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
2019

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

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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. Lee Dong Goo

Independent Non-executive Directors

Mr. Kim Chan Su
Dr. Song Si Young
Mr. Jung Jong Chae

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. Jung Jong Chae

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
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
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 ("**CM**") for mobile devices. The Group primarily engages in the design, development, manufacture and sale of a variety of CM that serve as critical components for smartphones, multimedia tablets and other mobile devices with camera functions. Customers for the Group's CM business include some of the leading mobile device manufacturers in the world such as Apple and LG 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 business include subsidiaries or affiliates of leading global electronics companies such as LG Electronics.

The Group operates two production facilities at Hengkeng and Huanan in Dongguan, the People's Republic of China (the "**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.

The Group's revenue amounted to US$193.5 million in the first half of 2019 as compared with US$253.9 million in the first half of 2018. The Group's net profit amounted to US$0.8 million in the first half of 2019 as compared to net loss amount to US$2.5 million in the first half of 2018.

Camera modules

Revenue for the Group's CM business decreased by 23.5% in the first half of 2019 as compared with that in the corresponding period in 2018, which was mainly due to customers' decreased orders and growing competition in the supply chain. The demand for CM in the first half of 2019 was largely influenced by the stagnant smartphone industry driven by the lengthened smartphone replacement cycle, relatively high prices of the United States of America (the "**US**") customer's devices, insignificant technology innovation perceived by the market as well as geopolitical conflicts such as trade war between the US and the PRC.

Optical components

The demand for DVD component has substantially decreased due to the growing popularity of the internet based streaming services. Therefore, DVD component business has not been profitable for many years. Consequently, the Company has decided to shut down its DVD component business in the second quarter of 2019. The optical component product presently offered by the Company is 'Blue Filter' which is one of the main parts of the CM. During the period ended June 30, 2019, the Company'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 2019 had decreased by 65.8% as compared with that in the same period of 2018.

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

	Six months ended June 30,		**Changes**	
	2019	2018	**Amount**	**%**
		(US$ in millions, except percentages)		
Revenue				
CM	**193.0**	252.4	(59.4)	(23.5)%
Optical components	**0.5**	1.5	(1.0)	(65.8)%
Total	**193.5**	253.9	(60.4)	(23.8)%

OUTLOOK AND FUTURE STRATEGIES

The outlook of the smartphone industry in the second half of 2019 is uncertain due to the risk factors listed below, but the Company's view on the prospects for the remaining year in 2019 is still positive due to the opportunity factors identified below:

Risk factors:

— lengthening smartphone replacement cycle;

— main US client's high pricing strategy for its new models;

— growing competition among CM suppliers; and

— geopolitical risk such as trade dispute.

Opportunity factors and strategies:

— increasing level of customers' sophistication for new functions relating to virtual reality and augmented reality; and

— increasing number of CM to be equipped into smartphones, which is currently considered as a main differentiating factor for the premium smartphones.

In order to cope with the aforementioned risks and opportunities, the Group will continue to focus on the enhancement of manufacturing processes, development of new technology and new products, improvement of production yield and tight cost management, which will, in turn, strengthen financial standing of the Group, enhance business relationship with the Group's existing customers and capture larger share of the customers' business. The Group has intention to develop new product offerings based on the requests and suggestions from the Group's major customers and strives to obtain mandates for new product development projects as much as possible.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at June 30, 2019, the Group had total assets of US$392.0 million (December 31, 2018: US$384.4 million); net current assets of US$195.1 million (December 31, 2018: US$206.6 million) and total equity of US$311.9 million (December 31, 2018: US$326.3 million).

The Group had a solid financial position and continued to maintain a strong and steady inflow from operating activities. As of June 30, 2019, the Group reported US$139.4 million in unencumbered cash and cash equivalents. The 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

As at June 30, 2019, the Group's pledged deposits included US$3.2 million (December 31, 2018: US$3.2 million) provided to the local customs authority in the PRC.

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, 2019 amounted to US$12.2 million, compared with US$11.3 million for the six months ended June 30, 2018. The Group's capital expenditures in the first half of 2019 mainly reflected purchases of additional equipment to produce more advanced flip-chip CM. The Group intends to fund the Group's planned future capital expenditures through a combination of cash flow from operating activities and possible fund raising exercise.

CONTINGENT LIABILITIES

As at June 30, 2019, the Group had no significant contingent liabilities.

HUMAN RESOURCES

The Group employed a total of 2,497 full-time employees as of June 30, 2019 (December 31, 2018: 2,437). Total staff costs for the six months ended June 30, 2019, excluding the remuneration of the directors of the Company (the "**Directors**") were approximately US$18.2 million (first half of 2018: US$23.1 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 of the Company (the "**Remuneration Committee**") is authorized by the board (the "**Board**") of the Directors 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, 2019, 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, 2019, the following persons had interests or short positions in the shares (the "**Share(s)**") 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, 2019, the Company has granted share options (the "**Options**") to Mr. Lee Kyung Koo, being the Chief Executive Officer of the Group and an eligible person, to subscribe for a total of 2,000,000 Shares under the Share Option Scheme. Details of the Options granted are set out below:

Grant of Options

Date of grant:	April 26, 2019
Exercise price:	HK$1.814 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)

Supplementary Information

Movement of the shares options under the Share Option Scheme during the six months ended June 30, 2019 are listed below:

MOVEMENT OF THE OPTIONS

	Number of Share Options								
	As at January 1, 2019	Date of grant April 26, 2019	Lapsed	As at June 30, 2019	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
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
Lee Kyung Koo	–	2,000,000	–	2,000,000	1.814	1.76	April 26, 2019	April 27, 2019 to April 18, 2020	April 19, 2020 to April 18, 2028
Continuous contract employee	1,950,000	–	–	1,950,000	3.76	3.75	October 30, 2015	October 31, 2015 to December 31, 2017	January 1, 2018 to October 29, 2025
Total	5,950,000	2,000,000	–	7,950,000					

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended June 30, 2019.

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, 2019.

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 and considered that, for the six months ended June 30, 2019 (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.

The Directors considered that the Company had fully complied with the applicable Code Provisions 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 Current Period. 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 Current Period.

MODEL CODE OF SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code. All Directors have confirmed, following specific enquiry of all Directors, that they have fully complied with the required standard set out in the Model Code throughout the Current Period.

EVENTS AFTER THE CURRENT PERIOD

There were no significant events affecting the Company nor any of its subsidiaries after the end of the Current 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.

Supplementary Information

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 8, 2019

Consolidated Statement of Profit or Loss

for the six months ended June 30, 2019 – unaudited
(Expressed in United States dollars)

		Six months ended June 30,	
		2019	2018
			(Note)
	Note	**$'000**	$'000
Revenue	*3 & 4*	**193,483**	253,860
Cost of sales		**(173,345)**	(235,609)
Gross profit		**20,138**	18,251
Other revenue		**2,098**	1,144
Other net (loss)/income		**(3,748)**	1,264
Selling and distribution expenses		**(892)**	(1,267)
Administrative expenses		**(17,251)**	(22,412)
Profit/(loss) from operations		**345**	(3,020)
Finance costs	*5(a)*	**(430)**	(169)
Donation		**(15)**	—
Loss before taxation	*5*	**(100)**	(3,189)
Income tax credit	*6*	**915**	722
Profit/(loss) for the period		**815**	(2,467)
Earnings/(loss) per share	*7*		
Basic and diluted		**$0.001**	$(0.003)

Note: The Group has initially applied IFRS 16 at January 1, 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.

The notes on pages 16 to 32 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, 2019 – unaudited
(Expressed in United States dollars)

	Six months ended June 30,	
	2019	2018
		(Note)
	$'000	$'000
Profit/(loss) for the period	**815**	(2,467)
Other comprehensive income for the period (after tax adjustments):		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements	**(881)**	(4,255)
Item that will not be reclassified to profit or loss:		
Remeasurement of net defined benefit liability	**(18)**	(5)
Other comprehensive income for the period	**(899)**	(4,260)
Total comprehensive income for the period	**(84)**	(6,727)

Note: The Group has initially applied IFRS 16 at January 1, 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.

The notes on pages 16 to 32 form part of this interim financial report.

Consolidated Statement of Financial Position

at June 30, 2019 — unaudited
(Expressed in United States dollars)

	Note	At June 30, 2019 $'000	At December 31, 2018 (Note) $'000
Non-current assets			
Property, plant and equipment	8	116,706	105,168
Intangible assets		7,063	7,516
Other receivables		5,534	5,559
Deferred tax assets		2,824	1,632
		132,127	119,875
Current assets			
Inventories		37,324	66,666
Trade and other receivables	9	58,845	60,808
Current tax recoverable		693	711
Pledged deposits		3,226	3,231
Bank deposits	10	20,360	20,757
Cash and cash equivalents	10	139,405	112,304
		259,853	264,477
Current liabilities			
Trade and other payables	11	61,182	54,183
Lease liabilities	2(d)	2,117	—
Current tax payable		1,480	3,691
		64,779	57,874
Net current assets		195,074	206,603
Total assets less current liabilities		327,201	326,478
Non-current liabilities			
Lease liabilities	2(d)	15,077	—
Net defined benefit retirement obligation		205	164
		15,282	164
NET ASSETS		311,919	326,314
CAPITAL AND RESERVES			
Share capital	12	3,326	3,326
Reserves		308,593	322,988
TOTAL EQUITY		311,919	326,314

Note: The Group has initially applied IFRS 16 at January 1, 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.

The notes on pages 16 to 32 form part of this interim financial report.

Consolidated Statement of Changes in Equity

for the six months ended June 30, 2019 – 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, 2018		3,326	57,850	3,765	7	762	10,182	(5,128)	262,732	333,496
Impact on initial application of IFRS 9		–	–	–	–	–	–	–	(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)	–	–	–	–	–	–	–	(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
Balance at January 1, 2019 *(Note)*		**3,326**	**57,850**	**3,249**	**7**	**762**	**10,563**	**(20,505)**	**271,062**	**326,314**
Impact on initial application of IFRS 16	2	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(2,401)**	**(2,401)**
Adjusted balance at January 1, 2019		**3,326**	**57,850**	**3,249**	**7**	**762**	**10,563**	**(20,505)**	**268,661**	**323,913**
Changes in equity for the six months ended June 30, 2019:										
Profit for the period		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**815**	**815**
Other comprehensive income		**–**	**–**	**–**	**–**	**–**	**–**	**(881)**	**(18)**	**(899)**
Total comprehensive income		**–**	**–**	**–**	**–**	**–**	**–**	**(881)**	**797**	**(84)**
Dividends approved in respect of the previous year	12(a)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(12,000)**	**(12,000)**
Equity settled share-based transactions		**–**	**–**	**90**	**–**	**–**	**–**	**–**	**–**	**90**
Balance at June 30, 2019		**3,326**	**57,850**	**3,339**	**7**	**762**	**10,563**	**(21,386)**	**257,458**	**311,919**

Note: The Group has initially applied IFRS 16 at January 1, 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.

Condensed Consolidated Cash Flow Statement

for the six months ended June 30, 2019 – unaudited
(Expressed in United States dollars)

		Six months ended June 30,	
		2019	2018
			(Note)
	Note	**$'000**	$'000
Operating activities			
Cash generated from operations		**53,168**	74,352
Tax paid		**(2,061)**	(3,069)
Net cash generated from operating activities		**51,107**	71,283
Investing activities			
Payment for purchase of property, plant and equipment		**(12,192)**	(11,322)
Other cash flows arising from investing activities		**1,704**	774
Net cash used in investing activities		**(10,488)**	(10,548)
Financing activities			
Proceeds from bank loans		**—**	245,882
Repayment of bank loans		**—**	(282,970)
Decrease in pledged deposits		**5**	140
Capital element of lease rentals paid		**(1,040)**	—
Interest element of lease rentals paid		**(430)**	—
Dividend paid to equity shareholders of the Company		**(12,000)**	(5,524)
Other cash flows arising from financing activities		**—**	(169)
Net cash used in financing activities		**(13,465)**	(42,641)
Net increase in cash and cash equivalents		**27,154**	18,094
Cash and cash equivalents at January 1	*10*	**112,304**	93,937
Effect of foreign exchange rates changes		**(53)**	(247)
Cash and cash equivalents at June 30	*10*	**139,405**	111,784

Note: The Group has initially applied IFRS 16 at January 1, 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.

The notes on pages 16 to 32 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 8, 2019.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2018 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2019 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 2018 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 the audit committee of the Company.

The financial information relating to the financial year ended December 31, 2018 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 a new IFRS, IFRS 16, *Leases*, and a number of amendments to IFRSs that are first effective for the current accounting period of the Group.

Except for IFRS 16, *Leases*, none of the developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented 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.

2 Changes in accounting policies (continued)

IFRS 16, *Leases*

IFRS 16 replaces IAS 17, *Leases*, and the related interpretations, IFRIC 4, *Determining whether an arrangement contains a lease*, SIC 15, *Operating leases — incentives*, and SIC 27, *Evaluating the substance of transactions involving the legal form of a lease*. It introduces a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less ("short-term leases") and leases of low value assets. The lessor accounting requirements are brought forward from IAS 17 substantially unchanged.

The Group has initially applied IFRS 16 as from January 1, 2019. The Group has elected to use the modified retrospective approach and has therefore recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at January 1, 2019. Comparative information has not been restated and continues to be reported under IAS 17.

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

(a) Changes in the accounting policies

(i) New definition of a lease

The change in the definition of a lease mainly relates to the concept of control. IFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group applies the new definition of a lease in IFRS 16 only to contracts that were entered into or changed on or after January 1, 2019. For contracts entered into before January 1, 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases.

Accordingly, contracts that were previously assessed as leases under IAS 17 continue to be accounted for as leases under IFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

2 Changes in accounting policies (continued)

IFRS 16, *Leases* (continued)

(a) Changes in the accounting policies (continued)

(ii) Lessee accounting

IFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by IAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under IAS 17, other than those short-term leases and leases of low-value assets. As far as the Group is concerned, these newly capitalized leases are primarily in relation to property, plant and equipment as disclosed in note 13(b).

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received.

The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

2 Changes in accounting policies (continued)

IFRS 16, *Leases* (continued)

(b) Critical accounting judgements and sources of estimation uncertainty in applying the above accounting polices

Determining the lease term

As explained in the above accounting policies, the lease liability is initially recognised at the present value of the lease payments payable over the lease term. In determining the lease term at the commencement date for leases that include renewal options exercisable by the Group, the Group evaluates the likelihood of exercising the renewal options taking into account all relevant facts and circumstances that create an economic incentive for the Group to exercise the option, including favourable terms, leasehold improvements undertaken and the importance of that underlying asset to the Group's operation. The lease term is reassessed when there is a significant event or significant change in circumstance that is within the Group's control. Any increase or decrease in the lease term would affect the amount of lease liabilities and right-of-use assets recognised in future years.

(c) Transitional impact

At the date of transition to IFRS 16 (i.e. January 1, 2019), the Group determined the length of the remaining lease terms and measured the lease liabilities for the leases previously classified as operating leases at the present value of the remaining lease payments, discounted using the relevant incremental borrowing rates at January 1, 2019. The weighted average of the incremental borrowing rates used for determination of the present value of the remaining lease payments was 4.76%.

To ease the transition to IFRS 16, the Group applied the following recognition exemption and practical expedients at the date of initial application of IFRS 16:

(i) the Group elected not to apply the requirements of IFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of IFRS 16, i.e. where the lease term ends on or before December 31, 2019;

(ii) when measuring the lease liabilities at the date of initial application of IFRS 16, the Group applied a single discount rate to a portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment); and

(iii) when measuring the right-of-use assets at the date of initial application of IFRS 16, the Group relied on the previous assessment for onerous contract provisions as at December 31, 2018 as an alternative to performing an impairment review.

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(Expressed in United States dollars unless otherwise indicated)

2 Changes in accounting policies (continued)

IFRS 16, *Leases* (continued)

(c) Transitional impact (continued)

The following table reconciles the operating lease commitments as disclosed in note 13(b) as at December 31, 2018 to the opening balance for lease liabilities recognised as at January 1, 2019:

	January 1, 2019 $'000
Operating lease commitments at December 31, 2018	19,654
Add: lease payments for the additional periods where the Group considers it reasonably certain that it will exercise the extension options	3,428
	23,082
Less: total future interest expenses	(4,830)
Present value of remaining lease payments, discounted using the incremental borrowing rate at January 1 and total lease liabilities recognised at January 1, 2019	18,252

The right-of-use assets in relation to leases previously classified as operating leases have been recognised at an amount equal to the amount recognised for the remaining lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the consolidated statement of financial position at December 31, 2018.

The Group presents right-of-use assets that do not meet the definition of investment property in “property, plant and equipment” and presents lease liabilities separately in the consolidated statement of financial position.

2 Changes in accounting policies (continued)

IFRS 16, *Leases* (continued)

(c) Transitional impact (continued)

The following table summarises the impacts of the adoption of IFRS 16 on the Group's consolidated statement of financial position:

	Carrying amount at December 31, 2018 $'000	Capitalisation of operating lease contracts $'000	**Carrying amount at January 1, 2019 $'000**
Line items in the consolidated statement of financial position impacted by the adoption of IFRS 16:			
Property, plant and equipment	105,168	15,427	**120,595**
Deferred tax assets	1,632	424	**2,056**
Total non-current assets	119,875	15,851	**135,726**
Lease liabilities (current)	—	2,077	**2,077**
Current liabilities	57,874	2,077	**59,951**
Net current assets	206,603	(2,077)	**204,526**
Total assets less current liabilities	326,478	13,774	**340,252**
Lease liabilities (non-current)	—	16,175	**16,175**
Total non-current liabilities	164	16,175	**16,339**
Net assets	326,314	(2,401)	**323,913**
Reserves	322,988	(2,401)	**320,587**
Total Equity	326,314	(2,401)	**323,913**

The analysis of the net book value of the Group's right-of-use assets by class of underlying asset at the end of the reporting period and at the date of transition to IFRS 16 is as follows:

	At June 30, 2019 $'000	At January 1, 2019 $'000
Included in "Property, plant and equipment":		
Other properties leased for own use, carried at depreciated cost	**14,126**	15,189
Motor vehicles leased for own use, carried at depreciated cost	**188**	238
	14,314	15,427

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(Expressed in United States dollars unless otherwise indicated)

2 Changes in accounting policies (continued)

IFRS 16, *Leases* (continued)

(d) Lease liabilities

The remaining contractual maturities of the Group's lease liabilities at the end of the reporting period and at the date of transition to IFRS 16 are as follows:

	At June 30, 2019		At January 1, 2019	
	Present value of the minimum lease payments	Total minimum lease payments	Present value of the minimum lease payments	Total minimum lease payments
	$'000	$'000	$'000	$'000
Within 1 year	2,117	2,894	2,077	2,903
After 1 year but within 2 years	2,178	2,859	2,153	2,883
After 2 years but within 5 years	4,169	5,738	4,676	6,352
After 5 years	8,730	10,101	9,346	10,944
	15,077	18,698	16,175	20,179
	17,194	21,592	18,252	23,082
Less: total future interest expenses		(4,398)		(4,830)
Present value of lease liabilities		17,194		18,252

(e) Impact on the financial result, segment results and cash flows of the Group

After the initial recognition of right-of-use assets and lease liabilities as at January 1, 2019, the Group as a lessee is required to recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. This results in a negative impact on the reported profit from operations in the Group's consolidated statement of profit or loss, as compared to the results if IAS 17 had been applied during the year.

In the cash flow statement, the Group as a lessee is required to split rentals paid under capitalised leases into their capital element and interest element. These elements are classified as financing cash outflows, similar to how leases previously classified as finance leases under IAS 17 were treated, rather than as operating cash outflows, as was the case for operating leases under IAS 17. Although total cash flows are unaffected, the adoption of IFRS 16 therefore results in a significant change in presentation of cash flows within the cash flow statement.

2 Changes in accounting policies (continued)

IFRS 16, *Leases* (continued)

(e) Impact on the financial result, segment results and cash flows of the Group (continued)

The following tables may give an indication of the estimated impact of adoption of IFRS 16 on the Group's financial result, segment results and cash flows for the six months ended June 30, 2019, by adjusting the amounts reported under IFRS 16 in these interim financial statements to compute estimates of the hypothetical amounts that would have been recognised under IAS 17 if this superseded standard had continued to apply to 2019 instead of IFRS 16, and by comparing these hypothetical amounts for 2019 with the actual 2018 corresponding amounts which were prepared under IAS 17.

	2019				2018
	Amounts reported under IFRS 16 (A) $'000	Add back: IFRS 16 depreciation and interest expense (B) $'000	Deduct: Estimated amounts related to operating leases as if under IAS 17 *(note 1)* (C) $'000	Hypothetical amounts for 2019 as if under IAS 17 (D=A+B-C) $'000	Compared to amounts reported for 2018 under IAS 17 $'000
Financial result for the six months ended June 30, 2019 impacted by the adoption of IFRS 16:					
Profit/(loss) from operations	345	1,128	(1,470)	3	(3,020)
Finance costs	(430)	430	–	–	(169)
Loss before taxation	(100)	1,558	(1,470)	(12)	(3,189)
Income tax credit	915	(14)	–	901	722
Profit/(loss) for the period	815	1,544	(1,470)	889	(2,467)
Reportable segment profit/(loss) for the six months ended June 30, 2019 (note 3(b)) impacted by the adoption of IFRS 16:					
– Camera module	4,165	1,066	(1,400)	3,831	(1,512)
– Optical components	(3,938)	62	(70)	(3,946)	(1,304)
– Total	227	1,128	(1,470)	(115)	(2,816)

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(Expressed in United States dollars unless otherwise indicated)

2 Changes in accounting policies (continued)

IFRS 16, *Leases* (continued)

(e) Impact on the financial result, segment results and cash flows of the Group (continued)

	2019			2018
	Amounts reported under IFRS 16 (A) $'000	Estimated amounts related to operating leases as if under IAS 17 *(notes 1 & 2)* (B) $'000	Hypothetical amounts for 2019 as if under IAS 17 (C=A+B) $'000	Compared to amounts reported under IAS 17 $'000
Line items in the condensed consolidated cash flow statement for the six months ended June 30, 2019 impacted by the adoption of IFRS 16:				
Cash generated from operations	53,168	(1,470)	51,698	74,352
Net cash generated from operating activities	51,107	(1,470)	49,637	71,283
Capital element of lease rentals paid	(1,040)	1,040	–	–
Interest element of lease rentals paid	(430)	430	–	–
Net cash used in financing activities	(13,465)	1,470	(11,995)	(42,641)

Note 1: The "estimated amounts related to operating leases" is an estimate of the amounts of the cash flows in 2019 that relate to leases which would have been classified as operating leases, if IAS 17 had still applied in 2019. This estimate assumes that there were no differences between rentals and cash flows and that all of the new leases entered into in 2019 would have been classified as operating leases under IAS 17, if IAS 17 had still applied in 2019. Any potential net tax effect is ignored.

Note 2: In this impact table these cash outflows are reclassified from financing to operating in order to compute hypothetical amounts of net cash generated from operating activities and net cash used in financing activities as if IAS 17 still applied.

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 one customer (2018: two customers), whom transactions have exceeded 10% of the Group's revenues, for the six months ended June 30, 2019. 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,	
	2019	2018
	$'000	$'000
Largest customer	**179,652**	225,085
— Percentage of total revenue	**93%**	89%
Second largest customer	**N/A***	27,092
— Percentage of total revenue	**N/A***	10%

* The corresponding revenue did not contribute over 10% of the Group's revenue.

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,	
	2019	2018
	$'000	$'000
The People's Republic of China ("PRC") (place of domicile)	**186,110**	242,551
The Republic of Korea ("Korea")	**4,150**	2,297
Others	**3,223**	9,012
	193,483	253,860

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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	
	2019	2018 *(Notes (i) and (ii))*	**2019**	2018 *(Notes (i) and (ii))*	**2019**	2018 *(Notes (i) and (ii))*
	$'000	$'000	**$'000**	$'000	**$'000**	$'000
Revenue from external customers	**192,978**	252,385	**505**	1,475	**193,483**	253,860
Reportable segment revenue	**192,978**	252,385	**505**	1,475	**193,483**	253,860
Reportable segment profit/(loss) *(Note (ii))*	**21,212**	19,183	**(1,074)**	(932)	**20,138**	18,251

Notes:

(i) The Group has initially applied IFRS 16 at January 1, 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.

(ii) As a result of re-alignment of information reported to the Group's most senior executive management, the Group changed the definition of reporting segment profit from "profit before taxation" to "gross profit". Comparative figures presented above have been adjusted to confirm to the current period's presentation.

Reporting segment profit/(loss) is the gross profit/(loss).

(c) Reconciliations of reportable segment profit or loss

	Six months ended June 30,	
	2019	2018 *(Notes (i) and (ii))*
	$'000	$'000
Reportable segment profit	**20,138**	18,251
Other revenue	**2,098**	1,144
Other net (loss)/income	**(3,748)**	1,264
Selling and distribution expenses	**(892)**	(1,267)
Administrative expenses	**(17,251)**	(22,412)
Finance costs	**(430)**	(169)
Donation	**(15)**	—
Consolidated loss before taxation	**(100)**	(3,189)

3 Revenue and segment reporting (continued)

(c) Reconciliations of reportable segment profit or loss (continued)

Notes:

(i) The Group has initially applied IFRS 16 at January 1, 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.

(ii) Comparative figures presented above have been adjusted to confirm to the current period's presentation.

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, 2019, the camera module segment reported reportable segment revenue of $473,829,000 (twelve months ended June 30, 2018: $671,450,000), and reportable segment profit of $24,194,000 (twelve months ended June 30, 2018: $20,363,000).

5 Loss before taxation

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

	Six months ended June 30,	
	2019	2018
		(Note)
	$'000	$'000
(a) Finance costs		
Interest on bank borrowings	**–**	169
Interest on lease liabilities	**430**	—
	430	169
(b) Other items		
Amortisation	**528**	551
Depreciation	**12,694**	11,756
Research and development costs (other than depreciation)	**8,227**	9,904
Interest income	**(1,365)**	(575)
Net loss on disposal of plant and equipment	**3,206**	32
Impairment loss/(reversal of impairment loss) on trade receivables	**9**	(2)

Note: The Group has initially applied IFRS 16 at January 1, 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.

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6 Income tax

	Six months ended June 30,	
	2019	2018
		(Note)
	$'000	$'000
Current tax — Hong Kong Profits Tax	**42**	62
Current tax — Overseas	**(207)**	(849)
Deferred taxation	**(750)**	65
Income tax credit	**(915)**	(722)

Note: The Group has initially applied IFRS 16 at January 1, 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.

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% (2018: 16.5%) to the six months ended June 30, 2019, except for one subsidiary of the Group which is a qualifying corporation under the two-tiered Profits Tax rate regime. For this subsidiary, the first HK$2 million of assessable profits are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. The provision for Hong Kong Profits Tax for this subsidiary was calculated at the same basis in 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.

7 Earnings/(loss) per share

(a) Basic earnings/(loss) per share

The calculation of basic earnings/(loss) per share is based on the profit attributable to ordinary equity shareholders of the parent of $815,000 (six months ended June 30, 2018: loss of $2,467,000) and weighted average of 831,519,000 ordinary shares (six months ended June 30, 2018: weighted average of 831,519,000 ordinary shares) in issue during the interim period.

(b) Diluted earnings/(loss) per share

The calculation of diluted earnings/(loss) per share is based on the profit attributable to ordinary equity shareholders of the parent of $815,000 (six months ended June 30, 2018: loss of $2,467,000) and the weighted average number of ordinary shares of 831,519,000 (six months ended June 30, 2018: weighted average of 831,635,000 ordinary shares) during the interim period of 2019.

8 Property, plant and equipment

(a) Right-of-use assets

As discussed in note 2, the Group has initially applied IFRS 16 using the modified retrospective method and adjusted the opening balances at January 1, 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under IAS 17. Further details on the net book value of the Group's right-of-use assets by class of underlying asset are set out in note 2.

(b) Acquisitions and disposals of owned assets

During the six months ended June 30, 2019, the Group acquired items of plant and equipment with a cost of $12,192,000 (six months ended June 30, 2018: $11,322,000). Items of plant and equipment with a net book value of $3,241,000 were disposed of during the six months ended June 30, 2019 (six months ended June 30, 2018: $59,000), resulting in a loss on disposal of $3,206,000 (six months ended June 30, 2018: $32,000).

(c) 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 $116,011,000 (December 31, 2018: $116,011,000) 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 loss allowance is as follows:

	At June 30, 2019 $'000	At December 31, 2018 $'000
Within 1 month	**33,675**	31,926
Over 1 to 2 months	**19,079**	22,956
Over 2 to 3 months	**271**	1,992
Over 3 months	**160**	97
Trade receivables, net of loss allowance	**53,185**	56,971
Other receivables and prepayments	**5,660**	3,837
	58,845	60,808

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

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10 Bank deposits and cash and cash equivalents

	At June 30, 2019 $'000	At December 31, 2018 $'000
Bank deposits within three months to maturity when placed	**130,048**	100,935
Cash at bank and in hand	**9,357**	11,369
Cash and cash equivalents in the consolidated statement of financial position and the condensed consolidated cash flow statement	**139,405**	112,304
Bank deposits with more than three months to maturity when placed	**20,360**	20,757

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, 2019 $'000	At December 31, 2018 $'000
Within 1 month	**31,599**	25,311
Over 1 to 3 months	**17,478**	20,844
Over 3 to 6 months	**8**	29
Trade payables	**49,085**	46,184
Accrued charges and other payables	**12,097**	7,999
	61,182	54,183

12 Capital, reserves and dividends

(a) Dividends

Dividends payable to equity shareholders attributable to the previous financial year, approved and paid during the interim periods

	Six months ended June 30,	
	2019	2018
	$'000	$'000
Final dividend in respect of the previous financial year, approved and paid during the following interim period, of HK11.1987 cents per share (six months ended June 30, 2018: HK5.1553 cents per share)	**12,000**	5,524

(b) Equity settled share-based transactions

On April 26, 2019, 2,000,000 share options (April 19, 2018 and May 24, 2018: 2,000,000 and 1,000,000 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 April 18, 2020 and then exercisable until April 18, 2028. The exercise price is HK$1.81, being the weighted average closing price of the Company's ordinary shares immediately before the grant.

During the six months ended June 30, 2019, no options (six months ended June 30, 2018: 2,400,000 share options) were lapsed/cancelled under the share option scheme.

13 Commitments

(a) Capital commitments outstanding at June 30, 2019 not provided for in the interim financial report

	At June 30, 2019	At December 31, 2018
	$'000	$'000
Contracted for	**81**	61

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13 Commitments (continued)

(b) At December 31, 2018, the total future minimum lease payments under non-cancellable operating leases were payable as follows:

	$'000
Within 1 year	2,070
After 1 year but within 5 years	6,761
After 5 years	10,823
	19,654

The Group is the lessee in respect of a number of properties held under leases which were previously classified as operating leases under IAS 17. The Group has initially applied IFRS 16 using the modified retrospective approach. Under this approach, the Group adjusted the opening balances at January 1, 2019 to recognise lease liabilities relating to these leases (see note 2). From January 1, 2019 onwards, future lease payments are recognised as lease liabilities in the statement of financial position in accordance with the policies set out in note 2.

14 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 $250,000 (six months ended June 30, 2018: $340,000).

(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, 2019 is $190,000 (six months ended June 30, 2018: $190,000). No amounts were outstanding as at June 30, 2019 (December 31, 2018: $Nil).

15 Comparative figures

The Group has initially applied IFRS 16 at January 1, 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. Further details of the changes in accounting policies are disclosed in note 2.