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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)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED DECEMBER 31, 2016

HIGHLIGHTS

Our revenue for the year ended December 31, 2016 reached approximately US\$914,545,000, representing a decrease of approximately 6.7% as compared to the corresponding year ended December 31, 2015.

Our net profit attributable to owners of the Company for the year ended December 31, 2016 reached approximately US\$28,495,000, representing a decrease of approximately 53.0% as compared with that for the year ended December 31, 2015.

Basic earnings per share for the financial period ended December 31, 2016 was US3.4 cents representing a decrease of approximately 54.7% as compared with that for the financial year ended December 31, 2015.

RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of Cowell e Holdings Inc. (the “**Company**”) is pleased to announce the consolidated results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the year ended December 31, 2016 together with comparative figures for the year ended December 31, 2015. The annual financial results have also been reviewed by the audit committee (the “**Audit Committee**”) of the Company.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(Expressed in United States dollars)

		For the year ended	
		December 31	
	Note	2016	2015
		\$'000	\$'000
Revenue	3	914,545	980,203
Cost of sales		<u>(838,399)</u>	<u>(843,315)</u>
Gross profit		76,146	136,888
Other revenue	4	2,709	2,321
Other net income	4	4,281	149
Selling and distribution expenses		(3,236)	(6,870)
Administrative expenses		(44,484)	(50,333)
Listing expenses		<u>—</u>	<u>(3,512)</u>
Profit from operations		35,416	78,643
Finance costs	5(a)	(806)	(1,615)
Donation		<u>(547)</u>	<u>(29)</u>
Profit before taxation	5	34,063	76,999
Income tax	6	<u>(5,568)</u>	<u>(16,319)</u>
Profit for the year		<u>28,495</u>	<u>60,680</u>
Earnings per share	7		
Basic		<u>\$ 0.034</u>	<u>\$ 0.075</u>
Diluted		<u>\$ 0.034</u>	<u>\$ 0.075</u>

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(Expressed in United States dollars)

	For the year ended	
	December 31	
<i>Note</i>	2016	2015
	\$'000	\$'000
Profit for the year	<u>28,495</u>	<u>60,680</u>
Other comprehensive income for the year (after tax adjustments):		
<i>Items that may be reclassified subsequently to profit or loss</i>		
Exchange differences on translation of financial statements	(17,901)	(14,076)
<i>Items that will not be reclassified to profit or loss</i>		
Remeasurement of net defined benefit liability	<u>(18)</u>	<u>103</u>
	<u>(17,919)</u>	<u>(13,973)</u>
Total comprehensive income for the year	<u><u>10,576</u></u>	<u><u>46,707</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Expressed in United States dollars)

		As at December 31	
	Note	2016	2015
		\$'000	\$'000
Non-current assets			
Property, plant and equipment		123,316	112,780
Intangible assets		5,591	2,560
Other receivables		6,556	7,644
Deferred tax assets		329	323
		<u>135,792</u>	<u>123,307</u>
		-----	-----
		135,792	123,307
Current assets			
Inventories		60,026	101,280
Trade and other receivables	8	231,158	105,546
Current tax recoverable		6,981	353
Pledged deposits		3,193	28,498
Bank deposits		39,675	14,505
Cash and cash equivalents		85,435	79,056
		<u>426,468</u>	<u>329,238</u>
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		426,468	329,238
Current liabilities			
Trade and other payables	9	168,693	114,662
Bank loans		89,249	40,822
Current tax payable		6,567	11,102
		<u>264,509</u>	<u>166,586</u>
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		264,509	166,586
Net current assets		<u>161,959</u>	<u>162,652</u>
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		161,959	162,652
Total assets less current liabilities		<u>297,751</u>	<u>285,959</u>
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		297,751	285,959

	As at December 31	
<i>Note</i>	2016	2015
	\$'000	\$'000
Non-current liabilities		
Net defined benefit retirement obligation	178	209
Deferred tax liabilities	210	95
	<u>388</u>	<u>304</u>
NET ASSETS	<u>297,363</u>	<u>285,655</u>
CAPITAL AND RESERVES		
Share capital	3,326	3,326
Reserves	294,037	282,329
TOTAL EQUITY	<u>297,363</u>	<u>285,655</u>

NOTES TO THE FINANCIAL INFORMATION

(Expressed in United States dollars unless otherwise indicated)

1 Basis of preparation

The consolidated results set out in this announcement do not constitute the Group's financial statements for the year ended December 31, 2016 but are extracted from those financial statements.

The Group's consolidated 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").

The measurement basis used in the preparation of the Group's consolidated financial statements is the historical cost basis except that certain employee benefits are stated at their fair value.

2 Changes in accounting policies

The IASB has issued a number of amendments to IFRSs that are first effective for the current accounting period of the Group. None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3 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 (2015: two customers), with each of whom transactions have exceeded 10% of the Group's revenues, for the year ended December 31, 2016. Revenues from sales to these customers, arose in the camera module segment, during the reporting period are set out below.

	2016	2015
	\$'000	\$'000
Largest customer	780,221	806,576
— Percentage of total revenue	85%	82%
Second largest customer	104,704	136,722
— Percentage of total revenue	11%	14%

(b) *Segment reporting*

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

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

(i) *Segment results*

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

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or 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.

The measure used for reporting segment profit is 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 years ended December 31, 2016 and 2015 is set out below.

	Camera module		Optical components		Total	
	2016	2015	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue from external customers	907,871	967,353	6,674	12,850	914,545	980,203
Reportable segment revenue	907,871	967,353	6,674	12,850	914,545	980,203
Segment profit	38,509	84,580	(3,021)	409	35,488	84,989
Bank interest income	485	442	3	5	488	447
Finance costs	(800)	(1,599)	(6)	(16)	(806)	(1,615)
Depreciation and amortisation	(18,192)	(13,962)	(985)	(1,195)	(19,177)	(15,157)
Additions to non-current segment assets	43,042	36,563	393	318	43,435	36,881

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

	2016 \$'000	2015 \$'000
Revenue		
Reportable segment revenue and consolidated revenue	<u>914,545</u>	<u>980,203</u>
Profit		
Reportable segment profit	35,488	84,989
Unallocated head office and corporate expenses	<u>(1,425)</u>	<u>(7,990)</u>
Consolidated profit before taxation	<u>34,063</u>	<u>76,999</u>

(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 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 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	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Hong Kong	809,529	843,458	24	32
PRC	—	—	128,136	114,351
Korea	<u>105,016</u>	<u>136,745</u>	<u>747</u>	<u>957</u>
	<u>914,545</u>	<u>980,203</u>	<u>128,907</u>	<u>115,340</u>

4 Other revenue and other net income

	2016 \$'000	2015 \$'000
(a) Other revenue		
Bank interest income	488	447
Compensation income	518	—
Rental income		
— Investment property	—	126
— Other	174	214
Government subsidy	1,402	1,363
Others	<u>127</u>	<u>171</u>
	<u>2,709</u>	<u>2,321</u>

2016	2015
\$'000	\$'000

(b) Other net income

Net loss on disposal of plant and equipment	(661)	(4,833)
Net loss on disposal of investment property	—	(379)
Net foreign exchange gain	4,946	5,378
Others	(4)	(17)
	<u>4,281</u>	<u>149</u>

5 Profit before taxation

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

2016	2015
\$'000	\$'000

(a) Finance costs

Interest on bank borrowings	<u>806</u>	<u>1,615</u>
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(b) Staff costs[#]

Contributions to defined contribution retirement plan	4,864	5,622
Expenses recognised in respect of defined benefit retirement plans	121	181
Equity-settled share-based payment expenses	1,132	276
Salaries, wages and other benefits	55,953	75,969
	<u>62,070</u>	<u>82,048</u>

(c) Other items

Amortisation	518	379
Depreciation [#]	18,659	14,778
Impairment loss/(reversal of impairment loss) of trade receivables	285	(4)
Auditors' remuneration	323	282
Operating lease charges: minimum lease payments in respect of property rentals [#]	3,628	3,373
Rentals income from investment property less direct outgoings of \$Nil (2015: \$55,000)	—	(71)
Research and development costs other than depreciation [*]	15,655	13,669
Cost of inventories [#]	<u>838,399</u>	<u>843,315</u>

[#] Cost of inventories includes \$53,922,000 (2015: \$66,794,000) 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 5(b) for each of these types of expenses.

^{*} Research and development costs other than depreciation includes \$8,728,000 (2015: \$5,492,000) relating to staff costs, which amounts are also included in the respective total amounts disclosed separately in note 5(b).

6 Income tax in the consolidated statement of profit or loss

Income tax in the consolidated statement of profit or loss represents:

	2016 \$'000	2015 \$'000
Current tax — Hong Kong Profits Tax		
Provision for the year	1,346	7,977
Over-provision in respect of prior years	(69)	(53)
	<u>1,277</u>	<u>7,924</u>
Current tax — Overseas		
Provision for the year	4,127	9,470
Under/(over)-provision in respect of prior years	52	(84)
	<u>4,179</u>	<u>9,386</u>
Deferred tax		
Origination and reversal of temporary differences	150	(991)
Change in tax rate	(38)	—
	<u>112</u>	<u>(991)</u>
	<u>5,568</u>	<u>16,319</u>

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 2016 is calculated at 16.5% (2015: 16.5%) of the estimated assessable profits for the year.

Pursuant to the Administrative Measures for Recognition of High-New Technology Enterprise (“HNTE”) jointly issued by the Ministry of Science and Technology, the Ministry of Finance and the State Administration of Taxation, Dongguan Cowell Optic Electronics Co., Ltd. (“Cowell DG”), an indirect wholly owned subsidiary of the Company, was certified as a HNTE. According to the provisions of Article 28 “Corporate Income Tax Law of the People’s Republic of China”, the effective Corporate Income Tax (“CIT”) rate for 2016 till 2018 will be subject to a reduced tax rate of 15%.

The CIT rate applicable to Cowell DG is 25% for the year ended 31 December 2015.

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.

7 Earnings per share

(a) Basis earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of \$28,495,000 (2015: \$60,680,000) and the weighted average number of 831,519,000 ordinary shares (2015:811,232,000 shares) in issue during the year, calculated as follows:

(i) Weighted average number of ordinary shares

	2016 \$'000	2015 \$'000
Issued ordinary shares at January 1,	831,519	748,319
Effect of share issue	—	62,913
	<u>831,519</u>	<u>811,232</u>
Weighted average number of ordinary shares at December 31,	<u>831,519</u>	<u>811,232</u>

(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 \$28,495,000 (2015: \$60,680,000) and the weighted average number of ordinary shares of 831,519,000 shares (2015: 811,786,000 shares), calculated as follows:

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

	2016 \$'000	2015 \$'000
Weighted average number of ordinary shares at December 31,	831,519	811,232
Effect of deemed issued of shares under the Company's share option scheme for nil consideration	—	554
	<u>831,519</u>	<u>811,786</u>
Weighted average number of ordinary shares (diluted) at December 31,	<u>831,519</u>	<u>811,786</u>

8 Trade and other receivables

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

	2016 \$'000	2015 \$'000
Within 1 month	133,790	51,817
Over 1 to 2 months	67,382	30,987
Over 2 to 3 months	391	911
Over 3 months	531	2,489
	<u>202,094</u>	<u>86,204</u>

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

9 Trade and other payables

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:

	2016	2015
	\$'000	\$'000
Within 1 month	88,010	35,019
Over 1 to 3 months	68,821	62,404
Over 3 to 6 months	631	1,276
	<u>157,462</u>	<u>98,699</u>

10 Dividends

The Board proposed a final dividend of HK7.977 cents (2015: Nil) per ordinary share after the end of the reporting period.

Scope of work of KPMG

The financial figures in respect of Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended December 31, 2016 as set out in the preliminary announcement have been compared by the Group's auditor, KPMG, Certified Public Accountants, to the amounts set out in the Group's consolidated financial statements for the year and the amounts were found to be in agreement. The work performed by KPMG in this respect did not constitute an audit, review or other assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the auditor.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is a major supplier of camera modules for mobile devices. It 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 subsidiaries or affiliates of leading global electronics companies such as Samsung Electronics, LG Electronics and Hitachi.

The Group believes that its 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 strong relationships with the customers will continue to differentiate it as a provider of high-performance and cost-effective camera modules and optical components, and position it well to take advantage of attractive growth opportunities. The Group operates two production facilities at Hengkeng and Huanan in Dongguan, PRC, where it can take advantage of a high-quality labor force and an extensive infrastructure for its operations, and a strategic location to facilitate the transportation of products to its customers.

For the year ended December 31, 2016, the Group sold approximately 167.9 million units of camera modules and approximately 125.0 million units of optical components, compared to approximately 197.4 million units of camera modules and approximately 183.6 million units of optical components in 2015. Revenue amounted to US\$980.2 million in 2015 and US\$914.5 million in 2016 and a profit for the year of US\$60.7 million in 2015 and US\$28.5 million in 2016 was recorded. The Group had total assets of US\$562.3 million and total equity of US\$297.4 million as of December 31, 2016, compared to total assets of US\$452.5 million and total equity of US\$285.7 million as of December 31, 2015.

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 relationships with its major customers and to grow its business with them. It plans to maximize benefits from key mobile device products introduced by its largest customers and aims to expand its share of their demand for camera modules. The Group is also seeking to further penetrate the camera modules market by expanding its product portfolio from primarily fixed-focus camera modules to a variety of high-end camera modules. In addition, it aims to produce higher resolution camera modules, which it believes will drive higher profit margins.

Furthermore, the Group intends to closely work with its customers to develop new camera module solutions for the customers' new products. These new camera module solutions 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 its flip-chip and chip-on-board ("COB") technologies and manufacturing capabilities and camera module solutions with customer requirements. The Group also aims to continuously enhance operational efficiency by improving its 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 its products and there was no material change in the unit cost of the its components and materials. However, the Group's cost of sales for the year ended December 31, 2016 increased due to a longer than expected lead time to reach the target production yield of new products launched in the fiscal year of 2016. Although the target yields of the new products were reached during the fiscal year of 2016, the overall profitability of the Group has deteriorated. The lengthened lead time to reach the target production yield was mainly due to the substantial resolution upgrade for the new products introduced. The experience and expertise developed in the course of mass production for new products in the fiscal year of 2016 will help improve the Group's profitability for the fiscal year of 2017.

The Directors are aware that its customer and product portfolios are highly concentrated. Therefore, the Group has decided to substantially expand its research and development division, which will help develop new products independently and/or enter into strategic partnerships with companies with different technologies or solutions for creating potential synergies aiming for mutual growth.

RESULTS OF OPERATIONS

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

	2016	2015	Changes Amount	%
	<i>(US\$ in millions, except percentages)</i>			
Revenue				
Camera Modules	907.8	967.4	(59.6)	(6.2)%
Optical components	6.7	12.8	(6.1)	(47.7)%
	<hr/>	<hr/>	<hr/>	<hr/>
Total	914.5	980.2	(65.7)	(6.7)%
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The Group reported a total revenue of US\$914.5 million in 2016, a 6.7% decrease as compared to that of 2015.

Camera Modules: Camera module revenue for the fiscal year of 2016 was US\$907.8 million, a 6.2% decrease from US\$967.4 million in 2015 mainly due to an overall 22.6% decrease in sales to LG and Samsung which was largely driven by Chinese smartphone makers' gaining market shares.

Optical Components: Optical component revenue for the fiscal year of 2016 was US\$6.7 million, a 47.7% decrease from US\$12.8 million in 2015 primarily due to the decreased demand in line with slow smartphone industry and DVD market.

For the year ended December 31, 2016, the Group has reported gross profit, operating profit and net profit of US\$76.1 million, US\$35.4 million and US\$28.5 million, respectively, as compared to US\$136.9 million, US\$78.6 million and US\$60.7million, respectively, in the fiscal year of 2015. In terms of margins, the Group's gross margin, operating margin and net margin for the year ended December 31, 2016 were 8.3%, 3.9% and 3.1%, respectively, as compared to 14.0%, 8.0% and 6.2%, respectively, in 2015. Both profits and margins substantially deteriorated in the fiscal year of 2016 mainly due to the decrease in COB sales and unexpected long lead time to reach target production yield for the new camera modules for the main US customer at the beginning stage of mass production.

During the year ended December 31, 2016, the Group did not experience any significant change of pricing policy for its products and there was no material change in the unit cost of the Group's components and materials. Furthermore, as far as the Directors are aware, for the year ended December 31, 2016, there has been no adverse material change in the Group's operating costs.

The selling and distribution expenses decreased by 53.6% from US\$6.9 million in 2015 to US\$3.2 million in 2016. This was mainly attributable to the cancellation of the export administration fee scheme levied by local governments in the PRC during the year. Other than this, there were no other material adverse developments in the selling and distribution expenses in the fiscal year of 2016.

Administrative expenses decreased by 11.5% from US\$50.3 million in 2015 to US\$44.5 million in 2016. This decrease was primarily attributable to a US\$9.6 million decrease in salaries, allowance, social insurance and welfare, excluding the relevant costs included in research and development expense. The research and development expense in the fiscal year of 2016 was increased by about 14.4% to US\$16.7 million as compared to US\$14.6 million in 2015 in line with the major new product development projects completed in the fiscal year of 2016 for its main US customer.

Finance costs decreased by 50.0% from US\$1.6 million in 2015 to US\$0.8 million in 2016, which was mainly attributable to the improved terms and condition of the trade receivable financing facility with the bank.

The Group's income tax expense decreased by 65.6% from US\$16.3 million in 2015 to US\$5.6 million in 2016 due mainly to the lowered taxable income as well as Dongguan Cowell, the Group's indirectly wholly owned subsidiary, being certified as a "High-New Technology Enterprise" (the "HNTE") by the Chinese government. The local corporate tax rate for the HNTE is 15% instead of the standard corporate tax rate of 25% in the PRC. As a result, the Group's effective tax rate was lowered by 4.9% from 21.2% in 2015 to 16.3% in 2016.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at December 31, 2016, the Group had total assets of US\$562.3 million (December 31, 2015: US\$452.5 million); net current assets of US\$162.0 million (December 31, 2015: US\$162.7 million) and total equity of US\$297.4 million (December 31, 2015: US\$285.7 million).

The Group has a solid financial position and continued to maintain a strong and steady inflow from operating activities. As at December 31, 2016, the Group had US\$85.4 million of cash and cash equivalents. The Directors believes that the current cash and cash equivalents, together with available credit facilities and expected cash flow from operations, will be sufficient to satisfy the current operational requirements of the Group.

PLEDGE OF THE GROUP'S ASSETS

As at December 31, 2016, the Group's pledged deposits included US\$3.2 million (December 31, 2015: US\$3.5 million) provided to the local customs authority in the PRC. In addition, plant and equipment, trade receivables and pledged deposit with a net carrying value of US\$113.2 million (December 31, 2015: US\$94.1 million) has been pledged to bank to secure banking facilities.

CAPITAL EXPENDITURES AND COMMITMENTS

The Group's capital expenditures (equivalent to the cash spent for payment for purchases of property, plant and equipment) for the year ended December 31, 2016 amounted to US\$43.4 million which was funded through cash flow from operation, compared to US\$36.9 million for the year ended December 31, 2015. The Group's capital expenditures in 2016 mainly reflected purchases of additional machinery and equipment to produce more advanced Flip-chip camera modules. The Group intends to fund the planned future capital expenditures through a combination of cash flow from operating activities and available banking facilities.

CONTINGENT LIABILITIES

As at December 31, 2016, the Group had no significant contingent liabilities except for the guarantees issued by the Company to secure the banking facilities granted by banks to certain subsidiaries amounting to US\$90.0 million (December 31, 2015: US\$105.0 million).

HUMAN RESOURCES

The Group employed a total of approximately 5,298 full-time employees as of December 31, 2016 (December 31, 2015: 5,372). Total staff costs for the year ended December 31, 2016, excluding Directors' remuneration were approximately US\$60.7 million (2015: US\$77.7 million).

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

The Group has an emolument policy with respect to its long-term incentive schemes. The basis of determining emoluments payable to the Directors is made on a discretionary basis with reference to the Company's operating results, individual performance and comparable market statistics. Furthermore, the Board has delegated the remuneration committee to review and make decisions 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 Board on the basis of their merit, qualifications and competence.

SUPPLEMENTARY INFORMATION

Final dividend

The Board has recommended the payment of a final dividend of HK7.977 cents (2015: Nil) per ordinary share for the year ended December 31, 2016 to shareholders whose names appear on the register of members of the Company on Thursday, May 25, 2017, subject to the approval of shareholders (the "**Shareholder**") of the Company at the forthcoming annual general meeting.

Closure of Register of Members

The record date for the proposed final dividend will be Thursday, May 25, 2017. The Company's register of members will be closed from Tuesday, May 23, 2017 to Thursday, May 25, 2017 (both days inclusive) in order to determine entitlements to the proposed final dividend. During such period, no transfer of shares will be effected. In order to qualify for the proposed final dividend, all transfers of shares of the Company accompanied by the relevant share certificates must be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited (the "**Share Registrar**"), at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, for registration no later than 4:30 p.m. on Monday, May 22, 2017. Subject to the approval of the Shareholders at the annual general meeting, dividend will be paid to the Shareholders on or around Wednesday, June 7, 2017.

Annual General Meeting

The annual general meeting of the Company (the "**AGM**") will be held on Wednesday, May 17, 2017. The notice of the AGM will be published and dispatched to the Shareholders in due course.

Closure of Register of Members for the AGM

For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Monday, May 15, 2017 to Wednesday, May 17, 2017, 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 Share Registrar, 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 Friday, May 12, 2017.

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, 2016.

Corporate governance

The Board has reviewed governance of the Group in accordance with the code provisions (the “**Code Provisions**”) as set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules (the “**CG Code**”) and considered that, from the date of listing of the Company (the “**Listing Date**”) to December 31, 2016 (the “**Current Period**”), the Company regulated its operation and carried out appropriate governance in accordance with the Code Provisions. The Company has complied with the Code Provisions during the Current Period, with the exception that the roles of chairman and chief executive of the Company were both vested in Mr. Kwak Joung Hwan.

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 part of the Current Period, 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 was redesignated as the Company’s chairman of the board and Mr. Lee Sun Yong was appointed as the chief executive officer of the Company with effect on March 1, 2016. And effective on June 20, 2016, Mr. Kim Kab Cheol was newly appointed as the Company’s chief executive officer in place of Mr. Lee Sun Yong, who had resigned on June 20, 2016 due to personal commitments.

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 Current Period.

Audit Committee

The Audit Committee has reviewed with the management and KPMG, the Company's auditor, the accounting principles and policies adopted by the Group and the consolidated financial results for the year ended December 31, 2016. Based on this review, the Audit Committee was satisfied that the financial statements were prepared in accordance with applicable accounting standards and fairly present the Group's financial position and results for the year ended December 31, 2016.

Model Code of Securities Transactions by Directors

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

Events after the financial year ended December 31, 2016

There were no significant events affecting the Company nor any of its subsidiaries after the financial year ended December 31, 2016 requiring disclosure in this announcement.

Publication of 2016 Annual Results and Annual Report

The annual results announcement is published on the website of the Company (<http://www.cowelleholdings.com>) and the website of the Stock Exchange (<http://www.hkex.com.hk>). The annual report of the Company for the year ended December 31, 2016 will be dispatched to the Shareholders and available on the above websites in due course.

By order of the Board
Cowell e Holdings Inc.
Seong Seokhoon
Chairman

Hong Kong, March 23, 2017

As at the date of this announcement, the Board comprises Mr. Seong Seokhoon and Mr. Kim Kab Cheol as executive Directors; and Mr. Kim Chan Su and Dr. Song Si Young as independent non-executive Directors.