Cowell e Holdings Inc.
高偉電子控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1415

ANNUAL REPORT 2019

Contents

Corporate Information

COMPANY NAME

Cowell e Holdings Inc.

PLACE OF LISTING OF SHARES

The Stock Exchange of Hong Kong Limited

STOCK CODE

1415

STOCK NAME

Cowell

BOARD OF DIRECTORS

Executive Directors

Mr. Kwak Jung Young *(Chairman)*
(appointed on March 26, 2020)
Mr. Cho Young Hoon
(appointed on March 26, 2020)
Mr. Lee Dong Goo
(resigned on March 26, 2020)
Mr. Seong Seokhoon *(Chairman)*
(resigned on March 26, 2020)

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. Cho Young Hoon *(appointed on March 26, 2020)*
Ms. Lam Wing Yan
Mr. Seong Seokhoon *(resigned on March 26, 2020)*

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. Cho Young Hoon *(appointed on March 26, 2020)*
Mr. Seong Seokhoon *(resigned on March 26, 2020)*

NOMINATION COMMITTEE

Mr. Kwak Jung Young *(Chairman)*
(appointed on March 26, 2020)
Dr. Song Si Young
Mr. Kim Chan Su
Mr. Seong Seokhoon *(Chairman)*
(resigned on March 26, 2020)

REGISTERED OFFICE

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

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

No. 1 Songbai Road
Huanan Industrial Zone
Liaobu Town
Dongguan City
Guangdong Province
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
Public Interest Entity Auditor
registered in accordance with the Financial Reporting Council Ordinance
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
Wan Chai
Hong Kong

PRINCIPAL BANKERS

Hongkong 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

Chairman's Statement

Dear Shareholders,

I am pleased to present our key milestones and achievements for the financial year ended December 31, 2019 on behalf of Cowell e Holdings Inc.

The fiscal year of 2019 was another challenging year to the company, but we tried to overcome this in the uncertain business environment, such as the stagnant mobile phone market and the U.S.-China trade dispute.

For the last two years we have focused on the aspects of innovation of quality and efficiency, particularly manufacturing cost innovation, and also have explored new technology and products. For the year ended December 31, 2019, our revenue increased to US$542.6 million, which we observed a positive growth, and we recorded a net profit of US$29.3 million, which represents a 110.8% increase as compared to the prior year. We have made significant improvement in terms of profit in the second half of 2019. In order to achieve this, we have put in tremendous effort to improve production yield of our new products which we have launched in the second half of 2019. Furthermore, we have achieved cost innovation.

Going forward, uncertain economic and geopolitical situations including trade dispute and the outbreak of the novel coronavirus ("**COVID-19**") will continue to be a challenge to us and may affect our business. Given uncertainty stemmed from external factors as well as retreating smartphone industry, we believe, product diversification collaborating with customers and further production yield improvement are deemed to be two most optimal ways for the Company to grow in the near future. We are on the right track in this regard as we are currently working on various new projects with customers, which will help the Company grow in the near future. Starting in 2020, we will continue to set a record of continued growth based on our strong organizational skills over the past two years.

In addition to our focus on business, we have also paid much attention to health and environment protection and social responsibility for local community, in which we are doing business and we believe these are very critical for the sustainability of our business. In this regard, we have focused working environment and security against infectious diseases, we have continued a project called 'Zero Waste to Landfill', which relates to the disposal of both hazardous and non-hazardous wastes. Through this project, we are expecting more than 90% of total wastes will be either reused or recycled and no waste from our manufacturing sites to be landfilled. Lastly but not the least, on behalf of the Board, I would like to express my sincere gratitude to all our staff and the management team for their commitment for excellence, strong teamwork and dedication.

I would also like to thank all our shareholders and stakeholders for their confidence in and continued support to our Group. Looking ahead, we will continue to focus on the customers' satisfaction from every aspects, which, we believe, would be an important way to maximize shareholders' value. And as always, my sincere appreciation goes to our Board members for their contribution and invaluable guidance during the year.

Mr. Kwak Jung Young
Chairman

Management Discussion and Analysis

MARKET REVIEW

Global smartphone sales in 2019 were slightly reduced to 15.4 billion units from 15.6 billion units in 2018, but as camera module performance of smartphones became more advanced, market demand for camera modules is growing.

The camera module industry is a technology-intensive industry and a high value-added industry that has a great effect on front and rear industries. In addition, camera module can be applied to electronic products in various fields with the development of related technologies, which is a product with great possibility of expansion.

According to Gartner data, our major customer smartphone sales increased in 2019 4Q because of new generation product introduction and promotion. Therefore, our major customer market share has increased from 15.8% to 17.1% in 2019 4Q. However, the demand for smartphone in 2019 has decreased as the Group has faced a higher competition when compared with 2018. Chinese smartphone makers' market expansion through technology innovation and extensive marketing effort was unprecedented. In accordance with Gartner report, during the year ended December 31, 2019, Samsung commanded about 19.2% market share globally, followed by Huawei which commanded a market share of approximately 15.6%. Apple took the third position commanding about 12.6% market share. Consumers of smartphones have become more sophisticated and their level of expectation on technology innovation has risen. In order to meet consumers' expectation, major smartphone makers have tried to upgrade their flagship models in many areas. Among many technology innovation, new developments in screen and especially camera modules are noticeable. As previously observed, more and more camera modules are equipped in the premium handsets with various sophisticated functions.

This market trend has well been recognized by our management and has been reflected into our medium and long term business strategies.

BUSINESS REVIEW

The Group is a major supplier of camera modules for mobile devices. It primarily engages in the design, development, manufacture and sale of a variety of camera modules that serve as critical components for smartphones, multimedia tablets and other mobile devices with camera functions. Customers for the Group's camera modules include some of the leading mobile device manufacturers in the world such as Apple and LG Electronics.

The Group stopped the production and sales of some optical component (DVD pick up glass) as they did not receive any order from customers. The Group also stopped the production of consumer electric products.

Following the fiscal year of 2018, the business environment in the fiscal year of 2019 was not as favorable to the Group due to sluggish smartphone industry, increased competition and trade conflict between US and China.

Despite the unfavorable business environment, the Group had performed well in terms of sales and net profit which was achieved by continuously satisfying customers' needs and improving yield of new products and reducing overall cost.

For the year ended December 31, 2019, the Group sold approximately 85.9 million units of camera modules and approximately 8.2 million units of optical components, compared to approximately 95.7 million units of camera modules and approximately 60.0 million units of optical components in 2018. Revenue increased from approximately US$535.8 million in 2018 to approximately US$542.6 million in 2019 and recorded an increase in a profit from approximately US$13.9 million in 2018 to approximately US$29.3 million in 2019. The Group had total assets of approximately US$460.8 million and total equity of approximately US$336.0 million as of December 31, 2019 as compared with total assets of approximately US$384.4 million and total equity of approximately US$326.3 million as of December 31, 2018.

In order to facilitate efficient capital management and demonstrate the management's willingness to share the Group's profit with the Shareholders, the Board has proposed the payment of a final dividend of HK24.2640 cents (2018: HK11.1987 cents) per ordinary share and a special dividend of HK22.3976 cents (2018: Nil) per ordinary share (a total of HK46.6616 cents per ordinary share) for the year ended December 31, 2019, subject to the approval of the Shareholders at the forthcoming annual general meeting.

OUTLOOK AND FUTURE STRATEGIES

The business environment in the fiscal year of 2020 is more challenging due to social/economic crisis caused by COVID-19, as the sales of our customers would be affected and consequently the sales of the Group would be affected.

Moreover, hiring operators and engineers of the Group have faced travelling restrictions between cities and countries due to the outbreak of COVID-19.

To overcome these challenges, the Group will focus on the following areas:

— Maintaining a clean working environment and strict control procedure to protect employees, suppliers and customers from COVID-19

— Enhancing production yield and efficiency to be more competitive and to minimize negative sales impact

— Developing new technology and upgrading manufacturing skills and procedure which will reduce cost and enhance output

— Soliciting new product and new business opportunities

FINANCIAL REVIEW

The following table shows the summary of business results for the year ended December 31, 2019:

	For the year ended December 31, Consolidated		
	2019	2018	Changes
	(US$ in millions)	(US$ in millions)	%
OPERATING RESULTS			
Revenue	**542.6**	535.8	1.3%
Camera modules	**541.8**	533.2	1.6%
Optical components	**0.8**	2.6	(69.2%)
Gross profit	**77.1**	52.3	47.4%
Gross margin	**14.2%**	9.8%	
Operating profit	**31.4**	14.3	119.6%
Operating margin	**5.8%**	2.7%	
Net profit	**29.3**	13.9	110.6%
Net margin	**5.4%**	2.6%	
ASSETS & LIABILITIES			
Total assets	**460.9**	384.4	19.9%
Current assets	**343.0**	264.5	29.7%
Non-current assets	**117.9**	119.9	(1.7%)
Total liabilities	**124.9**	58.1	115.0%
Current liabilities	**111.3**	57.9	92.2%
Non-current liabilities	**13.6**	0.2	6,700%
Total equity	**336.0**	326.3	3.0%
EARNINGS PER SHARE	**$0.035**	$0.017	105.9%

Revenue

The Group reported a total revenue of approximately US$542.6 million in 2019, representing approximately 1.3% increase compared with that of 2018.

Camera modules: Camera modules revenue for the fiscal year of 2019 was approximately US$541.8 million, representing approximately 1.6% increase from approximately US$533.2 million in 2018, which was mainly due to increase unit price of products.

Optical components: Optical components revenue for the fiscal year of 2019 was approximately US$0.8 million, representing approximately 69.2% decrease from approximately US$2.6 million in 2018, which was primarily due to the decreased demand in line with downtrend smartphone industry and DVD market.

Profit and Margin

For the year ended December 31, 2019, the Group had reported gross profit, operating profit and net profit of approximately US$77.1 million, US$31.4 million and US$29.3 million, respectively, as compared with approximately US$52.3 million, US$14.3 million and US$13.9 million, respectively, in the fiscal year of 2018. In terms of margins, the Group's gross margin, operating margin and net margin for the year ended December 31, 2019 were approximately 14.2%, 5.8% and 5.4%, respectively, as compared with approximately 9.8%, 2.7% and 2.6%, respectively, in 2018.

During the year ended December 31, 2019, the Group did not experience any significant change of pricing policy for its products and there was no material change in the unit cost of raw materials.

Key Financial Ratios

	For the year ended December 31, Consolidated	
	2019	2018
	(US$ in millions)	
KEY FINANCIAL RATIO (%)		
Return on equity	**8.7%**	4.3%
Current ratio (times)	**3.08**	4.57
Quick ratio (times)	**2.45**	3.42
Gearing ratio	**(88.4%)**	(71.7%)
Debt to equity ratio	**(46.9%)**	(41.8%)

Return on Equity

The calculation of return on equity is based on profit for the period divided by capital and reserves and multiplied by 100%.

The Group's return on equity at the end of the fiscal year of 2019 increased from 4.3% in 2018 to 8.7% in 2019, primarily due to an increase in net profit for the year ended December 31, 2019.

Current Ratio

The calculation of current ratio is based on current assets divided by current liabilities.

The Group's current ratio decreased from 4.57 in 2018 to 3.08 in 2019, which was primarily due to increase in the Group's trade and other receivables, which were partially offset by corresponding increase in the Group's trade and other payables.

Quick Ratio

The calculation of the quick ratio is based on current assets less inventories divided by current liabilities.

The Group's quick ratio decreased from 3.42 in 2018 to 2.45 in 2019, which was mainly due to the increase in the Group's trade and others receivables, which were partially offset by a corresponding increase in the Group's trade and other payables.

Gearing Ratio

The calculation of gearing ratio is based on net debt (defined as bank loans less cash and cash equivalents and pledged deposits) divided by the sum of net debt and total equity, and multiplied by 100%.

The Group's gearing ratio decreased from -71.7% in 2018 to -88.4% in 2019, which was primarily due to an increase in its cash and cash equivalent.

Debt to Equity Ratio

The calculation of debt to equity ratio is based on net debt divided by total equity and multiplied by 100%.

Consistent with its gearing ratio, the Group's debt to equity ratio decreased from -41.8% in 2018 to -46.9% in 2019, which was primarily due to an increase in its cash and cash equivalent.

Other Net Loss

The other net loss increased by approximately 1,380.7% from other net income of approximately US$1.0 million in 2018 to other net loss of approximately US$13.2 million in 2019. The decrease was mainly attributable to impairment losses of property, plant and equipment of approximately US$8.9 million in 2019 (2018: US$Nil).

Selling and Distribution Expenses

The selling and distribution expenses decreased by approximately 8.9% from approximately US$2.4 million in 2018 to approximately US$2.2 million in 2019. This decrease was mainly attributable to decrease by approximately US$0.2 million in the transportation expenses led by decreased sales volume.

Administrative Expenses

Administrative expenses decreased by approximately 11.4% from approximately US$39.4 million in 2018 to approximately US$34.9 million in 2019. This decrease was mainly attributable to decrease in the staff cost and research and development expense of approximately US$3.5 million.

Finance Costs

Finance costs increased by approximately 325.5% from approximately US$0.2 million in 2018 to approximately US$0.8 million in 2019, which was resulted from interest on lease liabilities. No interest on bank borrowings (2018: US$0.2 million) was incurred in 2019.

Income Tax

The Group's income tax expense increased by approximately 467.1% from approximately US$0.2 million in 2018 to approximately US$1.3 million in 2019. Cowell DG was a high-new technology enterprise ("HNTE") in 2018 but was not certified as a HNTE in 2019 and applicable corporate income tax ("CIT") rate for Cowell DG increased from 15% from 2018 to 25% for 2019.

Final Dividends and Special Dividends

For the year ended December 31, 2019, the final dividends proposed by the Board was HK24.2640 cents (equivalent to US$3.1268) per share, with a payout ratio of 88.8% of the profit attributable to the Shareholders. A special dividend of HK$22.3976 cents (2018: Nil) per share to the Shareholders.

CURRENT ASSETS AND LIABILITIES

As of December 31, 2019, the Group had net current assets of approximately US$231.7 million, compared with net current assets of approximately US$206.6 million as of December 31, 2018, representing an increase of approximately US$25.1 million.

Inventories

The Group's inventory balance increased by approximately 5.3%, or approximately US$3.5 million, from approximately US$66.7 million as of December 31, 2018 to approximately US$70.2 million as of December 31, 2019, mainly due to increase in the stock of raw material in 2019.

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

	As of December 31,	
	2019	2018
	(US$ in millions)	
Inventory turnover days[1]	**53.6**	65.7

(1) Inventory turnover days were calculated based on the average of the opening and closing inventory balances divided by the cost of sales for the relevant period and multiplied by the number of days in the period.

Trade and Other Receivables

Trade receivables represent outstanding amounts due from the Group's customers for the purchase of its products. Besides trade receivables, the Group's other receivables and prepayments primarily comprise prepayments on the purchase of components and materials, value-added tax refunds due and guarantee deposits for its leases.

The Group's trade and other receivables increased by approximately 88.8%, or approximately US$54.0 million, from approximately US$60.8 million as of December 31, 2018 to approximately US$114.8 million as of December 31, 2019.

The table below sets forth an aging analysis of the Group's trade receivables (which are included in trade and other receivables), based on the invoice date and net of allowance for doubtful debts, as of the dates indicated:

	As of December 31,	
	2019	2018
	(US$ in millions)	
Trade receivables		
Within 1 month	**60.9**	31.9
Over 1 to 2 months	**51.2**	23.0
Over 2 to 3 months	**0.1**	2.0
Over 3 months	**0.1**	0.1
Total	**112.3**	57.0

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

	Year ended December 31,	
	2019	2018
Trade receivables turnover days(1)	**56.9**	59.7

(1) Trade receivables turnover days were calculated based on the average of the opening and closing trade receivables divided by turnover for the relevant period multiplied by the number of days in the period.

The Group's average trade receivables turnover days for the year ended December 31, 2019 were lower as compared with the year ended December 31, 2018 which was primarily due to efficient trade receivable control in 2019.

Trade and Other Payables

Trade payables represent outstanding amounts due on the Group's purchases of components and materials and equipment from external suppliers. Apart from trade payables, the Group's accrued charges and other payables primarily comprise accrued salaries and other remuneration benefits and interest expenses payable.

The Group's trade and other payables increased by approximately 92.6%, or approximately US$50.1 million, from approximately US$54.2 million as of December 31, 2018 to approximately US$104.3 million as of December 31, 2019, primarily due to an increase in the purchased components and materials resulting mainly from the increased production in 2019.

The following table sets forth an aging analysis of the Group's trade payables (which include in trade and other payables) as of the dates indicated:

	As of December 31,	
	2019	2018
	(US$ in millions)	
Trade payables		
Within 1 month	**54.2**	25.3
Over 1 to 3 months	**41.1**	20.8
Over 3 to 6 months	**0.1**	0.1
Total	**95.4**	46.2

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

	Year ended December 31,	
	2019	2018
Trade payables turnover days[(1)]	**47.6**	52.3

(1) Trade payables turnover days were calculated based on the average of the opening and closing trade payables divided by turnover for the relevant period multiplied by the number of days in the period.

The Group's average trade payables turnover days for the year ended December 31, 2019 were lower as compared with the year ended December 31, 2018.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group had a solid financial position and continued to maintain a strong and steady inflow from operating activities. As at December 31, 2019, the Group had US$119.6 million of cash and cash equivalents. The Directors believe that the current cash and cash equivalents, together with cash flow from operations, will be sufficient to satisfy the current operational requirements of the Group.

Borrowings

As of the close of business on December 31, 2019, the Group did not have any loan outstanding, debt securities, charges, mortgages or other similar indebtedness, hire purchase and finance lease commitments, or guarantees or other material contingent liabilities.

Pledge of The Group's Assets

As at December 31, 2019, the Group's pledged deposits included US$3.1 million (December 31, 2018: US$3.2 million) provided to the local customs authority in the PRC. Details of such pledge is disclosed in note 16 to the consolidated financial statements.

Capital Expenditures and Commitments

The Group's capital expenditures (equivalent to the cash spent for payment for purchases of property, plant and equipment and intangible assets) for the year ended December 31, 2019 amounted to US$17.9 million which was funded through cash flow from operation, compared with US$16.5 million for the year ended December 31, 2018. The Group's capital expenditures in 2019 mainly reflected purchases of additional machinery and equipment to produce more advanced flip-chip camera modules. The Group intends to fund the Group's future capital expenditures through a combination of cash flow from operating activities and possible fund raising exercises.

The Group's capital commitments that were contracted but not provided as of December 31, 2019 amounted to approximately US$0.1 million, compared with approximately US$0.1 million as of December 31, 2018. Such capital commitments represent commitments arising out of a contractual relationship where the relevant property, plant and equipment were not provided as of the relevant dates.

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 1(c)). 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 1(g), and the details regarding the Group's future lease payments are disclosed in note 18.

Contingent Liabilities

As at December 31, 2019, the Group had no significant contingent liabilities which is the same as at December 31, 2018.

Interest Coverage Ratio

The interest coverage ratio decreased from 76.2 in 2018 to 39.2 in 2019, which was primarily due to an increase in interest on lease liabilities.

Treasury Policies

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

QUANTITATIVE AND QUALITATIVE DISCLOSURES ON MARKET RISK

The Group's exposure to credit, liquidity, interest rate and currency risks arises in the normal course of its business. The market risks to which the Group is exposed to, as well as its practices to manage such risks, are as follows:

Credit Risk

The Group's credit risk is primarily attributable to its trade receivables. The Group's exposure to credit risk arising from cash and cash equivalents is limited because the counterparties are banks for which the Group considers to have low credit risk. In respect of trade and other receivables, individual credit evaluations are performed on all customers. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and may take into account information specific to the customer and the economic environment in which the customer operates. Trade and other receivables are generally due within 30 to 90 days from the date of billing. Debtors with balances that are more than three months overdue are requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collateral from its customers. In respect of deposits with banks, the Group only places its deposits with the major financial institutions which the management believes such institutions have a high credit rating.

The Group's exposure to credit risk is influenced primarily by the individual characteristics of each customer, and to a lesser extent, by the default risk of the industry and country in which its customers operate. As of December 31, 2019, 99.0% (2018: 87.4%) of the Group's trade receivables were due from its largest customer, and 99.3% (2018: 88.0%) of its trade receivables were due from its five largest customers in the aggregate.

Liquidity Risk

The Group's policy is to regularly monitor liquidity risk so as to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and long term. No outstanding loans was made (2018: Nil) as at December 31, 2019.

Please refer to note 23(b) to the financial statements for further information.

Interest Rate Risk

The Group's interest rate risk arises primarily from its interest-bearing borrowings subject to variable rates and those subject to fixed rates, which expose the Group to fair value interest rate risks. As of December 31, 2019, there was no outstanding loan (2018: Nil).

Currency Risk

The Group's exposure to currency risk arises primarily through sales and purchases giving rise to receivables, payables and cash balances that are denominated in a currency other than the functional currency of the operations to which they relate. The currencies giving rise to this risk are primarily Hong Kong dollars (pegged to the U.S. dollar), Renminbi and Korean Won.

The functional currency of the Company and its subsidiaries operating in Hong Kong, the PRC and Korea are U.S. dollars, Hong Kong dollars, Renminbi and Korean Won, respectively. While both the Group's sales of products and purchases of components, materials and equipment are denominated mainly in U.S. dollars, a portion of its purchases, as well as its labor and other operating costs, are denominated in other currencies, including Renminbi and Korean Won. For the year ended December 31, 2019, the Group did not use any forward exchange contracts or other derivative instruments to hedge against fluctuations in currency exchange rates applicable to us.

As of December 31, 2019, it is estimated that if the exchange rate of the Korean Won against the U.S. dollars had appreciated by 5%, with all the other variables held constant, the Group's profit after tax and retained profits would have increased by approximately US$0.8 million (2018: US$0.8 million).

Please refer to note 23(c) to the consolidated financial statements for further details.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

There were no material acquisitions and disposals of subsidiaries and associated companies of the Company performed by the Group for the year ended December 31, 2019.

HUMAN RESOURCES

The Group employed a total of approximately 2,696 full-time employees as of December 31, 2019 (December 31, 2018: 2,437). Total staff costs for the year ended December 31, 2019, excluding Directors' remuneration were approximately US$40.6 million (2018: US$45.5 million).

In particular, professional employment agencies located in Dongguan, the PRC, have been involved in hiring most of the Group's factory workers. The Group also provides living, entertainment, dining and training facilities for its employees. The scope of the training includes human resources policy, health and safety, management skills and machine and equipment manuals as well as other various topics.

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

Directors and Senior Management

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

Executive Directors

Mr. Kwak Jung Young ("Mr. JY Kwak") , aged 26, is an executive Director and chairman of the Board. Mr. JY Kwak joined Cowell Hong Kong, in May 2017 as a manager overseeing new business development. He was appointed as a director of Cowell Hong Kong on May 2019. Prior to joining the Group, Mr. JY Kwak had worked at JP Morgan Chase & Co. Mr. JY Kwak holds a Bachelor of Applied Mathematics and Economics from Brown University. Mr. JY Kwak is the son of Mr. Kwak Joung Hwan, a controlling shareholder (as defined in the Listing Rules) of the Company. Mr. JY Kwak was appointed as an executive Director on March 26,2020.

Mr. Cho Young Hoon ("Mr. Cho"), aged 43, is an executive Director and the chief financial officer of the Company. Mr. Cho joined Cowell China in July 2013 as a manager of strategic planning division and was responsible for supervising daily financial and sales operations of Cowell China. Mr. Cho was promoted to a director of Cowell China in September 2016 and was appointed as a chief financial officer of the Group in April 2018. Prior to joining Cowell China in July 2013, Mr. Cho had worked at LG Electronics, Inc. as an assistant manager from July 2002 to July 2013. He was based in Korea and was engaged in the manufacture and sale of consumer electronics such as mobile phones, televisions and air conditioners. Mr. Cho received a bachelor's degree in economics from Yonsei University in Korea in February 2002. Mr. Cho was appointed as an executive Director on March 26,2020.

Independent non-executive Directors

Mr. Kim Chan Su ("Mr. Kim"), aged 52, is an independent non-executive Director. Mr. Kim is responsible for supervising and providing independent judgment to the Board. Mr. Kim has over 20 years' experience in professional accounting and consulting services. Since November 2004, Mr. Kim has been the chief executive officer and representative partner of IL SHIN Corporate Consulting Limited and IL Shin CPA Limited, private companies based in Hong Kong which provide professional tax and accounting advisory services to clients in Hong Kong, China and overseas. From August 2002 to October 2004, Mr. Kim worked at PricewaterhouseCoopers Hong Kong as a representative of the Korean desk in charge of Korean companies' investment in Hong Kong and China. From October 1993 to July 2002, Mr. Kim served as a senior manager at Samil Accounting Corporation in Seoul. From September 2004 to January 2013, Mr. Kim also acted as an independent non-executive director of Forebase International Holdings Limited (formerly known as Kwang Sung Electronics H.K. Co. Limited), which is listed on the Hong Kong Stock Exchange (stock code: 2310). Mr. Kim obtained a bachelor's degree in economics from Yonsei University in Korea in February 1992. Mr. Kim is a certified public accountant in Korea, Hong Kong and the States of Washington of the United States. He is also a member of AICPA and the HKICPA respectively. Mr. Kim was appointed as an independent non-executive Director on March 10, 2015 and renewed his appointment for next three years from March 10, 2018.

Mr. Jung Jong Chae ("Mr. Jung"), aged 46, is an independent non-executive Director. Mr. Jung is a partner at Law Firm SN, one of South Korea's leading law firms providing comprehensive legal, accounting, tax, compliance and regulatory services. Mr. Jung's main areas of practice include tax, anti-trust and subcontract law. Mr. Jung has also handled successfully large transactions and corporate disputes. After passing the Higher Civil Service Examination, Mr. Jung, as a deputy director, served for the Investigation Bureau of the Seoul Regional Tax Office, the Tax Collection Division of the National Tax Service, and the Tax Service Division of the Jeju Tax Office. Mr. Jung has published many articles on tax and fair trade issues and wrote textbooks on subcontract law, and is active in various forums and studies as both presenter and debater. Mr. Jung holds a Bachelor of Art in Economics from Seoul National University in Korea and a Master of Business Administration from Sejong-Syracuse University. Mr. Jung also holds a Master of Laws from New York University. Mr. Jung was appointed as an independent non-executive Director on December 13, 2018.

Dr. Song Si Young ("Dr. Song"), aged 62, is an independent non-executive Director. Dr. Song is responsible for supervising and providing independent judgment to the Board. Dr. Song has over 20 years' experience in medicine and the healthcare industry. Since March 1993, Dr. Song has been a faculty member of Yonsei University College of Medicine in Korea and he currently serves as a professor in the Department of Internal Medicine. Dr. Song served as an exchange assistant professor at Vanderbilt University College of Medicine in the United States from September 1996 to November 1998. He has also served as the director of the Division of Medical Science Research Affairs and the president of the Industry-Academy Cooperation Foundation of Yonsei University Health System since September 2010 where he was in charge of the management and administration of Yonsei University Health System's research, development and participation in the healthcare industry. Dr. Song has also served as a director of Yonsei Technology Holdings, Inc., a company engaged in the commercialization of Yonsei University's technologies through forming subsidiaries since June 2011, where he is responsible for the operational management of technological holding companies affiliated with the Industry-Academy Cooperation Foundation of Yonsei University. Dr. Song was appointed as an independent non-executive Director on March 10, 2015 and renewed his appointment for next three years from March 10, 2018.

Dr. Song has provided professional advice to the following companies in connection with the healthcare and medical device manufacturing industries:

Company	Nature of Company	Principal Business	Duration of Tenure
LG Chem Ltd.	listed on the Korea Exchange (stock code: 051910)	manufacture of chemicals	February 2001 to January 2003
LG Life Science Co., Ltd.	listed on the Korea Exchange (stock code: 068870)	research and development of pharmaceuticals	August 2003 to March 2006
IntroMedic Co., Ltd.	listed on the Korea Exchange (stock code: 150840)	development and manufacture of optical medical device and equipment	January 2007 to present
Hanwha Chemical Corporation	listed on the Korea Exchange (stock code: 009830)	production and sale of organic and inorganic chemicals	June 2006 to May 2007
CJ Co., Ltd.	a private company based in Korea	development of research, business and marketing strategies of healthcare industry	March 2004 to February 2005
M.I. Tech Co., Ltd.	a private company based in Korea	manufacture of non-vascular stents and medical electronic devices	May 2009 to November 2012
various subsidiaries of LG Corp.	listed on the Korea Exchange (stock code: 003550)	healthcare business	January 2011 to June 2011
HooH Healthcare	a private joint venture company between Korean Telecommunication and Yonsei University Health System	healthcare IT service and business strategic development	August 2012 to present
CrystalGenomics, Inc.	listed on the Korea Exchange (stock code: 083790)	structural chemoproteomics-based drug discovery and development	August 2013 to present

Dr. Song obtained a bachelor's degree in medicine in February 1983 from Yonsei University College of Medicine in Korea. In March 1987 and March 1989, Dr. Song obtained a master's degree and a doctorate degree respectively in medical sciences, both from the Graduate School of Yonsei University.

Save as disclosed above, the Directors (i) have not held any directorships in other listed public companies, whether in Hong Kong or overseas, during the last three years; and (ii) do not have any other relationships with any Directors, senior management or substantial or controlling shareholders of the Company. Regarding the Directors' interests in shares of the Company within the meaning of Part XV of the SFO, please refer to the paragraph headed "Directors' and Chief Executive Officers' Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company or its associates corporations" in the Directors' Report section of this report for more details.

SENIOR MANAGEMENT

The senior management team of the Group, in addition to the Directors listed above, is as follows:

Mr. Lee Kyung Koo ("Mr. Lee"), aged 61, is the Chief Executive Officer of the Company. Mr. Lee is responsible for managing the overall business operations and achieving the strategic objectives of the Group. Prior to joining our Group in April 2018 as the Chief Executive Officer, Mr. Lee had over 30 years of work experience in finance, human resources, procurement and management innovation. Mr. Lee started his career in Samsung Electronics Co., Ltd. ("Samsung Electronics") in 1984 and had worked there for 26 years. His last position within Samsung Electronics was a director of the network division of Samsung Electronics, with overall responsibility for accounting, finance, human resources, procurement, and management innovation. After serving as a director for 5 years, Mr. Lee moved to Hanhwa Techwin Co., Ltd. (formerly known as Samsung Techwin Co., Ltd.) and had worked as chief financial officer until 2015. Before joining the Group, Mr. Lee was working as vice president of information communication technology division of SoluM Co., Ltd.. Mr. Lee received a bachelor's degree in applied statistics from Yonsei University in February 1982.

Mr. Lee Dong Goo ("Mr. DG Lee"), aged 45, was the chief executive officer of Cowell Korea since July 2019. Mr. DG Lee is responsible for supervising the daily operations of Cowell Korea, Mr. DG Lee had been responsible for overall camera R&D and engineering division of Cowell China since September in 2016 and head of new business development in January 2019. Mr. DG Lee joined Cowell China in September 2011 as a camera technology and test process manager, Mr. DG Lee had worked at Samsung Techwin Co., Ltd. and Samsung Electronics Co., Ltd. as a camera system senior engineer from May 2001 to August 2011 and engaged in the satellite image development and sensor modeling of aerospace and photogrammetry, as a research associate at ETRI (Electronics and Telecommunications Research Institute), a national research center based in Korea from March 1999 to April 2001. In December 2012, Mr. DG Lee was promoted to a director of Cowell China as a R&D head and remained in that position until August 2016. Mr. DG Lee has around 19 years of experiences in high camera technologies, camcorder development and very valuable insight and technical experiences with lots of global customers. Mr. DG Lee was appointed as an executive Director on May 18, 2017 and resigned on March 26, 2020.

Mr. DG Lee received a master's degree of digital photogrammetry in civil engineering from Inha University in Korea in February 2001.

Mr. Ryu Jin-Kyu ("Mr. Ryu"), aged 49, is a director of Cowell China and is responsible for the overall Quality Assurance of the Group. Prior to joining Cowell China in August 2015, Mr. Ryu had over 20 years of work experience in the quality division of the semiconductor manufacturing industry. Mr. Ryu started his career in the quality division of Hynix Semiconductor Inc., one of the major semiconductor manufacturing companies in the world, and had worked there for 4 years from 1994 to 1997. From 1997 to 2015, Mr. Ryu had served as a senior manager in the quality division of Dongbu Hitek Company Limited which was the first runner of non-memory semiconductor foundry business in Korea. Mr. Ryu received a bachelor's degree in Metalurgical Engineering from Hanyang University in February 1994.

COMPANY SECRETARY

Ms. Lam Wing Yan ("Ms. Lam"), aged 43, is the senior finance manager of Cowell Hong Kong and was appointed as the company secretary of our Company on September 17, 2014. Ms. Lam joined our Group in August 2013 and has been primarily responsible for corporate financial management. She has over 15 years of experience in corporate financial management, accounting and the company secretarial area. Prior to joining our Group, Ms. Lam held various positions, including the senior manager of finance and operations at Iriver Hong Kong Limited, a private company based in Hong Kong and provides, among others, broadcasting equipment and semiconductors and the holding company of which is listed on the Korea Exchange, for approximately 10 years from March 2001 to June 30, 2011. Ms. Lam obtained a master's degree in business administration from the University of South Australia in March 2012. Ms. Lam is a certified public accountant, a fellow member of the Association of Chartered Certified Accountants and a fellow member of the Hong Kong Institute of Certified Public Accountants.

Directors' Report

The Board is pleased to present their report together with the audited consolidated financial statements of the Group for the year ended December 31, 2019. The business review is disclosed in the section headed "Management Discussion and Analysis" on page 6 in this annual report.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The activities of its subsidiaries are set out in note 13 to the consolidated financial statements. The Group is a major supplier of camera modules for mobile devices. The Group primarily engages in the design, development, manufacture and sale of a variety of camera modules that serve as critical components for smartphones, multimedia tablets and other mobile devices with camera functions. Major customers for the Group's camera modules include some of the leading mobile device manufacturers in the world, such as Apple 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 include subsidiaries or affiliates of leading global electronics companies such as, LG Electronics.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended December 31, 2019 and the state of the Company's and the Group's affairs as at that date are set out in the consolidated financial statements on pages 86 to 161.

The Board has recommended the payment of a final dividend of HK24.2640 cents (2018: HK11.1987 cents) per ordinary share and a special dividend of HK22.3976 cents (2018: Nil) per ordinary share (totally HK46.6616 cents per ordinary share) for the year ended December 31, 2019 to shareholders whose names appear on the register of members of the Company on Monday, June 1, 2020, subject to the approval of the Shareholders of the Company at the forthcoming annual general meeting.

CLOSURE OF REGISTER OF MEMBERS

The record date for the proposed final dividend and special dividend will be Monday, June 1, 2020. The Company's register of members will be closed from Thursday, May 28, 2020 to Monday, June 1, 2020 (both days inclusive) in order to determine entitlements to the proposed final dividend and special dividend. During such period, no transfer of shares will be effected. In order to qualify for the proposed final dividend and special dividend, all transfers of shares of the Company accompanied by the relevant share certificates must be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited (the "Share Registrar"), at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, for registration no later than 4:30 p.m. on Wednesday, May 27, 2020. Subject to the approval of the Shareholders at the annual general meeting, dividend will be paid to the Shareholders on or around Thursday, June 11, 2020.

CLOSURE OF REGISTER OF MEMBERS FOR ENTITLEMENT TO ATTEND AND VOTE AT ANNUAL GENERAL MEETING

For determining the entitlement to attend and vote at the annual general meeting of the Company (the "AGM"), the register of members of the Company will be closed from Monday, May 18, 2020 to Thursday, May 21, 2020, both dates inclusive, during which period no transfers of shares of the Company will be registered. In order to qualify for attending and voting at the AGM, shareholders must complete and lodge all transfer documents accompanied by the relevant share certificates with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for registration not later than 4:30 p.m. on Friday, May 15, 2020.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the last five years ended December 31, 2019 are set out on page 162 of this annual report. That summary does not form part of the audited financial statements.

SHARE CAPITAL

Details of the movements in the share capital of the Company are set out in note 22(c) to the consolidated financial statements.

DISTRIBUTABLE RESERVES

Distributability of reserves of the Company

The application of the share premium account is governed by the Companies Law of the Cayman Islands. Under the Companies Law of the Cayman Islands, the funds in share premium account are distributable to the Shareholders provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

As at December 31, 2019, the reserves of the Company available for distribution to the Shareholders amounted to approximately US$66,485,000 (2018: US$66,556,000).

DONATIONS

Charitable donations made by the Group during the year ended December 31, 2019 amounted to US$14,529 (2018: US$7,568) using 2019 average RMB/USD exchange rate of 6.8826.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association or the relevant laws of the Cayman Islands which would oblige the Company to offer new shares on a pro-rata basis to its existing shareholders.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended December 31, 2019.

SHARE OPTION SCHEME

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

Purpose of the Share Option Scheme

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

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

Who may join

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

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

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

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

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

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

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

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

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

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

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

Maximum entitlement of each Qualified Participant

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

Acceptance of an offer of options

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

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

Subscription price

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

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

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

(iii) the nominal value of the Shares.

Restriction on the time of grant of options

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

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

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

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

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

Rights are personal to the grantee

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

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

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

During the year ended December 31, 2019, the Company has granted share options (the "Option") to certain eligible persons (the "Grantees") 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)

Directors' Report

Movement of the Options granted under the Share Option Scheme during the year ended December 31, 2019 are listed below:

Movement of the share option

	Number of Share Options								
	As at January 1, 2019	Date of Grant April 26, 2019	Lapsed	As at December 31, 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
Cho Young Hoon	500,000	–	—	500,000	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	1,450,000	–	400,000	1,050,000	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	400,000	7,550,000					

Other details of Options granted by the Company are set out in note 20 to the consolidated financial statements.

SUBSIDIARIES

Details of the Company's subsidiaries as at December 31, 2019 are set out in note 13 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended December 31, 2019, the percentage of the Group's revenue attributable to the Group's largest customer in aggregate were approximately 96.9% (2018: 90.5%).

During the year ended December 31, 2019, the percentage of the Group's purchases attributable to the Group's largest supplier and the five largest suppliers in aggregate were approximately 52.1% and approximately 77.9% (2018: approximately 48.5% and approximately 74.6% respectively) respectively.

During the year ended December 31, 2019, none of the Directors or any of their associates or any shareholders which to the best knowledge of the Directors, who own more than 5% of the Company's issued share capital, had any interest in any of the Group's five largest customers or suppliers.

RETIREMENT BENEFIT SCHEMES

The Group participated in various retirement benefit schemes in accordance with relevant rules and regulations in the PRC, Hong Kong and Korea. Particulars of the retirement benefit schemes are set out in note 19 to the consolidated financial statements.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

The Company has established a formal and transparent procedure for formulating policies on the remuneration of senior management of the Group. Details of the remuneration of each Director for the year ended December 31, 2019 are set out in note 8 to the consolidated financial statements of this annual report.

The remuneration of members of the senior management by band for the year ended December 31, 2019 is set out below:

Remuneration Bands:	**2019 Number of individuals**	**2018 Number of individuals**
HK$1 (US$0.129)–HK$1,000,000 (US$129,000)	—	—
HK$1,000,001 (US$129,000)–HK$1,500,000 (US$193,000)	3	1
HK$1,500,001 (US$193,000)–HK$2,000,000 (US$258,000)	—	—
HK$2,000,001 (US$258,000)–HK$2,500,000 (US$322,000)	1	2
HK$2,500,001 (US$322,000)–HK$3,000,000 (US$387,000)	—	—

DIRECTORS

The Directors during the 2019 financial year and up to the date of this annual report are:

Executive Directors

Mr. Kwak Jung Young *(Chairman) (appointed on March 26, 2020)*
Mr. Cho Young Hoon *(appointed on March 26, 2020)*
Mr. Seong Seokhoon *(Chairman) (resigned on March 26, 2020)*
Mr. Lee Dong Goo *(resigned on March 26, 2020)*

Independent non-executive Directors

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

In the forthcoming annual general meeting of the Company, Mr. Kim Chan Su and Mr. Jung Jong Chae will retire as Directors in accordance with Article 16.18 of the Articles of Association and Mr. Kwak Jung Young and Mr. Cho Young Hoon will retire as Directors in accordance with Article 16.2 of the Articles of Association and, being eligible, will offer themselves for re-election.

DIRECTORS' SERVICE CONTRACTS

None of the Directors offering for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable within one year without payment of compensation other than statutory compensation.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended December 31, 2019.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save for the contracts described under the paragraph headed "Connected Transactions and Continuing Connected Transactions" below and note 25 to the consolidated financial statements, no contracts of significance in relation to the Group's business or for the provision of services to which the Company or any of its subsidiaries was a party and in which a Director or a controlling shareholder of the Company had a material interest, whether directly or indirectly, subsisted at the end of 2019 or at any time during 2019.

CONTRACTS WITH CONTROLLING SHAREHOLDERS

No transaction, arrangement or contract of significance has been entered into among the Company or any of its subsidiaries and the controlling shareholders during the year ended December 31, 2019.

RELATED PARTY TRANSACTIONS

Details of the material related party transactions undertaken by the Group in its normal course of business are set out in note 26 to the consolidated financial statements.

DEED OF NON-COMPETITION

Pursuant to a deed of non-competition dated March 10, 2015 (the "Deed of Non-competition") entered into among Mr. Kwak Joung Hwan and Hahn & Co. Eye (the "Covenantors") and the Company, the Covenantors have given certain non-competition undertakings in favour of the Company. Please refer to the Prospectus for details of the terms of the Deed of Non-competition.

The independent non-executive Directors have conducted its annual review and confirmed that Mr. Kwak Joung Hwan has fully complied with the Deed of Non-competition for the year ended December 31, 2019. Going forward, the independent non-executive Directors will continue to review, on an annual basis, Mr. Kwak Joung Hwan's compliance with the Deed of Non-competition (in particular, the right of first refusal relating to any business opportunity) and Mr. Kwak will provide all information requested by the Company which is necessary for the annual review by the independent non-executive Directors. The Company will disclose decisions on matters reviewed by the independent non-executive Directors relating to compliance with and enforcement of the Deed of Non-competition in its next annual report or by way of announcement to the public.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at December 31, 2019, none of the Directors is interested in any business, apart from the Group's businesses, which competes or is likely to compete, either directly or indirectly, with the businesses of the Group.

DIRECTORS' AND CHIEF EXECUTIVE OFFICERS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ITS ASSOCIATED CORPORATIONS

As at December 31, 2019, so far as is known to the Directors, none of the Directors or the chief executive officers of the Company had any interests or short positions in the Shares, underlying Shares or debenture of the Company or its associated corporations which were (i) recorded in the register required to be kept under section 352 of the SFO, or (ii) otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS IN SHARES, UNDERLYING SHARES OF THE COMPANY

As at December 31, 2019, the following persons had interests or short positions in our Shares or relevant Shares which were required to be disclosed to us and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO and section 336 of the SFO:

Interest of substantial shareholders

Name of shareholder	Nature of interest	Number of Shares or underlying Shares[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

Notes:

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

(2) All interests are long positions.

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

Save as disclosed above as at December 31, 2019, the Directors were not aware of any person (other than the Directors or chief executive and substantial shareholders of the Company the interests of which were disclosed above) who had an interest or short position in the securities of the Company that were required to be entered in the register of the Company pursuant to section 336 of the SFO as at December 31, 2019.

STATUS OF USE OF PROCEEDS

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

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

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

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

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

Since the IPO, all net proceeds were used in accordance with the original plan except on investment plan for COB camera modules. Investment plan for COB camera modules has been delayed mainly due to the slow growth rate of global smartphone industry. Up until the year ended December 31, 2019, a total of US$3.6 million, representing 73.5% of the net proceeds allocated to the enhancement of production lines for high-end COB camera modules, has been utilized. The remaining balance of US$1.3 million is scheduled to be used for machine and equipment for high-end COB camera modules in the fiscal year of 2020.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, from the Listing Date up to the date of this report, there has been sufficient public float of more than 25% of the Company's issued shares as required under the Listing Rules.

EVENTS AFTER THE FINANCIAL YEAR ENDED DECEMBER 31, 2019

Save as disclosed above, there were no significant events affecting the Company nor any of its subsidiaries after the financial year ended December 31, 2019 requiring disclosure in this report.

CORPORATE GOVERNANCE

Principal corporate governance practices adopted by the Company are set out in the "Corporate Governance Report" section on pages 35 to 61 of this annual report.

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") had reviewed together with the management and KPMG, the Company's auditor, the accounting principles and policies adopted by the Group and the audited consolidated financial statements for the year ended December 31, 2019.

AUDITOR

KPMG retire and, being eligible, offer themselves for re-appointment. A resolution for the reappointment of KPMG as the Company's auditors is to be proposed at the forthcoming annual general meeting of the Company.

ENVIRONMENTAL POLICIES

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

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

During the year ended December 31, 2019, as far as the Company is aware, there was no material breach of or non-compliance with the relevant laws and regulations by our Group that have a significant impact on the business and operations of the Group.

FINANCIAL KEY PERFORMANCE INDICATORS

For the year ended December 31, 2019, the Group's total revenue increased by 1.3% to US$542.6 million (2018: US$535.9 million). Profit for this year increased by approximately 110.6% to approximately US$29.3 million (2018: US$13.9 million). Net profit margin was 5.4% (2018: 2.6%) for the year ended December 31, 2019. Earnings per share were US$0.035 (2018: US$0.017). The Board has proposed a final dividend of approximately HK24.2640 cents (equivalent to US3.1268 cents) for the year ended December 31, 2019. (2018: HK11.1987 cents, equivalent to US1.4431 cents) per ordinary share and a special dividend of HK22.3976 cents (equivalent to US$2.8863 cents) (2018: Nil) per ordinary share for the year ended December 31, 2019.

Overall revenue increase was mainly due to increase unit price of products.

The Group financial position still remained solid. The Group was able to generate positive operating cashflows for the year ended December 31, 2019 which amounted to US$54.2 million (2018: US$87.4 million).

Average inventory turnover days of the Group were 53.6 days for 2019, lower than the 65.7 days for 2018. Average turnover days of trade receivables decreased to 56.9 days for the year ended December 31, 2019 as compared to 59.7 days for the year ended December 31, 2018. Average trade payable turnover days were 47.6 days for the year ended December 31, 2019 as compared with 52.3 days for the year ended December 31, 2018.

KEY RELATIONSHIPS

(i) Employees

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

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

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

(ii) Suppliers

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

(iii) Customers

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

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

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the independent non-executive Directors an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that all of the independent non-executive Directors are independent.

On behalf of the Board
Cowell e Holdings Inc.

Kwak Jung Young
Chairman

Hong Kong, March 26, 2020

Corporate Governance Report

The Company believes that maintaining high standards of corporate governance is the foundation for effective management and successful business growth. The Company is committed to developing and maintaining robust corporate governance practices to safeguard the interests of Shareholders and to enhance corporate value, accountability and transparency of the Company.

The Company has adopted the principles and code provisions of the Corporate Governance Code and Corporate Governance Report (the "CG Code") set out in Appendix 14 to the Listing Rules as the basis of the Company's corporate governance practices. The CG Code has been applicable to the Company with effect from the Listing Date. Throughout the period from the Listing Date up to the publication date of this annual report, the Company has complied with all applicable code provisions of the CG Code during the Period.

SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as the code of conduct regarding Directors' dealings in the securities of the Company.

The Company, after making specific inquiries to all Directors, confirmed that all of them have complied with the required standards in the Model Code during the year ended December 31, 2019.

THE BOARD OF DIRECTORS

Board Responsibilities

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

Delegation by the Board

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

Board Composition

The Board is structured with a view to ensuring that it is of high caliber and has a balance of skills and experience appropriate for the needs of the Company's business. The Board currently comprises five members, consisting of two executive Directors and three independent non-executive Directors as set out below.

Executive Directors
Mr. Kwak Jung Young *(Chairman) (appointed on March 26, 2020)*
Mr. Cho Young Hoon *(appointed on March 26, 2020)*
Mr. Seong Seokhoon *(Chairman) (resigned on March 26, 2020)*
Mr. Lee Dong Goo *(resigned on March 26, 2020)*

Independent non-executive Directors
Mr. Kim Chan Su
Dr. Song Si Young
Mr. Jung Jong Chae

Further description of the biographical details and backgrounds of the Board members are set out under the section headed "Directors and Senior Management" in this annual report. A list of the Directors is available on the designated website of the Hong Kong Stock Exchange and the website of the Company.

There is no financial, business, family or other material or relevant relationships among the Directors.

Executive Director

Under the Articles of Association, every Director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. Retiring Directors shall be eligible for re-election at the annual general meeting at which he retires.

Independent Non-executive Directors

The Company has three Independent non-executive Directors and the Audit Committee comprises of three members and therefore the Company is in compliance with the requirements under Rules 3.10(1) and 3.21 of the Listing Rules.

Independent non-executive Directors play an important role in the Board by bringing independent judgment and advice and through scrutiny of the Company's performance. During the year ended December 31 2019, save as disclosed above, the Company was in compliance with Rules 3.10(1) and 3.10(2) of the Listing Rules relating to the appointment of at least three independent non-executive Directors with at least one of them possessing the appropriate professional qualifications or accounting or related financial management expertise. The Company had also complied with Rule 3.10A of the Listing Rules which requires that independent non-executive Directors appointed must represent at least one-third of the Board.

Each of the independent non-executive Directors had confirmed his independence pursuant to Rule 3.13 of the Listing Rules, and the Company considered each of them to be independent with reference to the criteria set out in Rule 3.13 of the Listing Rules.

The Board will continue to review and consider whether there are any circumstances that are likely to affect the independence of the independent non-executive Directors.

APPOINTMENT, RETIREMENT AND RE-ELECTION OF DIRECTORS

The Articles of Association provide that any Director appointed by the Board to fill a casual vacancy shall hold office only until the first general meeting of the Company after his appointment and be subject to re-election at such meeting. Any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following general meeting of the Company and shall then be eligible for re-election.

At each annual general meeting of the Company, one-third of the current Directors should retire from office by rotation, provided that every Director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. A retiring Director shall be eligible for re-election.

The nomination committee of the Company (the "Nomination Committee") is responsible for reviewing the Board's structure, size and composition and making recommendations to the Board on the appointment and re-appointment of Directors and succession planning of Directors.

INDUCTION AND CONTINUOUS PROFESSIONAL DEVELOPMENT

The Directors have been provided with relevant training to ensure that they fully understand their responsibilities, duties and obligations as directors of a listed company.

Pursuant to the Code Provision A.6.5, the Company has received from the below directors, being all Directors at the year ended date, a record of the training they received for the year 2019.

Directors	Reading materials	Attend Seminars/ conference/ workshops
Executive Directors		
Seong Seokhoon	√	√
Lee Dong Goo	√	√
Independent Non-Executive Directors		
Kim Chan Su	√	√
Song Si Young	√	√
Jung Jong Chae (appointed on December 13, 2018)	√	√

The Directors will continue to be updated by the Company on any changes or developments affecting their obligations as directors of a listed company.

BOARD MEETINGS

Notice of regular Board meetings is given to each Director at least 14 days before the meeting. The agenda and the relevant board papers were circulated to each Director at least three days before regular Board meetings to enable them to make informed decisions at the meeting.

ATTENDANCE RECORDS OF BOARD MEETINGS

Code provision A.1.1 of the CG Code requires that at least four regular Board meetings should be held each year at approximately quarterly intervals, with active participation of a majority of directors, either in person or through other electronic means of communication.

The Board intends to hold Board meetings regularly at least four times a year at approximately quarterly intervals. Other Board meetings will be held if necessary.

Details of Directors' attendance records in 2019 are set out below:

	Meetings Attended/Held				
Directors	**Board**	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**	**2019 AGM**
Executive Directors					
Seong Seokhoon	5/5	N/A	2/2	1/1	1/1
Lee Dong Goo	5/5	N/A	N/A	N/A	0/1
Independent Non-Executive Directors					
Kim Chan Su	4/5	4/4	2/2	1/1	1/1
Song Si Young	4/5	4/4	2/2	1/1	0/1
Jung Jong Chae	5/5	4/4	N/A	N/A	0/1

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

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

PERMITTED INDEMNITY PROVISION

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

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

BOARD COMMITTEES

The Board has established three Board committees to oversee particular aspects of the Company's affairs, namely the Audit Committee, the remuneration committee of the Company (the "Remuneration Committee") and the Nomination Committee. The Board has delegated to the Board committees responsibilities as set out in their respective terms of reference. The independent non-executive Directors, as members of the various Board committees, bring their range of experiences and expertise and provide objective perspectives to them. The Board has provided the Board committees with sufficient resources to discharge their duties, and the Board committees may seek independent professional advice as and when required at the Company's expense. The Board also assumes the responsibilities for corporate governance duties as set out in Code Provision D.3.1 of the CG Code, including among others, reviewing the Company's policies and practices on corporate governance, and reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements.

Audit Committee

The Audit Committee comprises three members, all of whom are independent non-executive Directors. It is currently chaired by Mr. Kim Chan Su, and its other members are Dr. Song Si Young and Mr. Jung Jong Chae.

The primary functions of the Audit Committee include the following:

- making recommendations to the Board on the appointment, reappointment and removal of external auditors, and to approve remuneration and terms of such engagement;
- reviewing and monitoring the external auditors' independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;
- discussing with the external auditors the nature and scope of the audit and reporting obligations before the audit commences;
- developing and implementing policy on engaging external auditors to supply non-audit services;
- monitoring the integrity of the Company's financial statements and annual report and accounts, half-yearly reports and, if prepared for publication, quarterly reports, and to review significant financial reporting opinions contained in them;
- reviewing the Company's financial controls, risk management and internal control systems and discussing the internal control system with management to ensure that management has performed its duty to have an effective internal control system;
- considering major investigation findings on risk management and internal control matters as delegated by the Board or on the Audit Committee's own initiative, as well as management's response to these findings; and
- reviewing the Group's financial and accounting policies and practices.

The written terms of reference of the Audit Committee are available on the website of the Company and the designated website of the Hong Kong Stock Exchange. The Audit Committee holds at least two meetings each year from 2015 onwards. The Audit Committee held four meetings during the financial year of 2019.

Remuneration Committee

The Remuneration Committee comprises three members. It is currently chaired by Dr. Song Si Young (independent non-executive Director), and its other members are Mr. Kim Chan Su (independent non-executive Director) and Mr. Cho Young Hoon (executive Director). It has an overall majority of independent non-executive Directors.

The primary functions of the Remuneration Committee include the following:

- reviewing and making decisions in respect of the remuneration packages and overall benefits for the Directors and senior management of the Company based on the Board's delegation given on April 15, 2015;

- making recommendations to the Board on the Company's policy and structure for all directors' and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;

- reviewing and approving the management's remuneration proposals with reference to the Board's corporate goals and objectives;

- making decisions on the remuneration packages of individual executive directors based on the Board's delegation given on April 15, 2015;

- making recommendations to the Board on the remuneration of non-executive directors; and

- ensuring that no Director or any of his associates is involved in deciding his own remuneration.

The written terms of reference of the Remuneration Committee are available on the website of the Company and the designated website of the Hong Kong Stock Exchange. The Remuneration Committee holds at least one meeting each year from 2015 onwards.

Nomination Committee

The Nomination Committee comprises three members. It is currently chaired by Mr. Kwak Jung Young (executive Director), and its other members are Dr. Song Si Young (independent non-executive Director) and Mr. Kim Chan Su (independent non-executive Director). It has an overall majority of independent non-executive Directors.

The primary functions of the Nomination Committee include the following:

- reviewing the structure, size and composition (including without limitation, gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service) of the Board and making recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

- identifying individuals suitably qualified to become members of the Board and selecting or making recommendations to the Board on the selection of individuals nominated for directorships. In identifying suitable individuals, the Nomination Committee shall consider individual on merit and against the objective criteria, with due regard for the benefits of diversity on the Board;

- assessing the independence of independent non-executive Directors;

- reviewing the Board Diversity Policy, as appropriate, and review the measurable objectives that the Board has set for implementing the Board Diversity Policy, and the progress on achieving the objectives;

- making recommendations to the Board on the appointment or reappointment of Directors and succession plan for Directors; and

- developing, reviewing and disclosing the policy for nomination of directors (the "Nomination Policy"), as appropriate, in the Company's corporate governance report annually.

The Nomination Committee has a board diversity policy under which, with the assistance of the Nomination Committee, the Company will implement its Board members selection process by referring to various factors, including but not limited to gender, age, cultural and educational background, ethnicity, professional expertise, independence, skills, knowledge and length of service. Decision shall ultimately be made based on the merits of and contribution to be made by the candidate.

The written terms of reference of the Nomination Committee are available on the website of the Company and the designated website of the Hong Kong Stock Exchange. The Nomination Committee will hold at least one meeting each year from 2015 onwards.

Nomination Policy

The Nomination Committee has adopted a Nomination Policy that sets out the nomination procedures, process and criteria to select and recommend candidates for directorship.

Selection Criteria

In assessing the suitability of a candidate for directorship, the following criteria (the "Criteria") should be considered:

(a) character and integrity;

(b) qualifications including professional qualifications, skills, knowledge, accomplishment and experience that are relevant to the Company's business and corporate strategy;

(c) diversity in all aspects, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service;

(d) commitment in respect of available time and relevant interest; and

(e) potential contributions that the individual can bring to the Board in terms of qualifications, skills, experience, independence and gender diversity.

The Nomination Committee will evaluate and recommend candidate(s) for the position of the independent non-executive Directors by taking into account (a) the factors set out in Rules 3.10(2) and 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange, subject to any amendments as may be made from time to time and/or any other rules imposed by the Stock Exchange from time to time; and (b) the Criteria.

Nomination Procedures

The Nomination Committee will recommend to the Board for appointment as additional Director or to fill Board's casual vacancy in accordance with the following procedures:

(a) the Nomination Committee may consult any source it deems appropriate in identifying or selecting suitable candidates, such as referrals from existing Directors, recommendations from personnel agents or as proposed by shareholders of the Company with due consideration given to the Criteria;

(b) the Nomination Committee may adopt any process it deems appropriate in evaluating the suitability of the candidates, such as interviews, background checks and third-party reference checks;

(c) the Nomination Committee will hold a meeting and/or by way of written resolutions to, if thought fit, approve the recommendation to the Board for appointment;

(d) the Nomination Committee will provide the relevant information of the selected candidate to the Remuneration Committee for consideration of a remuneration package of such candidate;

(e) the Remuneration Committee will make a recommendation to the Board on the proposed remuneration package; and

(f) all appointment of Directors will be confirmed by the signing of the consent to act as Director (or any other similar filings requiring the relevant Director to acknowledge or accept the appointment, as the case may be) and filing of the same with the Companies Registry of Hong Kong and any other relevant government authorities.

The Nomination Committee will evaluate and recommend retiring Director(s) to the Board for re-appointment in accordance with the following procedures:

(a) the Nomination Committee and/or the Board should review the overall contribution and service of the retiring Director(s) to the Company and the level of participation and performance on the Board, including but not limited to the attendance of the meetings of the Board and/or its committees and general meetings;

(b) the Nomination Committee and/or the Board should also review and determine whether the retiring Director(s) continue(s) to satisfy the Criteria; and

(c) the Nomination Committee and/or the Board should then make recommendation to shareholders in respect of the proposed re-election of director at the general meeting.

Monitoring and Review of the Nomination Policy

The Nomination Committee will monitor the implementation of the Nomination Policy and from time to time review the Nomination Policy, as appropriate, to ensure its effectiveness in complementing the Company's corporate strategy and business needs. The Nomination Committee will discuss any revisions that may be required, and recommend any such revisions to the Board for consideration and approval.

CORPORATE GOVERNANCE FUNCTIONS

The corporate governance functions have been reserved to the Board. The primary governance functions include:

- developing and reviewing the Company's policies and practices on corporate governance;
- reviewing and monitoring training and continuous professional development of Directors and senior management;
- reviewing and monitoring the Company's compliance with the CG Code and other legal and regulatory requirements;
- developing, reviewing and monitoring any code of conduct and compliance manual applicable to Directors and employees of the Company; and
- reviewing the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

DIVIDEND POLICY

The Company intends to share its profit with shareholders in the form of semi-annual dividends in an aggregate amount per year of no less than 20% of the Company's annual consolidated net income attributable to its shareholders, subject to the criteria as set out below. The Dividend Policy allows the Company to declare special dividends from time to time in addition to the semi-annual dividends.

The Company's liability to pay dividends will depend upon, among other things, the Group's current and future operations, liquidity position and capital requirements, as well as dividends received from the Company's subsidiaries and associate companies. The payment of dividend by the Company is also subject to any restrictions under the Cayman Islands laws and the Articles of Association.

ACCOUNTABILITY AND AUDIT

Directors' Responsibilities for Financial Reporting in respect of Financial Statements

The Directors acknowledge their responsibility for preparing the financial statements for the year ended December 31, 2019, presenting a balanced, clear and comprehensible assessment of the Company's performance, position and prospects, and for ensuring that the financial report is prepared in accordance with applicable statutory requirements and accounting standards. To the best knowledge, information and belief of the Directors, the Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The management of the Company has provided the Board with such explanation and information necessary to enable the Board to carry out an informed assessment of the Company's financial statements, which are put to the Board for approval.

Risk Management and Internal Control System

The Board acknowledges that it is its responsibility to maintain an adequate risk management and internal control system to safeguard Shareholders' investment and the Company's assets, and to review the effectiveness of such system on an annual basis, including considering the adequacy of resources, staff qualifications and experience, training programs for staff and budget of the Group's accounting and financial reporting function.

The Audit Committee and the Board has conducted a review of the effectiveness of the risk management and internal control system of the Group and considers the risk management and internal control system to be effective and adequate.

Auditor's Remuneration

For the year ended December 31, 2019, the total remuneration paid or payable to the Company's auditors for audit services amounted to US$0.3 million.

COMPANY SECRETARY

Ms. Lam Wing Yan is the Company's company secretary, and she is responsible for advising the Board on corporate governance matters and ensuring that Board policy and procedures and applicable laws, rules and regulations are complied with.

The Company will provide funds for Ms. Lam Wing Yan for her to take not less than 15 hours of appropriate continuous professional training in each financial year as required under Rule 3.29 of the Listing Rules.

SHAREHOLDERS' RIGHTS

Convening of extraordinary general meeting and putting forward proposals

Pursuant to Article 12.3 of the Articles of Association, extraordinary general meetings shall be convened on the requisition of two or more Shareholders holding, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing and deposited at the principal office of the Company in Hong Kong and the business to be dealt with shall be specified in such requisition. Such meeting shall be held within the further 21 days after such requisition being proceeded within 21 days of its deposition in the manner as described above. If within 21 days of such deposit, the Board fails to proceed to convene such meeting within a further 21 days, the requisitionist(s) or any of them representing more than one-half of the total voting rights of all of them may do so in the same manner on or before the expiration of 3 months from the date of the deposit of requisition, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Constitutional Documents

Pursuant to a special resolution of the Shareholders passed on March 10, 2015, the Amended and Restated Memorandum and Articles of Association were adopted with effect from the Listing Date, copies of which are available on both the websites of the Hong Kong Stock Exchange and the Company.

Communication with Shareholders and investor relations

The Board recognizes that it is accountable to its stakeholders, and values the importance of communications with Shareholders. The Company is dedicated to maintaining an open dialogue with its Shareholders, and it will continually improve its communications with Shareholders to obtain their feedback.

The Company has established a shareholder communication policy to ensure effective communication with its Shareholders. The Company's corporate website also serves as a channel for Shareholders to access information about the Group. The Group's key corporate governance policies and documents, including the terms of reference of the various Board committees, as well as all communications for Shareholders including the Group's financial reports and announcements, are available on the website.

Shareholders are welcome to send their request for general meeting, proposed resolutions or enquiries to the Board to the primary contact person of the Company as follows:

Cowell e Holdings Inc.
Suite 3208–9
32/F Tower 6
The Gateway
9 Canton Road
Tsimshatsui
Kowloon
Hong Kong
Attention: Ms. Lam Wing Yan
Email: carol@cowell.com.hk

RISK MANAGEMENT REPORT

The Company is committed to the risk management and internal control, which are deeply embedded into the integral part of its operations. The management of the Company has been focusing on internal policies and strategies to minimize risks while making every endeavor to achieve its missions and objectives. In order to manage and control the identified risks as well as unexpected risks, the Company has designed and developed risk management framework and tools. Applying sound risk management framework and tools, the Company has made proper assessment of the risks and strived to manage the risks within the boundary of the Boards risk appetite.

1. PRINCIPLE RISKS

The Board has defined principal risks that the Company has to confront with in order to achieve its strategic objectives.

The principle risks, risk mitigating strategies and key performance indicators (the "KPI's") that the Board has identified are illustrated below:

1. STRATEGIC RISKS			
Risk Description	**Current Situation/Risk Mitigating Strategy**	**Key Performance Indicators (KPI) & Status**	**CHANGES IN 2019**
1.1 Single Customer Concentration Risk: The Company currently sells a substantial portion of its camera modules and optical components to a limited number of customers. The Company's dependence on these customers may cause material fluctuations or declines in revenue.	**1. Current Situation** - Key markets for smartphone including China are being saturated; - Low level of technology innovation did not justify the high pricing strategy of the major US customer; and - Chinese smartphone makers' enlarging market share led order reduction from both US major customer and LG. **2. Risk Mitigating Strategy** - **Short Term:** Keep focusing on production yield enhancement and cost management to maintain price competitiveness and profitability of the business - **Medium Term:** Upgrade skills and technology for high-end products and diversify product offering to the existing customers - **Long Term:** Keep exploring new product and business opportunities activating new business development team other than smartphone industry	1. # of days that the production yield is lower than the management's comfort zone - No case to trigger an escalation to Group Risk Management Committee ("GRMC") in 2019 2. Revenue dependency on each customer and share allocation from the customers - Monitoring purpose	• Competition in the supply chain due to increased # of suppliers • Terminating loss making business (stopped supplying Optical parts more than expected orders of new products from major US customer in 4Q) • Chinese smartphone markers' continuously enlarging market share
1.2 Technology Risk: The Company's continued success depends on its ability to respond to technology upgrade demanded by customers. It requires the Company's ability to maintain talented engineers. The Company's failure to further refine its technology and retain talented engineers may weaken its product competitiveness which may result in lower sales and market share.	**1. Current Situation** - Highly talented engineers are scarce resource and maintaining talent pool is challenging due to relatively high turnover ratio - Competition in the flip chip camera module business has been manageable due to high entry barrier led by advanced technology, significant investment and no assurance of sales volume **2. Risk Mitigating Strategy** - Keep hiring & retaining talented engineers by offering attractive compensation - Enhancing talent pool retention program	1. Retention ratio of the talent pool - No case to trigger an escalation to GRMC in 2019 2. Maintained comfortable level of retention ratio in 2019 (80%) 3. A larger talent pool for 2020 has been established to retain more talented engineers	• Maintained high retention ratio of 2019 talent pool • Strived to hire more local talented engineers • Incentivized talented engineers with both monetary and non-monetary compensation • Registered patents to secure our processing technology

2. LEGAL & REGULATORY RISKS			
Risk Description	**Current Situation/Risk Mitigating Strategy**	**Key Performance Indicators (KPI) & Status**	**CHANGES IN 2019**
2.1 Legal & Compliance Risk: Non-compliance with Hong Kong Listing Rules and local regulations where we operate (Cayman, China, Hong Kong and Korea) may result in adverse publicity and potentially significant monetary damages	**1. Current Situation** - No material violation or breach of Hong Kong Listing Rules and/or local regulations and laws where we operate (Cayman/China/Hong Kong and Korea) **2. Risk Mitigating Strategy** - Maintained external legal advisors for both Hong Kong and China to ensure a full compliance with Hong Kong listing rules and local regulations - Conducting internal audit and mobilizing group risk management committee to manage any unexpected situation	1. # of critical findings during monthly internal audit 2. # of enquiries, guidance or warnings from the Authority - No case to trigger an escalation to GRMC in 2019	• Maintained a sound risk management & internal control system • Expanded support from external legal & compliance professionals
2.2 Risk from mis-handling customers' confidential information: The Company has signed Non-Disclosure Agreements ("NDA") with all customers and any breach of the NDAs may cause serious financial damages.	**1. Current Situation** - No breach of NDAs has been escalated - No inside information on disclosure case has been reported **2. Risk Mitigating Strategy** - Reinforcing the inside information handling policy - Implementing high level of security system - Strengthening internal audit processes - Providing training on inside information handling policy to all employees	1. # of security rule violations and the amount of financial loss caused by the violation - No case to trigger an escalation to GRMC in 2019	• Conducted regular NDA and inside information related training for all employees in 2019

3. OPERATIONAL RISKS			
Risk Description	**Current Situation/Risk Mitigating Strategy**	**Key Performance Indicators (KPI) & Status**	**CHANGES IN 2019**
3.1 Production & Operational Risks: Securing sufficient factory labor in a timely manner is critical for executing production plan. Work stoppages and other labor-related issues may adversely affect our operation.	**1. Current Situation** - Efficiently managed production in line with production plan by sourcing sufficient labor in a timely manner despite the seasonality and high turnover of China labor market in Dongguan - There was no case in 2018 which triggered an escalation to GRMC **2. Risk Mitigating Strategy** - Expanding factory labor recruiting channel - Initiated factory labor retention program - Production line automation	1. # of days with production shortage against production plan 2. No case to trigger an escalation to GRMC in 2019	Sufficient liquidity of labor due to: 1. Lessened workforce required due to upgraded automation in the production line 2. Relatively low factory utilization rate due to reduced orders from customers led by fierce market competition and overall retreating smartphone industry

4. FINANCIAL RISKS			
Risk Description	**Current Situation/Risk Mitigating Strategy**	**Key Performance Indicators (KPI) & Status**	**CHANGES IN 2019**
4.1 Foreign Exchange Risk: Mismatching currencies in sales and procurement contracts may adversely affect the Company's financial results. Furthermore, operating subsidiaries in multiple countries increase FX exposure.	**1. Current Situation** - Maintained USD as a core currency for both sales and procurements - Operating subsidiaries in multiple countries caused FX valuation gain or loss which may mislead the Company's actual financial results **2. Risk Mitigating Strategy** - Maximizing natural hedging position by matching currencies in sales and procurements contracts - Recording actual FX transaction gain or loss as well as FX valuation gain or loss on a regular basis to monitor the situation and providing this report to GRMC and Audit Committee on a regular basis for their management decision	1. Natural hedging position (Total procurement amount settled in USD/Total sales settled in USD) 2. FX transaction gain or loss with a trigger point to make an escalation to GRMC and Audit Committee 3. No case to trigger an escalation to GRMC in 2018	1. Maintained the natural hedging position within the management's comfort zone; and 2. About 1.6% and 3.5% depreciation of CNY and KRW, respectively, in 2019 had led marginal FX transaction loss while sizable FX valuation gain. The situation was well within the management's comfort zone.

Risk level gets higher Risk level gets lower Risk level remains unchanged

2. PHILOSOPHY & OBJECTIVES OF THE COMPANY'S RISK MANAGEMENT SYSTEM

Managing risk is an ongoing process in the presence of uncertainties and should involve employees at all levels. Therefore, risk management cannot be practically performed on a standalone basis. All employees are required to be responsible and accountable for managing risk in so far as is reasonably practicable within the area of their responsibility. The principles and practices of sound risk management must be fully integrated into all business units' normal management strategy, planning and operational processes. Reflecting this philosophy, the Company has prepared and implemented its prudent risk management system.

The objectives of the Company's risk management system are to:

- outline its systematic approach to risk management to achieve strategic and operational objectives of the Company;
- improve decision-making, accountability and outcomes through the effective use of risk management system;
- integrate risk management system into daily operations; and
- reduce any potential financial loss, protect the brand and reputation and optimize business performance in a controlled manner when opportunities arise.

3. RISK APPETITE

In pursuit of its strategic objectives, the Board and the management of the Company is willing to undertake risks only if they shall not jeopardize:

- the relationship with major customers;
- health and safety of stakeholders including employees, suppliers, customers, etc.;
- the viability of the Company due to intractable financial loss;
- environment of the community and nation;
- the Company's reputation and brand name; and
- business license due to breach of regulations and laws where the Company operates

4. RISK TAXONOMY

At the highest level, the risks that the Company may have to confront with in order to achieve its strategic objectives can fall into the following risk categories:

- Strategic Risks: relating to the Group's business model and strategy such as demand shortfall, customer retention, pricing pressure, industry or sector downturn and failure to achieve technology upgrades;
- Operational Risks: risks that can be typically managed from within the business such as cost overrun, operating controls, poor capacity management, supply chain issues, employee issues including fraud, bribery and corruption and raw material prices;
- Financial Risks: the risks relating to inadequate liquidity management and unfavorable changes in the financial market such as interest rates and foreign exchange; and
- Compliance/Regulatory risks: relating to legal, regulatory and stakeholders considerations

5. RISK MANAGEMENT PROCESS

The Company adopts an integrated and structured approach to risk management, which consists of 4 steps to follow.

A. Risk Identification

Day-to-day risk management resides with the individual business units; therefore, departmental manager of each business units is accountable for the identification of the risks and their assessments as well as their bottom-up reporting in order to achieve strategic and operational objectives.

B. Mitigation Control and Assurance Activities

Every risk identified must be carefully evaluated and all the root causes of the identified risks should be assessed in order to find mitigating factors of the risk and ways to monitor and control the risk in an effective manner. The internal audit, as the 3rd line of defense explained in the section 7.A., will need to carry out analysis and independent appraisal of the mitigation control and assurance activities.

C. Accountabilities

Actively managing risks are the key duty of the risk owners/department managers of the Company. Department managers will assist risk owners in measuring, controlling, monitoring and reporting risks and they have both the right and obligation to contribute to risk management.

D. Reporting

All critical risks identified and any new/emerging risks to be identified by any individual department will be registered and reported to Group Risk Management Committee ("GRMC"). The risk management team of the Company (the "Risk Management Team") can facilitate and assist the relevant staff/department to register the risks and consolidate all the risks registered based on the pre-defined risk taxonomy and report it to GRMC on a regular basis.

6. RISK GOVERNANCE STRUCTURE

The effectiveness of risk management is unavoidably linked to management competence, commitment and integrity, all of which forms the basis of sound corporate governance. Corporate governance provides a systematic framework within which each management group can discharge their duties in managing the business.

A. The Board of Directors

The Board is responsible for:

- evaluating and determining the risks it is willing to take in achieving the company's strategic objectives;
- overseeing the Company's risk management and internal control systems on an ongoing basis;
- reviewing the effectiveness of the risk management and internal control systems which need to be conducted at least annually; and
- reporting to shareholders that it has done so in its Corporate Governance Report.

B. Audit Committee

The Audit Committee is responsible for:

- reviewing the Company's financial controls, risk management and internal control systems;
- discussing the risk management and internal control systems with GRMC to ensure that GRMC has performed its duty to have effective systems. This discussion should include the adequacy of resources, staff qualifications and experience, training programs and budget of the issuer's accounting and financial reporting function;
- considering major investigation findings on risk management and internal control matters as delegated by the Board; and
- ensuring co-ordination between the internal and external auditors.

C. Group Risk Management Committee ("GRMC") is responsible for:

- assisting the Audit Committee to identify and evaluate risks with which the Company is facing;
- designing, implementing and monitoring the risk management and internal control systems;
- reviewing the identified risks on a regular basis and taking actions to alleviate the level of the identified risks; and
- assessing the effectiveness of the risk management and internal control systems on a quarterly basis and reporting it to the Audit Committee and the Board.

D. Risk Management Team

Risk Management Team is responsible for:

- updating the risk management policy and formalizing it by having it approved by the Audit Committee and the Board;
- updating the inside information handling policy and formalizing it by having it approved by the Audit Committee and the Board;
- implementing the risk management and internal control systems and processes and providing a risk management and internal control system training to all employees on a regular basis;
- ensuring all office employees attend the training at least once a year;
- facilitating the registration of all identified risks and new/emerging risks to be identified by any employee and reporting it to GRMC; and
- preparing and facilitating GRMC meeting on a monthly basis for the seamless flow and maximum outcome of the meeting.

E. Internal Audit

Internal Audit Team of the Company (the “Internal Audit Team”) is responsible for:

- carrying out the internal audit function of the Company;
- updating the internal audit policy when it is needed;
- conducting the analysis and independent appraisal of the adequacy and effectiveness of the workflow and work manual of the members of the Company;
- pointing out noncompliance works of the member of the Company being audited and instructing them to make remedy actions within the set timeframe; and
- reporting to GRMC critical findings of the audit and the effectiveness of internal control measures.

F. Senior Management

Senior management of the Company is responsible for:

- providing direction and guidance within their areas of accountability so that subordinates best utilize their abilities in the preservation of the Company's resources;

- promoting, sponsoring and coordinating the development of a risk management culture within the organization;

- guiding the inclusion of risk management in all strategic and operational decision making; and

- possessing a clear profile of major risks within their area of control incorporating both opportunities and negative risks.

G. Line Management

Line Management of the Company is responsible for the adoption of risk management practices and will be directly responsible for the results of risk management activities, relevant to their area of responsibility. As part of the annual planning cycle all responsible managers will be required to consider and document existing risks and their impact on proposed plans. Any new emerging risks identified due to changes in the business environment must also be documented. Risk records must be maintained up-to-date on an on-going basis to reflect any changes which may occur.

H. All Employees

All employees of the Company are responsible for:

- acting at all times in a manner which does not place at risk the health and safety of themselves or any other person in the workplace;

- providing direction and training to persons for whom they have a supervisory responsibility or duty of care relating to health and safety; and

- identifying areas where risk management practices should be adopted and are to advise their supervisors accordingly.

7. RISK MANAGEMENT FRAMEWORK

There are a number of different types of risks, which the Company must take and manage in order to achieve its strategic objectives. The Board and senior management must identify these risks and discuss about the mitigating factors to manage the overall risk level and find ways to monitor the risks ensuring they stay within the Company's risk appetite.

In order to be more systematic to manage these risks, the following risk management framework has been adopted:

A. Three Lines of Defense Model

Risks are inherent in every corner of our businesses, and it is important to have a culture involving all levels of employee and a systematic approach to identify and assess risks such that they can be reduced, eliminated or avoided. In order to create risk conscious culture within the organization and manage risks systematically, three lines of defense model has been adopted. The following illustration and table show the definition of each line of defense and its role:

Board of Directors & Audit Committee

Group Risk Management Committee

Senior Management

1st Line of Defence

- Ongoing identification, assessment, monitoring and reporting of risks and opportunities in respective areas
- Plan and implement actions to manage risk
- Escalate risks that exceed the group's risk appetite

Risk Owners:
- Front line staff
- Project development

2nd Line of Defence

- Periodic Review and challenge of top risks impacting the strategic objectives
- Escalate the top risks to Senior Management Officers and through them, to the Audit & Group Risk Management Committee and the Board of Directors for their review
- Facilitate the risk process

Risk Owners:
- Risk Management
- Accounting / Finance
- Legal / HR

3rd Line of Defence

- Provide assurance over the effectiveness of controls in place to manage risk

Independent Oversight:
- Internal Audit

B. *Risk Rating Methodology*

In order to measure our risk appetite, all the identified principal risks will need to be rated based on the significance of the risk and the likelihood of occurrence.

[Table 1] Significance of the Risk

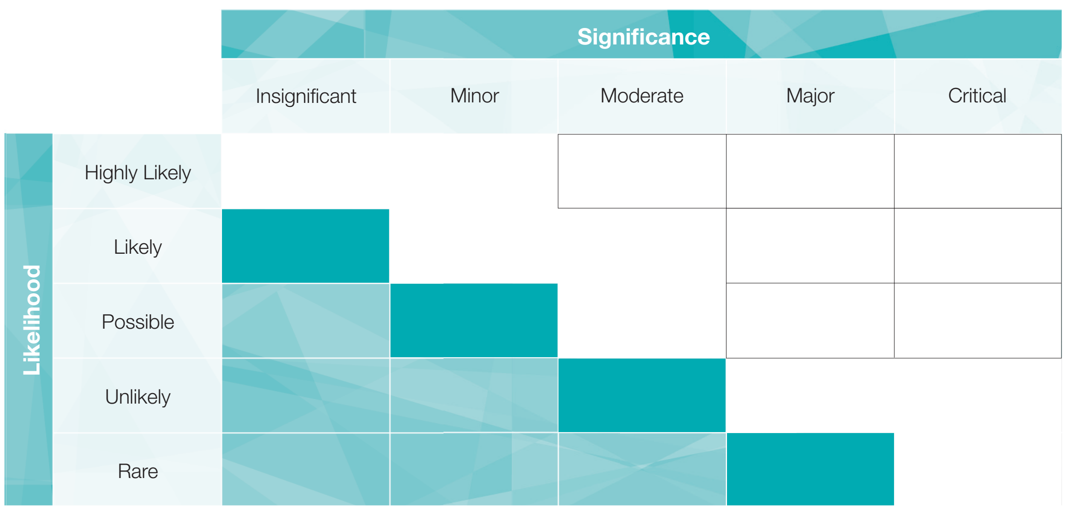
Risk Rating Dimension	Insignificant(1)	Minor(2)	Moderate(3)	Major(4)	Critical(5)
Financial	Financial damage of event less than HKD1 million	Financial damage of event between HKD1 million and HKD5 million	Financial damage of event between HKD5 million and HKD10 million	Financial damage of event between HKD10 million and HKD15 million	Financial damage of event more than HKD15 million
Reputational	Internal corrective action without any negative media focus	No negative media focus and/or concerns raised by one stakeholder	Short-term (less than a week) negative media focus and/or significant concerns raised by more than one stakeholders	Long-term (more than a week) negative media focus and/or sustained concerns raised by more than one stakeholders	Stakeholders lose confidence in the organization in the long-term, permanent withdrawal of support by several stakeholders
Operational	Corrective action within a day without disruption of operation	Corrective action within a week without disruption of operation	An incidence with the potential to lead to disruption of operation for a day	An incidence with the potential to lead to disruption of operation for more than a week	An incidence with the potential to lead to disruption of operation for more than a month
Regulatory	Internal corrective action without any operational disruption	Guidance from the authority	Warnings from the authority	Monetary penalty	Civil/criminal liabilities

[Table 2] Likelihood of Occurrence

Rating	Description
Highly Likely	Highly likely to occur in all circumstances (weekly)
Likely	Likely to occur in most circumstances (monthly)
Possible	Possible to occur at some stage (quarterly)
Unlikely	Unlikely to occur in most circumstances (1–3 years)
Rare	May only occur in exceptional circumstances (3–10 years)

Every identified risk will be mapped out based on the result of risk ratings using the above risk parameters. The significance of the risk will be evaluated in four different areas such as financial risk, reputational risk, operational risk and regulatory risk and the rating of the most relevant risk area will be selected, which will represent the significance of the risk. And after measuring the likelihood of occurrence, the risk can be positioned in the following risk map.

[Picture 1] Risk Map



Any risk located outside of the white area can be defined as the risk within our risk appetite. And any risk located in the white area will be continuously monitored and the Company will make every effort to bring it out of the area which is acceptable based on the Company's risk appetite.

8. RISK MANAGEMENT TRAINING

The Risk Management Team is responsible for the development and provision of risk management awareness training as well as specific training programs throughout the Company. This training is to address the needs of all employees including senior management.

9. RISK MANAGEMENT PERIODIC REVIEW

The Risk Management Team will support the management through periodic independent review of risk management practices and procedures to provide assurance on their efficiency and relevance to the GRMC and Audit Committee.

INTERNAL AUDIT

Internal audit is an integral part of internal control along with risk management system. The mission of the Internal Audit Team is to provide independent and objective reviews and assessments of the business activities, operations, financial systems and internal accounting controls of the Company. The Internal Audit Team accomplishes its mission through the conduct of operational, financial and performance audits, selected as the result of a risk identification and assessment process. The resulting schedule of audits is reviewed and approved by the Audit Committee and the GRMC of the Company.

1. OBJECTIVE

The Internal Audit Team conducts independent reviews and appraisals of the work procedures and operations. These reviews provide management with an independent appraisal of the various operations and systems of control. The reviews also help to ensure that the Company's resources are used efficiently and effectively while helping the Company achieve its mission, as directed by the Board. It is the intention of the Internal Audit Team to perform this service with professional care and with minimal disruption to daily operations.

2. RESPONSIBILITY AND AUTHORITY

The internal audit function was established at the direction of the Board and derives its authority directly from the Audit Committee. The Internal Audit Team reports to the GRMC on a monthly basis and to the Audit Committee on a quarterly basis. Internal audit staff is authorized to conduct a comprehensive internal audit program within the Company and is responsible for keeping the Audit Committee and GRMC informed of unusual transactions or other matters of significance.

3. INDEPENDENCE

In order to maintain independence and objectivity, the internal audit function has no direct responsibility or any authority over the activities or operations that are subject to review, nor should the Internal Audit Team develop or install procedures, prepare records or engage in activities that would normally be subject to review. However, the Internal Audit Team may be consulted when new systems or procedures are designed to ensure they adequately address internal controls.

4. OBJECTIVITY

Internal audit is a service function organized and operated primarily for the purpose of conducting audits, in accordance with the predefined work procedures. The evidential matter gathered from these audits forms the basis for furnishing opinions and other relevant information to chairman of the Board, Audit Committee, GRMC and senior management of the Company.

Opinions and other information furnished may attest to the adequacy of internal control, the degree of compliance with established policies and procedures and/or their effectiveness and efficiency in achieving organizational objectives. The Internal Audit Team may also recommend cost effective courses of action for the management to consider in improving efficiencies that have been identified during an audit.

5. AUDIT PROCESS

Although every audit project is unique, the audit process is similar for most engagements and usually consists of nine stages. Through these stages the Internal Audit Team will determine ways to minimize risks and increase efficiencies within the area.

A. Plan:

The Internal Audit Team will develop an audit plan based on a review of all pertinent information.

B. Notify:

The Internal Audit Team will schedule a meeting with the unit manager and the senior managers of the process to be audited. Identify the scope and objectives of the audit, how long it is expected to last and what the responsibilities for all parties are in the audit process. Any factors that may impact the audit should be raised at this time. Factors include vacations, fiscal year end reporting requirements, etc.

C. Test:

Testing will include interviews with the staff, review of procedures and risk manuals, assessing the adequacy of internal controls.

D. Communicate:

Keep the department that is undergoing the audit updated on the status of the audit on a regular basis especially if there are any findings. There may be instances where the findings can be addressed immediately.

E. Draft:

The report draft will include the audit Scope and objectives, summary and opinion, findings and audit recommendations.

F. Management Response:

Management will receive the audit draft to confirm the facts and respond to the audit recommendations. Their response should assign the responsibility and have a specific target date of completion for the corrective actions. The time window for the management response will be 21 calendar days.

G. Review:

The final version of the audit will be reviewed and all issues resolved by the Internal Audit Team.

H. Distribute:

The report is then released to the Audit Committee and GRMC as part of the agenda at the periodic meetings as requested.

I. Verify:

The Internal Audit Team will normally conduct a follow up on the management responses to the audit Findings and Recommendations within a reasonable time frame. This subsequent review will be discussed with the involved management and the comments published. The comments may also be released to the Audit Committee and GRMC as part of the agenda at the periodic meetings.

6. PRIORITIZATION OF THE AUDIT

The below are three factors adopted for the prioritization of processes for auditing:

A. **Financial Factor:** The significance of a process will be evaluated based on the amount of monetary impact of the process.

B. **Operational Factor:** The criticality of the process, when it has ERRORS or IRREGULARITIES, will be determined by time to be required for the corrective action.

C. **Regulatory Factor:** The rating of this category will be determined by the level of action from the authority.

And the risk parameters of each category are illustrated in the following [Table]:

Risk Rating Dimension	Insignificant (Ratings 1)	Moderate (Ratings 2)	Critical (Ratings 3)
Financial	Financial damage of event less than HK$500,000	Financial damage of event between HK$500,000 and HK$1,000,000	Financial damage of event more than HK$1,000,000
Operational	Corrective action within a week without disruption of operation	An incidence with the potential to lead to disruption of operation for more than a week	An incidence with the potential to lead to disruption of operation for more than a month
Regulatory	Internal corrective action without any warning from the authority	Warnings from the authority and/or monetary penalties	Monetary penalties and/or Civil/criminal liabilities

The prioritization of the process for auditing will be determined by the rating of the most relevant factors indicated above.

INTERNAL CONTROL FOR THE HANDLING INSIDE INFORMATION

The Board and the management of the Company are well aware of the following statutory duties relating to the handling of inside information:

- The Company must have procedures for the secure handling of inside information;
- A list of persons who are given access to inside information must be kept and the list must be continuously updated;
- Persons who are given access to inside information shall be made aware of the duties and responsibilities that this entails, as well as the criminal liability involved; and
- The Company must be able to provide documentary evidence to the Securities and Futures Commission in Hong Kong that persons who are given access to inside information are aware of their duties.

1. APPLICABILITY

These inside information handling procedures apply to all employees and elected officers (directors, elected auditor and corporate secretary) of the Company and its subsidiaries and to joint ventures in which the Group is a partner. The persons in charge of business areas in the Company shall ensure that employees and elected officers of the Company's subsidiaries receive necessary information about and training in use of these instructions. Responsibility at the Company lies with the heads of the various departments. The individual department heads shall assist in providing practical training.

2. THE DUTIES AND RESPONSIBILITIES OF A PERSON WITH RECEIPT OF INSIDE INFORMATION

Each employee and elected officer who receives inside information regarding the Group's financial instruments shall act in accordance with the prohibitions and duties that are described in further detail below.

A. Prohibition of misuse of inside information

No person must subscribe for, purchase, sell or exchange financial instruments issued by the Company if he or she has inside information regarding the Group's financial instruments. This prohibition applies to every natural and legal person, indirect and direct trading, and trading both for own account and for a third party's account, irrespective of form of settlement. The prohibition also applies to incitement to trade, i.e. persons who have inside information regarding the Group's financial instruments are not permitted to give other persons advice or in any way influence other persons to carry out, or refrain from carrying out, such transactions. This applies correspondingly to the entry into, purchase, sale or exchange of options or forward/futures contracts or similar rights (including financial derivatives) related to such financial instruments or to incitement to carry out such transactions.

The prohibition applies only to trades that can be characterized as misuse of inside information. Whether or not the trade constitutes misuse must be assessed in each individual case.

B. Duty of confidentiality

Inside information is confidential information, and shall not be given to or in other ways made available to unauthorized persons. The information may only be communicated or made available to another person if the recipient has a relevant, well-founded need for the information, assessed on the basis of the Company's interests. A strict "need to know" principle applies, i.e. as few people as possible shall have access to the information, as late as is practically possible.

Any person who communicates inside information or makes such information available to another person has an independent responsibility for ensuring that the person who is given access to the information is simultaneously made aware of the duties and responsibilities entailed by the receipt of such information, including the duty of confidentiality, the duty of proper handling of the information, the duty not to misuse it, and the criminal liability that attaches to the misuse or unwarranted distribution of such information. The above applies regardless of whether the recipient is an employee, an elected officer or an external advisor or a business connection.

C. Duty of information in connection with the communication of inside information

If inside information is communicated or made available to another person, the person responsible for maintaining the insider list and/or the Investor Relations Department shall be notified immediately, and if possible, before the information is communicated. Compliance with this duty of information is essential if the Company is to be able to fulfil its statutory duty to maintain an insider list, and to ensure that the persons who are given access to inside information are aware of the responsibility that this entails.

The person responsible for maintaining the insider list shall immediately put the person in question on the list of persons who have access to inside information. The insider list maintainer shall at the latest at the same time make sure that the recipient has been made aware of the duties and responsibilities that such access entails, and the criminal liability that attaches to misuse or unlawful use of such information.

D. Duty to ensure proper handling of inside information and to secure information

Any person who has inside information has a duty, in handling such information, to exercise due care in order to ensure that inside information does not come into the possession of unauthorized persons or is misused.

Environmental, Social and Governance Report

1. INTRODUCTION

1.A. PREPARATION

The section was prepared with reference to the Environmental, Social and Governance ("ESG") Reporting Guide (the "ESG Guide") set out in Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and other relevant rules and regulations such as Labor Law of the People's Republic of China (the "PRC"), China Occupational Health and Safety Regulations, China Environmental Protection Act., etc.

Cowell e Holdings Inc. (herein after the "Company" and together with its subsidiaries, the "Group"), is committed to the highest standards of environmental and social responsibility and ethical behavior, which has been embedded into the Group's main operational principles. The Group's commitment in ESG areas has been well recognized by all stakeholders including the main US customer.

As to cover extensive ESG practices, the Group decided to include the entire manufacturing sites located in both Huanan ("HN Factory") and Heng Keng ("HK Factory") regardless their contribution to the Group's overall business.

In order to pursue and assess its compliance with the ESG principles internally, the Company has formed Environmental, Social & Governance Working Group ("ESG Working Group") under Group Risk Management Committee ("GRMC") of the Company which directly reports to the audit committee (the "Audit Committee" of the Company). The member of ESG Working Group includes individuals who are directly responsible for each ESG areas. The main duties of ESG Working Group are as follows:

A. To set up and maintain policies for environmental and social responsibility;
B. To comply with the relevant laws and regulations that have a significant impact on the Company;
C. To identify potential issues relating to environmental and social responsibility;
D. To prioritize the identified issues to be managed;
E. To develop ways to monitor the identified issues and keep tracking Key Performance Indicators ("KPI") of the issues;
F. To make recommendations on the ESG strategies to GRMC;
G. To implement the ESG strategies adopted by GRMC; and
H. To make monthly ESG report to GRMC

The regular ESG Working Group meeting is held on a monthly basis and the identified issues are discussed and proper action plans are set up to follow up. In addition, in accordance with the latest requirements under the ESG Guide, ESG Working Group provides guidance and training on all aspects of policies and strategies in respect of the Company's environmental, social and governance management as well as their relevance to the Company's operations.

1.B. MATERIALITY AND RELEVANCE

In order to identify most relevant General Disclosures and key performance indicators ("KPI"), all the areas of concern specified in the ESG Guide were discussed in the ESG Working Group meetings and cross-checked with GRMC. The outcome of the discussion was laid out and further examined from the perspective of major US customer's ESG guideline and priorities as well as feedback from the external stakeholders. The detailed methods of engagement are as follows:

[TABLE 1] METHOD OF ENGAGEMENT

Stakeholders Engaged	Method of Engagement
ESG Working Group	• Areas of expertise • Meetings • Ratings • Cross checking with GRMC
Group Risk Management Committee	• Areas of experience • Meetings • Ratings • Ongoing engagement
Customers	• Areas of focus • Global ESG guideline and standards • Priorities of concerns
External Stakeholders	• Areas of interest • Investor meetings and conference calls • Overseas roadshows • Investor forums and conferences

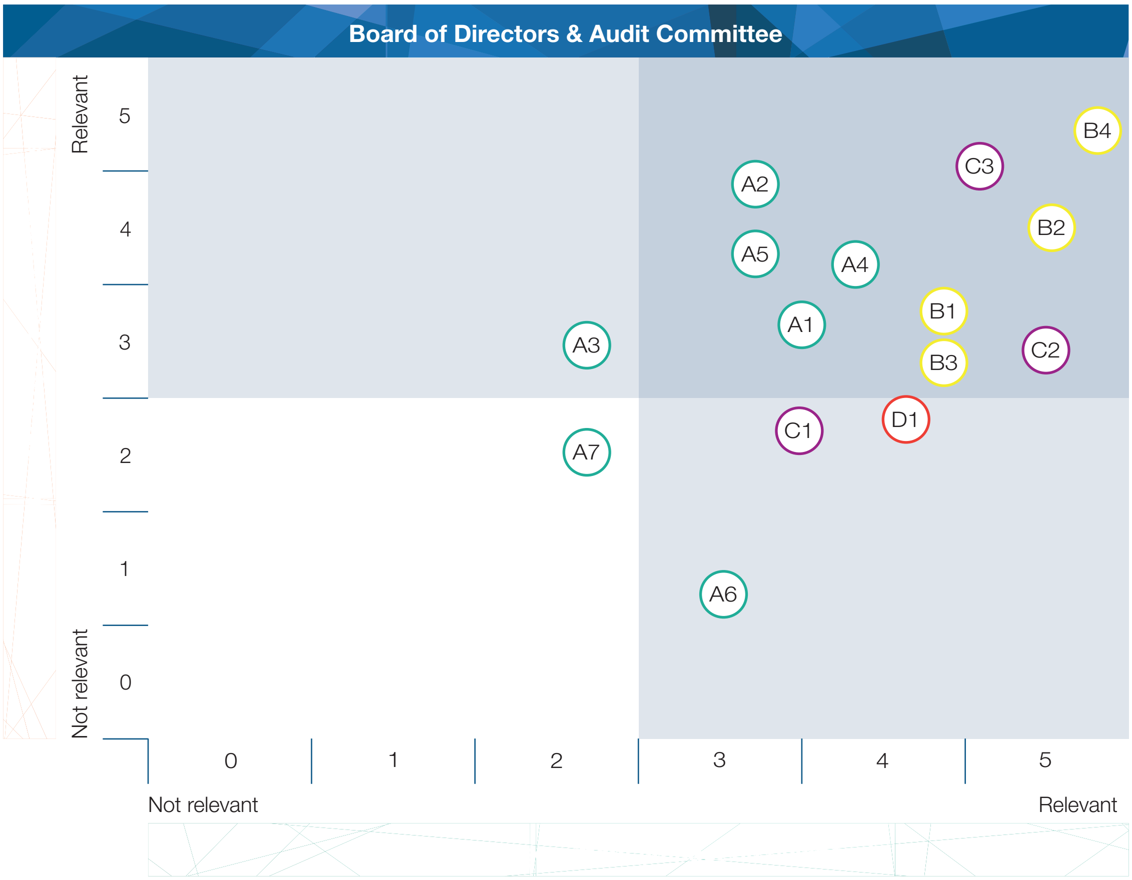
Based on the outcome of the ESG Working Group meetings, feedback from GRMC and external stakeholders as well as major customers' ESG guideline and priorities, the areas to be discussed were rated. The results of rating on each discussion point represents the Company's core organizational values, policies and strategies. During the rating process, both internal and external stakeholders' opinions were evaluated in consideration of potential financial implications, reputational risk and sustainability of the business.

The discussion points recommended by the ESG Guideline were summarized in the following table using four different categories:

[TABLE 2] ESG Discussion Points

A. Environment	B. Workplace	C. Operating Practice	D. Community
A1: Greenhouse Gas A2: Hazardous Waste A3: Non-hazardous Waste A4: Energy A5: Water A6: Packaging Material A7: Natural Resources	B1: Employment B2: Health & Safety B3: Development & Training B4: Labour Standards	C1: Supply Chain Management C2: Product Responsibility C3: Anti-corruption	D1: Community Investment

Each discussion point was rated in a scale from 0 to 5 (where 0 is the lowest relevance and 5 is highest) and mapped out in the following matrix:



Based on the above matrix, 14 out of 15 topics were identified as strong relevance and materiality to Cowell China. Natural Resources' low rating was mainly due to the Company's insignificant usage of natural resources.

2. ENVIRONMENTAL

Cowell China undertakes environmental protection seriously since it believes that protecting environment effort critically relates to the sustainability of its operation. Cowell China has initiated and implemented a number of measures to reduce carbon emission and solid wastes, improve energy efficiency and conserve water resources. Thanks to its effort in complying with the environment laws and regulations in force in China and its well defined internal policies and procedures, Cowell China has been successfully re-accredited the certification of ISO 14001: 2004 Environmental Management System. During the certification process, Cowell China has sufficiently demonstrated the followings:

- Compliance of mandatory requirements of the environmental standards; and
- Effectiveness of Cowell China's environmental management system


认证证书

东莞高伟光学电子有限公司

符合 ISO 14001:2015 环境管理体系标准

认证范围:

数字相机摄像头、手机摄像头整套组件及用于光盘机磁头的分光片、滤光片的生产之相关环境管理活动

103507/A/0001/UK/ZH

2018 年 10 月 20 日

2021 年 10 月 19 日


Certificate of Registration

This certificate has been awarded to

Dongguan Cowell Optic Electronics Ltd.

No.1 Hengzhong 8th Road, Hengkeng Village, No.1 Songbai Road, Huanan Industrial Zone, Liaobu Town, Dongguan City, Guangdong Province, China

in recognition of the organization's Environmental Management System which complies with

ISO 14001:2015

The scope of activities covered by this certificate is defined below

Manufacture of Digital Camera, the complete set of Module for Mobile Phone Camera, and Beam Splitter, Optical Filter for Optical Drive Magnetic Head and Management of Related Environmental Aspects

Certificate Number:	Date of Issue: (Original)	Date of Issue:
103507/A/0001/UK/En	20 October 2018	20 October 2018
Issue No:	Expiry Date:	
1	19 October 2021	

Issued by: On behalf of the Schemes Manager

In the fiscal year of 2019, Cowell China was not aware of any material non-compliance with the relevant environmental laws and regulations that would have a significant impact on the Company.

2.A. EMISSIONS

Cowell China has effectively managed emissions of relevant greenhouse gases, waste water and hazardous and non-hazardous wastes. Main types of emissions discharged by Cowell China are as follows:

- Greenhouse gases
- Waste water
- Hazardous waste: Waste lubricant from power generators (HW08), Epoxy (HW13), Fluorescent lamp (HW29), Solvent (HW42) and cleaning cloth (HW49)
- Non-hazardous waste: Food waste, household garbage, plastic packaging materials and boxes

The above hazardous wastes are categorized based on Corrosivity (C), Toxicity (T), Ignitability (I) and Infectivity (In) in reference to national catalogue of Hazardous Wastes formulated in accordance with the Environment Protection Law of the People's Republic of China ("PRC") and the Law of the PRC for the Prevention and Control of Pollution by solid wastes.

Greenhouse Gases

The main sources of the emitted gases can fall into two different categories: direct emission and indirect emission. The direct emission of Cowell China arises from three different sources: 1) owned and controlled vehicles being operated for its employees' daily commute; 2) consumption of liquefied natural gas ("LNG") for the humidity control facilities in the clean rooms of the production sites and cooking facilities in the canteens; and 3) consumption of diesel for the power generators which are contingent facilities for any failure of electrical power supply. The greenhouse gas emission from the power generators is minimal since the facilities are only utilized when there is any electrical power blackout. Normally these facilities are running only 10 minutes per week to check its readiness. Also the greenhouse gas emission from LNG boiler for humidity control and cooking is insignificant since LNG is relatively environmentally friendly.

The indirect emission results from consumption of electricity for the production facilities as well as air-conditioning and heating facilities. Total greenhouse gas emission is measured regularly by converting total consumption of electricity, LNG, diesel and car fuel into greenhouse gas using conversion factors from 2015 China Regional Power Grid Baseline Emission Factor for electricity and GB-T2589–2008 General Rules for other energy consumption. Based on this methodology, Cowell China's total greenhouse gas estimated in the fiscal year of 2018 and 2019 are shown below:

[TABLE 3] GREENHOUSE GAS EMISSION

ITEM	UNIT	CONSUMPTION		CONVERSION FACTOR	GREENHOUSE GAS (tCO_2)	
		2019	2018		2019	2018
Electricity	kwh	59,223,080	63,938,571	0.0008959	53,067	57,283
LNG	m^3	337,830	443,353	0.0022000	743	975
Car Fuel	Liter	101,602	87,442	0.0022630	230	198
Diesel	Liter	50,993	42,016	0.0026195	134	110
TOTAL EMISSION					**54,174**	**58,566**

* Conversion Factor for Electricity in reference to 2015 China Regional Power Grid Baseline Emission Factor (2015中國區域電網基準線排放因子)

** Conversion Factor for LNG/Car Fuel/Diesel in reference to GB-T2589–2008 general rules for calculating energy consumption (GB-T2589–2008綜合能耗計算通則)

Air Emission

In order to comply with the law of the prevention and control of atmospheric pollution in China, air emission inspection has been conducted by the local authority annually. During the inspection, NO, SO and dust level of the emission from LNG boilers and power generators have been measured and recorded. As shown in the below tables, all inspected items have remained below the tolerance level of the authority.

[TABLE 4] AIR EMISSION INSPECTION FOR LNG BOILER

ENTITY	ITEM	UNIT	TOLERANCE	RESULT 2019	RESULT 2018	STATUS
HN FACTORY	NO_x	mg/m^3	200	102	104	PASS
	SO_2	mg/m^3	50	30	*	PASS
	DUST	mg/m^3	30	3	14	PASS
HK FACTORY (No LNG Boiler)	NO_x	mg/m^3	200	0	0	N.A.**
	SO_2	mg/m^3	50	0	0	N.A.**
	DUST	mg/m^3	30	0	0	N.A.**

* Amount less than the lowest limit of the inspection equipment
** Not Applicable

[TABLE 5] AIR EMISSION INSPECTION FOR POWER GENERATOR

ENTITY	ITEM	UNIT	TOLERANCE	RESULT 2019	RESULT 2018	STATUS
HN FACTORY	NO_x	mg/m^3	120	23	45	PASS
	SO_2	mg/m^3	500	9	9	PASS
	DUST	mg/m^3	120	36	13	PASS
HK FACTORY	NO_x	mg/m^3	120	27	82	PASS
	SO_2	mg/m^3	500	6	9	PASS
	DUST	mg/m^3	120	10	22	PASS

Waste Water

In respect of waste water treatment, Cowell China has strictly complied with the related national laws and regulations of The Ministry of Environmental Protection of the PRC (MEP). The discharged water from HN Factory and HK Factory have been annually inspected by the local authority. And due to different classifications of waste water from HN and HK factories, two different MEP standards have been applied for the assessment. For both factories, non-compliance case has never been reported previously.

The following table shows the results of inspections conducted in 2018 and 2019:

[TABLE 6] INSPECTION OF DISCHARGED WATER

ENTITY	ITEM	UNIT	MEP STANDARD(1)	INSPECTION RESULT 2019	INSPECTION RESULT 2018	STATUS
HN FACTORY	PH(3)		6.00 – 9.00	7.30	7.10	PASS
	COD(4)	mg/L	30.00	22.00	21.00	PASS
	BOD(5)	mg/L	6.00	4.00	3.80	PASS
	T-N(6)	mg/L	1.50	0.17	0.92	PASS
	PETROLEUM	mg/L	0.50	0.47	0.13	PASS

ENTITY	ITEM	UNIT	MEP STANDARD(2)	INSPECTION RESULT 2019	INSPECTION RESULT 2018	STATUS
HK FACTORY	PH(3)		6.00 – 9.00	7.41	7.24	PASS
	FLOTAGE	mg/L	60.00	14.00	24.00	PASS
	CHROMATICITY		40.00	(7)	(7)	PASS
	PHOSPHATE	mg/L	0.50	0.07	0.05	PASS
	COD(4)	mg/L	90.00	55.00	18.00	PASS
	BOD(5)	mg/L	20.00	16.40	4.40	PASS
	T-N(6)	mg/L	10.00	0.03	0.81	PASS
	PETROLEUM	mg/L	5.00	0.28	0.04	PASS

(1) Environmental Quality Standards for Surface Water GB38382002 Class 3 (地表水環境質量標準GB38382002 3類)
(2) Water Pollutant Emission Limit Standard DB44/26 Class 2001 (水污染物排放限制 DB44/26 2001第二時段1級標準水)
(3) PH: Potential of Hydrogen
(4) COD: Chemical Oxygen Demand
(5) BOD: Biochemical Oxygen Demand
(6) T-N: Total Nitrogen
(7) Amount less than the lowest limit of the inspection equipment

And the below table shows the amount of discharged water in the fiscal year of 2018 and 2019, which are all within the limits approved by the local authority:

[TABLE 7] DISCHARGED WATER

ENTITY	2019	2018
HN FACTORY	1,687 m^3	2,113 m^3
HK FACTORY	5,118 m^3	16,618 m^3

Hazardous & Non-Hazardous Waste

Cowell China's hazardous and non-hazardous wastes are listed in the below table, which also shows total emitted amount of each item in the fiscal year of 2018 and 2019:

[TABLE 8] HAZARDOUS & NON-HAZARDOUS WASTES

ITEM	UNIT	HN FACTORY		HK FACTORY		SOURCE OF WASTES
		2019	2018	2019	2018	
HAZARDOUS WASTES						
Lubricant	kg	1,397	1,784	*	*	Power generating
Chemical	kg	1,418	1,555	0	350	Cleaning (alcohol, acetone & solvent)
Fluorescent Lamps	kg	0	3	0	120	Lighting
Epoxy	kg	1,128	1,024	*	*	Production processing
Cleaning Cloth	kg	7,251	5,891	*	*	Cleaning (with chemicals)
NON-HAZARDOUS WASTES						
Paper, Boxes, etc.	tonne	100	48	9	20	Packaging
Household & Food	tonne	600	604	60	297	Canteens and Dormitory

* HN Factory handles lubricant, epoxy and cleaning cloth wastes from HK Factory collectively

In addition, the following table illustrates how each of the emitted hazardous and non-hazardous wastes are handled:

[TABLE 9] HAZARDOUS AND NON-HAZARDOUS WASTE TREATMENT

NO	TYPE	COWELL CHINA		WASTE TREATMENT COMPANIES		
		USAGE	TREATMENT	COLLECTION	TREATMENT	END PROCESS
1	NON-HAZARDOUS WASTE	HOUSEHOLD GARBAGE & PACKAGING WASTE (BOX & PLASTIC PACKAGING MATERIALS)	STORING IN GENERAL WASTE STORAGE AREA EVERYDAY	URBAN HOUSEHOLD GARBAGE PROCESSING CENTER EVERYDAY	FILTERING & SORTING (RECYCLE & NON-RECYCLE WASTE)	* RECYCLABLE WASTE- RECYCLE * NON-RECYCLABLE WASTE – INCINERATION AND LANDFILL
2	FOOD WASTE	FOOD WASTE FROM CANTEEN	STORING IN THE DESIGNATED AREA EVERYDAY	EVERYDAY BY PIG FARM	FILTERING & SORTING	FEED FOR PIG FARMING
3	HAZARDOUS WASTE	ALCOHOL, ACETONE & SOLVENT (HW42) FOR CLEANING	COLLECTING WASTE CHEMICALS IN 200 LITER CONTAINER EVERYDAY & STORE IN THE DESIGNATED HAZARDOUS WASTE AREA	EVERY 2 MONTHS BY PROFESSIONAL HAZARDOUS WASTE TREATMENT COMPANY	TREATMENT FOR RECYCLING	RESALE
4	HAZARDOUS WASTE	WASTE LUBRICANT FROM POWER GENERATORS (HW08)	COLLECTING WASTE LUBRICANT IN 20 LITER CONTAINER & STORE IN THE DESIGNATED HAZARDOUS WASTE AREA	EVERY 6 MONTHS BY PROFESSIONAL OIL WASTE TREATMENT COMPANY	TREATMENT FOR RECYCLING	RESALE
5	HAZARDOUS WASTE	WASTE EPOXY (HW13) FROM PRODUCTION	STORING IN THE DESIGNATED HAZARDOUS WASTE STORAGE AREA	EVERY 3 MONTHS BY PROFESSIONAL OIL WASTE TREATMENT COMPANY	FILTERING	INCINERATION
6	HAZARDOUS WASTE	WASTE CLOTH AFTER CLEANING USING CHEMICALS	STORING IN THE DESIGNATED HAZARDOUS WASTE STORAGE AREA	EVERY 3 MONTHS BY PROFESSIONAL OIL WASTE TREATMENT COMPANY	FILTERING	INCINERATION

The majority of wastes including both hazardous and non-hazardous wastes are being filtered, sorted and processed for recycling as much as possible and the final residual wastes are incinerated by the authorized waste treatment companies. These treatments are fully in compliance with Solid Waste Pollution Prevention Act 75 Article 5 (固體廢物污染環境防治法75條5行) and non-compliance case has never been reported previously.

Packaging material consumption

The main packaging materials consumed by Cowell China during the fiscal year of 2019 include trays and carton boxes. These are in line with main customers' standard packaging requirements. The total weight of trays and carton boxes used for the shipments of camera modules in the fiscal year of 2019 were approximately 258.9 tonnes and 89.0 tonnes, respectively, as compared to approximately 246.4 tonnes and 85.0 tonnes, respectively, in 2018. Each carton box takes up to 60 trays. The decreased usage of the packaging materials was led by the decreased shipments.

2.B. ENERGY AND WATER USAGE

Electricity is the main source of energy required for Cowell China's manufacturing processes, heating and cooling. And water is mainly used for the followings:

1) Ultrasonic cleaning processes for components;
2) Cooling compressors;
3) Greening;
4) Sprinkling for dust control; and
5) Other usage (general cleaning, drinking and washing etc.)

LNG is required to control humidity in the clean rooms of the production site and used for preparing meals for the employees of Cowell China. During the fiscal year of 2018 and 2019, total consumption of energy and water are provided in the following table:

[TABLE 10] ENERGY & WATER CONSUMPTION

ITEM	UNIT	HN FACTORY		HK FACTORY		TOTAL	
		2019	2018	2019	2018	2019	2018
Electricity	kwh	47,569,800	46,489,451	11,663,280	17,449,120	59,233,080	63,938,571
LNG	m^3	322,530	403,373	15,300	39,980	337,830	443,353
Water	m^3	331,381	290,501	191,561	256,358	522,942	546,859

Proper usage of energy and water with care relates to not only environmental protection, but also health and safety of employees of Cowell China. For effective and efficient consumption of energy and water, Cowell China has prepared and implemented internal policies listed below:

- LNG user manual and policy
- Water user manual and policy
- Electricity safety user manual and policy
- Uninterrupted Power Supply ("UPS") policy
- Power generator user manual and policy
- Lighting and illumination policy

Cowell China does not have any issue in sourcing water; however, the management has advocated water saving and efficiency initiatives. As a good practice and internal guideline, more than 50% of HN Factory's total discharging water has been reused since April 2017.

In addition, Cowell China has constantly explored to find ways to optimize the energy consumption and waste management. To achieve this mission, the Company has formed a task force team ("TFT") within the organization. TFT has carried out various projects and many of them have already been materialized. The project details and outcome of the projects are in the following table:

[TABLE 11] 2019 ENERGY SAVING INITIATIVES

PROJECT DESCRIPTION	OBJECTIVES	OUTCOME
Optimizing management of factory workers' dormitories	— Saving water	— 27,268 m^3 water savings

3. SOCIAL RESPONSIBILITY

3.A. EMPLOYMENT

All employees of Cowell China totaling 2,664 as of December 31, 2019 are full time employees and well diversified in terms of geographical region, age group and gender. The detailed breakdown of our employee by region, age group and gender as well as turnover rate is as follows:

[TABLE 12] TURNOVER RATE BY REGION, AGE GROUP & GENDER

	Region	# of Employees at FYE'19	%	# of Employees Resigned in 2019	Turnover Ratio
By Region	Central China	941	35.3%	576	13.4%
	South China	795	29.8%	459	10.7%
	Southwest	463	17.4%	375	8.7%
	Northwest	151	5.7%	93	2.2%
	Other regions in China	203	7.6%	102	2.4%
	Korea	111	4.2%	26	0.6%
By Age Group	Below 30	1,447	54.3%	1,171	27.3%
	30s	1,027	38.5%	407	9.5%
	40s	167	6.3%	45	1.0%
	50 & above	23	0.9%	8	0.2%
By Gender	Female	1,770	66.4%	1,116	26.0%
	Male	894	33.6%	515	12.0%
	TOTAL	**2,664**	**100.0%**	**1,631**	**38.0%**

* Turnover Rate = # of employees resigned in 2019/(# of employees at FYE'19+# of employees resigned in 2019)

** The turnover is defined as employees who leave Cowell China voluntarily or due to retirement, dismissal or other reasons

The management of Cowell China believes that our employees are one of the most valuable assets to the Company and essential to the Company's operations. In order to make Cowell China friendly and fair working environment, the Company has adopted the following principles as its core human resources ("HR") policy:

Anti-discrimination in recruitment and promotion

To comply with Chapter 2 of PRC Labor Law, Cowell China prohibits any discrimination against any employees based on age, disability, ethnicity, gender, marital status, national origin, political affiliation, race, religion, sexual orientation, gender identity, labor union membership, or any other status protected by the national law, in hiring and other employment practices. Furthermore, Cowell China does not require pregnancy or medical examinations unless it is required by applicable laws or prudent for workplace safety. It is also clearly stated in the policy that any grievances in good faith will not be retaliated against or punished. Non-compliance of this case has never been reported previously.

Working Hours and Compensation

Cowell China strives to create and maintain a work-life balanced working environment with reasonable working hours and rest periods. In addition, employees of Cowell China can enjoy reasonable annual leave periods and time off for national holidays. Furthermore, employees of Cowell China receive, at least, the legally required minimum wages and a range of allowances and compensation for working during weekend, overtime, night shift as well as year-end bonuses. The detail pay scheme is clearly communicated to all employees in their local languages and accurate wages are paid in a timely manner.

Cowell China's labor policies are set to adhere to legislation within the boundary of the respective labor laws in China. Non-compliance of this case has never been reported previously.

Other Benefits and Welfare

Cowell China promotes employees' collaborative spirit and nurtures their work-life balance by sponsoring a number of cultural and sporting activities on a regular basis.

The followings are such regular activities that are organized by either the management of Cowell China or employees themselves:

1. Bi-weekly badminton workout
2. Weekly basketball competition
3. Monthly mountain tracking
4. Monthly birthday get-together
5. Annual sports day
6. Dragon boat festival

3.B. HEALTH AND SAFETY

Occupational Health, Safety and Hazard Prevention

The management of Cowell China pays much attention to employees' health, safety and well-being since it is inarguably important to the Company's sustainable operation. The Company is making every effort to provide and maintain a safe working environment and integrate appropriate health and safety management practices into its operation. In any case, if any employee of Cowell China observes unsafe or unhealthy working conditions, a proper internal escalation procedure is in place.

As a part of the internal standard procedures, Environmental, Health & Safety Team ("EHST") and Labor Team perform the following actions:

1. Providing employees with appropriate personal protective equipment with manual and teaching them how to properly use the equipment;

2. Training employees to adhere to Cowell China's health and safety policy; and

3. Conducting fire drills on a semi-annual basis (day & night fire drills) at the production, office and residential areas within Cowell China

Furthermore, Cowell China has formed a group of professional from General Affairs, Labor, Construction, HR and EHST, which conducts and promotes 'Health & Safety Day' for the employees' health and safety awareness on a monthly basis. During 'Health & Safety Day', the team checks its surroundings, assesses emergency evacuation procedures and eliminates potential occupational health and safety hazards.

The method used to measure occupational health and safety is as follows:

- Average Number of Accidents per 1,000 workers per year ("Accident Rate") = Number of accidents/ Total number of workers x 1,000

In the fiscal year of 2019, an Accident Rate of 0.2 was reported. The occupational health and safety incidents occurred in 2019 were investigated and proper corrective actions were conducted. All these activities have been reported to Group Risk Management Committee.

[TABLE 13] WORK-RELATED FATALITIES

	Unit	2019	2018
Total # of Work-related Fatalities	# of People	0	0
Work-related Fatalities Rate	Per 1,000 Workers	0.00%	0.00%

[TABLE 14] WORK INJURIES

	Unit	2019	2018
Accidents *	# of Accidents	6	3
Accident Rate	Per 1,000 Workers	0.2	0.09
Lost Hours	# of Hours	1,320	188

* Work related accidents with a minimum 8 lost hours (a full working day)

Emergency Prevention and Readiness

Potential emergency situations are carefully examined and assessed. And for each different emergency case, proper emergency evacuation procedures were implemented to minimize any physical injury as well as environmental and property damage. All new employees must attend an 'Emergency Prevention & Evacuation" training. And for those who work in the dangerous areas, 'Health & Safety' training is conducted on a monthly basis to raise their awareness of emergency procedures and readiness.

3.C. DEVELOPMENT AND TRAINING

Recruiting and maintaining skilled employees and cultivating loyalty to the Company are pivotal to both the success of the Company and the employees' career development. Training will help employees improve their work performance, which will eventually increase their loyalty to the Company. Therefore, Cowell China has developed a series of training specific to the needs and requirements of the work and tailored in line with their roles and responsibilities. Most trainings are done by internal staffs, but if necessary for the effectiveness of the training, outside professionals are often hired to conduct trainings as well.

The following table shows a summary of regular trainings for Cowell China factory employees in the fiscal year of 2019:

[TABLE 15] REGULAR TRAININGS FOR COWELL CHINA FACTORY EMPLOYEES

Training Type	Training Subjects	Target Audience	2019 # of Attendees	2018 # of Attendees	Training Hour	Frequency
New Employee Orientation	1. Company Introduction; 2. Code of Conduct; 3. Health & Safety; 4. Disciplinary Regulations; 5. Corporate Social Responsibility; 6. Safety Gear Manual; 7. Clean Room Rules; 8. Security Regulations; 9. Manufacturing Processes; 10. Terminology; 11. Tool Manual.	Newly hired operators	Male: 4,118 Female: 1,119	Male: 4,450 Female: 973	2 days (8 hours per day)	1st and 2nd day of employment
Post-promotion Training	1. Floor Management; 2. Code of Conduct; 3. Corporate Social Responsibility; 4. Health & Safety; 5. Security Regulations; 6. Leadership Skill; 7. Interpersonal Skill; 8. Effective Communication; 9. Leader's Role & Team Spirit.	1. Leader 2. Line Manager 3. Processing Manager	Male: 45 Female: 23	Male: 51 Female: 34	8 hours	Semi-annually
General Annual Training	1. Roles & Responsibilities; 2. Code of Conduct; 3. Corporate Social Responsibility; 4. Working Attitude; 5. Chemical Handling Instruction; 6. Security Regulations; 7. People Management; 8. Interpersonal Skill; 9. Improving Productivity; 10. Leader's Role & Team Spirit.	1. Line Manager 2. Processing Manager	Male: 179 Female: 104	Male: 182 Female: 114	8 hours	Annually (From November to December)

3.D. LABOR STANDARDS

Anti-harassment and Abuse

Cowell China has strived to make friendly workplace without in any form of harassment and abuse including, but not limited to verbal abuse and harassment, psychological harassment, mental and physical coercion, and sexual harassment. To create this working environment, a regular training on an annual basis has been provided to all employees including the newly hired.

Prevention of Involuntary Labor

Persons can have an opportunity to work for Cowell China only when they want to work voluntarily. Any form of slave, forced, bonded, indentured, or prison labor will not be recruited based on the internal policy. In any case, Cowell China will not forcibly withhold employee's original government-issued identification and travel documents. The relevant conditions of employment will be clearly explained to all employees in their own language.

Prevention of Underage Labor

The minimum legal age applicable to Cowell China's employment is 18 years old. Anyone younger than 18 years old are not allowed to work for the Company. In order to prevent from hiring any underage workers, a number of strict measures have been placed.

The following procedures are the synopsis of the policy:

1. All applicants for employment must present valid identification documents;

2. All applicants for employment must be interviewed by three interviewers; and

3. All documents provided and the results of the interviews will be carefully reviewed by both HR manager and team head of the hiring department.

In addition to the above procedures, internal escalation procedure for any unauthorized underage employment has also been set up. Any unauthorized underage workers can be anonymously escalated to the management. Furthermore, regarding this particular aspect, a quarterly review is conducted for the floor workers at the production site.

3.E. SUPPLY CHAIN MANAGEMENT

Cowell China respects the partnership with suppliers and desires to enhance its relationship for the sustainable and mutual growth with integrity. In order to achieve this goal, the Company has integrated environment protection and social responsibility into the supply chain management policy, which extensively covers various areas including production management, quality control, environmental governance and labor practice. The Company keeps exchanging dialogue with suppliers in routine work, physical visits, field review, supplier meetings and conferences, etc.

Suppliers' ESG Requirements

Cowell China encourages suppliers to adopt ESG principles in the areas of labor and human rights, health and safety, business ethics and environmental and social responsibility. The Company carefully selects its suppliers based on the above principles and any violations of these principles may jeopardize overall business relationship with Cowell China. Cowell China's standard purchase agreement includes supplier's social responsibility which extensively covers ESG requirements such as environmental protection, fair treatment for employment, health and safety of workers and business ethics.

Supplier Selection Process

When Cowell China needs to select a new supplier, it strictly follows procedures and on-site visit is one of critical steps in selecting new suppliers. The procurement team examines the qualification of potential suppliers in a stringent manner. Before sending out a request for proposal ("RFP") to potential suppliers, the followings are carefully reviewed:

1. Financial condition of the supplier

2. Shipping track record

3. Product quality assurance

Based on the outcome of the above review, multiple suppliers are shortlisted. Then, finally pricing competitiveness and ESG compliance are evaluated as core criteria for the selection of suppliers.

The following shows geographical diversification of Cowell China's suppliers in 2019:

[TABLE 16] SUPPLIES BY GEOGRAPHY

SUPPLIER LOCATION		2019 # OF SUPPLIERS	2018 # OF SUPPLIERS
China	South China	211	216
	Middle China	44	31
	North China	8	6
	West China	3	1
Korea		61	59
Japan		9	9
Hong Kong		12	12
Others		23	17
Total		**371**	**351**

[TABLE 17] LENGTH OF RELATIONSHIP

LENGTH OF RELATIONSHIP	2019 # OF SUPPLIERS	2018# OF SUPPLIERS
Less than 1 year	67	22
1~2 years	33	37
More than 3 years	271	292
Total	**371**	**351**

In terms of geography, suppliers of Cowell China are widely diversified, but majority of Chinese suppliers are located in South China. Furthermore, about 73% of total suppliers have more than 3 years of business relationship with Cowell China while less than 19% of total suppliers have less than 1 year of business relationship.

3.F. PRODUCT RESPONSIBILITY

Cowell China's continued effort in improving quality management system has been recognized by successful renewal of ISO 9001: 2015. This ISO 9001: 2015 was based on the following eight quality management principles which would further help Cowell China improve its performance:

1. Customer focus: fulfillment of customer needs
2. Leadership: unity of purpose and direction
3. Involvement of people: employees' involvement in achieving the organization's objectives
4. Process approach: resources and activities managed as processes
5. System management: systemized approach for the effectiveness and efficiency
6. Continual improvement: adopting system as a part of everyday culture for improvement
7. Fact based decision-making: making decisions based on the logical and intuitive analysis of data and factual information
8. Mutual benefit: enhancing relationship with customers for mutual benefit and value

认证证书

此证书授予

东莞高伟光学电子有限公司

统一社会信用代码:91441900095445087N

认证地址：中国广东省东莞市寮步镇华南工业区松柏路1号、横坑村横中八路1号

符合 ISO 9001:2015 质量管理体系标准

认证范围：

数字相机摄像头、手机摄像头整套组件及用于光盘机磁头的分光片、滤光片的生产

注册号:	认证日期:	证书发布日期:
103507/B/0001/UK/ZH	2018年10月27日	2018年10月27日
版次	到期日期:	注：本证书发证一年后与年检标识一同使用有效
1	2021年10月26日	

发证人: 认证经理

本证书信息可在国家认证认可监督管理委员会官方网站（www.cnca.gov.cn）上查询。

Certificate of Registration

This certificate has been awarded to

Dongguan Cowell Optic Electronics Ltd.

No.1 Hengzhong 8th Road, Hengkeng Village, No.1 Songbai Road, Huanan Industrial Zone, Liaobu Town, Dongguan City, Guangdong Province, China

in recognition of the organization's Quality Management System which complies with

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Issue No:	Expiry Date:	
1	26 October 2021	

Issued by: On behalf of the Schemes Manager

In fact, all manufacturing processes are carefully designed and validated by long experienced engineers. Production activities are performed in Class 10 clean room environment to satisfy our clients' stringent requirements for the quality of products. After every step of the production, the outcome produced are carefully examined and tested based on well-defined testing procedures. Even then, in order to strengthen quality assurance program, a proper customer return product procedure has been set up. The main purpose of this procedure is to efficiently handle the returned products from the customer due to not only product quality issues, but also any relevant re-inspection or re-test procedures prior to shipment back to the customer.

Protecting Intellectual Property Rights & Privacy Policies

In accordance with the non-disclosure agreement ("NDA") agreed with the customers, all manufacturing activities within Cowell China have been treated in a highly confidential manner and the whole property of Cowell China is secured as the restricted area where only authorized persons can enter. Any violation of NDA requirement is regularly reviewed by both internal audit team and legal team and the outcome of the regular review is reported to GRMC, on a monthly basis, which determines further escalation to the Audit Committee or the board of directors. In addition, this agenda has been regularly specified in the GRMC report which has been reported to the Audit Committee on a quarterly basis. In the fiscal year of 2019, there has been no violation reported to either GRMC or Audit Committee.

Quality Assurance Process and Recall Procedures

Cowell China's Return Material Authorization ("RMA") system has two basic categories.

One is Incoming Quality Control ("IQC") reject/Field Failure returns/Production fallouts (Quality), which encompasses product returned for technical reasons such as electrical rejections and/or functional failures, cosmetic and mechanical. Retest and sorting fees related to the quality defect is included in this category. The other is Administrative Returns (Non Quality), which encompasses all products returned for non-technical reasons. Examples are shipment error and freight fees, price reduction, customer requested changes and other administrative issues in nature.

For quality related returns, Cowell Quality Assurance ("QA") manager or representative confirms the customer complaint and communicates recommendations to Cowell China's quality engineering manager, director, supply chain, sales team and procurement team as needed. And a corrective & preventive action report is created to follow up in accordance with the procedures. If any quality issue at the customers' end is suspected, customers' quality representative will conduct the validation process prior to further actions.

3.G. ANTI-CORRUPTION

The Prevention of Bribery Ordinance in Hong Kong and relevant laws and regulations on anti-corruption and bribery in China are a part of core principles of Cowell China's Code of Conduct. The core principles of anti-corruption policy are well communicated with all Cowell China employees through a regular training. Cowell China's anti-corruption policy prohibits any and all form of corruption, extortion and embezzlement. In particular, employees of Cowell China shall in no event bribe foreign civil servants in any transactions and shall comply with laws that prohibit promising or giving bribes or any act of expressing intention to give either directly or indirectly to foreign civil servants regarding business affairs for the purpose of achieving unlawful profit in any transactions.

The followings are Cowell China's corruption prevention practices:

1. No monetary gift should be given or received;

2. A pre-approval must be sought when any employee of Cowell China needs to take part in activities including meals with suppliers or any relevant party outside of Cowell China;

3. No employee of Cowell China is allowed to use Cowell China's business opportunities for personal interest or benefit; and

4. All employees of Cowell China must attend "Anti-Corruption" training annually.

Furthermore, a suitable whistleblowing policy has been adopted by the management, which enables employees and other stakeholders to escalate any suspected misconduct or malpractice within Cowell China without any retribution. In the fiscal year of 2019, there was no case relating to anti-corruption reported.

3.H. COMMUNITY INVESTMENT

Cowell China, since its inception in 2002, has grown its business substantially. The management of Cowell China has recognized that such success and growth could not have been achieved without support from people, local community where Cowell China operates and the government. As a token of appreciation and for the sustainable growth, Cowell China has shown its commitment to the community in form of voluntary participation in community services and monetary sponsorship or charitable donations caring for people in need as well as supporting educational and environmental protection activities.

The areas of our focus in this aspect are as follows:

1. Fighting Poverty

2. Helping young people's education

3. Caring the elderly

4. Protecting environment

5. Supporting community development

In the fiscal year of 2019, the Group has sponsored or donated to:

Dongguan Liaobu charitable foundation	RMB100,000	(US$14,529)

* 2019 average foreign exchange rate (RMB/USD=6.8826)

HKEx ESG Reporting Guide Index			
General Disclosures & KPIs	**Description**	**Page number**	**Remarks**
SUBJECT AREA A. ENVIRONMENTAL			
Aspect A1: Emissions			
General Disclosure		65–71	ISO 14001:2015
KPI A1.1	The types of emissions and respective emission data.	67	[TABLE 4] [TABLE 5]
KPI A1.2	Greenhouse gas emissions in total (in tonnes)	65–66	[TABLE 3]
KPI A1.3	Total hazardous waste produced (in tonnes)	69	[TABLE 8]
KPI A1.4	Total non-hazardous waste produced (in tonnes)	69	[TABLE 8]
KPI A1.5	Description of measures to mitigate emissions and results achieved.	69–71	
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	70	[TABLE 9]
Aspect A2: Use of Resources			
General disclosure		68–71	
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in ’000s) and intensity	71	[TABLE 10] Energy Consumption
KPI A2.2	Water consumption in total and intensity	68, 69, 71	[TABLE 6] Water Inspection Results [TABLE 7] Discharged Water [TABLE 10] Water Consumption
KPI A2.3	Description of energy use efficiency initiatives and results achieved.	71	[TABLE 11] 2017 Energy Saving Initiatives
KPI A2.4	Description of whether there is any issue in sourcing water that is t for purpose, water efficiency initiatives and results achieved.	71	
KPI A2.5	Total packaging material used for finished products (in tonnes)	70	
Aspect A3: The Environment and Natural Resources			
General disclosure		65, 68, 70, 71	
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.		Natural resources are not material to our operation.

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General Disclosures & KPIs	**Description**	**Page number**	**Remarks**
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EMPLOYMENT & LABOUR PRACTICES			
Aspect B1: Employment			
General Disclosure		72–73	There was no material non-compliance regarding employment and labour practices during the fiscal year of 2018
KPI B1.1	Total workforce by gender, employment type, age group and geographical region.	72	[TABLE 12]
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	72	[TABLE 12]
Aspect B2: Health and Safety			
General Disclosure		74–75	
KPI B2.1	Number and rate of work-related fatalities.	75	[TABLE 13]
KPI B2.2	Lost days due to work injury.	75	[TABLE 14]
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	74, 75	Health & Safety Day' Emergency Prevention & Readiness
Aspect B3: Development and Training			
General Disclosure		75	
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	76	[TABLE 15]
KPI B3.2	The average training hours completed per employee by gender and employee category.	76	[TABLE 15]
Aspect B4: Labour Standards			
General Disclosure		77	Summary of Labor Policy
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	77	
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	77	

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General Disclosures & KPIs	**Description**	**Page number**	**Remarks**
OPERATING PRACTICE			
Aspect B5: Supply Chain Management			
General Disclosure		78–79	
KPI B5.1	Number of suppliers by geographical region.	79	[TABLE 16] [TABLE 17]
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	78–79	
Aspect B6: Product Responsibility			
General Disclosure		79	ISO 9001:2015
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.		Not relevant to our operation
KPI B6.2	Number of products and service related complaints received & how they are dealt with.		No complaint received
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	79–80	
KPI B6.4	Description of quality assurance process and recall procedures.	80	
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	80	
Aspect B7: Anti-corruption			
General Disclosure		81	
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.		No legal cases regarding corrupt practices
KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored	81	
COMMUNITY			
Aspect B8: Community Investment			
General Disclosure		81	
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	82	
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	82	

Independent Auditor's Report

KPMG

Independent auditor's report to the shareholders of Cowell e Holdings Inc.

(Incorporated in the Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of Cowell e Holdings Inc. ("the Company") and its subsidiaries ("the Group") set out on pages 91 to 161, which comprise the consolidated statement of financial position as at December 31, 2019, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2019 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of Hong Kong Companies Ordinance.

Basis of opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* ("the Code") together with any ethical requirements that are relevant to our audit of the consolidated financial statements in the Cayman Islands, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue recognition	
Refer to accounting policy note 1(q) and note 3 to the consolidated financial statements	
The key audit matter	**How the matter was addressed in our audit**
Revenue mainly comprises sales of camera modules and optical components to customers. The Group enters into a framework sale and purchase agreement with each major customer and sells its products in accordance with the terms of separate purchase orders. For the majority of the Group's sales, once the products are delivered to the location designated by the customer (either the shipping port or the destination port), the control of the goods are considered to have been transferred to the customer and revenue is recognised accordingly. We identified revenue recognition as a key audit matter because revenue is one of the key performance indicators of the Group and therefore there is an inherent risk of manipulation of the timing of recognition of revenue by management to meet specific targets or expectations.	Our audit procedures to assess the recognition of revenue included the following: • evaluating the design, implementation and operating effectiveness of management's key internal controls which govern revenue recognition; • inspecting key customer contracts to identify terms and conditions relating to goods acceptance and the right of return and assessing the Group's timing of recognition of revenue with reference to the requirements of the prevailing accounting standards; • comparing sales transactions, on a sample basis, with the underlying sales invoices and shipping documents to assess whether the related revenue was recognised in accordance with the Group's revenue recognition accounting policies; • assessing, on a sample basis, whether specific revenue transactions around the financial year end had been recognised in the appropriate financial period on the basis of the terms of sale as set out in the framework sale and purchase agreement by inspecting the relevant underlying shipping documents which indicated the date of delivery of the goods to the location designated by the customer; • inspecting a sample of credit notes issued after the financial year end and evaluating whether the related adjustments to revenue had been recognised in the appropriate financial period; • inspecting all manual adjustments to revenue raised during the reporting period, enquiring of management the reasons for such adjustments and comparing details of the adjustments with relevant underlying documentation.

Information other than the consolidated financial statements and auditor's report thereon

The directors are responsible for the other information. The other information comprises all the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated financial statements

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Lee Ka Nang.

KPMG
Certified Public Accountants

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

March 26, 2020

Consolidated Statement of Profit or Loss

for the year ended December 31, 2019
(Expressed in United States dollars)

	Note	2019 $'000	2018 (Note) $'000
Revenue	*3*	**542,614**	535,862
Cost of sales		**(465,517)**	(483,567)
Gross profit		**77,097**	52,295
Other revenue	*4*	**4,484**	2,749
Other net (loss)/income	*4*	**(13,153)**	1,027
Selling and distribution expenses		**(2,173)**	(2,384)
Administrative expenses		**(34,884)**	(39,360)
Profit from operations		**31,371**	14,327
Finance costs	*5(a)*	**(800)**	(188)
Donation		**(15)**	(8)
Profit before taxation	*5*	**30,556**	14,131
Income tax	*6*	**(1,276)**	(225)
Profit for the year		**29,280**	13,906
Earnings per share	*10*		
Basic		**$0.035**	$0.017
Diluted		**$0.035**	$0.017

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

The notes on pages 97 to 161 form part of these consolidated financial statements. Details of dividends payable to equity shareholder of the Company attributable to the profit for the year are set out in note 22(b).

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended December 31, 2019
(Expressed in United States dollars)

	Note	2019 $'000	2018 (Note) $'000
Profit for the year		**29,280**	13,906
Other comprehensive income for the year (after tax adjustments):	*9*		
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of financial statements		**(5,463)**	(15,377)
Items that will not be reclassified to profit or loss			
Remeasurement of net defined benefit liability		**40**	(87)
		(5,423)	(15,464)
Total comprehensive income for the year		**23,857**	(1,558)

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

Consolidated Statement of Financial Position

as at December 31, 2019
(Expressed in United States dollars)

	Note	2019 $'000	2018 (Note) $'000
Non-current assets			
Property, plant and equipment	*11*	98,332	105,168
Intangible assets	*12*	6,499	7,516
Other receivables	*15(b)*	6,269	5,559
Deferred tax assets	*21(b)*	6,756	1,632
		117,856	119,875
Current assets			
Inventories	*14*	70,180	66,666
Trade and other receivables	*15*	114,805	60,808
Current tax recoverable	*21(a)*	355	711
Pledged deposits	*16(a)*	3,113	3,231
Bank deposits	*16(b)*	34,956	20,757
Cash and cash equivalents	*16(b)*	119,571	112,304
		342,980	264,477
Current liabilities			
Trade and other payables	*17*	104,330	54,183
Lease liabilities	*18*	1,805	—
Current tax payable	*21(a)*	5,122	3,691
		111,257	57,874
Net current assets		231,723	206,603
Total assets less current liabilities		349,579	326,478

Consolidated Statement of Financial Position

as at December 31, 2019
(Expressed in United States dollars)

	Note	2019 $'000	2018 (Note) $'000
Non-current liabilities			
Lease liabilities	18	13,443	—
Net defined benefit retirement obligation	19	168	164
		13,611	164
NET ASSETS		335,968	326,314
CAPITAL AND RESERVES			
Share capital	22(c)	3,326	3,326
Reserves		332,642	322,988
TOTAL EQUITY		335,968	326,314

Approved and authorised for issue by the board of directors on March 26, 2020.

Mr. Cho Young Hoon
Director

Mr. Kwak Jung Young
Director

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

Consolidated Statement of Changes in Equity

for the year ended December 31, 2019
(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)	262,618	333,382
Changes in equity for 2018:										
Profit for the year		–	–	–	–	–	–	–	13,906	13,906
Other comprehensive income	9	–	–	–	–	–	–	(15,377)	(87)	(15,464)
Total comprehensive income		–	–	–	–	–	–	(15,377)	13,819	(1,558)
Dividends approved in respect of the previous year	22(b)	–	–	–	–	–	–	–	(5,524)	(5,524)
Transfer from retained profits		–	–	–	–	–	381	–	(381)	–
Equity settled share-based transactions		–	–	14	–	–	–	–	–	14
Share options lapsed		–	–	(530)	–	–	–	–	530	–
		–	–	(516)	–	–	381	–	(5,375)	(5,510)
Balance at December 31, 2018		3,326	57,850	3,249	7	762	10,563	(20,505)	271,062	326,314
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		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(2,401)**	**(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 2019:										
Profit for the year		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**29,280**	**29,280**
Other comprehensive income	9	**–**	**–**	**–**	**–**	**–**	**–**	**(5,463)**	**40**	**(5,423)**
Total comprehensive income		**–**	**–**	**–**	**–**	**–**	**–**	**(5,463)**	**29,320**	**23,857**
Dividends approved in respect of the previous year	22(b)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(12,000)**	**(12,000)**
Transfer from retained profits		**–**	**–**	**–**	**–**	**–**	**1,854**	**–**	**(1,854)**	**–**
Equity settled share-based transactions		**–**	**–**	**198**	**–**	**–**	**–**	**–**	**–**	**198**
Share options lapsed		**–**	**–**	**(112)**	**–**	**–**	**–**	**–**	**112**	**–**
		–	**–**	**86**	**–**	**–**	**1,854**	**–**	**(13,742)**	**(11,802)**
Balance at December 31, 2019		**3,326**	**57,850**	**3,335**	**7**	**762**	**12,417**	**(25,968)**	**284,239**	**335,968**

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

The notes on pages 97 to 161 form part of these consolidated financial statements.

Consolidated Cash Flow Statement

for the year ended December 31, 2019
(Expressed in United States dollars)

	Note	2019 $'000	2018 (Note) $'000
Operating activities			
Cash generated from operations	16(c)	54,209	87,353
Tax refunded			
— Hong Kong Profits Tax refunded		—	616
— Overseas tax paid		(4,173)	(2,732)
Net cash generated from operating activities		50,036	85,237
Investing activities			
Payment for purchase of property, plant and equipment		(17,790)	(15,117)
Proceeds from sale of property, plant and equipment		—	140
Payment for purchase of intangible assets		(127)	(1,356)
Interest received		3,596	2,217
(Increase)/decrease in bank deposits		(14,199)	652
Net cash used in investing activities		(28,520)	(13,464)
Financing activities			
Proceeds from bank loans	16(d)	—	269,208
Repayment of bank loans	16(d)	—	(316,322)
Interest paid	16(d)	—	(188)
Decrease in pledged deposits		118	196
Capital element of lease rental paid	16(d)	(1,121)	—
Interest element of lease rental paid	16(d)	(800)	—
Dividends paid to equity shareholders of the Company			
— Final dividend of the previous year		(12,000)	(5,524)
Net cash used in financing activities		(13,803)	(52,630)
Net increase in cash and cash equivalents		7,713	19,143
Cash and cash equivalents at January 1	16(b)	112,304	93,937
Effect of foreign exchange rate changes		(446)	(776)
Cash and cash equivalents at December 31	16(b)	119,571	112,304

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

The notes on pages 97 to 161 form part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

(Expressed in United States dollars unless otherwise indicated)

1 Significant accounting policies

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs"), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards ("IASs") and related interpretations, promulgated by the International Accounting Standards Board ("IASB"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). Significant accounting policies adopted by the Group are disclosed below.

The IASB has issued certain new and revised IFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 1(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended December 31, 2019 comprise the Company and its subsidiaries (together referred to as the "Group").

The measurement basis used in the preparation of the financial statements is the historical cost basis except that certain employee benefits are stated at their fair value as explained in the accounting policies set out below.

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 2.

1 Significant accounting policies (continued)

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

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.

IFRS 16 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.

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. *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.

1 Significant accounting policies (continued)

(c) Changes in accounting policies (continued)

IFRS 16, Leases (continued)

b. *Lessee accounting and transitional impact*

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 which are exempt. As far as the Group is concerned, these newly capitalised leases are primarily in relation to property, plant and equipment as disclosed in note 11. For an explanation of how the Group applies lessee accounting, see note g.

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; and

(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).

The following table reconciles the operating lease commitments as disclosed in note 24(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, 2019 and total lease liabilities recognised at January 1, 2019	18,252

Notes to the Consolidated Financial Statements

(Expressed in United States dollars unless otherwise indicated)

1 Significant accounting policies (continued)

(c) Changes in accounting policies (continued)

IFRS 16, Leases (continued)

b. *Lessee accounting and transitional impact* (continued)

The right-of-use assets in relation to leases previously classified as operating leases have been recognised as if IFRS 16 had always been applied since the commencement date of the lease (other than discounting using the relevant incremental borrowing rate at the date of initial application of IFRS 16).

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**

1 Significant accounting policies (continued)

(c) Changes in accounting policies (continued)

IFRS 16, Leases (continued)

c. *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 positive 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 (see note 16(d)). 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 (see note 16(d)).

The following tables give an indication of the estimated impact of the adoption of IFRS 16 on the Group's financial result, segment results and cash flows for the year ended December 31, 2019, by adjusting the amounts reported under IFRS 16 in these consolidated 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 in 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.

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(Expressed in United States dollars unless otherwise indicated)

1 Significant accounting policies (continued)

(c) Changes in accounting policies (continued)

IFRS 16, Leases (continued)

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

	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 year ended December 31, 2019 impacted by the adoption of IFRS 16:					
Profit from operations	31,371	2,114	(2,751)	30,734	14,327
Finance costs	(800)	800	–	–	(188)
Donation	(15)	–	–	(15)	(8)
Profit before taxation	30,556	2,914	(2,751)	30,719	14,131
Income tax expense	(1,276)	(39)	–	(1,315)	(225)
Profit for the year	29,280	2,875	(2,751)	29,404	13,906
Reportable segment profit for year ended December 31, 2019 (note 3(b)) impacted by the adoption of IFRS 16:					
— Camera module	78,337	1,201	(1,752)	77,786	54,394
— Optical component	(1,240)	524	(590)	(1,306)	(2,099)
— Total	77,097	1,725	(2,342)	76,480	52,295

1 Significant accounting policies (continued)

(c) Changes in accounting policies (continued)

IFRS 16, Leases (continued)

c. *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 for 2018 under IAS 17 $'000
Line items in the consolidated cash flow statement for year ended December 31, 2019 impacted by the adoption of IFRS 16:				
Cash generated from operations	54,209	(2,342)	51,867	87,353
Net cash generated from operating activities	50,036	(2,342)	47,694	85,237
Capital element of lease rentals paid	(1,121)	1,121	—	—
Interest element of lease rentals paid	(800)	800	—	—
Net cash used in financing activities	(13,803)	1,921	(11,882)	(52,630)

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.

1 Significant accounting policies (continued)

(d) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 1(h)).

(e) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 1(h)), with the exception of construction in progress which is stated at cost less any impairment losses (see note 1(h)).

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see note 1(s)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

1 Significant accounting policies (continued)

(e) Property, plant and equipment (continued)

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

—	Leasehold improvements	Shorter of the terms of leases or 20 years
—	Plant and machinery	8–10 years
—	Equipment, furniture and fixtures	3–5 years
—	Motor vehicles	3–5 years
—	Properties leased for own use	Unexpired terms of leases

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

(f) Intangible assets

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources and the intention to complete development. The expenditure capitalised includes the costs of materials, direct labour, and an appropriate proportion of overheads and borrowing costs, where applicable (see note 1(s)). Capitalised development costs are stated at cost less accumulated amortisation and impairment losses (see note 1(h)). Other development expenditure is recognised as an expense in the period in which it is incurred.

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see note 1(h)).

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

—	Development costs	5 years
—	Software	5 to 10 years

Both the period and method of amortisation are reviewed annually.

Club membership are not amortised while their useful lives are assessed to be indefinite. Any conclusion that the useful life of an intangible asset is indefinite is reviewed annually to determine whether events and circumstances continue to support the indefinite useful life assessment for that asset. If they do not, the change in the useful life assessment from indefinite to finite is accounted for prospectively from the date of change and in accordance with the policy for amortisation of intangible assets with finite lives as set out above.

1 Significant accounting policies (continued)

(g) Leased assets

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. 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.

As a lessee

(A) Policy applicable from January 1, 2019

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.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets which, for the Group are primarily laptops and office furniture. 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 (see notes 1(g) and 1(h)).

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.

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.

1 Significant accounting policies (continued)

(g) Leased assets (continued)

As a lessee (continued)

(B) Policy applicable prior to January 1, 2019

In the comparative period, leases which did not transfer substantially all the risks and rewards of ownership to the Group were classified as operating leases.

Where the Group had the use of assets held under operating leases, payments made under the leases were charged to profit or loss in equal instalments over the accounting periods covered by the lease term. Lease incentives received were recognised in profit or loss as an integral part of the aggregate net lease payments made.

(h) Credit losses and impairment of assets

(i) Credit losses

The Group recognises a loss allowance for expected credit losses (ECLs) on financial assets measured at amortised cost (including cash and cash equivalents and trade and other receivables).

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 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.

1 Significant accounting policies (continued)

(h) Credit losses and impairment of assets (continued)

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

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 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). 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.

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.

1 Significant accounting policies (continued)

(h) Credit losses and impairment of assets (continued)

(ii) Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased:

— property, plant and equipment, including right-of-use assets;

— intangible assets; and

— interests in subsidiaries in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated.

— *Calculation of recoverable amount*

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

— *Recognition of impairment losses*

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable), or value in use (if determinable).

— *Reversals of impairment losses*

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

1 Significant accounting policies (continued)

(i) Inventories

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised.

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

(j) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due.

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses (see note 1(h)(i)).

(k) Interest-bearing borrowings

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

(l) Trade and other payables

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

1 Significant accounting policies (continued)

(m) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement. Cash and cash equivalents are assessed for expected credit losses (ECL) in accordance with the policy set out in note 1(h)(i).

(n) Employee benefits

(i) Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Defined benefit retirement plan obligations

The Group's net obligation in respect of defined benefit retirement plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine the present value, and the fair value of any plan assets is deducted. The calculation is performed by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan.

Service cost and net interest expense/(income) on the net defined benefit liability/(asset) are recognised in profit or loss and allocated by function as part of "cost of sales", "selling and distribution expenses" or "administrative expenses". Current service cost is measured as the increase in the present value of the defined benefit obligation resulting from employee service in the current period. When the benefits of a plan are changed, or when a plan is curtailed, the portion of the changed benefit related to past service by employees, or the gain or loss on curtailment, is recognised as an expense in profit or loss at the earlier of when the plan amendment or curtailment occurs and when related restructuring costs or termination benefits are recognised. Net interest expense/(income) for the period is determined by applying the discount rate used to measure the defined benefit obligation at the beginning of the reporting period on high quality corporate bonds that have maturity dates approximating the terms of the Group's obligations.

Remeasurements arising from defined benefit retirement plans are recognised in other comprehensive income and reflected immediately in retained earnings. Remeasurements comprise actuarial gains and losses, the return on plan assets (excluding amounts included in net interest on the net defined benefit liability/(asset)) and any change in the effect of the asset ceiling (excluding amounts included in net interest on the net defined benefit liability/(asset)).

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(Expressed in United States dollars unless otherwise indicated)

1 Significant accounting policies (continued)

(n) Employee benefits (continued)

(iii) Share-based payments

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

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

(iv) Termination benefits

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

(o) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amount of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses.

1 Significant accounting policies (continued)

(o) Income tax (continued)

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

— in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

— in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  — the same taxable entity; or

  — different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

1 Significant accounting policies (continued)

(p) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(q) Revenue recognition

Income is classified by the Group as revenue when it arises from the sale of goods or the use by others of the Group's assets under leases in the ordinary course of the Group's business.

Revenue is recognised when control over a product is transferred to the customer, or the lessee has the right to use the asset, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Further details of the Group's revenue and other income recognition policies are as follows:

(i) Sales of goods

Revenue is recognised when the customer takes possession of and accepts the goods. If the goods are a partial fulfilment of a contract covering other goods then the amount of revenue recognised is an appropriate proportion of the total transaction price under the contract, allocated between all the goods promised under the contract on a relative stand-alone selling price basis.

In the comparative period, revenue from sales of goods was recognised when the customer had accepted the goods and the related risks and rewards of ownership.

(ii) Rental income from operating leases

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

1 Significant accounting policies (continued)

(q) Revenue recognition (continued)

(iii) Interest income

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

(iv) Compensation income

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

(v) Subsidy income

Subsidies are recognised initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attached to them. Subsidies that compensate the Group for expenses incurred are recognised as revenue in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Subsidies that compensate the Group for the cost of an asset are initially recognised as deferred income and consequently are recognised in profit or loss over the useful life of the assets by way of reduced depreciation expense.

(r) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

The results of operations with functional currency other than United States dollars are translated into United States dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into United States dollars at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of an operation with functional currency other than United States dollars, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

1 Significant accounting policies (continued)

(s) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(t) Related parties

(i) A person, or a close member of that person's family, is related to the Group if that person:

(1) has control or joint control over the Group;

(2) has significant influence over the Group; or

(3) is a member of the key management personnel of the Group or the Group's parent.

(ii) An entity is related to the Group if any of the following conditions applies:

(1) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(2) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(3) Both entities are joint ventures of the same third party.

(4) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(5) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(6) The entity is controlled or jointly controlled by a person identified in (i).

(7) A person identified in (i)(1) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

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

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

1 Significant accounting policies (continued)

(u) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

2 Accounting judgements and estimates

Note 19 contains information about the assumptions and their risk factors relating to defined benefit retirement obligations. Other key areas of estimation uncertainty are as follows:

(a) Impairment of property, plant and equipment and intangible assets

If the circumstances indicate that the carrying values of these assets may not be recoverable, the assets may be considered "impaired" and an impairment loss may be recognised in accordance with IAS 36, *Impairment of assets*. Under IAS 36, these assets are tested for impairment whenever events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. When such a decline has occurred, the carrying amount is reduced to recoverable amount. The recoverable amount is the greater of its fair value less costs of disposal and value in use. In determining the value in use, expected cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to level of sales volume, selling prices and amount of operating costs. The Group uses all readily available information in determining an amount that is a reasonable approximation of the recoverable amount. However, actual sales volume, selling prices and operating costs may be different from assumptions which may result in a material adjustment to the carrying amount of the assets affected. Details of the nature and carrying amounts of property, plant and equipment and intangible assets are disclosed in notes 11 and 12 respectively.

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

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

2 Accounting judgements and estimates (continued)

(c) Write down of inventories

The Group performs regular reviews of the carrying amounts of inventories with reference to aged inventories analysis, projections of expected future saleability of goods and, management experience and judgement. Based on this review, a write down of inventories will be made when the estimated net realisable value of inventories decline below their carrying amounts. Due to changes in technological environment, actual saleability of goods may be different from estimation and the statement of profit or loss in future accounting periods could be affected by differences in this estimation.

3 Revenue and segment reporting

(a) Revenue

The principal activities of the Group are manufacturing and sale of camera module and optical components. Revenue represents the sales value of goods supplied to customers and excludes value added tax or other sales taxes and is after deduction of any trade discounts.

The Group's customer base includes one customer (2018: one customer), with whom transactions have exceeded 10% of the Group's revenues, for the year ended December 31, 2019. Revenues from sales to this customer, arose in the camera module segment, during the reporting period are set out below.

	2019 **$'000**	2018 $'000
Largest customer	**525,373**	485,273
Percentage of total revenue	**97%**	91%

Details of concentration of credit risk arising from this customer are set out in note 23(a).

(b) Segment reporting

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

— Camera module: this segment is involved in the design, development, manufacture and sale of camera modules for mobile devices and home appliances.

— Optical components: this segment is involved in the design, development, manufacture and sale of optical components for optical disk drivers.

3 Revenue and segment reporting (continued)

(b) Segment reporting (continued)

(i) Segment results

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

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments. Other than reporting inter-segment sales, assistance provided by one segment to another, including sharing of assets, is not measured.

The measure used for reporting segment profit is gross profit.

In addition to receiving segment information concerning segment profit, management is provided with segment information concerning revenue (including inter-segment sales), interest income and expense from cash balances and borrowings managed directly by the segments, depreciation, amortisation and additions to non-current segment assets used by the segments in their operations.

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended December 31, 2019 and 2018 is set out below.

	Camera module	
	2019	2018 (Notes (i) and (ii))
	$'000	$'000
Revenue from external customers	**541,847**	533,236
Reportable segment revenue	**541,847**	533,236
Reportable segment profit	**78,337**	54,394
Bank interest income	**3,592**	2,205
Finance costs	**(786)**	(187)
Depreciation and amortisation	**(22,450)**	(23,269)
Additions to non-current segment assets	**18,945**	16,228

Notes to the Consolidated Financial Statements

(Expressed in United States dollars unless otherwise indicated)

3 Revenue and segment reporting (continued)

(b) Segment reporting (continued)

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

	Optical components	
	2019	2018
		(Notes (i) and (ii))
	$'000	$'000
Revenue from external customers	**767**	2,626
Reportable segment revenue	**767**	2,626
Reportable segment loss	**(1,240)**	(2,099)
Bank interest income	**4**	12
Finance costs	**(14)**	(1)
Depreciation and amortisation	**(2,860)**	(955)
Additions to non-current segment assets	**28**	245

	Total	
	2019	2018
		(Notes (i) and (ii))
	$'000	$'000
Revenue from external customers	**542,614**	535,862
Reportable segment revenue	**542,614**	535,862
Reportable segment profit	**77,097**	52,295
Bank interest income	**3,596**	2,217
Finance costs	**(800)**	(188)
Depreciation and amortisation	**(25,310)**	(24,224)
Additions to non-current segment assets	**18,973**	16,473

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 1(c).

(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.

3 Revenue and segment reporting (continued)

(b) Segment reporting (continued)

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

	2019	2018
		(Notes (i) and (ii))
	$'000	$'000
Revenue		
Reportable segment revenue and consolidated revenue	**542,614**	535,862
Profit		
Reportable segment profit	**77,097**	52,295
Other revenue	**4,484**	2,749
Other net (loss)/income	**(13,153)**	1,027
Selling and distribution expenses	**(2,173)**	(2,384)
Administrative expenses	**(34,884)**	(39,360)
Finance costs	**(800)**	(188)
Donation	**(15)**	(8)
Consolidated profit before taxation	**30,556**	14,131

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 1(c).

(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.

3 Revenue and segment reporting (continued)

(b) Segment reporting (continued)

(iii) Geographic information

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's property, plant and equipment and intangible assets ("specified non-current assets"). The Group's revenue from external customers is presented based on locations of goods physically delivered. The geographical location of the specified non-current assets is based on the physical location of the asset, in the case of property, plant and equipment and the location of the operation to which they are allocated, in the case of intangible assets.

	Revenue from external customers		Specified non-current assets	
	2019	2018	**2019**	2018 (Note)
	$'000	$'000	**$'000**	$'000
The People's Republic of China ("PRC") (including Hong Kong)	**531,559**	512,800	**103,692**	111,380
The Republic of Korea ("Korea")	**4,866**	4,167	**1,139**	1,304
Others	**6,189**	18,895	**—**	—
	542,614	535,862	**104,831**	112,684

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

4 Other revenue and other net (loss)/income

		2019 $'000	2018 $'000
(a)	**Other revenue**		
	Bank interest income	3,596	2,217
	Rental income	66	113
	Government subsidy	522	146
	Others	300	273
		4,484	2,749
(b)	**Other net (loss)/income**		
	Net loss on disposal of plant and equipment	(5,178)	(1,960)
	Impairment losses of property, plant and equipment (note 11(b))	(8,935)	—
	Net foreign exchange gain	961	3,476
	Others	(1)	(489)
		(13,153)	1,027

5 Profit before taxation

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

		2019 $'000	2018 (Note) $'000
(a)	**Finance costs**		
	Interest on bank borrowings	—	188
	Interest on lease liabilities	800	—
		800	188
(b)	**Staff costs#***		
	Contributions to defined contribution retirement plan	2,763	3,290
	Expenses recognised in respect of defined benefit retirement plans (note 19(a)(v))	169	233
	Equity settled share-based payment expenses (note 20)	198	14
	Salaries, wages and other benefits	37,884	42,452
		41,014	45,989

Staff costs also include directors' remuneration disclosed in note 7.

5 Profit before taxation (continued)

	2019 $'000	2018 (Note) $'000
(c) Other items		
Amortisation (note 12)	1,041	1,086
Depreciation# (note 11)		
— owned property, plant and equipment	22,156	23,138
— right-of-use assets	2,113	—
Reversal of impairment losses of trade receivables (note 23(a))	(2)	(9)
Auditors' remuneration	332	356
Expense relating to short-term leases and other leases with remaining lease term ending on or before December 31, 2019	1,747	—
Total minimum lease payments for leases previously classified as operating leases under IAS17# (Note)	—	3,647
Research and development costs other than depreciation and amortisation*	16,299	17,215
Cost of inventories# (note 14(b))	465,517	483,567

Note: The Group has initially applied IFRS 16 using the modified retrospective approach 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. After initial recognition of right-of-use assets at January 1, 2019, the Group as a lessee is required to recognise the depreciation of right-of-use assets, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. Under this approach, the comparative information is not restated. See note 1 (c).

Cost of inventories includes $46,441,000 (2018: $45,252,000) relating to staff costs, depreciation expenses and lease expenses, which amounts are also included in the respective total amounts disclosed separately above or in note 5(b) for each of these types of expenses.

* Research and development costs other than depreciation and amortisation includes $10,614,000 (2018: $9,496,000) relating to staff costs, which amounts are also included in the respective total amounts disclosed separately in note 5(b).

6 Income tax in the consolidated statement of profit or loss

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

	2019 $'000	2018 (Note) $'000
Current tax — Hong Kong Profits Tax		
Provision for the year	497	—
Over-provision in respect of prior years	—	(6)
	497	(6)
Current tax — Overseas		
Provision for the year	5,246	1,220
Under/(over)-provision in respect of prior years	246	(211)
	5,492	1,009
Deferred tax		
Origination and reversal of temporary differences	(3,395)	(778)
Effect on deferred tax balances at January 1 resulting from a change in tax rate	(1,318)	—
	(4,713)	(778)
	1,276	225

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

Pursuant to the rules and regulations of the Cayman Islands, the Group is not subject to any income tax in the Cayman Islands.

The provision for Hong Kong Profits Tax for 2019 is calculated at 16.5% (2018: 16.5%) of the estimated assessable profits for the year, 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% in 2019. No provision for Hong Kong Profits Tax for 2018 has been made as the entities sustained losses for taxation purposes.

Notes to the Consolidated Financial Statements

(Expressed in United States dollars unless otherwise indicated)

6 Income tax in the consolidated statement of profit or loss (continued)

(a) Income tax in the consolidated statement of profit or loss represents: (continued)

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

Cowell DG was not certified as a HNTE in 2019. The CIT rate applicable to Cowell DG is 25% for 2019.

Under the tax law in Korea, the statutory corporate tax rate applicable to the subsidiary in Korea is 10% for assessable income below Korean Won ("KRW") 200 million, 20% for assessable income between KRW200 million and KRW20 billion and 22% for assessable income above KRW20 billion for the years presented.

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	2019 $'000	2018 (Note) $'000
Profit before taxation	**30,556**	14,131
Notional tax on profit before taxation, calculated at the rates applicable to profits in the jurisdictions concerned	**5,867**	1,767
Tax effect of non-deductible expenses	**271**	129
Tax effect of non-taxable income	**(254)**	(63)
Effect of research and development bonus deduction	**(3,032)**	(1,840)
Under/(over)-provision in prior years	**246**	(217)
Tax effect of unused tax losses not recognised	**—**	464
Tax effect of utilisation of tax losses previously unrecognised	**(501)**	—
Effect on deferred tax balances at January 1 resulting from a change in tax rate	**(1,318)**	—
Others	**(3)**	(15)
Actual tax expense	**1,276**	225

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

7 Directors' emoluments

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

	Directors' fees $'000	Discretionary bonuses $'000	Salaries, allowances and benefits in kind $'000	Retirement scheme contributions $'000	Sub-total $'000	Share-based payments $'000	2019 Total $'000
Chairman							
Seong Seokhoon	–	32	76	26	134	–	134
Executive directors							
Lee Dong Goo	–	35	168	–	203	–	203
Independent non-executive directors							
Kim Chan Su	–	–	30	–	30	–	30
Song Si Young	–	–	30	–	30	–	30
Jung Jong Chae	–	–	25	–	25	–	25
	–	67	329	26	422	–	422

	Directors' fees $'000	Discretionary bonuses $'000	Salaries, allowances and benefits in kind $'000	Retirement scheme contributions $'000	Sub-total $'000	Share-based payments $'000	2018 Total $'000
Chairman							
Seong Seokhoon	–	47	153	–	200	–	200
Executive directors							
Lee Dong Goo	–	88	147	–	235	–	235
Independent non-executive directors							
Kim Chan Su	–	–	30	–	30	–	30
Song Si Young	–	–	30	–	30	–	30
Jung Jong Chae (appointed on December 13, 2018)	–	–	1	–	1	–	1
Andrew Look (resigned on December 13, 2018)	–	–	26	–	26	–	26
	–	135	387	–	522	–	522

No director received any emoluments from the Group as an inducement to join or upon joining the Group or as compensation for loss of office.

8 Individuals with highest emoluments

Of the five individuals with the highest emoluments, one (2018: two) is a director whose emoluments are disclosed in note 7. The aggregate of the emoluments in respect of the other four (2018: three) individuals are as follows:

	2019 $'000	2018 $'000
Salaries and other emoluments	723	602
Contributions to retirement benefit scheme	39	63
	762	665

The emoluments of the four (2018: three) individuals with the highest emoluments are within the following bands:

	2019 Number of individuals	2018 Number of individuals
HK$1,000,001 (equivalent to $129,000) to HK$1,500,000 (equivalent to $193,000)	3	1
HK$2,000,001 (equivalent to $258,000) to HK$2,500,000 (equivalent to $322,000)	1	2

9 Other comprehensive income

Tax effects relating to each component of other comprehensive income

	2019			2018		
	Before tax amount $'000	Tax expense $'000	Net-of-tax amount $'000	Before tax amount $'000	Tax benefit $'000	Net-of-tax amount $'000
Exchange differences on translation of financial statements	(5,463)	—	(5,463)	(15,377)	—	(15,377)
Remeasurement of net defined benefit liability	51	(11)	40	(112)	25	(87)
Other comprehensive income	(5,412)	(11)	(5,423)	(15,489)	25	(15,464)

10 Earnings per share

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of $29,280,000 (2018: $13,906,000) and 831,518,800 ordinary shares (2018: 831,518,800 shares) in issue during the year.

(b) Diluted earnings per share

There were no dilutive potential ordinary shares outstanding during the years ended December 31, 2019 and 2018. Accordingly, the diluted earnings per share is the same as basic earnings per share.

11 Property, plant and equipment

Reconciliation of carrying amount

	Leasehold improvements	Properties leased for owned use	Plant and machinery	Equipment, furniture and fixtures	Motor vehicles	Construction in progress	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Cost or valuation:							
At January 1, 2018	46,047	–	133,108	28,061	416	75	207,707
Exchange adjustments	(2,182)	–	(7,068)	(1,332)	(17)	(1)	(10,600)
Additions	534	–	10,469	3,517	274	323	15,117
Disposals	(1,215)	–	(8,697)	(3,447)	(59)	–	(13,418)
Transfers	–	–	392	–	–	(392)	–
At December 31, 2018	43,184	–	128,204	26,799	614	5	198,806
Impact on initial application of IFRS16 (Note)	–	15,189	–	–	238	–	15,427
At January 1, 2019	43,184	15,189	128,204	26,799	852	5	214,233
Exchange adjustments	(690)	(233)	(2,977)	(478)	(11)	–	(4,389)
Additions	435	967	13,231	3,816	89	308	18,846
Disposals	(1,120)	(2,358)	(16,376)	(1,242)	(100)	–	(21,196)
Transfers	–	–	313	–	–	(313)	–
At December 31, 2019	41,809	13,565	122,395	28,895	830	–	207,494

11 Property, plant and equipment (continued)

Reconciliation of carrying amount (continued)

	Leasehold improvements $'000	Properties leased for owned use $'000	Plant and machinery $'000	Equipment, furniture and fixtures $'000	Motor vehicles $'000	Construction in progress $'000	Total $'000
Accumulated depreciation and impairment losses:							
At January 1, 2018	11,369	–	58,919	15,784	292	–	86,364
Exchange adjustments	(606)	–	(3,107)	(820)	(13)	–	(4,546)
Charge for the year	2,302	–	16,346	4,360	130	–	23,138
Written back on disposals	(671)	–	(8,267)	(2,318)	(62)	–	(11,318)
At December 31, 2018 and January 1, 2019	**12,394**	**–**	**63,891**	**17,006**	**347**	**–**	**93,638**
Exchange adjustments	**(225)**	**(144)**	**(1,074)**	**(214)**	**(5)**	**–**	**(1,662)**
Charge for the year	**2,136**	**2,014**	**15,994**	**3,905**	**220**	**–**	**24,269**
Impairment loss	**5,371**	**831**	**2,482**	**246**	**5**	**–**	**8,935**
Written back on disposals	**(316)**	**(940)**	**(13,390)**	**(1,330)**	**(42)**	**–**	**(16,018)**
At December 31, 2019	**19,360**	**1,761**	**67,903**	**19,613**	**525**	**–**	**109,162**
Net book value:							
At December 31, 2018	30,790	–	64,313	9,793	267	5	105,168
At December 31, 2019	**22,449**	**11,804**	**54,492**	**9,282**	**305**	**–**	**98,332**

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

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 $113,790,000 (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.

11 Property, plant and equipment (continued)

(a) Right-of-use assets

The analysis of the net book value of right-of-use assets by class of underlying asset is as follows:

	December 31, 2019 $'000	January 1, 2019 $'000
Properties leased for own use, carried at depreciated cost	11,804	15,189
Motor vehicles, carried at depreciated cost	165	238
	11,969	15,427

The Group has obtained the right to use properties mainly as its factory, warehouses, offices and vehicles through tenancy agreements. The leases typically run for an initial period of 2 to 18 years.

The analysis of expense items in relation to leases recognised in profit or loss is as follows:

	2019 **$'000**	2018 (Note) $'000
Depreciation charge of right-of-use assets by class of underlying asset:		
Properties leased for own use	**2,014**	—
Motor vehicles	**99**	—
	2,113	—
Interest on lease liabilities (note 5(a))	**800**	—
Expense relating to short-term leases and other leases with remaining lease term ending on or before December 31, 2019	**1,747**	—
Total minimum lease payments for leases previously classified as operating leases under IAS 17	**—**	3,647

Note: The Group has initially applied IFRS 16 using the modified retrospective approach 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. The depreciated carrying amount of the finance lease assets which were previously included in property, plant and equipment is also identified as a right-of-use asset. After initial recognition of right-of-use assets at January 1, 2019, the Group as a lessee is required to recognise the depreciation of right-of-use assets, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. Under this approach, the comparative information is not restated. See note 1(c).

11 Property, plant and equipment (continued)

(a) Right-of-use assets (continued)

During the year, additions to right-of-use assets were $244,000. This amount primarily related to the capitalised lease payments payable under new tenancy agreements.

Details of total cash outflow for leases and the maturity analysis of lease liabilities are set out in notes 16(d), 18 and 24, respectively.

(b) Impairment loss

The Group considered the property, plant and equipment relating to one of the factories located in the PRC as a separate cash generating unit.

During the year ended December 31, 2019, this factory recorded operating loss which indicated the property, plant and equipment belong to this factory might have been impaired. As such, the Group's management assessed the recoverable amount of the property, plant and equipment of the factory and accordingly, the recoverable amount of $Nil was estimated. As the recoverable amount of this factory is lower than its carrying amount of property, plant and equipment, an impairment loss of $8,935,000 (2018: $Nil) was recognised in the consolidated statement of profit or loss for the year.

The recoverable amount of the factory located in the PRC is determined based on a value-in-use calculation and the cash flows are discounted using a discount rate of 14.21%. The discount rate is pre-tax and reflects specific risks relating to the factory.

12 Intangible assets

	Development costs $'000	Software $'000	Club membership $'000	Total $'000
Cost:				
At January 1, 2018	80	10,246	—	10,326
Exchange adjustments	(3)	(898)	(3)	(904)
Additions	—	1,169	187	1,356
At December 31, 2018 and January 1, 2019	**77**	**10,517**	**184**	**10,778**
Exchange adjustments	**(3)**	**(128)**	**(6)**	**(137)**
Additions	**—**	**127**	**—**	**127**
Written off	**—**	**(1,614)**	**—**	**(1,614)**
At December 31, 2019	**74**	**8,902**	**178**	**9,154**
Accumulated amortisation:				
At January 1, 2018	80	2,167	—	2,247
Exchange adjustments	(3)	(68)	—	(71)
Charge for the year	—	1,086	—	1,086
At December 31, 2018 and January 1, 2019	**77**	**3,185**	**—**	**3,262**
Exchange adjustments	**(3)**	**(31)**	**—**	**(34)**
Charge for the year	**—**	**1,041**	**—**	**1,041**
Written off	**—**	**(1,614)**	**—**	**(1,614)**
At December 31, 2019	**74**	**2,581**	**—**	**2,655**
Net book value:				
At December 31, 2019	**—**	**6,321**	**178**	**6,499**
At December 31, 2018	—	7,332	184	7,516

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

13 Investments in subsidiaries

The following list contains the particulars of the subsidiaries which principally affected the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated.

			Proportion of ownership interest			
Name of company	Place of incorporation/ registration and operation	Particulars of issued and paid up capital	Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
Cowell Optic Electronics Limited	Hong Kong	100 shares	100%	100%	—	Trading of camera module and optical products
Dongguan Cowell Optic Electronics Co., Ltd. ("Cowell DG")(*)	PRC	$283,831,900	100%	—	100%	Manufacture of camera module and optical products
Cowell Electronics Co., Ltd	Korea	KRW1,934,540,000	100%	100%	—	Trading of camera module and optical products

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

14 Inventories

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

	2019 $'000	2018 $'000
Raw materials	14,090	11,324
Work in progress	8,598	8,297
Finished goods	47,492	47,045
	70,180	66,666

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

	2019 $'000	2018 $'000
Carrying amount of inventories sold	465,835	483,036
Write-down of inventories	—	531
Reversal of write-down of inventories	(318)	—
	465,517	483,567

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

15 Trade and other receivables

	2019 $'000	2018 $'000
Trade receivables, net of loss allowance	**112,250**	56,971
Other receivables and prepayments	**2,555**	3,837
	114,805	60,808

All of the trade and other receivables are expected to be recovered or recognised as expense within one year.

(a) Ageing analysis

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

	2019 $'000	2018 $'000
Within 1 month	**60,934**	31,926
Over 1 to 2 months	**51,166**	22,956
Over 2 to 3 months	**50**	1,992
Over 3 months	**100**	97
	112,250	56,971

Trade receivables are due within 30 to 90 days from the date of billing. Further details on the Group's credit policy are set out in note 23(a).

(b) Non-current other receivables represented deposits and prepayments for property rental and purchase of property, plant and equipment and intangible assets.

16 Cash and cash equivalents and pledged deposits

(a) Pledged deposits

The Group's pledged deposits represented deposits provided to local customs authority in the PRC.

(b) Cash and cash equivalents and bank deposits:

	2019 $'000	2018 $'000
Bank deposits within three months to maturity when placed	**95,801**	100,935
Cash at bank and on hand	**23,770**	11,369
Cash and cash equivalents in the consolidated cash flow statement	**119,571**	112,304
Bank deposits with more than three months to maturity when placed	**34,956**	20,757

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

	Note	2019 $'000	2018 (Note) $'000
Profit before taxation		**30,556**	14,131
Adjustments for:			
Interest income	*4(a)*	**(3,596)**	(2,217)
Net loss on disposal of plant and equipment	*4(b)*	**5,178**	1,960
Impairment losses on property, plant and equipment	*4(b)*	**8,935**	—
Finance costs	*5(a)*	**800**	188
Equity settled share-based payment expenses	*5(b)*	**198**	14
Amortisation	*5(c)*	**1,041**	1,086
Depreciation	*5(c)*	**24,269**	23,138
Foreign exchange gain		**(5,153)**	(7,756)
Changes in working capital:			
(Increase)/decrease in inventories		**(3,514)**	40,700
(Increase)/decrease in trade and other receivables		**(54,707)**	80,051
Increase/(decrease) in trade and other payables		**50,147**	(63,769)
Increase/(decrease) in defined benefit obligations		**55**	(173)
Cash generated from operations		**54,209**	87,353

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

16 Cash and cash equivalents and pledged deposits (continued)

(d) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated cash flow statement as cash flows from financing activities.

	Bank loans $'000
At January 1, 2018	47,114
Changes from financing cash flows:	
Proceeds from bank loans	269,208
Repayment of bank loans	(316,322)
Interest paid	(188)
Total changes from financing cash flows	(47,302)
Other changes:	
Interest expenses (note 5(a))	188
At December 31, 2018, 1Janaury 2019 and December 31, 2019	—

16 Cash and cash equivalents and pledged deposits (continued)

(d) Reconciliation of liabilities arising from financing activities (continued)

	Lease liabilities (Note 18) $'000
At January 1, 2018 and December 31, 2018	—
Impact on initial application of IFRS 16 (Note)	18,252
At January 1, 2019	18,252
Changes from financing cash flows:	
Capital element of lease rentals paid	(1,121)
Interest element of lease rentals paid	(800)
Total changes from financing cash flows	(1,921)
Exchange adjustments	(537)
Other changes:	
Increase in lease liabilities from entering into new leases during the period	218
Decrease in lease liabilities from termination of leases during the period	(1,564)
Interest expenses	800
Total other changes	(546)
At December 31, 2019	15,248

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

16 Cash and cash equivalents and pledged deposits (continued)

(e) Total cash outflow for leases

Amounts included in the cash flow statement for leases comprise the following:

	2019 $'000	2018 (Note) $'000
Within operating cash flows	**267**	1,856
Within financing cash flows	**1,921**	—
	2,188	1,856

Note: As explained in the note to note16(d), the adoption of IFRS 16 introduces a change in classification of cash flows of certain rentals paid on leases. The comparative amounts have not been restated.

These amounts relate to the following:

	2019 $'000	2018 $'000
Lease rentals paid	**2,188**	1,856

17 Trade and other payables

	2019 $'000	2018 $'000
Trade payables	**95,365**	46,184
Accrued charges and other payables	**8,965**	7,999
	104,330	54,183

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

Notes to the Consolidated Financial Statements

(Expressed in United States dollars unless otherwise indicated)

17 Trade and other payables (continued)

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:

	2019 $'000	2018 $'000
Within 1 month	**54,226**	25,311
Over 1 to 3 months	**41,119**	20,844
Over 3 to 6 months	**20**	29
	95,365	46,184

18 Lease liabilities

The following table shows the remaining contractual maturities of the Group's lease liabilities at the end of the current and previous reporting periods and at the date of transition to IFRS 16:

	December 31, 2019		January 1, 2019 (Note)		December 31, 2018 (Note)	
	Present value of the minimum lease payments $'000	Total minimum lease payments $'000	Present value of the minimum lease payments $'000	Total minimum lease payments $'000	Present value of the minimum lease payments $'000	Total minimum lease payments $'000
Within 1 year	**1,805**	**2,724**	2,077	2,903	—	—
After 1 year but within 2 years	**1,858**	**2,534**	2,153	2,883	—	—
After 2 years but within 5 years	**3,589**	**5,035**	4,676	6,352	—	—
After 5 years	**7,996**	**9,144**	9,346	10,944	—	—
	13,443	**16,713**	16,175	20,179	—	—
	15,248	**19,437**	18,252	23,082	—	—
Less: total future interest expenses		**4,189**		4,830		—
Present value of lease liabilities		**15,248**		18,252		—

Note: The Group has initially applied IFRS 16 using the modified retrospective approach and adjusted the opening balances at January 1, 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under IAS 17. These liabilities have been aggregated with the brought forward balances relating to leases previously classified as finance leases. Comparative information as at December 31, 2018 has not been restated and relates solely to leases previously classified as finance leases. Further details on the impact of the transition to IFRS 16 are set out in note 1(c).

19 Employees retirement schemes

(a) Defined benefit retirement plan

The Group makes contributions to a defined benefit retirement plan for Korean employees working in Korea which covers 0.8% (2018: 1.0%) of the Group's employees. The plan is administered by a trustee, who is independent, with its assets held separately from those of the Group.

The plan is funded by contributions from the Group in accordance with an independent actuary's recommendation based on an annual actuarial valuation. The independent actuarial valuation of the plan at December 31, 2019 was prepared by certified insurance actuaries of Dlog Actuarial Consulting, who are registered with the Financial Services Commission, using the projected unit cost method. The actuarial valuation indicates that the Group's obligations under the defined benefit retirement plan are 73% (2018: 83%) covered by the plan assets held by the trustees at December 31, 2019.

The plan exposes the Group to actuarial risks, such as longevity risk, currency risk, interest rate risk and market risk.

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

	2019 **$'000**	2018 $'000
Present value of wholly or partly funded by obligation	**625**	937
Fair value of plan assets	**(457)**	(773)
	168	164

A portion of the above liability is expected to be settled after more than one year. However, it is not practicable to segregate this amount from the amounts payable in the next twelve months, as future contributions will also relate to future services rendered and future changes in actuarial assumptions and market conditions. The Group expects to pay $30,000 in contributions to the defined benefit retirement plan in 2020.

(ii) Plan assets

As at December 31, 2018 and 2019, the Group's liability under this plan is covered by deposits placed with several banks. There is no plan asset invested in the Company's own financial instruments or any property occupied or other assets used by the Group.

19 Employees retirement schemes (continued)

(a) Defined benefit retirement plan (continued)

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

	2019 $'000	2018 $'000
At January 1	937	855
Remeasurements:		
— Actuarial (gains)/losses arising from experience	(78)	124
— Actuarial losses/(gains) arising from changes in financial assumptions	19	(22)
	(59)	102
Benefits paid by the plan	(407)	(235)
Current service cost	165	226
Interest cost	23	25
Exchange difference	(34)	(36)
At December 31	625	937

The weighted average duration of the defined benefit obligation is 10.1 years (2018: 7.3 years).

(iv) Movements in plan assets

	2019 $'000	2018 $'000
At January 1	773	630
Group's contributions paid to the plan	109	398
Benefits paid by the plan	(407)	(235)
Interest income	19	18
Return on plan assets, excluding interest income	(8)	(10)
Exchange difference	(29)	(28)
At December 31	457	773

19 Employees retirement schemes (continued)

(a) Defined benefit retirement plan (continued)

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

	2019 $'000	2018 $'000
Current service cost	165	226
Net interest on net defined benefit liability	4	7
Total amount recognised in profit or loss	169	233
Actuarial (gains)/losses	(59)	102
Return on plan assets, excluding interest income	8	10
Total amounts recognised in other comprehensive income	(51)	112
Total defined benefits costs	118	345

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

19 Employees retirement schemes (continued)

(a) Defined benefit retirement plan (continued)

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

	2019	2018
Discount rate	2.40%	2.66%
Future salary increases	4.02%	4.10%

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

	Increase in 1%		Decrease in 1%	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Discount rate	(57)	(62)	68	72
Future salary increases	66	71	(56)	(62)

The above sensitivity analysis is based on the assumption that changes in actuarial assumptions are not correlated and therefore it does not take into account the correlations between the actuarial assumptions.

(b) Defined contribution retirement plan

The subsidiary in Hong Kong also operates a Mandatory Provident Fund Scheme (the "MPF scheme") under the Hong Kong Mandatory Provident Fund Scheme Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF scheme is a defined contribution retirement scheme administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the scheme at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$30,000. Contributions to the scheme vest immediately.

Cowell DG participates in the defined contribution retirement schemes operated by the local authorities for employees in the PRC. Contributions to these schemes are charged to profit or loss when incurred. The Group is required to contribute 16.5% (2018: 16.5%) of employees' remuneration to these schemes during the year. Contributions to the scheme vest immediately.

(Expressed in United States dollars unless otherwise indicated)

20 Equity settled share-based transactions

The Company has a share option scheme which was adopted on February 4, 2015 whereby the directors of the Company are authorised, at their discretion, to invite employees of the Group, including directors of any company in the Group, to take up options at HK$1 to subscribe for shares of the Company. The options vest after 0.86 to 3 years from the date of grant and are then exercisable within a period of 7 to 9.14 years. Each option gives the holder the right to subscribe for one ordinary share in the Company and is settled gross in shares.

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

	Number of instruments	Vesting conditions	Contractual life of options
Options granted to directors:			
— on October 30, 2015	4,000,000	2.17 years from the date of grant	10 years
Options granted to employees:			
— on October 30, 2015	8,600,000	2.17 years from the date of grant	10 years
— on April 21, 2016	1,500,000	0.86 year from the date of grant	10 years
— on June 20, 2016	400,000	3 years from the date of grant	10 years
— on June 20, 2017	400,000	3 years from the date of grant	10 years
— on April 19, 2018	2,000,000	2 years from the date of grant	10 years
— on May 24, 2018	1,000,000	1.95 years from the date of grant	10 years
— on April 26, 2019	2,000,000	0.98 years from the date of grant	9 years
Total share options granted	19,900,000		

20 Equity settled share-based transactions (continued)

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

	2019 Weighted average exercise price	2019 Number of options '000	2018 Weighted average exercise price	2018 Number of options '000
Outstanding at the beginning of the period	**HK$3.15**	**5,950**	HK$3.68	6,650
Granted during the period	**HK$1.81**	**2,000**	HK$1.93	3,000
Lapsed/cancelled during the period	**HK$3.15**	**(400)**	HK$3.09	(3,700)
Outstanding at the end of the period	**HK$2.76**	**7,550**	HK$3.15	5,950
Exercisable at the end of the period	**—**	**—**	—	—

The options outstanding at December 31, 2019 had a weighted average exercise price of $0.36 (equivalents to HK$2.76) (2018: $0.41 (equivalents to HK$3.15)) and a weighted average remaining contractual life of 8.13 years (2018: 7.67 years).

(c) Fair value of share options and assumptions

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

Fair value of share options and assumptions

	2019	2018
Fair value at measurement date	**HK$0.51**	HK$0.82–HK$0.86
Share price	**HK$1.76**	HK$1.81–HK$1.86
Exercise price	**HK$1.81**	HK$1.89–HK$1.95
Expected volatility (expressed as weighted average volatility used in the modelling under binomial option pricing model)	**61.77%**	71.08%
Option life (expressed as weighted average life used in the modelling under binomial option pricing model)	**8.99 years**	10 years
Expected dividends	**6.640%**	2.391%
Risk-free interest rate (based on yields of Hong Kong government bonds and treasury bills)	**1.644%**	2.114%

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

21 Income tax in the consolidated statement of financial position

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

	2019 $'000	2018 $'000
Provision for Hong Kong Profits Tax for the year	497	—
Provisional Profits Tax paid	—	(357)
	497	(357)
Provision for tax outside Hong Kong	4,270	3,337
	4,767	2,980
Representing:		
Tax recoverable	(355)	(711)
Tax payable	5,122	3,691
	4,767	2,980

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

(b) Deferred tax assets and liabilities recognised:

Movement of each component of deferred tax assets and liabilities

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

	Depreciation allowances in excess of the related depreciation $'000	Defined benefit retirement plan liability $'000	Provisions $'000	Unrealised profits $'000	Others $'000	Total $'000
At January 1, 2018	(414)	(187)	(70)	(301)	140	(832)
(Credited)/charged to profit or loss (note 6(a))	(893)	(2)	(84)	155	46	(778)
Credited to reserves (note 9)	—	(25)	—	—	—	(25)
Exchange adjustments	—	8	1	—	(6)	3
At December 31, 2018	(1,307)	(206)	(153)	(146)	180	(1,632)
Impact on initial application of IFRS 16	(424)	—	—	—	—	(424)
At January 1, 2019	**(1,731)**	**(206)**	**(153)**	**(146)**	**180**	**(2,056)**
(Credited)/charged to profit or loss (note 6(a))	**(4,495)**	**50**	**44**	**(189)**	**(123)**	**(4,713)**
Charged to reserves (note 9)	**—**	**11**	**—**	**—**	**—**	**11**
Exchange adjustments	**—**	**7**	**1**	**—**	**(6)**	**2**
At December 31, 2019	**(6,226)**	**(138)**	**(108)**	**(335)**	**51**	**(6,756)**

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

(c) Deferred tax assets not recognised

In accordance with the accounting policy set out in note 1(o), the Group has not recognised deferred tax assets in respect of cumulative tax losses of $2,809,000 in 2018 as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. The tax losses do not expire under current tax legislation. No unrecognised deferred tax assets in respect of cumulative tax losses are available as at December 31, 2019.

(d) Deferred tax liabilities not recognised

Under the CIT and its implementation rules, a withholding tax at 10%, unless reduced by a tax treaty or arrangement, is applied on dividends received by non-PRC-resident corporate investors from PRC-resident enterprises, such as the Company's PRC subsidiary. Undistributed earnings prior to January 1, 2008 are exempt from such withholding tax. Under the China-Hong Kong Tax Arrangement and the relevant regulations, a qualified Hong Kong tax resident which is the "beneficial owner" and holds 25% equity interests or more of a PRC enterprise is entitled to a reduced withholding tax rate of 5%. The Group has determined that it qualifies for the 5% withholding tax rate.

As at December 31, 2019, temporary differences relating to the undistributed profits of the Group's PRC subsidiary amounted to $124,166,000 (2018: $105,630,000). Deferred tax liabilities of $6,208,000 (2018: $5,282,000) have not been recognised in respect of these undistributed profits as the Company controls the dividend policy of the subsidiary and it has been determined that it is probable that these profits will not be distributed in the foreseeable future.

22 Capital, reserves and dividends

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual component of equity between the beginning and the end of the year are set out below:

Company

	Note	Share capital $'000	Share premium $'000	Capital reserve $'000	Capital redemption reserve $'000	Other reserve $'000	Retained profits $'000	Total $'000
At January 1, 2018		3,326	57,850	3,765	7	707	4,377	70,032
Changes in equity for 2018:								
Profit for the year and total comprehensive income		–	–	–	–	–	5,367	5,367
Dividends approved in respect of the previous year		–	–	–	–	–	(5,524)	(5,524)
Equity settled share-based transactions		–	–	14	–	–	–	14
Share options lapsed		–	–	(530)	–	–	530	–
At December 31, 2018 and January 1, 2019	*26*	**3,326**	**57,850**	**3,249**	**7**	**707**	**4,750**	**69,889**
Changes in equity for 2019:								
Profit for the year and total comprehensive income		**–**	**–**	**–**	**–**	**–**	**11,731**	**11,731**
Dividends approved in respect of the previous year		**–**	**–**	**–**	**–**	**–**	**(12,000)**	**(12,000)**
Equity settled share-based transactions		**–**	**–**	**198**	**–**	**–**	**–**	**198**
Share options lapsed		**–**	**–**	**(112)**	**–**	**–**	**112**	**–**
At December 31, 2019	*26*	**3,326**	**57,850**	**3,335**	**7**	**707**	**4,593**	**69,818**

22 Capital, reserves and dividends (continued)

(b) Dividends

(i) Dividends payable to equity shareholders of the Company attributable to the year

	2019 $'000	2018 $'000
Final dividend proposed after the end of the reporting period of HK24.2640 cents per ordinary share (2018: HK11.1987 cents per ordinary share)	26,000	12,000
Special dividend proposed after the end of the reporting period of HK$22.3976 cents per ordinary share (2018: $Nil)	24,000	—
	50,000	12,000

The final and special dividends proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

(ii) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year.

	2019 $'000	2018 $'000
Final dividend in respect of the previous financial year, approved and paid during the year, of HK11.1987 cents per share (2018: HK5.1553 cents per share)	12,000	5,524

(c) Share capital

Authorised and issued share capital

	2019		2018	
	Number of shares '000	Amount $'000	Number of shares '000	Amount $'000
Authorised:				
Ordinary shares of $0.004 each	10,000,000	40,000	10,000,000	40,000
Ordinary shares, issued and fully paid:				
At January 1 and December 31	831,519	3,326	831,519	3,326

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

22 Capital, reserves and dividends (continued)

(d) Nature and purpose of reserves

(i) Share premium and capital redemption reserve

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

(ii) Capital reserve

The capital reserve comprises the following:

— The portion of the grant date fair value of unexercised share options granted to directors and employees of the Company that has been recognised in accordance with the accounting policy adopted for share-based payments in note 1(n)(iii); and

— The contribution from one of the substantial shareholders of $2,040,000 to compensate part of the listing expenses incurred in 2015.

(iii) Other reserve

The Company's other reserve represents the fair value of the estimated number of unexercised share options granted to directors and employees of the Group in 2010. The share options were cancelled without any exercise in 2012.

The Group's other reserve comprises the Company's other reserve and the difference between the consideration paid by the Company to acquire non-controlling interests in Cowell Electronics Co., Ltd. and its carrying amount on the date of acquisition in 2012.

(iv) General reserve fund

According to the PRC laws applicable to wholly-owned foreign investment enterprises, the PRC subsidiary of the Group is required to set up a general reserve fund and appropriate at least 10% of their annual net profits after taxation, as determined under PRC accounting regulations, to the general reserve fund until the balance of the fund equals to 50% of the respective enterprise's authorised capital. This fund can be used to make good losses and to convert into paid-up capital.

(v) Exchange reserve

The exchange reserve of the Group comprises all foreign exchange differences arising from the translation of the financial statements of operations with functional currency other than United States dollars. The reserve is dealt with in accordance with the accounting policies set out in note 1(r).

22 Capital, reserves and dividends (continued)

(e) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors its capital structure on the basis of a net debt-to-capital ratio. For this purpose the Group defines net debt plus unaccrued proposed dividend as total debt less cash and cash equivalents, bank deposits and pledged deposits.

The Group did not have debt as at December 31, 2019 and 2018. Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

23 Financial risk management and fair values

Exposure to credit, liquidity and currency risks arises in the normal course of the Group's business.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade receivables. The Group's exposure to credit risk arising from cash and cash equivalents is limited because the counterparties are banks for which the Group considers to have low credit risk.

Trade receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At the end of the reporting period, 99.0% (2018: 87.4%) of the total trade receivables was due from the Group's largest customer and 99.3% (2018: 88.0%) of trade receivables were due from the Group's five largest customers.

Notes to the Consolidated Financial Statements

(Expressed in United States dollars unless otherwise indicated)

23 Financial risk management and fair values (continued)

(a) Credit risk (continued)

Trade receivables (continued)

In respect of trade and other receivables, individual credit evaluations are performed on all customers. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due within 30 to 90 days from the date of billing. Debtors with balances that are more than three months past due are requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collateral from customers. In respect of deposits with banks, the Group only places deposits with major financial institutions which the Group's management believes are of high credit rating.

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience indicates significantly different loss patterns for different business lines, the loss allowance based on past due status is further distinguished between the Group's different business lines. There is no loss allowance recognised under the ECL model in 2019.

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables of the optical component segment in 2018:

	2018		
	Expected loss rate %	Gross carrying amount $'000	Loss allowance $'000
Current (not past due)	0%	397	—
1–30 days past due	0%	19	—
31–90 days past due	5%	60	(2)
91–365 days past due	20%	—	—
More than 365 days past due	100%	207	(207)
		683	(209)

The Group's exposure to credit risk arising from trade receivables of the camera module segment is limited as the Group considers to have low credit risk for this segment.

Expected loss rates are based on actual loss experience over the past years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

23 Financial risk management and fair values (continued)

(a) Credit risk (continued)

Trade receivables (continued)

Movement in the loss allowance account in respect of trade receivables during the year is as follows:

	2019 $'000	2018 $'000
Balance at January 1	209	218
Amounts written off during the year	(207)	—
Reversal of impairment losses during the year	(2)	(9)
Balance at December 31	—	209

(b) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to the approval by the parent company's board in respect of borrowings. The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants, if any, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following table shows the remaining contractual maturities at the end of the reporting period of the Group's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates, or if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay.

23 Financial risk management and fair values (continued)

(b) Liquidity risk (continued)

	2019						2018					
	Contractual undiscounted cash outflow						Contractual undiscounted cash outflow					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Carrying amount at December 31	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Carrying amount at December 31
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Lease liabilities (note)	2,724	2,534	5,035	9,144	19,437	15,248	–	–	–	–	–	–
Trade and other payables	104,330	–	–	–	104,330	104,330	54,183	–	–	–	54,183	54,183
	107,054	2,534	5,035	9,144	123,767	119,578	54,183	–	–	–	54,183	54,183

Note: The Group has initially applied IFRS 16 using the modified retrospective approach and adjusted the opening balances at January 1, 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under IAS 17. Lease liabilities include amounts recognised at the date of transition to IFRS 16 in respect of leases previously classified as operating leases under IAS 17 and amounts relating to new leases entered into during the year. Under this approach, the comparative information is not restated. See note 1(c).

(c) Currency risk

The Group is exposed to currency risk primarily through sales and purchases which give rise to receivables, payables and cash balances that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk are primarily Hong Kong dollars ("HK$") and KRW.

As the HK$ is pegged to the US$, the Group does not expect any significant movements in the US$/HK$ exchange rate.

The Group's foreign operations do not undertake significant transactions in a currency other than their respective functional currencies. Funds are retained by the foreign operations for use within the respective operations.

23 Financial risk management and fair values (continued)

(c) Currency risk (continued)

(i) Exposure to currency risk

The following table details the Group's exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in US$, translated using spot rate at the year end date. Differences resulting from the translation of financial statements of operations with functional currency other than United States dollars into the Group's presentation currency are excluded.

	Exposure to foreign currencies (expressed in US$)					
	2019			2018		
	US$ $'000	**KRW $'000**	**HK$ $'000**	US$ $'000	KRW $'000	HK$ $'000
Trade and other receivables	**112,583**	**—**	**—**	57,863	—	—
Bank deposits	**—**	**15,915**	**—**	—	16,944	—
Cash and cash equivalents	**103,649**	**—**	**128**	67,930	—	155
Trade and other payables	**(91,333)**	**—**	**—**	(40,375)	—	—
Net exposure arising from recognised assets and liabilities	**124,899**	**15,915**	**128**	85,418	16,944	155

(ii) Sensitivity analysis

The following table indicates the instantaneous change in the Group's profit after tax (and retained profits) and other components of consolidated equity that would arise if foreign exchange rates to which the Group has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remained constant. In this respect, it is assumed that the pegged rate between the HK$ and the US$ would be materially unaffected by any changes in movement in value of the US$ against other currencies.

	2019		2018	
	Increase/ (decrease) in foreign exchange rates	**Effect on profit after tax and retained profits $'000**	Increase/ (decrease) in foreign exchange rates	Effect on profit after tax and retained profits $'000
KRW	**5%**	**796**	5%	847
	(5)%	**(796)**	(5)%	(847)

23 Financial risk management and fair values (continued)

(c) Currency risk (continued)

(ii) Sensitivity analysis (continued)

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group entities' profit after tax and equity measured in the respective functional currencies, translated to the US$ at the exchange rate ruling at the end of the reporting period for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period, including inter-company payables and receivables within the Group which are denominated in a currency other than the functional currencies of the lender or the borrower. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into the Group's presentation currency. The analysis is performed on the same basis for 2018.

(d) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk arises primarily from lease liabilities. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. The Group's interest rate profile as monitored by management is set out below.

The following table details the interest rate profile of the Group's borrowings at the end of the reporting period:

	2019		2018	
	Effective interest rate %	**$'000**	Effective interest rate %	$'000
Fixed rate borrowings:				
Lease liabilities (note)	**4.76**	**15,248**	—	—

Note: The Group has initially applied IFRS 16 using the modified retrospective approach and adjusted the opening balances at January 1, 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under IAS 17. Under this approach, the comparative information is not restated. See note 1(c).

The directors consider that the Group is not exposed to interest rate risk at the end of the reporting period as their borrowings are in fixed rate.

(e) Fair values

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

24 Commitments

(a) Capital commitments outstanding at December 31, 2019 not provided for in the financial statements were as follows:

	2019 $'000	2018 $'000
Contracted for	**23**	61

(b) At December 31, 2018, the total future minimum lease payments in respect of properties under non-cancellable operating leases are 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 1(c)). 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 1(g), and the details regarding the Group's future lease payments are disclosed in note 18.

25 Material related party transactions

(a) Key management personnel remuneration

All members of key management personnel are the directors of the Company, and their remuneration is disclosed in note 7.

(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 year ended December 31, 2019 is $380,000 (2018: $380,000). No amounts were outstanding as at December 31, 2019.

(c) Applicability of the Listing Rules relating to connected transactions

The related party transaction in respect of note 25(b) above constitutes connected transactions as defined in Chapter 14A of the Listing Rules. However the transaction is exempt from the disclosure requirements in Chapter 14A of the Listing Rules as it is below the de minimis threshold under Rule 14A.76(1).

Notes to the Consolidated Financial Statements

(Expressed in United States dollars unless otherwise indicated)

26 Company-level statement of financial position

	2019 $'000	2018 $'000
Non-current assets		
Intangible assets	–	1,248
Interests in subsidiaries	38,187	24,858
	38,187	26,106
Current assets		
Other receivables	236	169
Bank deposits	30,528	16,236
Cash and cash equivalents	1,054	27,562
	31,818	43,967
Current liabilities		
Other payables	187	184
Net current assets	31,631	43,783
Total assets less current liabilities	69,818	69,889
NET ASSETS	69,818	69,889
CAPITAL AND RESERVES		
Share capital	3,326	3,326
Reserves	66,492	66,563
TOTAL EQUITY	69,818	69,889

27 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 1(c).

28 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended December 31, 2019

Up to the date of issue of these financial statements, the IASB has issued a number of amendments and a new standard, IFRS 17, *Insurance contracts*, which are not yet effective for the year ended December 31, 2019 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to IFRS 3, *Definition of a business*	January 1, 2020
Amendments to IAS 1 and IAS 8, *Definition of material*	January 1, 2020

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

Five-Year Financial Summary

	2015 (in US$000)	2016 (in US$000)	2017 (in US$000)	2018 (Note 2) (in US$000)	**2019 (Note 1) (in US$000)**
Revenue	980,203	914,545	740,734	535,862	**542,614**
Gross profit	136,888	76,146	74,227	52,295	**77,097**
Gross profit margin	14.0%	8.3%	10.0%	9.8%	**14.2%**
Operating profit	78,643	35,416	31,113	14,327	**31,371**
Operating margin	8.0%	3.8%	4.2%	2.7%	**5.8%**
Profit attributable to equity holders of the Company	60,680	28,495	27,619	13,906	**29,280**
Bank balance and cash	79,056	85,435	93,937	112,304	**134,184**
Borrowings	40,822	89,249	47,114	—	**—**
Total assets	452,545	562,260	504,146	384,352	**460,836**
Total liabilities	166,890	264,897	170,650	58,038	**124,868**
Total equity	285,655	297,363	333,496	326,314	**335,968**

Notes:

1. As a result of the adoption of IFRS 16, Leases, with effect from January 1, 2019, the Group has changed its accounting policies in respect of the lessee accounting model. In accordance with the transitional provisions of the standard, the changes in accounting policies were adopted by way of opening balance adjustments to recognise right-of-use assets and lease liabilities as at January 1, 2019. After initial recognition of these assets and liabilities, 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. Figures in years earlier than 2019 are stated in accordance with the policies applicable in those years.

2 The Group adopted IFRS 9, Financial instruments, from January 1, 2018. As a result, the Group changed its accounting policies in relation to financial instruments. As allowed by IFRS 9, the Group did not restate information relating to prior years. Differences in the carrying amounts of the financial assets resulting from the adoption of IFRS 9 were recognised in retained profits at January 1, 2018. There was no difference in the carrying amounts of the financial liabilities. Figures in years earlier than 2018 are stated in accordance with the policies applicable in those years.

Definitions

"Articles of Association"	the articles of association of the Company (as amended from time to time), conditionally adopted on March 10, 2015
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Board"	the board of Directors
"Company"	Cowell e Holdings Inc., an exempted company incorporated in the Cayman Islands with limited liability on November 28, 2006
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"Cowell China" or "Dongguan Cowell"	Dongguan Cowell Optic Electronics Co., Ltd. (東莞高偉光學電子有限公司), a wholly foreign-owned enterprise incorporated in the PRC on February 5, 2002, which is a wholly owned subsidiary of Cowell Hong Kong
"Cowell Hong Kong"	Cowell Optic Electronics Limited (高偉光學電子有限公司), a limited liability company incorporated in Hong Kong on March 6, 2002, which is a wholly owned subsidiary of the Company
"Cowell Korea"	Cowell Electronics Co., Ltd. (formerly known as Cowell World Optic Co., Ltd. and World Optic Co., Ltd.), a stock corporation incorporated under the laws of Korea on January 29, 1997, which is a wholly owned subsidiary of the Company
"Director(s)"	the director(s) of the Company
"Global Offering"	has the meaning ascribed to it in the Prospectus
"Group"	the Company and its subsidiaries
"Hahn & Co. Eye"	Hahn & Company Eye Holdings Co., Ltd., a company incorporated in Korea on July 15, 2011
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Listing Date"	March 31, 2015, on which the Shares are listed on the Hong Kong Stock Exchange and from which dealings in the Shares are permitted to commence on the Hong Kong Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended or supplemented from time to time
"PRC"	People's Republic of China

Definitions

"Prospectus"	the prospectus of the Company dated March 19, 2015
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented from time to time
"Shareholder(s)"	holder(s) of Shares
"Shares"	ordinary share(s) of US$0.004 each in the share capital of the Company
"US$"	U.S. dollars, the lawful currency of the United States of America