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

INTERIM REPORT
2018

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. Seong Seokhoon *(Chairman)*
Mr. Lee Dong Goo

Independent Non-executive Directors

Mr. Kim Chan Su
Dr. Song Si Young
Mr. Andrew Look

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

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 PEOPLE’S REPUBLIC OF CHINA

No. 1 Songbai Road
Huanan Industrial Zone
Liaobu Town
Dongguan City
Guangdong Province
People’s Republic of China

Corporate Information

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suite 3208–9
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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
24/F., Admiralty Centre I
18 Harcourt Road, Hong Kong

Management Discussion and Analysis

BUSINESS REVIEW

Cowell e Holdings Inc. (the "**Company**", 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 LG Electronics and Hitachi.

The Group operates two production facilities at Hengkeng and Huanan in Dongguan, the People's Republic of China, 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, 2018, the Group sold approximately 47.7 million units of camera modules and approximately 32.0 million units of optical components, compared to approximately 64.6 million units of camera modules and approximately 42.0 million units of optical components in the corresponding period of 2017. The Group's revenue amounted to US$253.9 million in the first half of 2018 as compared to US$319.4 million in the first half of 2017. The Group's net loss amounted to US$2.5 million in the first half of 2018 as compared to net profit amount to US$9.2 million in the first half of 2017.

Camera Modules

Camera module ("**CM**") revenue in the first half of 2018 decreased by 20.3% as compared to that in the correspondent period in 2017, which was mainly due to customers' decreased orders and growing competition in the supply chain. The demand for single front-end camera module in the first half of 2018 was largely influenced by the stagnant smartphone industry driven by the lengthened smartphone replacement cycle.

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 modules component. The demand for DVD component has been decreasing due to the growing popularity of the internet based streaming service. Also the Group's blue filter sales decreased due to a stagnant smartphone industry and increased competition in the market. As a result, the Group's optical component sales in the first half of 2018 was down by 49.1% as compared to that in the same period of 2017.

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	
	2018	2017	**Amount**	**%**
	(US$ in millions, except percentages)			
Revenue				
CM	**252.4**	316.5	(64.1)	(20.3)%
Optical components	**1.5**	2.9	(1.4)	(48.3)%
Total	**253.9**	319.4	(65.5)	(20.5)%

OUTLOOK AND FUTURE STRATEGIES

The Group's view on the second half of 2018 is positive due mainly to the seasonality of the business and improved production yield of new products and operational efficiency.

Notwithstanding the above, the business environment for the second half of 2018 is uncertain due to the following risk and opportunity factors identified by the Group:

Risk Factors:

– lengthening smartphone replacement cycle; and

– growing competition among camera module suppliers.

Opportunity Factors:

– increasing level of customers' sophistication for camera functions in the areas of virtual reality and augmented reality; and

– increasing number of camera modules for smartphone, which is currently considered as a main differentiating factor among major smartphone makers

In order to cope with the aforementioned risks and opportunities, 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 has intention to develop new product offerings based on suggestions from the Group's major customers and strives to capture larger share of the growing demand for camera modules as well as mandates for new product projects.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at June 30, 2018, the Group had total assets of US$388.1 million (December 31, 2017: US$504.1 million); net current assets of US$187.2 million (December 31, 2017: US$196.8 million) and total equity of US$321.1 million (December 31, 2017: US$333.5 million).

The Group had a solid financial position and continued to maintain a strong and steady inflow from operating activities. As of June 30, 2018, the Group reported US$111.8 million in unencumbered cash and cash equivalents. Management believes that the Group's current cash and cash equivalents 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, 2018, trade receivables with a net carrying value of US$31.9 million (December 31, 2017: US$70.6 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, 2018 amounted to US$11.3 million, compared to US$8.1 million for the six months ended June 30, 2017. The Group's capital expenditures in the first half of 2018 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 the possible fund raising exercise.

CONTINGENT LIABILITIES

As at June 30, 2018, 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$30.0 million (December 31, 2017: US$70.0 million).

HUMAN RESOURCES

The Group employed a total of 2,771 full-time employees as of June 30, 2018 (December 31, 2017: 4,267). Total staff costs for the six months ended June 30, 2018, excluding Directors' remuneration were approximately US$23.1 million (first half of 2017: US$24.9 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, 2018, 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 (the "**Model Code**") as set out in Appendix 10 of the Rules (the "**Listing Rules**") Governing the Listing of Securities on the Hong Kong Stock Exchange.

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

As at June 30, 2018, 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.

During the six months ended June 30, 2018, 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 3,000,000 Shares under the Share Option Scheme. Details of the Options granted are set out below:

Grant of Options

Date of Grant:	April 19, 2018
Exercise price:	HK$1.948 per Share
Total number of Options granted:	An aggregate of 2,000,000 Options
Exercisable period of the Options:	Options are exercisable from April 19, 2020 to April 18, 2028 (both dates inclusive)

Date of Grant:	May 24, 2018
Exercise price:	HK$1.89 per Share
Total number of Options granted:	An aggregate of 1,000,000 Options
Exercisable period of the Options:	Options are exercisable from May 8, 2020 to May 7, 2028 (both dates inclusive)

Movement of the Options under the share option scheme during the six months ended June 30, 2018 are listed below:

MOVEMENT OF THE SHARE OPTION

	Number of Share Options										
	As at January 1, 2018	Date of Grant April 19, 2018	Date of Grant May 24, 2018	Cancelled	Lapsed	As at June 30, 2018	Exercise Price (HK$)	Closing price of the securities on the Date of Grant (HK$)	Date of Grant	Vesting Period	Exercisable Period
Seong Seokhoon	1,000,000	–	–	–	–	1,000,000	3.76	3.75	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	3.75	October 30, 2015	October 31, 2015 to December 31, 2017	January 1, 2018 to October 29, 2025
Continuous contract employee	3,850,000	–	–	(1,600,000)	–	2,250,000	3.76	3.75	October 30, 2015	October 31, 2015 to December 31, 2017	January 1, 2018 to October 29, 2025
Continuous contract employee	400,000	–	–	(400,000)	–	–	2.92	2.83	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	3.04	June 20, 2017	June 21, 2017 to June 19, 2020	June 20, 2020 to June 19, 2027
Lee Kyung Koo	–	2,000,000				2,000,000	1.948	1.86	April 19, 2018	April 20, 2018 to April 18, 2020	April 19, 2020 to April 18, 2028
Continuous contract employee	–	–	1,000,000	–	–	1,000,000	1.89	1.81	May 24, 2018	May 25, 2018 to May 7, 2020	May 8, 2020 to May 7, 2028
Total	6,650,000	2,000,000	1,000,000	(2,400,000)	–	7,250,000					

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended June 30, 2018 (2017: HK1.7179 cents per share).

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, 2018.

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, 2018 (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 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.

Upon Mr. Seong Seokhoon's resignation from his position as chief executive officer with the Company on April 19, 2018, Mr. Seong has been remained as the Company's chairman of the board and Mr. Lee Kyung Koo was newly appointed as the Company's chief executive officer with effect from April 19, 2018.

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 of the Company (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, 2018. 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, 2018.

Supplementary Information

MODEL CODE OF SECURITIES TRANSACTIONS BY DIRECTORS

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

REVIEW OF INTERIM FINANCIAL REPORT

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

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 9, 2018

Review Report

KPMG

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

(Incorporated in the Cayman Islands with limited liability)

Introduction

We have reviewed the interim financial report set out on pages 13 to 30 which comprises the consolidated statement of financial position of Cowell e Holdings Inc. ("**the Company**") as of June 30, 2018 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, 2018 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 9, 2018

Consolidated Statement of Profit or Loss

for the six months ended June 30, 2018 — unaudited
(Expressed in United States dollars)

	Note	Six months ended June 30 2018 $'000	2017 $'000 (Note)
Revenue	*3 & 4*	253,860	319,437
Cost of sales		(235,609)	(288,035)
Gross profit		18,251	31,402
Other revenue		1,144	1,423
Other net income/(loss)		1,264	(1,777)
Selling and distribution expenses		(1,267)	(1,453)
Administrative expenses		(22,412)	(19,247)
(Loss)/profit from operations		(3,020)	10,348
Finance costs	*5(a)*	(169)	(69)
Donation		–	(21)
(Loss)/profit before taxation	*5*	(3,189)	10,258
Income tax credit/(charge)	*6*	722	(1,053)
(Loss)/profit for the period		(2,467)	9,205
(Loss)/earnings per share	*7*		
Basic and diluted		$(0.003)	$0.011

Note: The Group has initially applied IFRS 9 at January 1, 2018. Under the transition methods chosen, comparative information is not restated. See note 2.

The notes on pages 18 to 30 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, 2018 — unaudited
(Expressed in United States dollars)

	Six months ended June 30	
	2018	2017
	$'000	$'000
		(Note)
(Loss)/profit for the period	**(2,467)**	9,205
Other comprehensive income for the period (after tax adjustments):		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements	**(4,255)**	6,948
Items that will not be reclassified to profit or loss:		
Remeasurement of net defined benefit liability	**(5)**	—
Other comprehensive income for the period	**(4,260)**	6,948
Total comprehensive income for the period	**(6,727)**	16,153

Note: The Group has initially applied IFRS 9 at January 1, 2018. Under the transition methods chosen, comparative information is not restated. See note 2.

The notes on pages 18 to 30 form part of this interim financial report.

Consolidated Statement of Financial Position

at June 30, 2018 — unaudited
(Expressed in United States dollars)

	Note	At June 30 2018 $'000	At December 31, 2017 $'000 *(Note)*
Non-current assets			
Property, plant and equipment	*8*	**119,325**	121,343
Intangible assets		**7,985**	8,079
Other receivables		**6,066**	6,628
Deferred tax assets		**763**	832
		134,139	136,882
Current assets			
Inventories		**49,593**	107,366
Trade and other receivables	*9*	**67,259**	139,904
Current tax recoverable		**1,361**	1,221
Pledged deposits		**3,287**	3,427
Bank deposits	*10*	**20,691**	21,409
Cash and cash equivalents	*10*	**111,784**	93,937
		253,975	367,264
Current liabilities			
Trade and other payables	*11*	**54,983**	117,952
Bank loans		**10,026**	47,114
Current tax payable		**1,750**	5,359
		66,759	170,425
Net current assets		**187,216**	196,839
Total assets less current liabilities		**321,355**	333,721
Non-current liabilities			
Net defined benefit retirement obligation		**257**	225
		257	225
NET ASSETS		**321,098**	333,496
CAPITAL AND RESERVES			
Share capital	*12*	**3,326**	3,326
Reserves		**317,772**	330,170
TOTAL EQUITY		**321,098**	333,496

Note: The Group has initially applied IFRS 9 at January 1, 2018. Under the transition methods chosen, comparative information is not restated. See note 2.

The notes on pages 18 to 30 form part of this interim financial report.

Consolidated Statement of Changes in Equity

for the six months ended June 30, 2018 — unaudited
(Expressed in United States dollars)

	Note	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, 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 *(Note)*		3,326	57,850	4,046	7	762	8,743	(16,731)	247,563	305,566
Balance at July 1, 2017		3,326	57,850	4,046	7	762	8,743	(16,731)	247,563	305,566
Changes in equity for the six months ended December 31, 2017:										
Profit for the period		–	–	–	–	–	–	–	18,414	18,414
Other comprehensive income		–	–	–	–	–	–	11,603	34	11,637
Total comprehensive income		–	–	–	–	–	–	11,603	18,448	30,051
Transfer from retained profits		–	–	–	–	–	1,439	–	(1,439)	–
Equity settled share-based transactions		–	–	(281)	–	–	–	–	–	(281)
Dividends declared in respect of the current year	*12(a)(ii)*	–	–	–	–	–	–	–	(1,840)	(1,840)
Balance at December 31, 2017		3,326	57,850	3,765	7	762	10,182	(5,128)	262,732	333,496
Balance at January 1, 2018		3,326	57,850	3,765	7	762	10,182	(5,128)	262,732	333,496
Impact on initial application of IFRS 9	*2*	–	–	–	–	–	–	–	(114)	(114)
Adjusted balance at January 1, 2018		3,326	57,850	3,765	7	762	10,182	(5,128)	262,618	333,382
Changes in equity for the six months ended June 30, 2018:										
Loss for the period		–	–	–	–	–	–	–	(2,467)	(2,467)
Other comprehensive income		–	–	–	–	–	–	(4,255)	(5)	(4,260)
Total comprehensive income		–	–	–	–	–	–	(4,255)	(2,472)	(6,727)
Dividends approved in respect of the previous year	*12(a)(i)*	–	–	–	–	–	–	–	(5,524)	(5,524)
Equity settled share-based transactions		–	–	(33)	–	–	–	–	–	(33)
Share options lapsed		–	–	(453)	–	–	–	–	453	–
Balance at June 30, 2018		3,326	57,850	3,279	7	762	10,182	(9,383)	255,075	321,098

Note: The Group has initially applied IFRS 9 at January 1, 2018. Under the transition methods chosen, comparative information is not restated. See note 2.

The notes on pages 18 to 30 form part of this interim financial report.

Condensed Consolidated Cash Flow Statement

for the six months ended June 30, 2018 — unaudited
(Expressed in United States dollars)

	Note	Six months ended June 30 2018 $'000	2017 $'000 (Note)
Operating activities			
Cash generated from operations		**74,352**	54,191
Tax paid		**(3,069)**	(4,876)
Net cash generated from operating activities		**71,283**	49,315
Investing activities			
Payment for purchase of property, plant and equipment		**(11,322)**	(8,054)
Other cash flows arising from investing activities		**774**	(2,096)
Net cash used in investing activities		**(10,548)**	(10,150)
Financing activities			
Proceeds from bank loans		**245,882**	331,063
Repayment of bank loans		**(282,970)**	(409,740)
Decrease/(increase) in pledged deposits		**140**	(813)
Dividend paid to equity shareholders of the Company		**(5,524)**	(8,548)
Other cash flows arising from financing activities		**(169)**	(69)
Net cash used in financing activities		**(42,641)**	(88,107)
Net increase/(decrease) in cash and cash equivalents		**18,094**	(48,942)
Cash and cash equivalents at January 1	*10*	**93,937**	85,435
Effect of foreign exchange rates changes		**(247)**	376
Cash and cash equivalents at June 30	*10*	**111,784**	36,869

Note: The Group has initially applied IFRS 9 at January 1, 2018. Under the transition methods chosen, comparative information is not restated. See note 2.

The notes on pages 18 to 30 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 9, 2018.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2017 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2018 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 2017 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with International Financial Reporting Standards ("**IFRSs**").

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

The financial information relating to the financial year ended December 31, 2017 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

(a) Overview

The IASB has issued a number of new IFRSs and amendments to IFRSs that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's financial statements:

- IFRS 9, *Financial instruments*
- IFRS 15, *Revenue from contracts with customers*
- IFRIC 22, *Foreign currency transactions and advance consideration*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period, except for the amendments to IFRS 9, *Prepayment features with negative compensation* which have been adopted at the same time as IFRS 9.

The Group has been impacted by IFRS 9 in relation to measurement of credit losses. Details of the changes in accounting policies are discussed in note 2(b) for IFRS 9.

Notes to the Unaudited Interim Financial Report

(Expressed in United States dollars unless otherwise indicated)

2 Changes in accounting policies (continued)

(a) Overview (continued)

Under the transition methods chosen, the Group recognises cumulative effect of the initial application of IFRS 9 as an adjustment to the opening balance of equity at January 1, 2018. Comparative information is not restated. The following table gives a summary of the opening balance adjustments recognised for each line item in the consolidated statement of financial position that has been impacted by IFRS 9:

	At December 31, 2017 $'000	Impact on initial application of IFRS 9 $'000 *(Note 2(b))*	**At January 1, 2018 $'000**
Trade and other receivables	139,904	(114)	**139,790**
Reserves	(330,170)	114	**(330,056)**

Further details of these changes are set out in sub-section (b) of this note.

(b) IFRS 9, *Financial instruments*, including the amendments to IFRS 9, *Prepayment features with negative compensation*

IFRS 9 replaces IAS 39, *Financial instruments: recognition and measurement*. It sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

The Group has applied IFRS 9 retrospectively to items that existed at January 1, 2018 in accordance with the transition requirements. The Group has recognised the cumulative effect of initial application as an adjustment to the opening equity at January 1, 2018. Therefore, comparative information continues to be reported under IAS 39.

The following table summarises the impact of transition to IFRS 9 on retained profits at January 1, 2018.

	$'000
Retained profits	
Recognition of additional expected credit losses on financial assets measured at amortised cost and net decrease in retained profits at January 1, 2018	114

Further details of the nature and effect of the changes to previous accounting policies and the transition approach are set out below:

(i) Credit losses

IFRS 9 replaces the "incurred loss" model in IAS 39 with the ECL model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises ECLs earlier than under the "incurred loss" accounting model in IAS 39.

The Group applies the new ECL model to the financial assets measured at amortised cost (including trade and other receivables).

Notes to the Unaudited Interim Financial Report

(Expressed in United States dollars unless otherwise indicated)

2 Changes in accounting policies (continued)

(b) IFRS 9, *Financial instruments*, including the amendments to IFRS 9, *Prepayment features with negative compensation* (continued)

(i) ***Credit losses*** (continued)

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

— trade and other receivables: effective interest rate determined at initial recognition or an approximation thereof.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

— 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

— lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is 90 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

2 Changes in accounting policies (continued)

(b) IFRS 9, *Financial instruments*, including the amendments to IFRS 9, *Prepayment features with negative compensation* (continued)

(i) ***Credit losses*** (continued)

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

— failure to make payments of principal or interest on their contractually due dates;

— an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

— an actual or expected significant deterioration in the operating results of the debtor; and

— existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Write-off policy

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

Opening balance adjustment

As a result of this change in accounting policy, the Group has recognised additional ECLs amounting to $114,000, which decreased retained profits by $114,000 at January 1, 2018.

Notes to the Unaudited Interim Financial Report

(Expressed in United States dollars unless otherwise indicated)

2 Changes in accounting policies (continued)

(b) IFRS 9, *Financial instruments*, including the amendments to IFRS 9, *Prepayment features with negative compensation* (continued)

(i) *Credit losses* (continued)

The following table reconciles the closing loss allowance determined in accordance with IAS 39 as at December 31, 2017 with the opening loss allowance determined in accordance with IFRS 9 as at January 1, 2018.

	$'000
Loss allowance at December 31, 2017 under IAS 39	104
Additional credit loss recognised at January 1, 2018 on:	
—Trade receivables	114
Loss allowance at January 1, 2018 under IFRS 9	218

(ii) *Transition*

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except as described below:

— Information relating to comparative periods has not been restated. Differences in the carrying amounts of financial assets resulting from the adoption of IFRS 9 are recognised in retained profits and reserves as at January 1, 2018. Accordingly, the information presented for 2017 continues to be reported under IAS 39 and thus may not be comparable with the current period.

— If, at the date of initial application, the assessment of whether there has been a significant increase in credit risk since initial recognition would have involved undue cost or effort, a lifetime ECL has been recognised for that financial instrument.

(c) IFRS 15, *Revenue from contracts with customers*

IFRS 15 establishes a comprehensive framework for recognising revenue and some costs from contracts with customers. IFRS 15 replaces IAS 18, *Revenue*, which covered revenue arising from sale of goods and rendering of services, and IAS 11, *Construction contracts*, which specified the accounting for construction contracts. The adoption of IFRS 15 does not have any material impact on the financial position and the financial result of the Group.

(d) IFRIC 22, *Foreign currency transactions and advance consideration*

This interpretation provides guidance on determining "the date of the transaction" for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) arising from a transaction in which an entity receives or pays advance consideration in a foreign currency.

The Interpretation clarifies that "the date of the transaction" is the date on initial recognition of the non-monetary asset or liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the date of the transaction for each payment or receipt should be determined in this way. The adoption of IFRIC 22 does not have any material impact on the financial position and the financial result of the Group.

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.

The Group's customer base includes two customers (2017: two customers), with each of whom transactions have exceeded 10% of the Group's revenues, for the six months ended June 30, 2018. 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,	
	2018	2017
	$'000	$'000
Largest customer	**225,085**	257,905
— Percentage of total revenue	**89%**	81%
Second largest customer	**27,092**	52,901
— Percentage of total revenue	**10%**	17%

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) Disaggregation of revenue

Disaggregation of revenue by geographical location of customers is as follows:

	Six months ended June 30,	
	2018	2017
	$'000	$'000
The People's Republic of China ("**PRC**") (place of domicile)	**242,551**	284,164
The Republic of Korea ("**Korea**")	**2,297**	18,452
Others	**9,012**	16,821
	253,860	319,437

Notes to the Unaudited Interim Financial Report

(Expressed in United States dollars unless otherwise indicated)

3 Revenue and segment reporting (continued)

(b) 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	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Revenue from external customers	252,385	316,540	1,475	2,897	253,860	319,437
Reportable segment revenue	252,385	316,540	1,475	2,897	253,860	319,437
Reportable segment (loss)/profit	(1,512)	11,757	(1,304)	(663)	(2,816)	11,094

Reporting segment (loss)/profit is the (loss)/profit before taxation. To arrive at (loss)/profit before taxation, the Group's (loss)/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.

(c) Reconciliations of reportable segment profit or loss

	Six months ended June 30,	
	2018 $'000	2017 $'000
Reportable segment (loss)/profit	(2,816)	11,094
Unallocated head office and corporate expenses	(373)	(836)
Consolidated (loss)/profit before taxation	(3,189)	10,258

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, 2018, the camera module segment reported reportable segment revenue of $671,450,000 (twelve months ended June 30, 2017: $925,977,000), and reportable segment profit of $20,363,000 (twelve months ended June 30, 2017: $46,184,000).

Notes to the Unaudited Interim Financial Report

(Expressed in United States dollars unless otherwise indicated)

5 (Loss)/profit before taxation

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

	Six months ended June 30, 2018 $'000	2017 $'000 (Note)
(a) Finance costs		
Interest on bank borrowings	169	69
(b) Other items		
Amortisation	551	431
Depreciation	11,756	10,564
Research and development costs (other than depreciation)	9,904	7,843
Interest income	(575)	(446)
Net loss on disposal of plant and equipment	32	429
Reversal of impairment loss on trade receivables	(2)	—

Note: The Group has initially applied IFRS 9 at January 1, 2018. Under the transition methods chosen, comparative information is not restated. See note 2.

6 Income tax

	Six months ended June 30, 2018 $'000	2017 $'000
Current tax — Hong Kong Profits Tax	62	—
Current tax — Overseas	(849)	998
Deferred taxation	65	55
Income tax (credit)/charge	(722)	1,053

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% (2017: 16.5%) to the six months ended June 30, 2018. 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 (Loss)/earnings per share

(a) Basic (loss)/earnings per share

The calculation of basic (loss)/earnings per share is based on the loss attributable to ordinary equity shareholders of the parent of $2,467,000 (six months ended June 30, 2017: profit of $9,205,000) and weighted average of 831,519,000 ordinary shares (six months ended June 30, 2017: weighted average of 831,519,000 ordinary shares) in issue during the interim period.

(b) Diluted (loss)/earnings per share

The calculation of diluted (loss)/earnings per share is based on the loss attributable to ordinary equity shareholders of the parent of $2,467,000 (six months ended June 30, 2017: profit of $9,205,000) and the weighted average number of ordinary shares of 831,635,000 (six months ended June 30, 2017: weighted average of 831,519,000 ordinary shares) during the interim period of 2018.

8 Property, plant and equipment

(a) Acquisitions and disposals

During the six months ended June 30, 2018, the Group acquired items of plant and equipment with a cost of $11,322,000 (six months ended June 30, 2017: $8,054,000). Items of plant and equipment with a net book value of $59,000 were disposed of during the six months ended June 30, 2018 (six months ended June 30, 2017: $449,000), resulting in a loss on disposal of $32,000 (six months ended June 30, 2017: $429,000).

(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, 2017: $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.

Notes to the Unaudited Interim Financial Report

(Expressed in United States dollars unless otherwise indicated)

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, 2018 $'000	At December 31, 2017 $'000
Within 1 month	**32,360**	78,606
Over 1 to 2 months	**26,223**	38,630
Over 2 to 3 months	**2,813**	224
Over 3 months	**122**	859
Trade receivables, net of allowance for doubtful debts	**61,518**	118,319
Other receivables and prepayments	**5,741**	21,585
	67,259	139,904

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

Trade receivables with carrying amount of $31,918,000 (December 31, 2017: $70,556,000) were used to secure the Group's bank loans.

10 Bank deposits and cash and cash equivalents

	At June 30, 2018 $'000	At December 31, 2017 $'000
Bank deposits within three months to maturity when placed	**–**	31,286
Cash at bank and in hand	**111,784**	62,651
Cash and cash equivalents in the consolidated statement of financial position and the condensed consolidated cash flow statement	**111,784**	93,937
Bank deposits with more than three months to maturity when placed	**20,691**	21,409

Notes to the Unaudited Interim Financial Report

(Expressed in United States dollars unless otherwise indicated)

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, 2018 $'000	At December 31, 2017 $'000
Within 1 month	**47,393**	57,437
Over 1 to 3 months	**83**	49,810
Over 3 to 6 months	**79**	20
Trade payables	**47,555**	107,267
Accrued charges and other payables	**7,428**	10,685
	54,983	117,952

12 Capital, reserves and dividends

(a) Dividends

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

	Six months ended June 30,	
	2018 $'000	2017 $'000
No interim dividend for the six months ended June 30, 2018 (six months ended June 30, 2017: HK1.7179 cents per share)	**–**	1,841

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

	Six months ended June 30,	
	2018 $'000	2017 $'000
Final dividend in respect of the previous financial year, approved and paid during the following interim period, of HK5.1553 cents per share (six months ended June 30, 2017: HK7.977 cents per share)	**5,524**	8,548

12 Capital, reserves and dividends (continued)

(b) Equity settled share-based transactions

On April 19, 2018 and May 24, 2018, 2,000,000 and 1,000,000 share options (six months ended June 30, 2017: 400,000 share options) were granted respectively 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 April 18, 2020 and May 7, 2020 and then exercisable until April 18, 2028 and May 7, 2028 respectively. The exercise prices are HK$1.948 and HK$1.89 respectively, being the weighted average closing price of the Company's ordinary shares immediately before the grant.

During the six months ended June 30, 2018, no options (six months ended June 30, 2017: nil) were exercised and 2,400,000 share options (six months ended June 30, 2017: 50,000 share options) were cancelled under the share option scheme.

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

	At June 30, 2018 $'000	At December 31, 2017 $'000
Contracted for	565	896

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 $30,000,000 (December 31, 2017: $70,000,000).

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 $10,026,000 (December 31, 2017: $47,114,000).

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 $340,000 (six months ended June 30, 2017: $371,000).

(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, 2018 is $190,000 (six months ended June 30, 2017: $190,000). No amounts were outstanding as at June 30, 2018 (December 31, 2017: $Nil).

16 Comparative figures

The Group has initially applied IFRS 9 at January 1, 2018. Under the transition methods chosen, comparative information is not restated. Further details of the changes in accounting policies are disclosed in note 2.

17 Possible impact of amendments, new standards and interpretations issued but not yet effective for the six months ended June 30, 2018

A number of amendments and new standards are effective for annual periods beginning after January 1, 2018 and earlier application is permitted. Except for the amendments to IFRS 9, *Prepayment features with negative compensation*, which have been adopted at the same time as IFRS 9 (see note 2(b)) 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 in respect of IFRS 16, *Leases*, which may have a significant impact on the Group's consolidated financial statements.

IFRS 16, Leases

As discussed in the 2017 annual financial statements, currently the Group classifies leases into finance leases and operating leases and accounts for the lease arrangements differently, depending on the classification of the lease. Upon the adoption of IFRS 16, where the Group is the lessee under the lease the Group will be required to account for all leases in a similar way to current finance lease accounting, i.e. recognise and measure a lease liability at the present value of the minimum future lease payments and recognise a corresponding "right-of-use" asset at the commencement date of the lease, subject to practical expedients. IFRS 16 will primarily affect the Group's accounting as a lessee of leases for items of property, plant and equipment which are currently classified as operating leases.

The following is an updated information about the Group's future minimum lease payments for properties, based on the non-cancellable operating leases that have been entered into by June 30, 2018:

	$'000
Amounts payable:	
Within 6 months	1,265
After 6 months but within 1 year	931
After 1 year but within 5 years	9,147
After 5 years	10,937
	22,280

Upon the initial adoption of IFRS 16 at January 1, 2019, the present value of most of the future minimum lease payments that are payable after 6 months will be recognised as lease liabilities, with corresponding right-of-use assets recognised as non-current assets. 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.