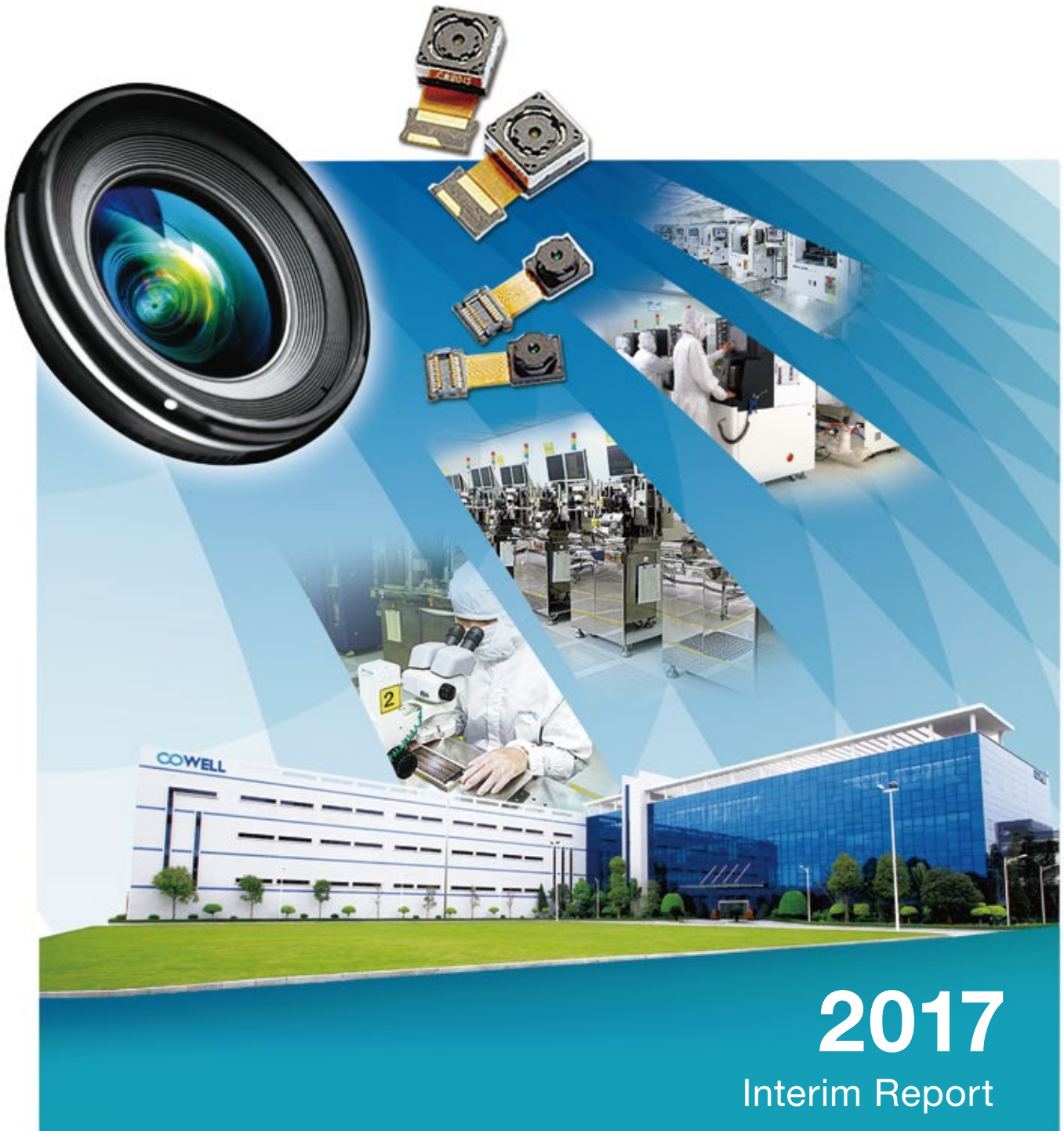


COWELL

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



2017

Interim Report

The logo for Cowell, featuring the word "COWELL" in a bold, white, sans-serif font. The letter "O" is stylized with a circular cutout.

Cowell e Holdings Inc.
高偉電子控股有限公司

Interim Report 2017

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Corporate Information

COMPANY NAME

Cowell e Holdings Inc.

PLACE OF LISTING OF SHARES

The Stock Exchange of Hong Kong Limited

STOCK CODE

1415

STOCK NAME

Cowell

BOARD OF DIRECTORS

Executive Directors

Mr. Seong Seokhoon (*Chairman*)
Mr. Kim Kab Cheol
Mr. Lee Dong Goo (*appointed with effect on May 18, 2017*)

Independent Non-executive Directors

Mr. Kim Chan Su
Dr. Song Si Young
Mr. Andrew Look (*appointed on March 23, 2017 with effect from April 3, 2017*)
Mr. Kim Ilung (*resigned on March 23, 2017*)

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. Andrew Look (*appointed on March 23, 2017 with effect from April 3, 2017*)
Mr. Kim Ilung (*resigned on March 23, 2017*)

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

REGISTERED OFFICE

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

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

AUDITOR

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

LEGAL ADVISOR

Michael Li & Co.
19/F., Prosperity Tower
No. 39 Queen's Road Central
Central, Hong Kong

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER AGENT

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

HONG KONG SHARE REGISTRAR

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

PRINCIPAL BANKERS

Hong Kong and Shanghai Banking Corporation Limited

Australia and New Zealand Banking Group Limited

COMPANY WEBSITE

www.cowelleholdings.com

PUBLIC RELATIONS CONSULTANT

Strategic Public Relations Group Limited
2402, 24/F., Admiralty Centre I
18 Harcourt Road, Hong Kong

Management Discussion and Analysis

BUSINESS REVIEW

Cowell e Holdings Inc. (the “Company” which together with its subsidiaries, 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. 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 the Group’s state-of-the-art manufacturing facilities, engineering capabilities, technical expertise and accumulated know-how in manufacturing camera modules and optical components, as well as the Group’s strong relationships with the Group’s customers, will continue to differentiate the Group as a provider of high-performance and cost-effective camera modules and optical components, and position the Group to take advantage of attractive growth opportunities. The Group operates two production facilities at Hengkeng and Huanan in Dongguan, PRC, where the Group is able to take advantage of a high-quality labor force, extensive infrastructure for the Group’s operations, and a strategic location to facilitate the transportation of products to the Group’s customers.

In the first half ended June 30, 2017, the Group sold approximately 64.6 million units of camera modules and approximately 42.0 million units of optical components, compared to approximately 59.3 million units of camera modules and approximately 72.8 million units of optical components in the corresponding period of 2016. The Group’s revenue amounted to US\$319.4 million in the first half of 2017 as compared to US\$301.8 million in the first half of 2016. The Group’s net profit amounted to US\$9.2 million in the first half of 2017 as compared to US\$2.6 million in the first half of 2016 which was primarily due to improved production yield and decreased administrative expenses.

Camera Modules

Camera Module (“**CM**”) revenue in the first half of 2017 increased by 6.0% as compared to that in the correspondent period in 2016, which was mainly due to:

1. About 12% and 19% increased shipments to Apple and LG, respectively; and
2. Improved average selling price (“**ASP**”) for LG due to the Company’s focus on the high-end products.

Optical Components

There are basically two product categories in our optical components product offerings: one is a DVD component and the other is ‘Blue Filter’ which is a camera module component. Since DVD market is gradually shrinking as global internet usage is increasing, the consumers’ appetite for DVD player has been decreasing. Therefore, the Group developed and introduced Blue Filters, advanced IR cut filters for camera modules, as its new optical component products in the market in 2014. Due to weakening DVD market and slow Blue Filter sales, overall optical component sales in the first half of 2017 was down by 12.1% as compared to that in the same period of 2016.

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

	Six months ended June 30		Changes	
	2017	2016	Amount	%
	(US\$ in millions, except percentages)			
Revenue				
Camera modules	316.5	298.5	18.0	6.0%
Optical components	2.9	3.3	(0.4)	(12.1)%
Total	319.4	301.8	17.6	5.9%

OUTLOOK AND FUTURE STRATEGIES

During the first half of 2017, the Group demonstrated substantial improvement in the profitability of the business and the Group's view on the second half of 2017 is positive due mainly to the seasonality of the business and high market expectation on the sales of Apple's new products. However, overall outlook of the smartphone market and global economy is still uncertain. In order to cope with the uncertainty of business environment and economic situation, the Group will continue to focus on technology and new product development, production efficiency and customer services, which will, in turn, strengthen business relationship with the Group's existing customers and grow the Group's business with them. The Group intends to develop components of key mobile devices as new product offerings based on suggestions from the Group's major customers and plans to capture larger share of the growing market demand for camera modules. In order to achieve these goals, the Group will make every endeavor to expand its customer base and product portfolio, which will be supported by a new research and development centre (the "R&D Centre"). The Group plans to complete the setting up of the R&D Centre by the end of 2017.

The Group also understands that the Group's overall competitiveness will depend on its operational efficiency and production yield. Therefore, through internal promotion, the Group is encouraging employees to think about new ideas and ways to improve the efficiency of their daily operation. The Group is also currently running a talent pool program to retain skillful engineers.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at June 30, 2017, the Group had total assets of US\$401.3 million (December 31, 2016: US\$562.3 million); net current assets of US\$168.7 million (December 31, 2016: US\$162.0 million) and total equity of US\$305.6 million (December 31, 2016: US\$297.4 million).

The Group had a solid financial position and continued to maintain a strong and steady inflow from operating activities. As of June 30, 2017, the Group reported US\$36.9 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 support the Group's operational requirements.

PLEDGE OF THE GROUP'S ASSETS

The Group had pledged its assets as securities for bank loans and other borrowings and banking facilities which were used to finance daily business operation and purchase of machinery. As at June 30, 2017, trade receivables with a net carrying value of US\$60.2 million (December 31, 2016: US\$113.2 million) has been pledged to bank to secure banking facilities.

CAPITAL EXPENDITURES AND COMMITMENTS

The Group's capital expenditures (equivalent to the cash the Group spent to purchase property, plant and equipment) for the six months ended June 30, 2017 amounted to US\$8.1 million, compared to US\$26.0 million for the six months ended June 30, 2016. The Group's capital expenditures in the first half of 2017 mainly reflected purchases of additional equipment to produce more advanced flip-chip camera modules. The Group intends to fund the Group's planned future capital expenditures through a combination of cash flow from operating activities, available banking facilities and the net proceeds from the issuance of new shares in the Global Offering (as defined in the prospectus dated March 19, 2015).

CONTINGENT LIABILITIES

As at June 30, 2017, 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\$50.0 million (December 31, 2016: US\$90.0 million).

HUMAN RESOURCES

The Group employed a total of 3,825 full-time employees as of June 30, 2017 (December 31, 2016: 5,298). Total staff costs for the six months ended June 30, 2017, excluding Directors' remuneration were approximately US\$24.9 million (first half of 2016: US\$27.7 million).

The Group provides living, entertainment, dining and training facilities for the Group's employees. The scope of training includes management skills and technology training, as well as other areas.

The Group has an emolument policy with respect to 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 remuneration committee is authorized by the Board to review and make recommendations on the remuneration of the Directors and senior management of the Company. The emolument policy of the Group is considered by the remuneration committee on the basis of their merit, qualifications and competence.

Supplementary Information

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

As at June 30, 2017, so far as is known to the Directors, none of the Directors or the chief executive officer of the Company had any interests or short positions in the shares, underlying shares or debenture of the Company or its associated corporations which were (i) recorded in the register required to be kept under section 352 of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the “SFO”), or (ii) otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange”) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Rules (the “Listing Rules”) Governing the Listing of Securities on the Hong Kong Stock Exchange (the “Model Code”).

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

As at June 30, 2017, the following persons had interests or short positions in the shares (the “Share”) of the Company (or relevant shares which were required to be disclosed to the Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO and section 336 of the SFO:

Interest of substantial shareholders

Name of shareholder	Nature of interest	Number of Shares or underlying Shares ⁽²⁾	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

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

(2) All interests are long positions.

SHARE OPTION SCHEME

The Company adopted a share option scheme (the “**Share Option Scheme**”) on February 4, 2015 to provide incentives and/or rewards to eligible persons for their contribution to, and continuing efforts to promote the interests of the Group.

Under the Share Option Scheme, the Company has granted share options (the “**Options**”) to certain eligible persons (the “**Grantees**”), being the Directors, executives, certain employees of the Company and its subsidiaries to subscribe for a total of 14,900,000 Shares. Details of the Options granted are set out below:

<Share Option Issuance 1>

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

<Share Option Issuance 2>

Date of Grant:	April 21, 2016
Exercise price:	HK\$3.57 per Share
Total number of Options granted:	An aggregate of 1,500,000 Options
Exercisable period of the Options:	Options are exercisable from March 1, 2017 to April 20, 2026 (both dates inclusive)

<Share Option Issuance 3>

Date of Grant:	June 20, 2016
Exercise price:	HK\$2.92 per Share
Total number of Options granted:	An aggregate of 400,000 Options
Exercisable period of the Options:	Options are exercisable from June 20, 2019 to April 20, 2026 (both dates inclusive)

<Share Option Issuance 4>

Date of Grant:	June 20, 2017
Exercise price:	HK\$3.04 per Share
Total number of Options granted:	An aggregate of 400,000 Options
Exercisable period of the Options:	Options are exercisable from June 20, 2020 to June 19, 2027 (both dates inclusive)

Movement of the Options under the share option scheme during the six months ended June 30, 2017 are listed below:

Movement of the share options

	Number of Share Options				As at June 30, 2017	Exercise Price (HK\$)	Closing price of the securities immediately before the Date of Grant (HK\$)	Date of Grant	Vesting Period	Exercisable Period
	As at January 1, 2017	Date of Grant June 20, 2017	Cancelled	Lapsed						
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
Lee Dong Goo	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	4,000,000	—	(50,000)	—	3,950,000	3.76	3.78	October 30, 2015	October 31, 2015 to December 31, 2017	January 1, 2018 to October 29, 2025
Lee Sun Yong	—	—	—	—	—	3.57	3.38	April 21, 2016	April 22, 2016 to 28 February 2017	March 1, 2017 to April 20, 2026
Continuous contract employee	400,000	—	—	—	400,000	2.92	2.86	June 20, 2016	June 21, 2016 to June 19, 2019	June 20, 2019 to April 20, 2026
Continuous contract employee	—	400,000	—	—	400,000	3.04	2.83	June 20, 2017	June 21, 2017 to June 19, 2020	June 20, 2020 to June 19, 2027
Total	9,400,000	400,000	(50,000)	—	9,750,000					

Note:

(1) Mr. Lee Sun Yong resigned as the chief executive officer of the company with effect from June 20, 2016.

INTERIM DIVIDEND

The Board has resolved to declare an interim dividend of HK1.7179 cents (2016: Nil) per ordinary share for the six months ended June 30, 2017 to shareholders whose names appeared on the register of members of the Company on Tuesday, August 29, 2017. The interim dividend was paid on Monday, September 11, 2017.

CLOSURE OF REGISTER OF MEMBERS

The record date for the interim dividend was Tuesday, August 29, 2017. The Company's register of members was closed from Saturday, August 26, 2017 to Tuesday, August 29, 2017 (both days inclusive) in order to determine entitlements to the interim dividend. During such period, no transfer of shares was effected. In order to qualify for the interim 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 Shop 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 Friday, August 25, 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 six months ended June 30, 2017.

CORPORATE GOVERNANCE

The Board reviewed the corporate 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, for the six months ended June 30, 2017 (the "**Current Period**"), the Company regulated its operation and carried out appropriate corporate governance in accordance with the Code Provisions. The Company has complied with the Code Provisions during the Current Period, save for the deviations as disclosed below.

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. Seong Seokhoon had been performing these two roles at the same time. The Board had considered that having Mr. Seong acting as both the chairman of the Board and the Company's co-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. Seong's extensive experience in the industry, personal profile and critical role in the Group and its historical development.

Under Rules 3.10(1) and 3.21 of the Listing Rules, every issuer should have at least three independent non-executive directors and its audit committee should comprise a minimum of three members respectively. During the Current Period, Mr. Kim Ilung resigned as an independent non-executive Director (the "**INED(s)**") and as a member of the audit committee (the "**Audit Committee**") of the Company with effect from March 23, 2017. Following Mr. Kim's resignation, the Company had two INEDs and the Audit Committee comprised two members, which fell below the requirements under Rules 3.10(1) and 3.21 of the Listing Rules. Upon the appointment of Mr. Andrew Look as an INED and a member of the Audit Committee with effect from April 3, 2017, the Company has three INEDs and the Audit Committee comprises of three members and therefore the Company has since complied with the requirements under Rules 3.10(1) and 3.21 of the Listing Rules.

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 together with the management the accounting principles and policies adopted by the Group and the unaudited consolidated financial report for the six months ended June 30, 2017. 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 six months ended June 30, 2017.

MODEL CODE OF SECURITIES TRANSACTIONS BY DIRECTORS

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

REVIEW OF INTERIM FINANCIAL REPORT

The unaudited interim financial report has been reviewed by the Company's independent auditor, KPMG, in accordance with the Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" and by the audit committee of the Company. The review report of the independent auditor is set out on page 13.

EVENTS AFTER THE REPORTING PERIOD

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

THE BOARD OF DIRECTORS

Board Responsibilities

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

Delegation by the Board

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

By order of the Board

Cowell e Holdings Inc.

Seong Seokhoon

Chairman

Hong Kong, August 10, 2017

Review Report



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

(Incorporated in the Cayman Islands with limited liability)

Introduction

We have reviewed the interim financial report set out on pages 14 to 26 which comprises the consolidated statement of financial position of Cowell e Holdings Inc. ("the Company") as of June 30, 2017 and the related consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and condensed consolidated cash flow statement for the six month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and International Accounting Standard 34, *Interim financial reporting*, issued by the International Accounting Standards Board. The directors are responsible for the preparation and presentation of the interim financial report in accordance with International Accounting Standard 34.

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

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at June 30, 2017 is not prepared, in all material respects, in accordance with International Accounting Standard 34, *Interim financial reporting*.

KPMG

Certified Public Accountants

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

August 10, 2017

Consolidated Statement of Profit or Loss

for the six months ended June 30, 2017 — unaudited
(Expressed in United States dollars)

	Note	Six months ended June 30	
		2017 \$'000	2016 \$'000
Revenue	3 & 4	319,437	301,759
Cost of sales		(288,035)	(276,902)
Gross profit		31,402	24,857
Other revenue		1,423	440
Other net (loss)/income		(1,777)	1,316
Selling and distribution expenses		(1,453)	(1,851)
Administrative expenses		(19,247)	(21,663)
Profit from operations		10,348	3,099
Finance costs	5(a)	(69)	(69)
Donation		(21)	(49)
Profit before taxation	5	10,258	2,981
Income tax	6	(1,053)	(372)
Profit for the period		9,205	2,609
Earnings per share	7		
Basic and diluted		\$0.011	\$0.003

The notes on pages 19 to 26 form part of this interim financial report. Details of dividends payable to equity shareholders of the Company are set out in note 12(a).

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the six months ended June 30, 2017 — unaudited
(Expressed in United States dollars)

	Six months ended June 30	
	2017	2016
	\$'000	\$'000
Profit for the period	9,205	2,609
Other comprehensive income for the period:		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of financial statements	6,948	(5,002)
Total comprehensive income for the period	16,153	(2,393)

The notes on pages 19 to 26 form part of this interim financial report.

Consolidated Statement of Financial Position

at June 30, 2017 — unaudited
(Expressed in United States dollars)

	Note	At June 30, 2017 \$'000	At December 31, 2016 \$'000
Non-current assets			
Property, plant and equipment	8	123,266	123,316
Intangible assets		6,767	5,591
Other receivables		7,048	6,556
Deferred tax assets		138	329
		137,219	135,792
Current assets			
Inventories		56,510	60,026
Trade and other receivables	9	118,227	231,158
Current tax recoverable		7,725	6,981
Pledged deposits		4,006	3,193
Bank deposits	10	40,739	39,675
Cash and cash equivalents	10	36,869	85,435
		264,076	426,468
Current liabilities			
Trade and other payables	11	81,376	168,693
Bank loans		10,572	89,249
Current tax payable		3,455	6,567
		95,403	264,509
Net current assets		168,673	161,959
Total assets less current liabilities		305,892	297,751
Non-current liabilities			
Net defined benefit retirement obligation		278	178
Deferred tax liabilities		48	210
		326	388
NET ASSETS		305,566	297,363
CAPITAL AND RESERVES			
Share capital	12	3,326	3,326
Reserves		302,240	294,037
TOTAL EQUITY		305,566	297,363

The notes on pages 19 to 26 form part of this interim financial report.

Consolidated Statement of Changes in Equity

for the six months ended June 30, 2017 — unaudited
(Expressed in United States dollars)

	Share capital \$'000	Share premium \$'000	Capital reserve \$'000	Capital redemption reserve \$'000	Other reserve \$'000	General reserve fund \$'000	Exchange reserve \$'000	Retained profits \$'000	Total \$'000
Balance at January 1, 2016	3,326	66,398	2,316	7	762	7,522	(5,778)	211,102	285,655
Changes in equity for the six months ended June 30, 2016:									
Profit for the period	—	—	—	—	—	—	—	2,609	2,609
Other comprehensive income	—	—	—	—	—	—	(5,002)	—	(5,002)
Total comprehensive income	—	—	—	—	—	—	(5,002)	2,609	(2,393)
Equity settled share-based transactions	—	—	768	—	—	—	—	—	768
Balance at June 30, 2016	3,326	66,398	3,084	7	762	7,522	(10,780)	213,711	284,030
Balance at July 1, 2016	3,326	66,398	3,084	7	762	7,522	(10,780)	213,711	284,030
Changes in equity for the six months ended December 31, 2016:									
Profit for the period	—	—	—	—	—	—	—	25,886	25,886
Other comprehensive income	—	—	—	—	—	—	(12,899)	(18)	(12,917)
Total comprehensive income	—	—	—	—	—	—	(12,899)	25,868	12,969
Transfer from retained profits	—	—	—	—	—	603	—	(603)	—
Equity settled share-based transactions	—	—	364	—	—	—	—	—	364
Balance at December 31, 2016	3,326	66,398	3,448	7	762	8,125	(23,679)	238,976	297,363
Balance at January 1, 2017	3,326	66,398	3,448	7	762	8,125	(23,679)	238,976	297,363
Changes in equity for the six months ended June 30, 2017:									
Profit for the period	—	—	—	—	—	—	—	9,205	9,205
Other comprehensive income	—	—	—	—	—	—	6,948	—	6,948
Total comprehensive income	—	—	—	—	—	—	6,948	9,205	16,153
Dividends approved in respect of the previous year	—	(8,548)	—	—	—	—	—	—	(8,548)
Transfer from retained profits	—	—	—	—	—	618	—	(618)	—
Equity settled share-based transactions	—	—	598	—	—	—	—	—	598
Balance at June 30, 2017	3,326	57,850	4,046	7	762	8,743	(16,731)	247,563	305,566

The notes on pages 19 to 26 form part of this interim financial report.

Condensed Consolidated Cash Flow Statement

for the six months ended June 30, 2017 — unaudited
(Expressed in United States dollars)

	Note	Six months ended June 30	
		2017 \$'000	2016 \$'000
Operating activities			
Cash generated from operations		54,191	29,171
Tax paid		(4,876)	(5,176)
Net cash generated from operating activities		49,315	23,995
Investing activities			
Payment for purchase of property, plant and equipment		(8,054)	(26,031)
Other cash flows arising from investing activities		(2,096)	(875)
Net cash used in investing activities		(10,150)	(26,906)
Financing activities			
Proceeds from bank loans		331,063	154,272
Repayment of bank loans		(409,740)	(192,068)
(Increase)/decrease in pledged deposits		(813)	86
Dividend paid to equity shareholders of the Company		(8,548)	—
Other cash flows arising from financing activities		(69)	(69)
Net cash used in financing activities		(88,107)	(37,779)
Net decrease in cash and cash equivalents		(48,942)	(40,690)
Cash and cash equivalents at January 1	10	85,435	79,056
Effect of foreign exchange rates changes		376	(47)
Cash and cash equivalents at June 30	10	36,869	38,319

The notes on pages 19 to 26 form part of this interim financial report.

Notes to the Unaudited Interim Financial Report

(Expressed in United States dollars unless otherwise indicated)

1 Basis of preparation

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with International Accounting Standard (“IAS”) 34, *Interim financial reporting*, issued by the International Accounting Standards Board (“IASB”). It was authorised for issue on August 10, 2017.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2016 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2017 annual financial statements. Details of any changes in accounting policies are set out in note 2.

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

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of Cowell e Holdings Inc. (the “Company”) and its subsidiaries (the “Group”) since the 2016 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with International Financial Reporting Standards (“IFRSs”).

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants. KPMG’s independent review report to the Board of Directors is included on page 13.

The financial information relating to the financial year ended December 31, 2016 that is included in the interim financial report as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that financial year but is derived from those financial statements.

2 Changes in accounting policies

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

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

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.

Notes to the Unaudited Interim Financial Report

(Expressed in United States dollars unless otherwise indicated)

3 Revenue and segment reporting (continued)

The Group's customer base includes two customers (2016: two customers), with each of whom transactions have exceeded 10% of the Group's revenues, for the six months ended June 30, 2017. Revenues from sales to these customers, arose in the camera module segment, during the reporting period are set out below.

	Six months ended June 30	
	2017 \$'000	2016 \$'000
Largest customer	257,905	244,710
— Percentage of total revenue	81%	81%
Second largest customer	52,901	43,761
— Percentage of total revenue	17%	15%

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

(a) Information about profit or loss

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

For the six months ended June 30	Camera module		Optical components		Total	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Revenue from external customers	316,540	298,434	2,897	3,325	319,437	301,759
Reportable segment revenue	316,540	298,434	2,897	3,325	319,437	301,759
Reportable segment profit/(loss)	11,757	4,082	(663)	(618)	11,094	3,464

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

(b) Reconciliations of reportable segment profit or loss

	Six months ended June 30	
	2017 \$'000	2016 \$'000
Reportable segment profit	11,094	3,464
Unallocated head office and corporate expenses	(836)	(483)
Consolidated profit before taxation	10,258	2,981

Notes to the Unaudited Interim Financial Report

(Expressed in United States dollars unless otherwise indicated)

4 Seasonality of operations

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

For the twelve months ended June 30, 2017, the camera module segment reported reportable segment revenue of \$925,977,000 (twelve months ended June 30, 2016: \$811,796,000), and reportable segment profit of \$46,184,000 (twelve months ended June 30, 2016: \$51,486,000).

5 Profit before taxation

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

(a) Finance costs

	Six months ended June 30	
	2017 \$'000	2016 \$'000
Interest on bank borrowings	69	69

(b) Other items

Amortisation	431	208
Depreciation	10,564	8,032
Research and development costs (other than depreciation)	7,843	8,310
Interest income	(446)	(211)
Net loss on disposal of plant and equipment	429	—
Impairment loss on trade receivables	—	185

6 Income tax

	Six months ended June 30	
	2017 \$'000	2016 \$'000
Current tax — Hong Kong Profits Tax	—	335
Current tax — Overseas	998	(204)
Deferred taxation	55	241
	1,053	372

Pursuant to the rules and regulations of the Cayman Islands, the Group is not subject to any income tax in the Cayman Islands. The provision for Hong Kong Profits Tax is calculated by applying the estimated annual effective tax rate of 16.5% (2016: 16.5%) to the six months ended June 30, 2017. Taxation for overseas subsidiaries is similarly calculated using the estimated annual effective rates of taxation that are expected to be applicable in the relevant countries.

Notes to the Unaudited Interim Financial Report

(Expressed in United States dollars unless otherwise indicated)

7 Earnings per share

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the parent of \$9,205,000 (six months ended June 30, 2016: \$2,609,000) and weighted average of 831,519,000 ordinary shares (six months ended June 30, 2016: weighted average of 831,519,000 ordinary shares) in issue during the interim period.

(b) Diluted earnings per share

The diluted earnings per share is the same as the basic earnings per share as the Group did not have dilutive potential ordinary shares during the interim period (2016: Nil).

8 Property, plant and equipment

(a) Acquisitions and disposals

During the six months ended June 30, 2017, the Group acquired items of plant and equipment with a cost of \$8,054,000 (six months ended June 30, 2016: \$26,031,000). Items of plant and equipment with a net book value of \$449,000 were disposed of during the six months ended June 30, 2017 (six months ended June 30, 2016: Nil), resulting in a loss on disposal of \$429,000 (six months ended June 30, 2016: Nil).

(b) Customer's equipment

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 \$116,618,000 (December 31, 2016: \$116,618,000) and was not recognised as the Group's property, plant and equipment. There is no rental charge for the machinery and the management consider that the arrangement has been taken into account in determining sales prices with the customer.

9 Trade and other receivables

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

	At June 30, 2017 \$'000	At December 31, 2016 \$'000
Within 1 month	71,890	133,790
Over 1 to 2 months	14,856	67,382
Over 2 to 3 months	233	391
Over 3 months	417	531
Trade receivables, net of allowance for doubtful debts	87,396	202,094
Other receivables and prepayments	30,831	29,064
	118,227	231,158

Notes to the Unaudited Interim Financial Report

(Expressed in United States dollars unless otherwise indicated)

9 Trade and other receivables (continued)

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

Trade receivables with carrying amount of \$60,180,000 (December 31, 2016: \$113,223,000) were used to secure the Group's bank loans.

10 Bank deposits and cash and cash equivalents

	At June 30, 2017 \$'000	At December 31, 2016 \$'000
Bank deposits within three months to maturity when placed Cash at bank and in hand	11,811 25,058	7,523 77,912
Cash and cash equivalents in the consolidated statement of financial position and the condensed consolidated cash flow statement	36,869	85,435
Bank deposits with more than three months to maturity when placed	40,739	39,675

11 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:

	At June 30, 2017 \$'000	At December 31, 2016 \$'000
Within 1 month	74,118	88,010
Over 1 to 3 months	32	68,821
Over 3 to 6 months	919	631
Trade payables	75,069	157,462
Accrued charges and other payables	6,307	11,231
	81,376	168,693

Notes to the Unaudited Interim Financial Report

(Expressed in United States dollars unless otherwise indicated)

12 Capital, reserves and dividends

(a) Dividends

- (i) Dividends payable to equity shareholders attributable to the interim period

	Six months ended June 30	
	2017 \$'000	2016 \$'000
Interim dividend declared and paid after the interim period of HK1.7179 cents per share (six months ended June 30, 2016: Nil)	1,841	—

The interim dividend has not been recognised as a liability at the end of the reporting period.

- (ii) Dividends payable to equity shareholders attributable to the previous financial year, approved and paid during the interim period

	Six months ended June 30	
	2017 \$'000	2016 \$'000
Final dividend in respect of the previous financial year, approved and paid during the following interim period, of HK7.977 cents per share (six months ended June 30, 2016: Nil)	8,548	—

(b) Equity settled share-based transactions

On June 20, 2017, 400,000 share options (six months ended June 30, 2016: 1,900,000 share options) were granted for nominal consideration of HK\$1 to employees of the Group under the Company's employee share option scheme. Each share option gives the holder the right to subscribe for one ordinary share of the Company. These share options will vest on June 19, 2020, and then exercisable until June 2027. The exercise price are HK\$3.04, being the weighted average closing price of the Company's ordinary shares immediately before the grant.

During the six months ended June 30, 2017, no options (six months ended June 30, 2016: nil) were exercised and 50,000 share options (six months ended June 30, 2016: 1,800,000 share options) were cancelled under the share option scheme.

13 Capital commitments outstanding not provided for in the interim financial report

	At June 30, 2017 \$'000	At December 31, 2016 \$'000
Contracted for	5,694	844

14 Contingent liabilities

Financial guarantees issued

As at the end of the reporting period, the Company has issued guarantees to certain banks to secure banking facilities granted by banks to certain subsidiaries amounting to \$50,000,000 (December 31, 2016: \$90,000,000).

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 \$10,572,000 (December 31, 2016: \$89,249,000).

15 Material related party transactions

The Group entered into the following material related party transactions.

(a) Key management personnel remuneration

All members of key management personnel are the directors of the Company, and their salaries and other short-term benefits for the period are \$371,000 (six months ended June 30, 2016: \$609,000).

(b) Consultancy fee payable to a substantial shareholder

In April 2016, the Group entered into a consulting agreement at the annual rate of \$380,000 in respect of consultancy service provided by a substantial shareholder. The amount of consultancy service fee incurred during the six months ended June 30, 2017 is \$190,000 (six months ended June 30, 2016: \$74,000). No amounts were outstanding as at June 30, 2017 (December 31, 2016: Nil).

16 Possible impact of amendments, new standards and interpretations issued but not yet effective for the six months ended June 30, 2017

A number of amendments and new standards are effective for annual periods beginning after January 1, 2017 and earlier application is permitted; however, the Group has not early adopted any new or amended standards in preparing this interim financial report.

The Group has the following update to the information provided in the last annual financial statements about the possible impacts of the new standards issued but not yet effective which may have a significant impact on the Group's consolidated financial statements.

Notes to the Unaudited Interim Financial Report

(Expressed in United States dollars unless otherwise indicated)

16 Possible impact of amendments, new standards and interpretations issued but not yet effective for the six months ended June 30, 2017 (continued)

IFRS 16, Leases

Currently the Group classifies leases into finance leases and operating leases and accounts for the lease arrangements differently, depending on the classification of the leases. The Group enters into some leases as the lessee.

IFRS 16 is not expected to impact significantly on the way that lessors account for their rights and obligations under a lease. However, once IFRS 16 is adopted, lessees will no longer distinguish between finance leases and operating leases. Instead, subject to practical expedients, lessees will account for all leases in a similar way to current finance lease accounting, i.e. at the commencement date of the lease the lessee will recognise and measure a lease liability at the present value of the minimum future lease payments and will recognise a corresponding “right-of-use” asset. After initial recognition of this asset and liability, the lessee will recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the current policy of recognising rental expenses incurred under operating leases on a systematic basis over the lease term. As a practical expedient, the lessee can elect not to apply this accounting model to short-term leases (i.e. where the lease term is 12 months or less) and to leases of low-value assets, in which case the rental expenses would continue to be recognised on a systematic basis over the lease term.

IFRS 16 will primarily affect the Group’s accounting as a lessee of leases for properties, plant and equipment which are currently classified as operating leases. The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the statement of profit or loss over the period of the lease. At June 30, 2017 the Group’s future minimum lease payments under non-cancellable operating leases amount to \$21,734,000 for properties, the majority of which is payable either between 1 and 5 years after the reporting date or in more than 5 years. Some of these amounts may therefore need to be recognised as leases liabilities, with corresponding right-of-use assets, once IFRS 16 is adopted. The Group will need to perform a more detailed analysis to determine the amounts of new assets and liabilities arising from operating lease commitments on adoption of IFRS 16, after taking into account the applicability of the practical expedient and adjusting for any leases entered into or terminated between now and the adoption of IFRS 16 and the effects of discounting.

IFRS 16 is effective for annual periods beginning on or after January 1, 2019. The Group has decided not to early adopt IFRS 16 in its 2018 consolidated financial statements.