day for acceptance as set out in the offer letter. The remittance is not in any circumstances refundable. Once accepted, the option is granted as from the date on which it was offered to the relevant Qualified Participant.

Subscription price

The subscription price shall be a price determined by the Board but in any event shall be at least the highest of:

(i) the closing price of the Shares as stated in the Hong Kong Stock Exchange's daily quotations sheets on the date of offer;

(ii) the average of the closing prices of the Shares as stated in the Hong Kong Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of offer; and

(iii) the nominal value of the Shares.

Restriction on the time of grant of options

The Company may not grant any option after inside information has come to its knowledge until it has announced the information. In particular, it may not grant any option during the period commencing one month immediately before the earlier of:

(i) the date of the Board meeting (as such date is first notified to the Hong Kong Stock Exchange under the Listing Rules) for approving the Company's results for any year, half-year or quarterly or any other interim period (whether or not required under the Listing Rules); and

(ii) the deadline for the Company to announce its results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules),

and ending on the date of the results announcement. No option may be granted during any period of delay in publishing a results announcement. Without prejudice to the foregoing, no option shall be granted during the period specified in the Listing Rules as being a period during which no option may be granted.

No grant of options shall be made to a Qualified Participant who is a Director during a period in which the Directors are prohibited from dealing in shares pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers prescribed by the Listing Rules or the Company's own equivalent code.

Rights are personal to the grantee

An option is personal to the grantee and shall not be transferable or assignable (except for the transmission of an option on the death of any grantee to a person who of succession is entitled to the option). No grantee shall sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favor of any third party over or in relation to any option or attempt to do so (except that the grantee may nominate a nominee, of which the grantee is the sole beneficial owner, in whose name the Shares issued pursuant to the Share Option Scheme may be registered provided that evidence of such trust arrangement between the grantee and the nominee has been provided to the satisfaction of the Board).

Time of exercise of Option and duration of the Share Option Scheme

An option may be exercised in accordance with the terms of the Share Option Scheme at any time after the date upon which the Option is deemed to be granted and accepted and prior to the expiry of 10 years from that date. The period during which an option may be exercised will be determined by our Board in its absolute discretion, save that no option may be exercised more than 10 years after it has been granted. No option may be granted more than 10 years after the date of approval of the Share Option Scheme. Subject to earlier termination by our Company in general meeting or by our Board, the Share Option Scheme shall be valid and effective for a period of 10 years from the date of its adoption. There is no minimum period for which an option must be held before it can be exercised.

Under the share option scheme adopted by the Company on February 4, 2015, the Company has granted share options (the "Option") to certain eligible persons (the "Grantees"), being the Directors, executives, certain employees of the Company and its subsidiaries to subscribe for a total of 12,600,000 ordinary share of US$0.004 each in the share capital of the Company (each a "Share"). Details of the Share Options granted are set out below:

Date of Grant:	October 30, 2015 (the "Date of Grant")
Exercise price:	HK$3.76 per Share
Total number of Share Options granted:	An aggregate of 12,600,000 share Options
Exercisable period of The Share Options:	Options are exercisable from January 1, 2018 to October 29, 2025 (both dates inclusive)

Movement of the share option under the share option scheme during the year ended December 31, 2015 are listed below:

	Number of Share Options									
	As at January 1, 2015	Date of Grant October 30, 2015	Cancelled	Lapsed	As at December 31, 2015	Exercise Price (HK$)	Closing price of the securities immediately before the Date of Grant (HK$)	Date of Grant	Vesting Period	Exercisable Period
Kim Kab Cheol	–	3,000,000	–	–	3,000,000	3.76	3.78	October 30, 2015	October 31, 2015 to December 31, 2017	January 1, 2018 to October 29, 2025
Seong Seokhoon	–	1,000,000	–	–	1,000,000	3.76	3.78	October 30, 2015	October 31, 2015 to December 31, 2017	January 1, 2018 to October 29, 2025
Continuous contract employee	–	8,600,000	(200,000)	–	8,400,000	3.76	3.78	October 30, 2015	October 31, 2015 to December 31, 2017	January 1, 2018 to October 29, 2025
Total	–	12,600,000	(200,000)	–	12,400,000					

Other details of share options granted by the Company are set out in note 21 to the accounts.

SUBSIDIARIES

Details of the Company's subsidiaries as at December 31, 2015 are set out in note 14 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended December 31, 2015, the percentage of the Group's revenue attributable to the Group's largest customers and the five largest customers in aggregate were 82.3% and 99.5% (2014: 77.7% and 99.6% respectively) respectively.

During the year ended December 31, 2015, the percentage of the Group's purchases attributable to the Group's largest suppliers and the five largest suppliers in aggregate were 38.1% and 69.1% (2014: 23.6% and 48.1% respectively) respectively.

During the year ended December 31, 2015, 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 20 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, 2015 are set out in note 8 to the consolidated financial statements of this annual report.

The remuneration of members of the senior management by band for the year ended December 31, 2015 is set out below:

Remuneration Bands:	2015 Number of individuals	2014 Number of individuals
HKD1 (USD0.128)–HKD1,000,000 (USD128,000)	2	4
HKD1,000,001 (USD128,000)–HKD1,500,000 (USD192,000)	—	1
HKD1,500,001 (USD192,000)–HKD2,000,000 (USD256,000)	1	1

DIRECTORS

The Directors during the 2015 financial year and up to the date of this annual report are:

Executive Directors
Mr. Kwak Joung Hwan *(Chairman and Chief Executive Officer) — (resigned on February 29, 2016)*
Mr. Kim Kab Cheol
Mr. Seong Seokhoon *(Chairman) (redesignated on March 1, 2016)*

Non-executive Directors
Mr. Yoon Yeo Eul — *(resigned on August 31, 2015)*
Mr. Lee Dong-Chun — *(resigned on August 31, 2015)*
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)*

In the forthcoming annual general meeting of the Company, Mr. Seong Seokhoon, and Mr. Song Si Young 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.

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, 2015.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save for the contracts described under the paragraph headed "Connected Transactions and Continuing Connected Transactions" below and note 27 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 2015 or at any time during 2015.

CONTRACTS WITH CONTROLLING SHAREHOLDERS

No transaction, arrangement or 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, 2015.

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	2015 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)	3,200	2,130

Mr. Lee Nam Oh (a brother-in-law of the substantial shareholder, 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.

Based on the agreement with Bai Shi, the business relationship with Bai Shi will be terminated in January 2017.

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 36 to 37 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 Stock Exchange of Hong Kong Limited.

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 27 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 has ceased 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 has not been subject to the Deed of Non-competition from the Listing Date.

The independent non-executive Directors have conducted its annual review and confirmed that Mr. Kwak Joung Hwan has fully complied with the Deed of Non-competition for the year ended 31 December 2015. Going forward, the independent non- executive Directors will continue to 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, 2015, 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 at December 31, 2015 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 *(resigned on February 29, 2016)*	Beneficial interest	374,159,400	45.00

Notes:

(1) All interests are long positions.

Save as disclosed above, as at December 31, 2015, 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 IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at December 31, 2015, 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	Number of Shares or underlying Shares[4]	Approximate percentage of shareholding interest
Mr. Kwak Joung Hwan	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	218,159,400	26.24
Hahn & Company 1 Private Equity Fund ("Hahn & Co. PEF")[2]	Interests in controlled corporation	218,159,400	26.24
Hahn & Company LLC ("Hahn & Co. LLC")[3]	Interests in controlled corporation	218,159,400	26.24

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) All interests are long positions.

The interest of the substantial shareholders in the share options are detailed in the "Share Option Scheme" section.

Save as disclosed above, the Directors and the chief executive of the Company were not aware of any person (other than the Directors or chief executive and substantial shareholders of the Company the interests of which were disclosed above) who had an interest or short position in the securities of the Company that were required to be entered in the register of the Company pursuant to section 336 of the SFO as at December 31, 2015.

STATUS OF USE OF PROCEEDS

The aggregate net proceeds from the Global Offering was approximately US$37.8 million and the Company planned to use the proceeds, as indicated in the Prospectus, in the following manner:

1. Approximately 66% of the net proceeds for the enhancement of production capacity for fixed-focus camera modules and the manufacturing facilities for high-end camera modules;

2. Approximately 13% of the net proceeds for the enhancement of existing production lines for high-end COB camera modules;

3. Approximately 12% of the net proceeds for the repayment of a term bank loan; and

4. Approximately 9% of the net proceeds for working capital and other general corporate purposes.

During the year ended December 31, 2015, all net proceeds were utilized in accordance with the original plan except part of the planned spending for the enhancement of existing production lines for high-end COB camera modules which has been delayed. Out of US$4.9 million (or approximately 13% of the net proceeds) allocated for the enhancement of existing production lines for high-end camera modules which was expected to use in 2015, US$1.3 million (being approximately 3.5% of the net proceeds), was used during the year ended December 31, 2015 and the remaining has been scheduled to be used in 2016. The delaying usage of the investment for high-end COB camera modules was mainly due to our major customer's phasing out COB camera modules and decrease in COB sales to other customer.

UPDATE ON THE PROGRESS OF RECTIFYING THE TITLE DEFECTS OF THE LEASED PROPERTIES

As set out in the Prospectus of the Company, our leased properties (the "Leased Properties") in the PRC were subject to certain title defects. The Company has compiled a list of the Leased Properties with title defects and will assess the risks arising from such title defects.

As at the date of this report, the Company is pleased to provide an update on the progress of rectifying the title defects of the Leased Properties as follows:

1. the Company has obtained a confirmation letter issued by the Dongguan Liaobuzhen People's Government (東莞市寮步鎮人民政府) on December 15, 2015 confirming that the local Government undertakes to take the necessary measures to ensure that the Company could legitimately use the Leased Properties. In the event that the Leased Properties would need to be demolished as a result of any breaches of the relevant PRC laws and regulations, the local Government further undertakes to (a) provide sufficient time (not less than three months) to the Company for relocating prior to the demolition of the Leased Properties; (b) look for alternative properties that are legitimate and located in the close proximity for the leasing by the Company; and (c) provide assistance with the Company's relocation so as to minimize any losses to be incurred; and

2. the Company has obtained a confirmation letter issued by the lessor (the "Lessor") of the Leased Properties on December 15, 2015 confirming that the Lessor undertakes to take the necessary measures to ensure that the Company could legitimately use the Leased Properties up to the expiry of such lease. In the event that the Leased Properties would need to be demolished as a result of any breaches of the relevant PRC laws and regulation, the Lessor further undertakes to (a) provide sufficient time (not less than three months) to the Company for relocating prior to the demolition of the Leased Properties; (b) look for alternative properties that are legitimate and located in the close proximity (including such properties currently owned by the Lessor) for the leasing by the Company; and (c) provide assistance with the Company's relocation so as to minimize any losses to be incurred, as well as duly indemnify and compensate the Company according to the PRC laws.

REASONS WHY THE TITLE DEFECTS WERE NOT COMPLETELY RECTIFIED

The title defects of the Leased Properties concerned the failure of the Lessor to provide the relevant valid building ownership certificates. The Lessor was unable to obtain such building ownership certificates mainly due to its failure to apply for and obtain the relevant construction work planning permits prior to the construction of the Leased Properties. As the registration of the property ownership rights would need to be completed within a certain period of time and such time has already passed, the Lessor was unable to obtain the relevant building ownership certificates and thereby could not completely rectify the aforesaid title defects of the Leased Properties as at the date of this report.

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.

EVENTS AFTER THE FINANCIAL YEAR ENDED DECEMBER 31, 2015

As set out in the announcement of the Company dated February 22, 2016, Mr. Kwak Joung Hwan has resigned from all his positions with the Company on February 29, 2016 due to personal health reasons. Following Mr. Kwak's resignations, Mr. Seong Seokhoon has been redesignated as the Company's chairman of the board with effect on March 1, 2016 and Mr. Lee Sun Yong was newly appointed as the Company's chief executive officer with effect on March 1, 2016.

Save as disclosed above, there were no significant events affecting the Company nor any of its subsidiaries after the financial year ended December 31, 2015 requiring disclosure in this report.

CORPORATE GOVERNANCE

Principal corporate governance practices adopted by the Company are set out in the "Corporate Governance Report" section on pages 44 to 54 of this annual report.

AUDIT COMMITTEE

The Audit Committee has reviewed together with the management and KPMG, the Company's auditor, the accounting principles and policies adopted by the Group and the audited consolidated financial statements for the year ended December 31, 2015.

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.

ENVIRONMENTAL POLICIES

The Group is committed to contributing to the sustainability of the environment and is committed to building an environmentally-friendly corporation that pays close attention to conserving natural resources. We strive to minimize our environmental impact by saving electricity and encouraging recycle of office supplies and other materials.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

During the year ended December 31, 2015, as far as the Company is aware, there was no material breach of or non-compliance with the relevant laws and regulations by our Group that have a significant impact on the business and operations of the Group.

FINANCIAL KEY PERFORMANCE INDICATORS

For the year ended December 31, 2015, the Group's total revenue increased by 10.6% to US$980.2 million (2014: USD886.5 million). Profit for this year increased by 14.1% to US$60.7 million (2014: USD53.2 million). Net profit margin was 6.2% (2014: 6.0%) for the year ended December 31, 2015. Earnings per share were US$0.075 (2014: US$0.071). The Board does not recommend the payment of a final dividend for the year ended December 31, 2015.

Overall revenue growth was mainly driven by the substantial increase in sales of flip-chip camera modules in 2015 has compared to 2014. The increase in net profit was primarily due to increase in sales and the decrease in finance costs in line with the repayment of bank loan.

The Group financial position remained solid. The Group generated positive operating cashflows for the year ended December 31, 2015 which amounted to USD61.0 million (2014: 87.6 million). The decrease of operating cash inflow in 2015 as compared to that 2014 was mainly due to increase in the balance of the Group's inventory level as of December 31, 2015.

Average inventory turnover days of the Group were 36.2 days for 2015, higher than the 28.5 days for 2014. The increase in inventory turnover days for the year 2015 was due primarily to an increase in production of camera modules in anticipation of a continuing increase in the Group's sales. Average turnover days of trade receivables for 2015 decreased to 54.1 days for the year ended December 31, 2015 as compared to 74.3 days for the year ended December 31, 2014 which was due primarily to the decrease in the balance of the Group's trade receivables as of December 31, 2015. Average trade payable turnover days were 53.8 days for the year ended December 31, 2015 as compared to 61.4 days for the year ended December 31, 2014 which was primarily a result of the low balance of the Group's trade payables as of December 31, 2015, reflecting the decrease in the Group's purchases of components and materials for the production of camera modules in the second half of 2015.

KEY RELATIONSHIPS

(i) Employees

Human resources are one of the greatest assets of the Group and the Group regards the personal development of its employees as highly important. The Group wants to continue to be an attractive employer for committed employees.

The Group strives to motivate its employees with a clear career path and opportunities for advancement and improvement of their skills. The Group provides on-the-job training and development opportunities to our staff members.

In addition, the Group offers competitive remuneration packages to our employees. The Group has also adopted share option schemes to recognize and reward the contribution of the employees to the growth and development of the Group.

(ii) Suppliers

We have developed long-standing relationships with a number of our vendors and take a great care to ensure that they share our commitment to quality and ethics. We carefully select our vendors and require them to satisfy certain assessment criteria including experience, reputation and quality control effectiveness.

(iii) Customers

We are committed to offer quality services to our customers. We also stay connected with our customers and keep them updated of our latest business developments.

Details of principal risks are set out in corporate governance report and detail of future development is set out in management discussion and analysis.

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.
Seong Seokhoon
Chairman

Hong Kong, March 21, 2016

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. 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 were both vested in Mr. Kwak Joung Hwan prior to March 1, 2016, 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.

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.

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 six members, consisting of two executive Directors, one non-executive Director and three independent non-executive Directors as set out below.

Executive Directors
Mr. Kwak Joung Hwan *(Chairman and Chief Executive Officer) — (resigned on February 29, 2016)*
Mr. Kim Kab Cheol
Mr. Seong Seokhoon *(Chairman) (redesignated on March 1, 2016)*

Non-executive Directors
Mr. Yoon Yeo Eul — *(resigned on August 31, 2015)*
Mr. Lee Dong-Chun — *(resigned on August 31, 2015)*
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 Director

The non-executive Director 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.

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 continue to review and consider whether there are any 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, during the year ended 31 December 2015, the Company did not have a separate chairman and chief executive and Mr. Kwak Joung Hwan had been performing these two roles at the same time. The Board had considered that having Mr. Kwak acting as both the chairman of the Board and the Company's chief executive officer would provide a strong and consistent leadership to the Company and allow for more effective planning and management for the Group. The Board had taken into account Mr. Kwak's extensive experience in the industry, personal profile and critical role in the Group and its historical development.

Upon Mr. Kwak Joung Hwan's resignation from all his positions with the Company on February 29, 2016, Mr. Seong Seokhoon has been redesignated as the Company's chairman of the board with effect on March 1, 2016. And effective on 1 March 2016, Mr. Lee Sun Yong was newly appointed as the Company's chief executive officer.

Save as disclosed above, the Directors consider that 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 during the year ended December 31, 2015.

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.

Pursuant to the Code Provision A.6.5, the Company has received from the below directors, being all Directors at the year ended date, a record of the training they received for the year 2015.

Directors	Reading materials	Attend Seminars/ conference/workshops
Executive Directors		
Seong Seokhoon	√	√
Kim Kab Cheol	√	√
Non-Executive Director		
Kim Jae Min	√	√
Independent Non-Executive Directors		
Okayama Masanori	√	√
Kim Chan Su	√	√
Song Si Young	√	√

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.

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.

Details of Directors' attendance records in 2015 are set out below:

	Meetings Attended/Held			
Directors	**Board**	**Audit Committee**	**Nomination and Remuneration Committee**	**2014 AGM**
Executive Directors				
Seong Seokhoon	6/6	N/A	4/4	1/1
Kim Kab Cheol	6/6	N/A	N/A	0/1
Non-Executive Director				
Kim Jae Min	6/6	N/A	N/A	0/1
Independent Non-Executive Directors				
Okayama Masanori	1/6	N/A	N/A	0/1
Kim Chan Su	5/6	2/2	4/4	1/1
Song Si Young	5/6	2/2	4/4	0/1

The date of each meeting is decided in advance to enable the Directors to attend the meeting. Draft notice and agenda were sent to all Directors at least 3 days prior to the meeting. Management also supplies the Board and its Committees with sufficient information and explanations so as to enable them to make an informed assessment of financial and other information out before the Board and its Committee for approval. Management is also invited to join Board Meetings where appropriate.

If a Director has a conflict of interest in a matter before the Board, the matter will be dealt with in accordance with applicable rules and regulations and, if appropriate, an independent board committee will be set up to deal with the matter. The interest Director shall abstain from voting when appropriate.

PERMITTED INDEMNITY PROVISION

The articles of associations of the Company provides that the Directors or other officers of the Company shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities incurred or sustained by him as a Director or other officer of the Company in defending any proceedings, civil or criminal, in which judgment is given in his favour, or in which he is acquitted.

The Company has arranged appropriate insurance cover in respect of potential legal actions against its Directors and senior management members as well as directors of the subsidiaries of the Group.

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 held two meetings during the financial year of 2015.

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 holds at least one meeting each year from 2015 onwards.

Nomination Committee

The Nomination Committee comprises three members. It is currently chaired by Mr. Seong Seokhoon (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;
- 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 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, 2015, 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.

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, 2015, the total remuneration paid or payable to the Company's auditors for audit services amounted to US$0.3 million.

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.

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

RISK MANAGEMENT

The followings are the principal risks that the board has identified for the year ended December 31, 2015. The principal risks are the risks that the Company must take in order to achieve its strategic objectives of the Company:

Risk Type	Risk Description	Current Situation and Risk Mitigating Strategy
1.Strategic Risks	1.1 Single customer concentration risk: the Company currently sell a substantial portion of our camera modules and optical components to a limited number of customers. Our dependence on these customers subjects us to events that may cause material fluctuations or declines in our revenue.	1. Current Situation — Have been building product development capability, manufacturing KNOW-HOWs & maintaining price competitiveness for Apple, LG and Samsung — Continued growth in sales and profit based on strong relationship with customers — Securing top tier camera module supplier position to Apple, LG and Samsung using all available resources with focus 2. Risk Mitigating Strategy — Short Term Strategy: Focusing on the existing 3 major customers with tailored product & business strategy and trying to diversify product offerings (short term) — Medium/Long Term Strategy: Expanding customer base
	1.2 Technology Risk: Our continued success depends on our ability to respond to technological upgrades demanded by our major customers and to secure talented engineers. Our failure to further refine our technology and retain talanted engineers could render our products or production methods uncompetitive and reduce our sales and market share.	1. Current Situation — Maintaining top tier supplier position to major customers due mainly to successful delivery of new product development, high yield mass production and punctual shipments of products every single year since 2003 — Sufficient KNOW-HOWs and experience in manufacturing flip chip camera module and expanding talented engineer pool for new product development and enhancement of production efficiency — Manageable competition in flip chip camera module business due to high entry barrier led by significant investment requirement, relatively long payback period and technological capability 2. Risk Mitigating Strategy — Improving automation — Hiring & retaining talented engineers with attractive incentive program

Risk Type	Risk Description	Current Situation and Risk Mitigating Strategy
2. Legal & Compliance Risk	2.1 Legal & Compliance Risk: Non-compliance with Hong Kong Listing rules and local regulations where we have legal entities (China, Hong Kong, Korea and Cayman Island) may result in adverse publicity and potentially significant monetary damages and fines.	1. Current Situation — So far, no violation or breach of Hong Kong listing rules and local regulations and laws where we have subsidiaries (Cayman/China/Hong Kong and Korea) 2. Risk Mitigating Strategy — Hiring external legal & compliance advisor for consultation — Running internal audit team — Implementing & managing risk management and internal control system
	2.2 Risk from mis-handling customers' confidential information: The Group has signed non-disclosure agreements ("NDAs") with all our major customers and any breach on the NDAs may cause us serious financial penalties, which may put our business at risk.	1. Current Situation — Have been complying with all NDAs and no breach report has been escalated to our customers — Well securing inside information and no single violation has been identified 2. Risk Mitigating Strategy — Implementing a formal inside information handling policy to strengthen the level of security — Executing internal audit processes — Providing training on inside information handling policy to all employees twice a year
3. Operational Risks	3.1 Production & Operational Risks: Securing sufficient factory labor in a timely manner is critical for production plan and execution. Work stoppages and other labor-related issues may adversely affect our operation.	1. Current Situation — Efficiently managed production in line with production plan by sourcing sufficient labor in a timely manner despite the seasonality of Chinese labor market in Dongguan and high turnover 2. Risk Mitigating Strategy — Expanding work force recruiting channel — Production line automation — Promoting long-term employment to skillful team leaders and line managers
4. Financial Risks	4.1 Foreign Exchange Risk: Mismatching currencies in sales and procurements contracts may adversely affect our business and financial results.	1. Current Situation — Efficiently managing foreign exchange risk by maintaining USD in both sales and procurements contracts 2. Risk Mitigating Strategy — Maximizing natural hedging position by matching currencies in sales and procurements contracts

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 57 to 125, which comprise the consolidated statements of financial position as at December 31, 2015, 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.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at December 31, 2015 and of the Group's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in compliance 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

March 21, 2016

Consolidated Statement of Profit or Loss

For the year ended December 31, 2015
(Expressed in United States dollars)

	Note	2015 $'000	2014 $'000
Revenue	4	980,203	886,467
Cost of sales		(843,315)	(774,364)
Gross profit		136,888	112,103
Other revenue	5	2,321	1,983
Other net income	5	149	230
Selling and distribution expenses		(6,870)	(6,483)
Administrative expenses		(50,362)	(32,676)
Listing expenses		(3,512)	(4,471)
Profit from operations		78,614	70,686
Finance costs	6(a)	(1,615)	(3,122)
Profit before taxation	6	76,999	67,564
Income tax	7	(16,319)	(14,320)
Profit for the year		60,680	53,244
Earnings per share	11		
Basic		$ 0.075	$ 0.071
Diluted		$ 0.075	$ 0.071

The notes on pages 62 to 125 form part of these consolidated financial statements.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended December 31, 2015
(Expressed in United States dollars)

	Note	2015 $'000	2014 $'000
Profit for the year		**60,680**	53,244
Other comprehensive income for the year (after tax adjustments):	10		
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of financial statements		**(14,076)**	(548)
Items that will not be reclassified to profit or loss			
Remeasurement of net defined benefit liability		**103**	(127)
		(13,973)	(675)
Total comprehensive income for the year		**46,707**	52,569

The notes on pages 62 to 125 form part of these consolidated financial statements.

Consolidated Statement of Financial Position

As at December 31, 2015
(Expressed in United States dollars)

	Note	2015 $'000	2014 $'000
Non-current assets			
Investment property	12	–	3,427
Other property, plant and equipment	12	112,780	103,253
		112,780	106,680
Intangible assets	13	2,560	2,569
Other receivables	16(d)	7,644	6,823
Deferred tax assets	22(b)	323	—
		123,307	116,072
Current assets			
Inventories	15	101,280	66,002
Trade and other receivables	16	105,546	221,001
Current tax recoverable	22(a)	353	1,426
Pledged deposits	17(a)	28,498	19,126
Bank deposits	17(b)	14,505	—
Cash and cash equivalents	17(b)	79,056	82,224
		329,238	389,779
Current liabilities			
Trade and other payables	18	114,662	209,746
Bank loans	19	40,822	91,939
Current tax payable	22(a)	11,102	10,207
		166,586	311,892
Net current assets		162,652	77,887
Total assets less current liabilities		285,959	193,959
Non-current liabilities			
Net defined benefit retirement obligation	20	209	789
Deferred tax liabilities	22(b)	95	738
		304	1,527
NET ASSETS		285,655	192,432
CAPITAL AND RESERVES			
Share capital	23(b)	3,326	2,993
Reserves		282,329	189,439
TOTAL EQUITY		285,655	192,432

Approved and authorised for issue by the board of directors on March 21, 2016.

Mr. Kim Kab Cheol
Director

Mr. Seong Seokhoon
Director

The notes on pages 62 to 125 form part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended December 31, 2015
(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
Balance at January 1, 2014	2,993	22,531	–	7	762	3,362	1,030	8,846	100,332	139,863
Changes in equity for 2014:										
Profit for the year	–	–	–	–	–	–	–	–	53,244	53,244
Other comprehensive income	–	–	–	–	–	–	–	(548)	(127)	(675)
Total comprehensive income	–	–	–	–	–	–	–	(548)	53,117	52,569
Transfer from retained profits	–	–	–	–	–	2,145	–	–	(2,145)	–
Balance at December 31, 2014 and January 1, 2015	**2,993**	**22,531**	**–**	**7**	**762**	**5,507**	**1,030**	**8,298**	**151,304**	**192,432**
Changes in equity for 2015:										
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**60,680**	**60,680**
Other comprehensive income	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(14,076)**	**103**	**(13,973)**
Total comprehensive income	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(14,076)**	**60,783**	**46,707**
Transfer from retained profits	**–**	**–**	**–**	**–**	**–**	**2,015**	**–**	**–**	**(2,015)**	**–**
Issuance of new shares, net of relevant expenses (note 23(b)(i))	**333**	**43,867**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**44,200**
Contribution by a shareholder (note 23(b)(i))	**–**	**–**	**2,040**	**–**	**–**	**–**	**–**	**–**	**–**	**2,040**
Equity settled share-based transactions	**–**	**–**	**276**	**–**	**–**	**–**	**–**	**–**	**–**	**276**
Transfer upon disposal	**–**	**–**	**–**	**–**	**–**	**–**	**(1,030)**	**–**	**1,030**	**–**
	333	**43,867**	**2,316**	**–**	**–**	**2,015**	**(1,030)**	**–**	**(985)**	**46,516**
Balance at December 31, 2015	**3,326**	**66,398**	**2,316**	**7**	**762**	**7,522**	**–**	**(5,778)**	**211,102**	**285,655**

The notes on pages 62 to 125 form part of these consolidated financial statements.

Consolidated Cash Flow Statement

For the year ended December 31, 2015
(Expressed in United States dollars)

	Note	2015 $'000	2014 $'000
Operating activities			
Cash generated from operations	*17(c)*	76,053	105,131
Tax paid			
— Hong Kong Profits Tax paid		(4,541)	(9,575)
— Overseas tax paid		(10,477)	(7,991)
Net cash generated from operating activities		61,035	87,565
Investing activities			
Payment for purchase of property, plant and equipment		(36,492)	(21,523)
Proceeds from sale of property, plant and equipment		—	24
Proceeds from sale of investment property		2,950	—
Payment for purchase of intangible assets		(389)	(1,381)
Interest received		447	309
Increase in bank deposits		(14,505)	—
Net cash used in investing activities		(47,989)	(22,571)
Financing activities			
Repayment of loan from a director		—	(2,000)
Proceeds from bank loans		914,465	654,003
Repayment of bank loans		(965,582)	(683,857)
Interest paid		(1,615)	(3,122)
(Increase)/decrease in pledged deposits		(9,372)	7,112
Proceeds from issuance of new shares, net of relevant expenses		44,200	—
Contribution by a shareholder		2,040	—
Net cash used in financing activities		(15,864)	(27,864)
Net (decrease)/increase in cash and cash equivalents		(2,818)	37,130
Cash and cash equivalents at January 1	*17(b)*	82,224	45,220
Effect of foreign exchange rate changes		(350)	(126)
Cash and cash equivalents at December 31	*17(b)*	79,056	82,224

The notes on pages 62 to 125 form part of these consolidated financial statements.

1 General Information

Cowell e Holdings Inc. (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 (the "Group") 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.

2 Significant accounting policies

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs"), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards ("IASs") and related interpretations, promulgated by the International Accounting Standards Board ("IASB"). 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. Note 2(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.

2 Significant accounting policies (continued)

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended December 31, 2015 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.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised 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 3.

(c) 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:

— Amendments to IAS 19, *Employee benefits: Defined benefit plans: Employee contributions*

— *Annual Improvements to IFRSs 2010–2012 Cycle*

— *Annual Improvements to IFRSs 2011–2013 Cycle*

2 Significant accounting policies (continued)

(c) Changes in accounting policies (continued)

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 IAS 19, Employee benefits: Defined benefit plans: Employee contributions

The amendments introduce a relief to reduce the complexity of accounting for certain contributions from employees or third parties under defined benefit plans. When the contributions are eligible for the practical expedient provided by the amendments, a company is allowed to recognise the contributions as a reduction of the service cost in the period in which the related service is rendered, instead of including them in calculating the defined benefit obligation. The amendments do not have an impact on these financial statements as the defined benefit plans operated by the Group are wholly funded by contributions from the Group and do not involve contributions from employees or third parties.

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

These two cycles of annual improvements contain amendments to nine standards with consequential amendments to other standards. Among them, IAS 24, *Related party disclosures* has been amended to expand the definition of a "related party" to include a management entity that provides key management personnel services to the reporting entity, and to require the disclosure of the amounts incurred for obtaining the key management personnel services provided by the management entity. These amendments do not have an impact on the Group's related party disclosures as the Group does not obtain key management personnel services from management entities.

(d) Subsidiaries

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.

2 Significant accounting policies (continued)

(d) Subsidiaries (continued)

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 recognised.

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 recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 2(i)).

(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 recognised in profit or loss. Rental income from investment properties is accounted for as described in note 2(r)(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 2(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 2(h).

2 Significant accounting policies (continued)

(f) Other property, plant and equipment

Other property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 2(i)), with the exception of construction in progress which is stated at cost less any impairment losses (see note 2(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 2(t)).

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 recognised in profit or loss on the date of retirement or disposal.

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 the 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.

2 Significant accounting policies (continued)

(g) Intangible assets

Expenditure on research activities is recognised 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 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 2(t)). Capitalised development costs are stated at cost less accumulated amortisation and impairment losses (see note 2(i)). Other development expenditure is recognised as an expense in the period in which it is incurred.

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see note 2(i)).

Amortisation 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 amortised 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 amortisation are reviewed annually.

(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.

2 Significant accounting policies (continued)

(h) Leased assets (continued)

(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 2(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 recognised 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 amortised on a straight-line basis over the period of the lease term except where the property is classified as an investment property (see note 2(e)).

2 Significant accounting policies (continued)

(i) Impairment of assets

(i) Impairment of receivables

Receivables that are stated at cost or amortised 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 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 recognised 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 recognised, 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 recognised in prior years.

2 Significant accounting policies (continued)

(i) Impairment of assets (continued)

(i) ***Impairment of receivables*** (continued)

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade receivables 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 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 recognised in profit or loss.

(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 recognised no longer exists or may have decreased:

— other 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).

2 Significant accounting policies (continued)

(i) Impairment of assets (continued)

(ii) ***Impairment of other assets*** (continued)

— Recognition of impairment losses

An impairment loss is recognised 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 recognised in respect of cash-generating units are allocated to reduce the carrying amount of the 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 measureable), 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 recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

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

2 Significant accounting policies (continued)

(k) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts (see note 2(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 derecognised 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 recognise in the consolidated statement of financial position. For discounted commercial acceptance bills to banks with recourse, the bills receivable are not derecognised until the customer settled the respective bills with the banks.

(l) Interest-bearing borrowings

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

(m) Trade and other payables

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

(n) 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.

2 Significant accounting policies (continued)

(o) 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 recognised 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.

Service cost and net interest expense/(income) on the net defined benefit liability/(asset) are recognised 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 recognised 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 recognised. 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 recognised 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)).

2 Significant accounting policies (continued)

(o) Employee benefits (continued)

(iii) Share-based payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at grant date using the binomial option pricing model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the company's shares. The equity amount is recognised in the capital reserve until either the option is exercised (when it is included in the amount recognised in share capital for the shares issued) or the option expires (when it is released directly to retained profits).

(iv) Termination benefits

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

(p) 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 recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amount of tax are recognised 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.

2 Significant accounting policies (continued)

(p) Income tax (continued)

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.

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 recognised. 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 and credits, 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 2(e), the amount of deferred tax recognised 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 recognised 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.

2 Significant accounting policies (continued)

(p) Income tax (continued)

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

— 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.

(q) Provisions and contingent liabilities

Provisions are recognised 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.

2 Significant accounting policies (continued)

(r) 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 recognised in profit or loss as follows:

(i) Sale of goods

Revenue is recognised 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 recognised 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 recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

(iii) Interest income

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

(iv) Compensation income

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

(v) Subsidy income

Subsidies are recognised 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 recognised 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 recognised as deferred income and consequently are recognised in profit or loss over the useful life of the assets by way of reduced depreciation expense.

2 Significant accounting policies (continued)

(s) 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 recognised 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 operations with functional currency other than United States dollars 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 recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of an operation with functional currency other than United States dollars, 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 recognised.

(t) 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.

2 Significant accounting policies (continued)

(u) 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).

(8) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

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.

2 Significant accounting policies (continued)

(v) 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.

3 Accounting judgements and estimates

Note 20 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 property, plant and equipment 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 recognised 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 uses 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 property, plant and equipment and intangible assets are disclosed in notes 12 and 13 respectively.

3 Accounting judgements and estimates (continued)

(b) Impairment of receivables

Receivables that are measured at cost or amortised 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 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 recognised in the financial statements.

(c) Useful lives of other property, plant and equipment

The Group determines the estimated useful lives and related depreciation charges for the other property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of the other property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

(d) 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.

(e) 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.

4 Revenue and segment reporting

(a) Revenue

The principal activities of the Group are manufacturing and sale of camera module and optical components. Revenue 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 (2014: two customers), with each of whom transactions have exceeded 10% of the Group's revenues, for the year ended December 31, 2015. Revenues from sales to these customers, arose in the camera module segment, during the reporting period are set out below.

	2015	2014
	$'000	$'000
Largest customer	**806,576**	685,395
— Percentage of total revenue	**82%**	77%
Second largest customer	**136,722**	172,180
— Percentage of total revenue	**14%**	19%

Details of concentrations of credit risk arising from these customers are set out in note 24(a).

(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.

4 Revenue and segment reporting (continued)

(b) Segment reporting (continued)

(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 amortisation 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, amortisation and additions to non-current segment assets used by the segments in their operations.

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, 2015 is set out below.

	Camera module	
	2015	2014
	$'000	$'000
Revenue from external customers	**967,353**	874,364
Reportable segment revenue	**967,353**	874,364
Segment profit	**84,580**	70,632
Bank interest income	**442**	305
Finance costs	**(1,599)**	(3,081)
Depreciation and amortisation	**(13,962)**	(11,757)
Additions to non-current segment assets	**36,563**	21,252

4 Revenue and segment reporting (continued)

(b) Segment reporting (continued)

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

	Optical components	
	2015	2014
	$'000	$'000
Revenue from external customers	**12,850**	12,103
Reportable segment revenue	**12,850**	12,103
Segment profit	**409**	1,983
Bank interest income	**5**	4
Finance costs	**(16)**	(41)
Depreciation and amortisation	**(1,195)**	(1,361)
Additions to non-current segment assets	**318**	1,652

	Total	
	2015	2014
	$'000	$'000
Revenue from external customers	**980,203**	886,467
Reportable segment revenue	**980,203**	886,467
Segment profit	**84,989**	72,615
Bank interest income	**447**	309
Finance costs	**(1,615)**	(3,122)
Depreciation and amortisation	**(15,157)**	(13,118)
Additions to non-current segment assets	**36,881**	22,904

4 Revenue and segment reporting (continued)

(b) Segment reporting (continued)

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

	2015 $'000	2014 $'000
Revenue		
Reportable segment revenue and consolidated revenue	980,203	886,467
Profit		
Reportable segment profit	84,989	72,615
Unallocated head office and corporate expenses	(7,990)	(5,051)
Consolidated profit before taxation	76,999	67,564

(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 investment property and other property, plant and equipment 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 investment property and other 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	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Hong Kong	843,458	714,280	32	32
PRC	—	—	114,351	104,846
Korea	136,745	172,187	957	4,371
	980,203	886,467	115,340	109,249

5 Other revenue and other net income

		2015 $'000	2014 $'000
(a)	**Other revenue**		
	Bank interest income	447	309
	Compensation income	—	100
	Rental income		
	— Investment property	126	141
	— Other	214	189
	Government subsidy	1,363	882
	Write-off of trade payables (note)	—	168
	Others	171	194
		2,321	1,983

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

		2015 $'000	2014 $'000
(b)	**Other net income**		
	Net loss on disposal of plant and equipment	(4,833)	(312)
	Net loss on disposal of investment property	(379)	—
	Net foreign exchange gain	5,378	685
	Valuation loss on investment property	—	(85)
	Others	(17)	(58)
		149	230

6 Profit before taxation

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

		2015 $'000	2014 $'000
(a)	**Finance costs**		
	Interest on bank borrowings wholly repayable within five years	**1,615**	3,122

		2015 $'000	2014 $'000
(b)	**Staff costs#**		
	Contributions to defined contribution retirement plan	**5,622**	2,963
	Expenses recognised in respect of defined benefit retirement plans	**181**	159
	Total retirement costs	**5,803**	3,122
	Equity-settled share-based payment expenses (note 21)	**276**	—
	Salaries, wages and other benefits	**75,969**	66,745
		82,048	69,867

Staff costs also include directors' remuneration disclosed in note 8.

		2015 $'000	2014 $'000
(c)	**Other items**		
	Amortisation	**379**	253
	Depreciation #	**14,778**	12,865
	Reversal of impairment loss of trade receivables	**(4)**	(8)
	Auditors' remuneration	**282**	135
	Operating lease charges: minimum lease payments in respect of property rentals #	**3,373**	3,560
	Rentals income from investment property less direct outgoings of $55,000 (2014: $40,000)	**(71)**	(101)
	Cost of inventories #	**843,315**	774,364

\# Cost of inventories includes $66,794,000 (2014: $62,282,000) 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 6(b) for each of these types of expenses.

7 Income tax in the consolidated statement of profit or loss

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

	2015 $'000	2014 $'000
Current tax — Hong Kong Profits Tax		
Provision for the year	7,977	5,079
Over-provision in respect of prior years	(53)	(902)
	7,924	4,177
Current tax — Overseas		
Provision for the year	9,470	9,917
Over-provision in respect of prior years	(84)	(235)
	9,386	9,682
Deferred tax		
Origination and reversal of temporary differences	(991)	461
	16,319	14,320

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 2015 is calculated at 16.5% (2014: 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% (2014: 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:

	2015 $'000	2014 $'000
Profit before taxation	76,999	67,564
Notional tax on profit before taxation, calculated at the rates applicable to profits in the jurisdictions concerned	16,156	15,093
Tax effect of non-deductible expenses	416	999
Tax effect of non-taxable income	(113)	(622)
Over-provision in prior years	(137)	(1,137)
Others	(3)	(13)
Actual tax expense	16,319	14,320

8 Directors' remuneration

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation is as follows:

	Directors' fees $'000	Discretionary bonuses $'000	Salaries, allowances and benefits in kind $'000	Retirement scheme contributions $'000	Sub-total $'000	Share-based payments (note) $'000	2015 Total $'000
Chairman							
Kwak Joung Hwan	–	2,261	1,200	7	3,468	–	3,468
Executive directors							
Kim Kab Cheol	–	151	223	–	374	66	440
Seong Seokhoon	–	149	200	–	349	21	370
Non-executive directors							
Kim Jae Min	–	–	–	–	–	–	–
Yoon Yeo Eul (resigned on August 31, 2015)	–	–	–	–	–	–	–
Lee Dong Chun (resigned on August 31, 2015)	–	–	–	–	–	–	–
Independent non-executive directors							
Okayama Masanori	–	–	50	–	50	–	50
Kim Chan Su (appointed on March 10, 2015)	–	–	16	–	16	–	16
Song Si Young (appointed on March 10, 2015)	–	–	24	–	24	–	24
	–	2,561	1,713	7	4,281	87	4,368

8 Directors' remuneration (continued)

	Directors' fees $'000	Discretionary bonuses $'000	Salaries, allowances and benefits in kind $'000	Retirement scheme contributions $'000	Sub-total $'000	Share-based payments (note) $'000	2014 Total $'000
Chairman							
Kwak Joung Hwan	–	–	900	2	902	–	902
Executive directors							
Kim Kab Cheol	–	52	241	–	293	–	293
Seong Seokhoon	–	54	216	–	270	–	270
Hahn Sang Won (resigned on April 14, 2014)	–	–	–	–	–	–	–
Kodera Kei (resigned on April 14, 2014)	–	–	15	–	15	–	15
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)	–	–	36	–	36	–	36
	–	106	1,408	2	1,516	–	1,516

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.

Note: These represent the estimated value of share options granted to the directors under the Company's share option scheme. The value of these share options is measured according to the Group's accounting policies for share-based payment transactions as set out in note 2(o)(iii).

The details of these benefits in kind, including the principal terms and number of options granted, are disclosed in note 21.

9 Individuals with highest emoluments

Of the five individuals with the highest emoluments, three (2014: three) are directors whose emoluments are disclosed in note 8. The aggregate of the emoluments in respect of the other two (2014: two) individuals are as follows:

	2015 $'000	2014 $'000
Salaries and other emoluments	450	344
Contributions to retirement benefit scheme	16	26
	466	370

The emoluments of the two (2014: two) individuals with the highest emoluments are within the following bands:

	2015 Number of individuals	2014 Number of individuals
HK$1,000,001 (equivalent to $128,000) to HK$1,500,000 (equivalent to $192,000)	–	1
HK$1,500,001 (equivalent to $192,000) to HK$2,000,000 (equivalent to $256,000)	2	1

10 Other comprehensive income

Tax effects relating to each component of other comprehensive income

	2015			2014		
	Before tax amount $'000	Tax expense $'000	Net-of-tax amount $'000	Before tax amount $'000	Tax benefit $'000	Net-of-tax amount $'000
Exchange differences on translation of financial statements	(14,076)	–	(14,076)	(548)	–	(548)
Remeasurement of net defined benefit liability	132	(29)	103	(163)	36	(127)
Other comprehensive income	(13,944)	(29)	(13,973)	(711)	36	(675)

11 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 $60,680,000 (2014: $53,244,000) and the weighted average number of 811,232,000 ordinary shares (2014: 748,319,000 shares after adjusting for the share subdivision) in issue during the year, calculated as follows:

(i) Weighted average number of ordinary shares

	2015 $'000	2014 $'000
Issued ordinary shares at January 1	**748,319**	29,933
Effect of share subdivision (note 23(b))	**—**	718,386
Effect of share issue (note 23(b))	**62,913**	—
Weighted average number of ordinary shares at December 31	**811,232**	748,319

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of $60,680,000 (2014: $53,244,000) and the weighted average number of ordinary shares of 811,786,000 shares (2014: 748,319,000 shares after adjusting for the share subdivision), calculated as follows:

(i) Weighted average number of ordinary shares (diluted)

	2015 $'000	2014 $'000
Weighted average number of ordinary shares at December 31	**811,232**	748,319
Effect of deemed issued of shares under the Company's share option scheme for nil consideration (note 21)	**554**	—
Weighted average number of ordinary shares (diluted) at December 31	**811,786**	748,319

12 Investment property and other property, plant and equipment

(a) Reconciliation of carrying amount

	Leasehold improvements $'000	Plant and machinery $'000	Office equipment, furniture and fixtures $'000	Motor vehicles $'000	Construction in progress $'000	Sub-total $'000	Investment property $'000	Total $'000
Cost or valuation:								
At January 1, 2014	38,488	82,237	14,286	425	785	136,221	3,655	139,876
Exchange adjustments	(121)	(307)	(8)	(1)	(6)	(443)	(143)	(586)
Additions	4,553	8,914	6,074	103	1,879	21,523	–	21,523
Disposals	(253)	(1,528)	(54)	(7)	–	(1,842)	–	(1,842)
Transfers	–	2,533	–	–	(2,533)	–	–	–
Fair value adjustment	–	–	–	–	–	–	(85)	(85)
At December 31, 2014	42,667	91,849	20,298	520	125	155,459	3,427	158,886
Representing:								
Cost	42,667	91,849	20,298	520	125	155,459	–	155,459
Valuation – 2014	–	–	–	–	–	–	3,427	3,427
	42,667	91,849	20,298	520	125	155,459	3,427	158,886
At January 1, 2015	**42,667**	**91,849**	**20,298**	**520**	**125**	**155,459**	**3,427**	**158,886**
Exchange adjustments	**(2,622)**	**(6,779)**	**(1,102)**	**(30)**	**(5)**	**(10,538)**	**(98)**	**(10,636)**
Additions	**3,600**	**29,005**	**1,242**	**–**	**2,645**	**36,492**	**–**	**36,492**
Disposals	**–**	**(12,854)**	**(2,539)**	**–**	**–**	**(15,393)**	**(3,329)**	**(18,722)**
Transfers	**–**	**2,702**	**–**	**–**	**(2,702)**	**–**	**–**	**–**
At December 31, 2015	**43,645**	**103,923**	**17,899**	**490**	**63**	**166,020**	**–**	**166,020**

12 Investment property and other property, plant and equipment (continued)

(a) Reconciliation of carrying amount (continued)

	Leasehold improvements $'000	Plant and machinery $'000	Office equipment, furniture and fixtures $'000	Motor vehicles $'000	Construction in progress $'000	Sub-total $'000	Investment property $'000	Total $'000
Accumulated depreciation:								
At January 1, 2014	3,347	29,183	7,533	213	–	40,276	–	40,276
Exchange adjustments	(5)	(103)	(10)	–	–	(118)	–	(118)
Charge for the year	2,010	8,172	2,596	87	–	12,865	–	12,865
Written back on disposals	(253)	(506)	(51)	(7)	–	(817)	–	(817)
At December 31, 2014 and January 1, 2015	**5,099**	**36,746**	**10,068**	**293**	**–**	**52,206**	**–**	**52,206**
Exchange adjustments	**(392)**	**(2,173)**	**(598)**	**(21)**	**–**	**(3,184)**	**–**	**(3,184)**
Charge for the year	**2,193**	**9,557**	**2,941**	**87**	**–**	**14,778**	**–**	**14,778**
Written back on disposals	**–**	**(8,217)**	**(2,343)**	**–**	**–**	**(10,560)**	**–**	**(10,560)**
At December 31, 2015	**6,900**	**35,913**	**10,068**	**359**	**–**	**53,240**	**–**	**53,240**
Net book value:								
At December 31, 2014	37,568	55,103	10,230	227	125	103,253	3,427	106,680
At December 31, 2015	**36,745**	**68,010**	**7,831**	**131**	**63**	**112,780**	**–**	**112,780**

The Group's investment property with carrying value of $Nil (2014: $3,427,000) and the Group's other property, plant and equipment with total carrying value of $1,403,000 (2014: $1,925,000) were pledged to various banks to secure banking facilities granted to the Group (note 19) at December 31, 2015.

A customer has provided machinery to the Group for production of goods to that customer. The original acquisition costs of machinery borne by the customer amounted to $117,235,000 (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.

12 Investment property and other property, plant and equipment (continued)

(b) Fair value measurement of properties

As at December 31, 2014, the investment property was stated at fair value measured on a recurring basis, which was 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 had discussion with the surveyors on the valuation assumptions and valuation results when the valuation was performed at the annual reporting date.

The whole investment property was disposed during 2015.

The fair value measurements are categorised 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. The Group's policy is to recognise 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.

12 Investment property and other property, plant and equipment (continued)

(b) Fair value measurement of properties (continued)

Information about Level 3 fair value measurements as at December 31, 2014

	Valuation techniques	Unobservable input	Range	Weighted
Investment property — land	Standard price assessment	Expected land price fluctuation	0.864% to 1.155%	1.134%
		Expected market transaction comparable factor	(12.50)% to 19.05%	15.00%
Investment property — building	Replacement cost approach	Obsolescence factor	50.00% to 66.67%	63.02%

The valuations took into account expected land price fluctuation, expected market transaction comparable and obsolescence factor of the respective properties and were adjusted for comparable property price growth, the quality and location of the property. The fair value measurement was 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:

	2015 $'000	2014 $'000
At January 1	3,427	3,655
Exchange adjustments	(98)	(143)
Fair value adjustment	—	(85)
Disposal	(3,329)	—
At December 31	—	3,427

Fair value adjustment of investment property is recognised 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 recognised in other comprehensive income in "exchange reserve".

12 Investment property and other property, plant and equipment (continued)

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

	2015 $'000	2014 $'000
Outside Hong Kong		
— freehold factory land and building in Daejeon, Korea	–	3,427
Representing:		
Investment property	–	3,427

(d) Investment property 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.

Total future minimum lease payments under non-cancellable operating leases are receivable as follows:

	2015 $'000	2014 $'000
Within 1 year	–	27

13 Intangible assets

	Development costs $'000	Software $'000	Total $'000
Cost:			
At January 1, 2014	82	1,527	1,609
Exchange adjustments	(3)	(1)	(4)
Additions	—	1,381	1,381
At December 31, 2014 and January 1, 2015	**79**	**2,907**	**2,986**
Exchange adjustments	**(5)**	**(21)**	**(26)**
Additions	**—**	**389**	**389**
At December 31, 2015	**74**	**3,275**	**3,349**
Accumulated amortisation:			
At January 1, 2014	49	117	166
Exchange adjustments	(2)	—	(2)
Charge for the year	16	237	253
At December 31, 2014 and January 1, 2015	**63**	**354**	**417**
Exchange adjustments	**(4)**	**(3)**	**(7)**
Charge for the year	**15**	**364**	**379**
At December 31, 2015	**74**	**715**	**789**
Net book value:			
At December 31, 2014	16	2,553	2,569
At December 31, 2015	**—**	**2,560**	**2,560**

The amortisation charge for the year is included in "administrative expenses" in the consolidated statement of profit or loss.

14 Investments in subsidiaries

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

Name of company	Place of incorporation/ registration and operation	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	Hong Kong	100 shares	100%	100%	–	Trading of camera module and optical products
Dongguan Cowell Optic Electronics Co., Ltd. ("Cowell DG")(*)	PRC	$228,197,066	100%	–	100%	Manufacture of camera module and optical products
Cowell Electronics Co., Ltd	Korea	KRW1,934,540,000	100%	100%	–	Trading of camera module and optical products

* Registered under the laws of the PRC as wholly foreign owned enterprise.

15 Inventories

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

	2015 $'000	2014 $'000
Raw materials	25,302	27,167
Work in progress	4,458	6,605
Finished goods	71,520	32,230
	101,280	66,002

15 Inventories (continued)

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

	2015 $'000	2014 $'000
Carrying amount of inventories sold	**842,976**	774,104
Write-down of inventories	**816**	529
Reversal of write-down of inventories	**(477)**	(269)
	843,315	774,364

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

16 Trade and other receivables

	2015 $'000	2014 $'000
Trade receivables	**86,208**	204,139
Less: allowance for doubtful debts (note 16(b))	**(4)**	(8)
	86,204	204,131
Other receivables and prepayments	**19,342**	16,870
	105,546	221,001

All of the trade and other receivables are expected to be recovered or recognised as expense within one year. Certain of the trade receivables were pledged to banks to secure banking facilities granted to the Group (note 19).

16 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:

	2015 $'000	2014 $'000
Within 1 month	51,817	134,340
Over 1 to 2 months	30,987	67,986
Over 2 to 3 months	911	646
Over 3 months	2,489	1,159
	86,204	204,131

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 24(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 2(i)(i)).

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

	2015 $'000	2014 $'000
At January 1	8	16
Reversal of impairment loss	(4)	(8)
At December 31	4	8

At December 31, 2015, trade receivables of $4,000 (2014: $8,000) were individually determined to be impaired. 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 $4,000 (2014: $8,000) were recognised.

16 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:

	2015 $'000	2014 $'000
Neither past due nor impaired	77,419	202,538
Less than 1 month past due	6,712	961
1 to 3 months past due	1,474	632
More than 3 months but less than 12 months past due	599	—
	8,785	1,593
	86,204	204,131

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 and purchase of property, plant and equipment and intangible assets.

17 Cash and cash equivalents and pledged deposits

(a) Pledged deposits

At December 31, 2015, the Group's pledged deposits included $3,498,000 (2014: $3,660,000) provided to local customs authority in the PRC. The remaining balance represents deposits pledged to secure the Group's banking facilities, details of which are set out in note 19.

(b) Cash and cash equivalents and bank deposits:

	2015 $'000	2014 $'000
Bank deposits within three months to maturity when placed	5,833	1,271
Cash at bank and on hand	73,223	80,953
Cash and cash equivalents in the consolidated cash flow statement	79,056	82,224
Bank deposits with more than three months to maturity when placed	14,505	—

Included in the above are $32,197,000 (2014: $29,735,000), which are placed at banks which have general security over the bank accounts with them for banking facilities granted to the Group.

17 Cash and cash equivalents and pledged deposits (continued)

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

	Note	2015 $'000	2014 $'000
Profit before taxation		**76,999**	67,564
Adjustments for:			
Interest income	5(a)	**(447)**	(309)
Net loss on disposal of plant and equipment	5(b)	**4,833**	312
Net loss on disposal of investment property	5(b)	**379**	—
Valuation loss on investment property	5(b)	**—**	85
Finance costs	6(a)	**1,615**	3,122
Equity settled share-based payment	6(b)	**276**	—
Amortisation	6(c)	**379**	253
Depreciation	6(c)	**14,778**	12,865
Foreign exchange gain		**(6,583)**	(70)
Changes in working capital:			
Increase in inventories		**(35,278)**	(10,968)
Decrease/(increase) in trade and other receivables		**114,634**	(54,446)
(Decrease)/increase in trade and other payables		**(95,084)**	86,631
(Decrease)/increase in defined benefit obligations		**(448)**	92
Cash generated from operations		**76,053**	105,131

18 Trade and other payables

	2015 $'000	2014 $'000
Trade payables	**98,699**	191,583
Accrued charges and other payables	**15,963**	18,163
	114,662	209,746

18 Trade and other payables (continued)

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

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

	2015 **$'000**	2014 $'000
Within 1 month	**35,019**	86,123
Over 1 to 3 months	**62,404**	103,774
Over 3 to 6 months	**1,276**	1,686
	98,699	191,583

19 Bank loans

	2015 **$'000**	2014 $'000
Current — Within 1 year or on demand (secured)	**40,822**	91,939

At December 31, 2015, the banking facilities of the Group were secured by trade receivables, plant and equipment, pledged deposits and investment property, the carrying amounts of which were $67,656,000 (2014: $168,221,000), $1,403,000 (2014: $1,925,000), $25,000,000 (2014: $15,466,000) and $Nil (2014: $3,427,000) respectively. Such banking facilities amounted to $105,000,000 (2014: $132,288,000). The facilities were utilised to the extent of $40,822,000 (2014: $91,939,000). Certain bank loans were also secured by corporate guarantee given by the Company.

Certain banking facilities of the Group are 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 24(b) and 23(e), respectively. As at December 31, 2015, none of the covenants relating to drawn down facilities had been breached (2014: $Nil).

20 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 0.5% (2014: 0.4%) 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, 2015 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 73% (2014: 14%) covered by the plan assets held by the trustees at December 31, 2015.

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

	2015 $'000	2014 $'000
Present value of wholly or partly funded by obligation	773	917
Fair value of plan assets	(564)	(128)
	209	789

A portion of the above liability is expected to be settled after more than one year. However, it is not practicable to segregate this amount from the amounts payable 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 $32,000 in contributions to the defined benefit retirement plan in 2016.

(ii) Plan assets

As at December 31, 2014 and 2015, 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.

20 Employees retirement schemes (continued)

(a) Defined benefit retirement plan (continued)

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

	2015 $'000	2014 $'000
At January 1	**917**	665
Remeasurements		
— Actuarial losses arising from changes in demographic assumptions	**19**	—
— Actuarial (gains)/losses arising from experience	**(199)**	48
— Actuarial losses arising from changes in financial assumptions	**48**	113
	(132)	161
Benefits paid by the plan	**(142)**	(35)
Current service cost	**155**	136
Interest cost	**30**	29
Exchange difference	**(55)**	(39)
At December 31	**773**	917

The weighted average duration of the defined benefit obligation is 14.3 years (2014: 13.7 years).

(iv) Movements in plan assets

	2015 $'000	2014 $'000
At January 1	**128**	130
Group's contributions paid to the plan	**598**	35
Benefits paid by the plan	**(142)**	(35)
Interest income	**4**	6
Return on plan assets, excluding interest income	**—**	(2)
Exchange difference	**(24)**	(6)
At December 31	**564**	128

20 Employees retirement schemes (continued)

(a) Defined benefit retirement plan (continued)

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

	2015 $'000	2014 $'000
Current service cost	155	136
Net interest on net defined benefit liability	26	23
Total amount recognised in profit or loss	181	159
Actuarial (gains)/losses	(132)	161
Return on plan assets, excluding interest income	—	2
Total amounts recognised in other comprehensive income	(132)	163
Total defined benefits costs	49	322

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

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

	2015	2014
Discount rate	2.89%	3.41%
Future salary increases	5.00%	5.00%

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

	Increase in 1%		Decrease in 1%	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Discount rate	(97)	(119)	119	123
Future salary increases	115	120	(95)	(119)

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.

(Expressed in United States dollars unless otherwise indicated)

20 Employees retirement schemes (continued)

(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 16.8% (2014: 16.3% to 17.3%) of employees' remuneration to these schemes during the year.

21 Equity settled share-based transactions

The Company has a share option scheme which was adopted on February 4, 2015 whereby the directors of the Company are authorised, at their discretion, to invite employees of the Group, including directors of any company in the Group, to take up options at HK$1 to subscribe for shares of the Company. The options vest after 2.17 years from the date of grant and are then exercisable within a period of 7.83 years. Each option gives the holder the right to subscribe for one ordinary share in the Company and is settled gross in shares.

(a) The terms and conditions of the grants are as follows:

	Number of instruments	Vesting conditions	Contractual life of options
Options granted to directors:			
— on October 30, 2015	4,000,000	2.17 years from the date of grant	10 years
Options granted to employees:			
— on October 30, 2015	8,600,000	2.17 years from the date of grant	10 years
Total share options granted	12,600,000		

21 Equity settled share-based transactions (continued)

(b) The number and weighted average exercise prices of share options are as follows:

	2015 Weighted average exercise price	Number of options '000
Granted during the period	**HK$3.76**	**12,600**
Cancelled during the period	**HK$3.76**	**(200)**
Outstanding at the end of the period	**HK$3.76**	**12,400**
Exercisable at the end of the period	**–**	**–**

The options outstanding at December 31, 2015 had an exercise price of $0.48 and a weighted average remaining contractual life of 9.83 years.

(c) Fair value of share options and assumptions

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of the fair value of the share options granted is measured based on a binomial option pricing model. The contractual life of the share option is used as an input into this model. Expectations of early exercise are incorporated into the binomial option pricing model.

Fair value of share options and assumptions

	2015
Fair value at measurement date	**HK$2.20**
Share price	**HK$3.75**
Exercise price	**HK$3.76**
Expected volatility (expressed as weighted average volatility used in the modelling under binomial option pricing model)	**77.76%**
Option life (expressed as weighted average life used in the modelling under binomial option pricing model)	**10 years**
Expected dividends	**–**
Risk-free interest rate (based on yields of Hong Kong government bonds and treasury bills)	**1.505%**

The expected volatility is based on the historic volatility (calculated based on the weighted average remaining life of the share options), adjusted for any expected changes to future volatility based on publicly available information. Expected dividends are based on historical dividends. Changes in the subjective input assumptions could materially affect the fair value estimate.

22 Income tax in the consolidated statement of financial position

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

	2015 $'000	2014 $'000
Provision for Hong Kong Profits Tax for the year	**7,977**	5,079
Provisional Profits Tax paid	**(5,028)**	(5,512)
	2,949	(433)
Provision for tax outside Hong Kong	**7,800**	9,214
	10,749	8,781
Representing:		
Tax recoverable	**(353)**	(1,426)
Tax payable	**11,102**	10,207
	10,749	8,781

(b) Deferred tax assets and liabilities recognised:

(i) Movement of each component of deferred tax assets and liabilities

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

	Depreciation allowances in excess of the related depreciation $'000	Defined benefit retirement plan liability $'000	Provisions $'000	Revaluation of investment property $'000	Unrealised profits $'000	Others $'000	Total $'000
At January 1, 2014	(180)	127	47	(496)	119	60	(323)
(Charged)/credited to profit or loss (note 7(a))	(371)	33	110	(3)	(165)	(65)	(461)
Credited to reserves (note 10)	–	36	–	–	–	–	36
Exchange adjustments	(1)	(7)	(2)	20	–	–	10
At December 31, 2014 and January 1, 2015	**(552)**	**189**	**155**	**(479)**	**(46)**	**(5)**	**(738)**
Credited/(charged) to profit or loss (note 7(a))	**497**	**6**	**(60)**	**465**	**189**	**(106)**	**991**
Charged to reserves (note 10)	**–**	**(29)**	**–**	**–**	**–**	**–**	**(29)**
Exchange adjustments	**(1)**	**(11)**	**(2)**	**14**	**–**	**4**	**4**
At December 31, 2015	**(56)**	**155**	**93**	**–**	**143**	**(107)**	**228**

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

(b) Deferred tax assets and liabilities recognised: (continued)

(ii) Reconciliation to the consolidated statement of financial position

	2015 $'000	2014 $'000
Net deferred tax asset recognised in the consolidated statement of financial position	**(323)**	—
Net deferred tax liability recognised in the consolidated statement of financial position	**95**	738
	(228)	738

(c) Deferred tax liabilities not recognised

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, 2015, temporary differences relating to the undistributed profits of the Group's PRC subsidiary amounted to $75,222,000 (2014: $55,071,000). Deferred tax liabilities of $3,761,000 (2014: $2,754,000) have not been recognised 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.

23 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 component of equity between the beginning and the end of the year are set out below:

The Company

	Share capital $'000	Share premium $'000	Capital reserve $'000	Capital redemption reserve $'000	Other reserve $'000	Accumulated losses $'000	Total $'000
At January 1, 2014	2,993	22,531	–	7	707	(11,043)	15,195
Changes in equity for 2014:							
Loss for the year and total comprehensive income	–	–	–	–	–	(5,412)	(5,412)
At December 31, 2014 and January 1, 2015	**2,993**	**22,531**	**–**	**7**	**707**	**(16,455)**	**9,783**
Changes in equity for 2015:							
Loss for the year and total comprehensive income	**–**	**–**	**–**	**–**	**–**	**(8,272)**	**(8,272)**
Issuance of new shares, net of relevant expenses	**333**	**43,867**	**–**	**–**	**–**	**–**	**44,200**
Contribution by a shareholder	**–**	**–**	**2,040**	**–**	**–**	**–**	**2,040**
Equity settled share-based transactions	**–**	**–**	**276**	**–**	**–**	**–**	**276**
At December 31, 2015	**3,326**	**66,398**	**2,316**	**7**	**707**	**(24,727)**	**48,027**

23 Capital and reserves (continued)

(b) Share capital

(i) Authorised and issued share capital

	2015 Number of shares '000	2015 Amount $'000	2014 Number of shares '000	2014 Amount $'000
Authorised:				
Ordinary shares of $0.004 each	10,000,000	40,000	10,000,000	40,000
Ordinary shares, issued and fully paid:				
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 December 31	831,519	3,326	748,319	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 748,319,000 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.

23 Capital and reserves (continued)

(b) Share capital (continued)

(i) *Authorised and issued share capital* (continued)

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.

(c) Nature and purpose of reserves

(i) *Share premium and capital redemption reserve*

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

(ii) *Capital reserve*

The capital reserve comprises the following:

— The portion of the grant date fair value of unexercised share options granted to directors and employees of the Company that has been recognised in accordance with the accounting policy adopted for share-based payments in note 2(o)(iii); and

— The contribution from one of the substantial shareholders of $2,040,000 to compensate part of the listing expenses incurred.

(iii) *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.

(iv) *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 authorised capital. This fund can be used to make good losses and to convert into paid-up capital.

23 Capital and reserves (continued)

(c) Nature and purpose of reserves (continued)

(v) 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.

(vi) Exchange reserve

The exchange reserve of the Group comprises all foreign exchange differences arising from the translation of the financial statements of operations with functional currency other than United States dollars. The reserve is dealt with in accordance with the accounting policies set out in note 2(s).

(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, 2015 was $44,694,000 (2014: $6,783,000).

(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, bank deposits and pledged deposits.

23 Capital and reserves (continued)

(e) Capital management (continued)

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.

	2015 $'000	2014 $'000
Bank loans (note 19)	**40,822**	91,939
Less: Cash and cash equivalents	**(79,056)**	(82,224)
Bank deposits	**(14,505)**	—
Pledged deposits	**(28,498)**	(19,126)
Adjusted net cash	**(81,237)**	(9,411)
Total equity	**285,655**	192,432
Adjusted net debt-to-capital ratio	**N/A**	N/A

Except for the banking facilities which require the fulfilment of covenants relating to certain of the Group's financial ratios as disclosed in note 19, neither the Company nor any of its other subsidiaries are subject to externally imposed capital requirements.

24 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 30 to 90 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, 78.5% (2014: 88.7%) of the trade receivables was due from the Group's largest customer, and 98.1% (2014: 98.7%) of 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. The Group does not provide any 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 16.

24 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.

	2015	
	Contractual undiscounted cash outflow Within 1 year or on demand $'000	Carrying amount $'000
Trade and other payables	114,662	114,662
Bank loans	40,822	40,822
	155,484	155,484

24 Financial risk management and fair values (continued)

(b) Liquidity risk (continued)

	2014 Contractual undiscounted cash outflow Within 1 year or on demand $'000	Carrying amount $'000
Trade and other payables	209,746	209,746
Bank loans	91,939	91,939
	301,685	301,685

As shown in the above analysis, bank loans of the Group amounting to $40,822,000 (2014: $91,939,000) 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.

(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

	2015		2014	
	Effective interest rate %	**Amount $'000**	Effective interest rate %	Amount $'000
Variable rate borrowings:				
Bank loans	**1.32**	**40,822**	1.71	91,939

24 Financial risk management and fair values (continued)

(c) Interest rate risk (continued)

(ii) Sensitivity analysis

At December 31, 2015, 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 $341,000 (2014: $768,000). 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 2014.

(d) Currency risk

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$, the Group does not expect any significant movements in the US$/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.

24 Financial risk management and fair values (continued)

(d) Currency risk (continued)

(i) Exposure to currency risk

The following table details the Group's exposure at the end of the reporting period to currency risk arising from recognised 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 operations with functional currency other than United States dollars into the Group's presentation currency are excluded.

	Exposure to foreign currencies (expressed in US$)					
	2015			2014		
	US$	**KRW**	**HK$**	US$	KRW	HK$
	$'000	**$'000**	**$'000**	$'000	$'000	$'000
Trade and other receivables	**86,884**	**—**	**—**	210,525	—	—
Pledged deposits	**—**	**—**	**—**	—	15,466	—
Bank deposits	**—**	**14,505**	**—**	—	—	—
Cash and cash equivalents	**52,618**	**558**	**17,301**	73,118	442	5,278
Trade and other payables	**(95,619)**	**(82)**	**—**	(188,814)	(178)	—
Bank loans	**(40,822)**	**—**	**—**	(91,939)	—	—
Net exposure arising from recognised assets and liabilities	**3,061**	**14,981**	**17,301**	2,890	15,730	5,278

24 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 profit after tax (and retained profits) and other components of consolidated equity that would arise if foreign exchange rates to which the Group has 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.

	2015		2014	
	Increase/ (decrease) in foreign exchange rates	Effect on profit after tax and retained profits $'000	Increase/ (decrease) in foreign exchange rates	Effect on profit after tax and retained profits $'000
KRW	5%	750	5%	788
	(5)%	(750)	(5)%	(788)

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 2014.

(e) Fair values

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

25 Commitments

(a) Capital commitments outstanding at December 31, 2015 not provided for in the financial statements were as follows:

	2015 $'000	2014 $'000
Contracted for	**3,352**	215

(b) At December 31, 2015, the total future minimum lease payments in respect of properties under non-cancellable operating leases are payable as follows:

	2015 $'000	2014 $'000
Within 1 year	**2,141**	2,235
After 1 year but within 5 years	**6,764**	6,503
After 5 years	**16,351**	19,009
	25,256	27,747

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.

26 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 $105,000,000 (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 $40,822,000 (2014: $91,939,000).

27 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 8.

(b) 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.

28 Company-level statement of financial position

	2015 $'000	2014 $'000
Non-current assets		
Intangible assets	2,186	2,443
Investments in subsidiaries	844	843
	3,030	3,286
Current assets		
Other receivables	65	274
Pledged deposits	25,000	15,466
Bank deposits	14,505	—
Cash and cash equivalents	18,269	3,375
	57,839	19,115
Current liability		
Other payables	12,842	12,618
Net current assets	44,997	6,497
Total assets less current liabilities	48,027	9,783
NET ASSETS	48,027	9,783

28 Company-level statement of financial position (continued)

	2015 $'000	2014 $'000
CAPITAL AND RESERVES		
Share capital	**3,326**	2,993
Reserves	**44,701**	6,790
TOTAL EQUITY	**48,027**	9,783

Approved and authorised for issue by the board of directors on March 21, 2016.

Mr. Kim Kab Cheol
Director

Mr. Seong Seokhoon
Director

29 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended December 31, 2015

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, 2015 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
Annual improvements to IFRSs 2012–2014 cycle	January 1, 2016
Amendments to IAS 16 and IAS 38, *Clarification of acceptable methods of depreciation and amortisation*	January 1, 2016
IFRS 15, *Revenue from contracts with customers*	January 1, 2018
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 but is not yet in a position to state whether these amendments and new standards would have a significant impact on the consolidated financial statements.

Five-Year Financial Summary

	2011 (in US$000)	2012 (in US$000)	2013 (in US$000)	2014 (in US$000)	**2015 (in US$000)**
Revenue	323,119	527,502	813,936	886,467	**980,203**
Gross profit	35,784	42,503	103,247	112,103	**136,888**
Gross profit margin	11.1%	8.1%	12.7%	12.6%	**14.0%**
Operating profit	23,124	24,722	68,985	70,686	**78,614**
Operating margin	7.2%	4.7%	8.5%	8.0%	**8.0%**
Profit attributable to equity holders of the Company	18,145	13,183	50,242	53,244	**60,680**
Bank balance and cash	2,875	13,606	45,220	82,224	**79,056**
Borrowings	52,436	144,114	123,809	91,939	**40,822**
Total assets	213,115	380,467	400,223	505,851	**452,545**
Total liabilities	140,822	294,078	260,360	313,419	**166,890**
Total equity	72,293	86,389	139,863	192,432	**285,655**

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

"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 substantial shareholder, 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

"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