

COWELL

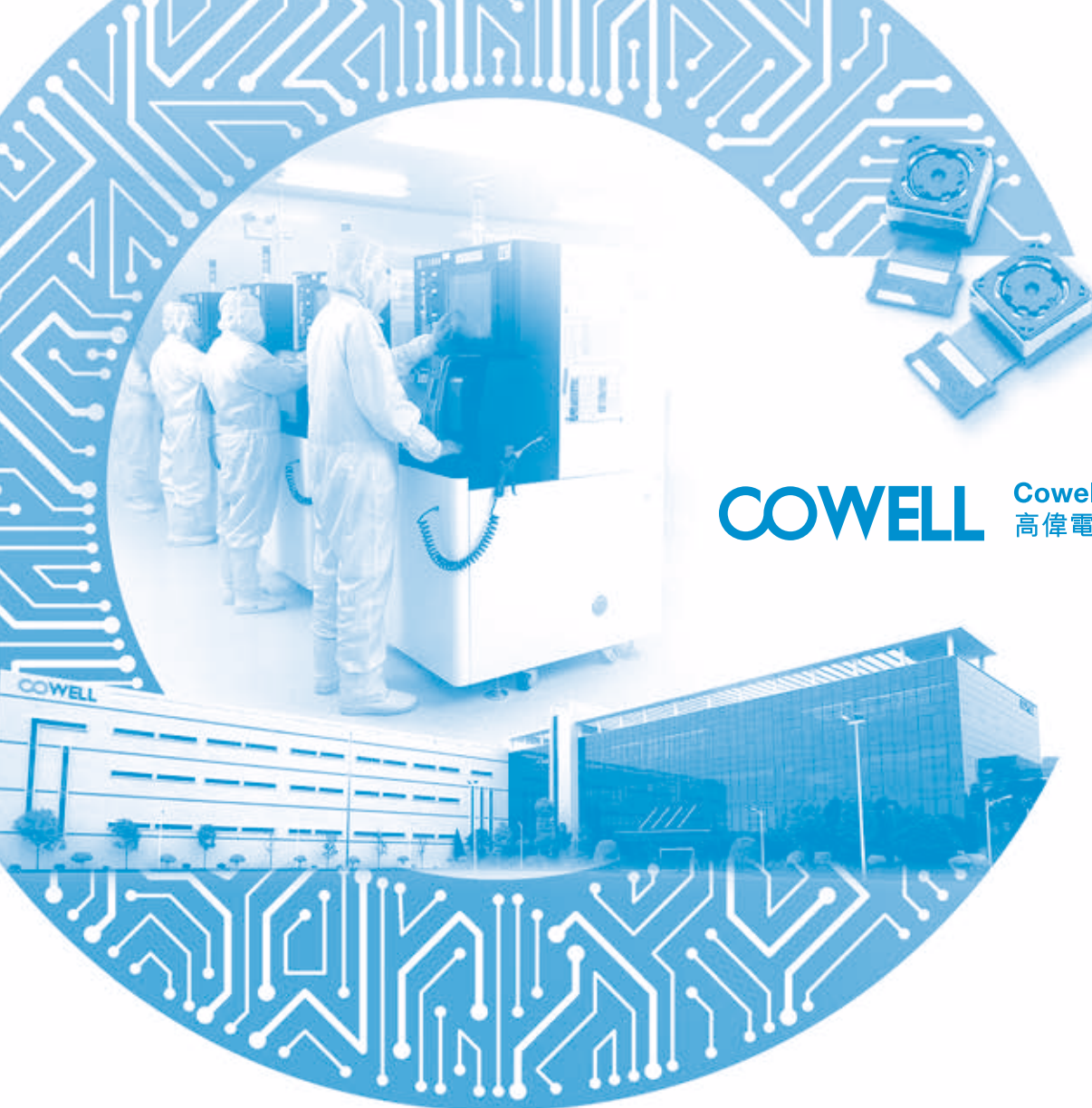
Cowell e Holdings Inc.
高偉電子控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1415



2020
Interim Report



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

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Corporate Information

COMPANY NAME

Cowell e Holdings Inc.

PLACE OF LISTING OF SHARES

The Stock Exchange of Hong Kong Limited

STOCK CODE

1415

STOCK NAME

Cowell

BOARD OF DIRECTORS

Executive Directors

Mr. 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

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 PEOPLE'S REPUBLIC OF CHINA

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



Corporate Information

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

AUDITOR

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

LEGAL ADVISOR

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

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER AGENT

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

HONG KONG SHARE REGISTRAR

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

PRINCIPAL BANKERS

Hong Kong and Shanghai Banking Corporation Limited
Australia and New Zealand Banking Group Limited

COMPANY WEBSITE

www.cowelleholdings.com

PUBLIC RELATIONS CONSULTANT

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



Management Discussion and Analysis

BUSINESS REVIEW

Cowell e Holdings Inc. (the “**Company**”, together with its subsidiaries, the “**Group**”) is a major supplier of camera modules for mobile devices. The Group primarily engages in the design, development, manufacture and sale of a variety of camera modules that serve as critical components for smartphones, multimedia tablets and other mobile devices with camera functions. Customers for the Group’s camera modules include some of the leading mobile device manufacturers in the world such as Apple 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.

The Group operates two production facilities at Hengkeng and Huanan in Dongguan, the People’s Republic of China (the “**PRC**”), where the Group is able to take advantages of a high-quality labor force, extensive infrastructure for the Group’s operations, and a strategic location to facilitate the transportation of products to the Group’s customers.

The Group’s revenue amounted to US\$307.5 million for the six months ended June 30, 2020 (the “**Reporting Period**”) as compared with US\$193.5 million in the first half of 2019. The Group’s net profit amounted to US\$28.2 million in the Reporting Period as compared with the net profit of US\$0.8 million in the first half of 2019.

Camera modules

There has been a growing competition in the supply chain of camera modules (“**CM**”). However, the revenue for the Group’s CM business increased by 59.3% in the Reporting Period as compared with that in the corresponding period in 2019, which was mainly due to customers’ increased orders and increase unit price of products. The demand for CM in the Reporting Period was largely influenced by the outbreak of the coronavirus disease (the “**COVID-19 Pandemic**”).

Optical components

The Company currently offers an optical component product called ‘Blue Filter’, which is one of the main parts of the CM. During the Reporting Period, the Company’s blue filter sales decreased due to the decreased demand in line with downtrend smartphone industry. As a result, the Group’s optical component sales in the Reporting Period had decreased by 79.4% as compared with that in the corresponding period of 2019.



Management Discussion and Analysis

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

| | Six months ended June 30 | | Changes | |
|--------------------|--|--------------|--------------|--------------|
| | 2020 | 2019 | Amount | % |
| | <i>(US\$ in million, except percentages)</i> | | | |
| Revenue | | | | |
| CM | 307.4 | 193.0 | 114.4 | 59.3% |
| Optical components | 0.1 | 0.5 | (0.4) | (79.4)% |
| Total | 307.5 | 193.5 | 114.0 | 58.9% |

OUTLOOK AND FUTURE STRATEGIES

The outlook of the smartphone industry in the second half of 2020 is uncertain due to the COVID-19 Pandemic, but the Company's view on the prospects for the remaining year in 2020 is still positive due to the Group's existing good relationship with its major customers, its continuous effort and investment for more advanced and newer products and technology along with its strong operational excellence which will lead to stronger cost competitiveness and higher profit.

While the Group continues to focus on the supply of CM, in order to further expand the Group's business and operations, the Group has also been looking for a new business opportunity that can contribute to its growth in the future.

In light of the COVID-19 Pandemic, the Group will continue to maintain a clean working environment and take all necessary precautions and safety measures to protect its employees, suppliers and customers from COVID-19.



Management Discussion and Analysis

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at June 30, 2020, the Group had total assets of US\$396.8 million (December 31, 2019: US\$460.8 million); net current assets of US\$211.8 million (December 31, 2019: US\$231.7 million) and total equity of US\$308.8 million (December 31, 2019: US\$336.0 million).

The Group had a solid financial position and continued to maintain a strong and steady inflow from operating activities. As at June 30, 2020, the Group reported US\$133.1 million in unencumbered cash and cash equivalents. The management believes that the Group's current cash and cash equivalents and expected cash flow from operations, will be sufficient to support the Group's operational requirements.

PLEDGE OF THE GROUP'S ASSETS

As at June 30, 2020, the Group's had no pledged deposits. (December 31, 2019: US\$3.1 million, provided to the local customs authority in the PRC).

CAPITAL EXPENDITURES AND COMMITMENTS

The Group's capital expenditures (equivalent to the cash the Group spent to purchase property, plant and equipment) for the Reporting Period amounted to US\$6.6 million, compared with US\$12.2 million for the six months ended June 30, 2019. The Group's capital expenditures in the first half of 2020 mainly reflected purchases of additional equipment to produce more advanced flip-chip CM. The Group intends to fund the Group's planned future capital expenditures through a combination of cash flow from operating activities and possible fund raising exercises.

CONTINGENT LIABILITIES

As at June 30, 2020, the Group had no significant contingent liabilities.

HUMAN RESOURCES

The Group employed a total of 2,896 full-time employees as at June 30, 2020 (December 31, 2019: 2,696). Total staff costs for the Reporting Period, excluding the remuneration of the directors of the Company (the "**Directors**") were approximately US\$18.3 million (first half of 2019: US\$18.2 million).

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

The Group has an emolument policy with respect to long-term incentive schemes. The basis of determining emoluments payable to the Directors is made on a discretionary basis with reference to the Company's operating results, individual performance and comparable market statistics. Furthermore, the remuneration committee of the Company (the "**Remuneration Committee**") is authorized by the board (the "**Board**") of the Directors to review and make recommendations on the remuneration of the Directors and senior management of the Company. The emolument policy of the Group is considered by the Remuneration Committee on the basis of their merit, qualifications and competence.



Supplementary Information

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

As at June 30, 2020, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares or debenture of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571) (of the Laws of Hong Kong) (the “SFO”) which were (i) required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) recorded in the register required to be kept under section 352 of the SFO, or (iii) otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 of the Rules (the “Listing Rules”) Governing the Listing of Securities on the Stock Exchange were as follows:

Long position and the shares and underlying shares of the Company

| Name | Title | Share Options | | Percentage of aggregate interests to the total number of share in issue |
|--------------------|-------------------------|---------------------------|-----------|---|
| | | Personal interests (Note) | Total | |
| Mr. Cho Young Hoon | Executive Director | 500,000 | 500,000 | 0.06% |
| Mr. Lee Kyung Koo | Chief executive officer | 4,000,000 | 4,000,000 | 0.48% |

Note:

These interests represented the interests in underlying shares in respect of the share options granted by the Company under the Share Option Scheme (as defined below).

Saved as disclosed above, as at June 30, 2020 none of the Directors or the chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which he was taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be recorded in the register referred to therein or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.



Supplementary Information

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

As at June 30, 2020, the following persons had interests or short positions in the shares (the "**Share(s)**") of the Company (or relevant shares which were required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company pursuant to 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 (" Mr. Kwak ") | Beneficial interest | 374,159,400 | 45.00 |
| Ms. Yang Won Sun ⁽¹⁾ (" Ms. Yang ") | Interest of spouse | 374,159,400 | 45.00 |

(1) Ms. Yang 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.

Save as disclosed above as at June 30, 2020, 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 June 30, 2020.

SHARE OPTION SCHEME

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

During the Reporting Period, the Company did not grant any share options (the "**Options**") to any eligible persons under the Share Option Scheme.

Movement of the shares options under the Share Option Scheme during the Reporting Period are listed below:



Supplementary Information

MOVEMENT OF THE OPTIONS

| | Number of Options | | As at June 30, 2020 | Exercise price (HK\$) | Closing price immediately before the date of grant (HK\$) | Date of grant | Vesting period | Exercisable period |
|---------------------------------|-----------------------------|------------------|---------------------------|--------------------------|---|---------------------|--|--|
| | As at January 1, 2020 | Lapsed | | | | | | |
| Seong Seokhoon | 1,000,000 | 1,000,000 | - | 3.76 | 3.78 | October 30, 2015 | October 31, 2015 to December 31, 2017 | January 1, 2018 to October 29, 2025 |
| Lee Dong Goo | 1,000,000 | - | 1,000,000 | 3.76 | 3.78 | October 30, 2015 | October 31, 2015 to December 31, 2017 | January 1, 2018 to October 29, 2025 |
| Cho Young Hoon | 500,000 | - | 500,000 | 3.76 | 3.78 | 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 | 1.80 | 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 | 1.75 | April 26, 2019 | April 27, 2019 to April 18, 2020 | April 19, 2020 to April 18, 2028 |
| Continuous contract employee | 1,050,000 | - | 1,050,000 | 3.76 | 3.78 | October 30, 2015 | October 31, 2015 to December 31, 2017 | January 1, 2018 to October 29, 2025 |
| Total | 7,550,000 | 1,000,000 | 6,550,000 | | | | | |

INTERIM DIVIDEND

Having considered the highly uncertain economic outlook due to the COVID-19 Pandemic, the Board considered it is more prudent to retain more cash for its future expansion plans. The Board thus does not recommend the payment of an interim dividend for the Reporting Period.

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 Reporting Period.

CORPORATE GOVERNANCE

The Board reviewed the corporate governance of the Group in accordance with the code provisions (the "**Code Provisions**") as set out in the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Listing Rules and considered that, for the Reporting Period, the Company regulated its operation and carried out appropriate corporate governance in accordance with the CG Code. The Company has complied with the CG Code during the Reporting Period.

The Directors consider that the Company has fully complied with the applicable Code Provisions as set out in the CG Code during the Reporting Period.



Supplementary Information

AUDIT COMMITTEE

The audit committee of the Company (the “**Audit Committee**”) has reviewed together with the management the accounting principles and policies adopted by the Group and the unaudited consolidated financial report for the Reporting Period. Based on this review, the Audit Committee was satisfied that the financial statements were prepared in accordance with applicable accounting standards and fairly present the Group’s financial position and results for the Reporting Period.

MODEL CODE OF SECURITIES TRANSACTIONS BY DIRECTORS

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

EVENTS AFTER THE REPORTING PERIOD

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

THE BOARD OF DIRECTORS

Board Responsibilities

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

Delegation by the Board

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

By order of the Board
Cowell e Holdings Inc.

Kwak Jung Young
Chairman

Hong Kong, August 6, 2020



Review Report to the Board of Directors of Cowell E Holdings Inc.

(Incorporated in the Cayman Islands with limited liability)

Introduction

We have reviewed the interim financial report set out on pages 12 to 24 which comprises the consolidated statement of financial position of Cowell e Holdings Inc. ("the Company") as of June 30, 2020 and the related consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and condensed consolidated cash flow statement for the six month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and International Accounting Standard 34, *Interim financial reporting*, issued by the International Accounting Standards Board. The directors are responsible for the preparation and presentation of the interim financial report in accordance with International Accounting Standard 34.

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

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at June 30, 2020 is not prepared, in all material respects, in accordance with International Accounting Standard 34, *Interim financial reporting*.

KPMG

Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong
August 6, 2020



Consolidated Statement of Profit or Loss

for the six months ended June 30, 2020 – unaudited
(Expressed in United States dollars)

| | Note | Six months ended June 30, | |
|--------------------------------------|-------|---------------------------|----------------|
| | | 2020 \$'000 | 2019 \$'000 |
| Revenue | 3 & 4 | 307,521 | 193,483 |
| Cost of sales | | (258,683) | (173,345) |
| Gross profit | | 48,838 | 20,138 |
| Other revenue | | 2,146 | 2,098 |
| Other net income/(loss) | | 2,617 | (3,748) |
| Selling and distribution expenses | | (1,200) | (892) |
| Administrative expenses | | (17,516) | (17,251) |
| Profit from operations | | 34,885 | 345 |
| Finance costs | 5(a) | (359) | (430) |
| Donation | | — | (15) |
| Profit/(loss) before taxation | 5 | 34,526 | (100) |
| Income tax (charge)/credit | 6 | (6,362) | 915 |
| Profit for the period | | 28,164 | 815 |
| Earnings per share | 7 | | |
| Basic and diluted | | \$0.034 | \$0.001 |

The notes on pages 17 to 24 form part of this interim financial report. Details of dividends payable to equity shareholders of the Company are set out in note 12(a).

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the six months ended June 30, 2020 – unaudited
(Expressed in United States dollars)

| | Six months ended June 30, | |
|---|---------------------------|----------------|
| | 2020 \$'000 | 2019 \$'000 |
| Profit for the period | 28,164 | 815 |
| Other comprehensive income for the period (after tax adjustments): | | |
| <i>Item that may be reclassified subsequently to profit or loss:</i> | | |
| Exchange differences on translation of financial statements | (5,434) | (881) |
| <i>Item that will not be reclassified to profit or loss:</i> | | |
| Remeasurement of net defined benefit liability | (23) | (18) |
| Other comprehensive income for the period | (5,457) | (899) |
| Total comprehensive income for the period | 22,707 | (84) |

The notes on pages 17 to 24 form part of this interim financial report.



Consolidated Statement of Financial Position

at June 30, 2020 — unaudited
(Expressed in United States dollars)

| | Note | Six months ended June 30, | |
|--|------|---------------------------|----------------|
| | | 2020 \$'000 | 2019 \$'000 |
| Non-current assets | | | |
| Property, plant and equipment | 8 | 93,632 | 98,332 |
| Intangible assets | | 6,037 | 6,499 |
| Other receivables | | 3,354 | 6,269 |
| Deferred tax assets | | 6,398 | 6,756 |
| | | 109,421 | 117,856 |
| Current assets | | | |
| Inventories | | 48,615 | 70,180 |
| Trade and other receivables | 9 | 90,051 | 114,805 |
| Current tax recoverable | | 60 | 355 |
| Pledged deposits | | — | 3,113 |
| Bank deposits | 10 | 15,531 | 34,956 |
| Cash and cash equivalents | 10 | 133,141 | 119,571 |
| | | 287,398 | 342,980 |
| Current liabilities | | | |
| Trade and other payables | 11 | 66,324 | 104,330 |
| Lease liabilities | | 2,047 | 1,805 |
| Current tax payable | | 7,186 | 5,122 |
| | | 75,557 | 111,257 |
| Net current assets | | 211,841 | 231,723 |
| Total assets less current liabilities | | 321,262 | 349,579 |
| Non-current liabilities | | | |
| Lease liabilities | | 12,392 | 13,443 |
| Net defined benefit retirement obligation | | 114 | 168 |
| | | 12,506 | 13,611 |
| NET ASSETS | | 308,756 | 335,968 |
| CAPITAL AND RESERVES | | | |
| Share capital | | 3,326 | 3,326 |
| Reserves | | 305,430 | 332,642 |
| TOTAL EQUITY | | 308,756 | 335,968 |

The notes on pages 17 to 24 form part of this interim financial report.

Consolidated Statement of Changes in Equity

for the six months ended June 30, 2020 – unaudited
(Expressed in United States dollars)

| Note | Share capital \$'000 | Share premium \$'000 | Capital reserve \$'000 | Capital redemption reserve \$'000 | Other reserve \$'000 | General reserve fund \$'000 | Exchange reserve \$'000 | Retained profits \$'000 | Total \$'000 |
|--|-------------------------|-------------------------|---------------------------|--------------------------------------|-------------------------|--------------------------------|----------------------------|----------------------------|-----------------|
| Balance at January 1, 2019 | 3,326 | 57,850 | 3,249 | 7 | 762 | 10,563 | (20,505) | 268,661 | 323,913 |
| Changes in equity for the six months ended June 30, 2019: | | | | | | | | | |
| Profit for the period | — | — | — | — | — | — | — | 815 | 815 |
| Other comprehensive income | — | — | — | — | — | — | (881) | (18) | (899) |
| Total comprehensive income | — | — | — | — | — | — | (881) | 797 | (84) |
| Dividends approved in respect of the previous year | 12(a) | — | — | — | — | — | — | (12,000) | (12,000) |
| Equity settled share-based transactions | — | — | 90 | — | — | — | — | — | 90 |
| Balance at June 30, 2019 | 3,326 | 57,850 | 3,339 | 7 | 762 | 10,563 | (21,386) | 257,458 | 311,919 |
| Balance at January 1, 2020 | 3,326 | 57,850 | 3,335 | 7 | 762 | 12,417 | (25,968) | 284,239 | 335,968 |
| Changes in equity for the six months ended June 30, 2020: | | | | | | | | | |
| Profit for the period | — | — | — | — | — | — | — | 28,164 | 28,164 |
| Other comprehensive income | — | — | — | — | — | — | (5,434) | (23) | (5,457) |
| Total comprehensive income | — | — | — | — | — | — | (5,434) | 28,141 | 22,707 |
| Dividends approved in respect of the previous year | 12(a) | — | — | — | — | — | — | (50,000) | (50,000) |
| Equity settled share-based transactions | — | — | 81 | — | — | — | — | — | 81 |
| Balance at June 30, 2020 | 3,326 | 57,850 | 3,416 | 7 | 762 | 12,417 | (31,402) | 262,380 | 308,756 |

The notes on pages 17 to 24 form part of this interim financial report.



Condensed Consolidated Cash Flow Statement

for the six months ended June 30, 2020 – unaudited
(Expressed in United States dollars)

| | Note | Six months ended June 30, | |
|---|------|---------------------------|----------------|
| | | 2020 \$'000 | 2019 \$'000 |
| Operating activities | | | |
| Cash generated from operations | | 52,988 | 53,168 |
| Tax paid | | (3,683) | (2,061) |
| Net cash generated from operating activities | | 49,305 | 51,107 |
| Investing activities | | | |
| Payment for purchase of property, plant and equipment | | (6,589) | (12,192) |
| Decrease in bank deposits | | 19,425 | 397 |
| Other cash flows arising from investing activities | | 1,089 | 1,307 |
| Net cash generated from/(used in) investing activities | | 13,925 | (10,488) |
| Financing activities | | | |
| Decrease in pledged deposits | | 3,113 | 5 |
| Capital element of lease rentals paid | | (994) | (1,040) |
| Interest element of lease rentals paid | | (359) | (430) |
| Dividend paid to equity shareholders of the Company | | (50,000) | (12,000) |
| Net cash used in financing activities | | (48,240) | (13,465) |
| Net increase in cash and cash equivalents | | 14,990 | 27,154 |
| Cash and cash equivalents at January 1 | 10 | 119,571 | 112,304 |
| Effect of foreign exchange rates changes | | (1,420) | (53) |
| Cash and cash equivalents at June 30 | 10 | 133,141 | 139,405 |

The notes on pages 17 to 24 form part of this interim financial report.

Notes to the Unaudited Interim Financial Report

(Expressed in United States dollars unless otherwise indicated)

1 Basis of preparation

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with International Accounting Standard (“IAS”) 34, *Interim financial reporting*, issued by the International Accounting Standards Board (“IASB”). It was authorised for issue on August 6, 2020.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2019 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2020 annual financial statements. Details of any changes in accounting policies are set out in note 2.

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

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of Cowell e Holdings Inc. (the “Company”) and its subsidiaries (the “Group”) since the 2019 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with International Financial Reporting Standards (“IFRSs”).

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants. KPMG’s independent review report to the Board of Directors is included on page 11.

The financial information relating to the financial year ended December 31, 2019 that is included in the interim financial report as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that financial year but is derived from those financial statements.

2 Changes in accounting policies

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

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



Notes to the Unaudited Interim Financial Report

(Expressed in United States dollars unless otherwise indicated)

3 Revenue and segment reporting

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

The Group's customer base includes one customer (2019: one customer), whom transactions have exceeded 10% of the Group's revenue, for the six months ended June 30, 2020. Revenue from sales to this customer, arose in the camera module segment, during the reporting period are set out below.

| | Six months ended June 30, | |
|-------------------------------|---------------------------|----------------|
| | 2020 \$'000 | 2019 \$'000 |
| Largest customer | 302,099 | 179,652 |
| — Percentage of total revenue | 98% | 93% |

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

(a) Disaggregation of revenue

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

| | Six months ended June 30, | |
|--|---------------------------|----------------|
| | 2020 \$'000 | 2019 \$'000 |
| The People's Republic of China ("PRC") (place of domicile) | 303,067 | 186,110 |
| The Republic of Korea ("Korea") | 1,777 | 4,150 |
| Others | 2,677 | 3,223 |
| | 307,521 | 193,483 |



Notes to the Unaudited Interim Financial Report

(Expressed in United States dollars unless otherwise indicated)

3 Revenue and segment reporting (continued)**(b) Information about profit or loss**

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

| For the six months ended June 30 | Camera module | | Optical components | | Total | |
|----------------------------------|---------------|---------|--------------------|---------|---------|---------|
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Revenue from external customers | 307,417 | 192,978 | 104 | 505 | 307,521 | 193,483 |
| Reportable segment revenue | 307,417 | 192,978 | 104 | 505 | 307,521 | 193,483 |
| Reportable segment profit/(loss) | 49,352 | 21,212 | (514) | (1,074) | 48,838 | 20,138 |

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

(c) Reconciliations of reportable segment profit or loss

| | Six months ended June 30, | |
|--|---------------------------|----------|
| | 2020 | 2019 |
| | \$'000 | \$'000 |
| Reportable segment profit | 48,838 | 20,138 |
| Other revenue | 2,146 | 2,098 |
| Other net income/(loss) | 2,617 | (3,748) |
| Selling and distribution expenses | (1,200) | (892) |
| Administrative expenses | (17,516) | (17,251) |
| Finance costs | (359) | (430) |
| Donation | — | (15) |
| Consolidated profit/(loss) before taxation | 34,526 | (100) |

4 Seasonality of operations

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

For the twelve months ended June 30, 2020, the camera module segment reported reportable segment revenue of \$656,286,000 (twelve months ended June 30, 2019: \$473,829,000), and reportable segment profit of \$106,477,000 (twelve months ended June 30, 2019: \$56,423,000).



Notes to the Unaudited Interim Financial Report

(Expressed in United States dollars unless otherwise indicated)

5 Profit/(loss) before taxation

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

| | Six months ended June 30, | |
|--|---------------------------|----------------|
| | 2020 \$'000 | 2019 \$'000 |
| (a) Finance costs | | |
| Interest on lease liabilities | 359 | 430 |
| (b) Other items | | |
| Amortisation | 516 | 528 |
| Depreciation | 9,347 | 12,694 |
| Research and development costs (other than depreciation) | 8,377 | 8,227 |
| Interest income | (1,227) | (1,365) |
| Net loss on disposal of plant and equipment | — | 3,206 |
| Impairment loss on trade receivables | — | 9 |

6 Income tax

| | Six months ended June 30, | |
|-------------------------------------|---------------------------|----------------|
| | 2020 \$'000 | 2019 \$'000 |
| Current tax — Hong Kong Profits Tax | 4,099 | 42 |
| Current tax — Outside Hong Kong | 1,987 | (207) |
| Deferred taxation | 276 | (750) |
| Income tax/(credit) | 6,362 | (915) |

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

The provision for Hong Kong Profits Tax is calculated by applying the estimated annual effective tax rate of 16.5% (2019: 16.5%) to the six months ended June 30, 2020, except for one subsidiary of the Group which is a qualifying corporation under the two-tiered Profits Tax rate regime. For this subsidiary, the first HK\$2 million of assessable profits are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. The provision for Hong Kong Profits Tax for this subsidiary was calculated at the same basis in 2019.

Taxation for subsidiaries outside Hong Kong is similarly calculated using the estimated annual effective rates of taxation that are expected to be applicable in the relevant countries.



Notes to the Unaudited Interim Financial Report

(Expressed in United States dollars unless otherwise indicated)

7 Earnings per share**(a) Basic earnings per share**

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the parent of \$28,164,000 (six months ended June 30, 2019: \$815,000) and weighted average of 831,519,000 ordinary shares (six months ended June 30, 2019: weighted average of 831,519,000 ordinary shares) in issue during the interim period.

(b) Diluted earnings per share

There were no dilutive potential ordinary shares outstanding during the six months ended June 30, 2020 and 2019. Accordingly, the diluted earnings per share is the same as basic earnings per share.

8 Property, plant and equipment**(a) Acquisitions and disposals of owned assets**

During the six months ended June 30, 2020, the Group acquired items of plant and equipment with a cost of \$6,589,000 (six months ended June 30, 2019: \$12,192,000). Items of plant and equipment with a net book value of \$28,000 were disposed of during the six months ended June 30, 2020 (six months ended June 30, 2019: \$3,241,000), resulting in a loss on disposal of \$Nil (six months ended June 30, 2019: \$3,206,000).

(b) Customer's equipment

A customer has provided machinery to the Group for production of goods to that customer. The original acquisition costs of machinery borne by the customer amounted to \$113,790,000 (December 31, 2019: \$113,790,000) and was not recognised as the Group's property, plant and equipment. There is no rental charge for the machinery and the management consider that the arrangement has been taken into account in determining sales prices with the customer.

9 Trade and other receivables

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

| | At June 30, 2020 \$'000 | At December 31, 2019 \$'000 |
|--|-------------------------------|-----------------------------------|
| Within 1 month | 50,229 | 60,934 |
| Over 1 to 2 months | 35,851 | 51,166 |
| Over 2 to 3 months | 1,077 | 50 |
| Over 3 months | 507 | 100 |
| Trade receivables, net of loss allowance | 87,664 | 112,250 |
| Other receivables and prepayments | 2,387 | 2,555 |
| | 90,051 | 114,805 |

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

Notes to the Unaudited Interim Financial Report

(Expressed in United States dollars unless otherwise indicated)

10 Bank deposits and cash and cash equivalents

| | At June 30, 2020 \$'000 | At December 31, 2019 \$'000 |
|--|--|-----------------------------------|
| Bank deposits within three months to maturity when placed | 102,554 | 95,801 |
| Cash at bank and in hand | 30,587 | 23,770 |
| Cash and cash equivalents in the consolidated statement of financial position and the condensed consolidated cash flow statement | 133,141 | 119,571 |
| Bank deposits with more than three months to maturity when placed | 15,531 | 34,956 |

11 Trade and other payables

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

| | At June 30, 2020 \$'000 | At December 31, 2019 \$'000 |
|------------------------------------|--|-----------------------------------|
| Within 1 month | 44,172 | 54,226 |
| Over 1 to 3 months | 14,347 | 41,119 |
| Over 3 to 6 months | 16 | 20 |
| Trade payables | 58,535 | 95,365 |
| Accrued charges and other payables | 7,789 | 8,965 |
| | 66,324 | 104,330 |



Notes to the Unaudited Interim Financial Report

(Expressed in United States dollars unless otherwise indicated)

12 Capital, reserves and dividends**(a) Dividends*****Dividends payable to equity shareholders attributable to the previous financial year, approved and paid during the interim periods***

| | Six months ended June 30, | |
|--|---------------------------|----------------|
| | 2020 \$'000 | 2019 \$'000 |
| Final dividend in respect of the previous financial year, approved and paid during the following interim period, of HK24.2640 cents per ordinary share (six months ended June 30, 2019: HK11.1987 cents per share) | 26,000 | 12,000 |
| Special dividend in respect of the previous financial year, approved and paid during the following interim period, of HK22.3976 cents per ordinary share (six months ended June 30, 2019: \$Nil) | 24,000 | — |
| | 50,000 | 12,000 |

(b) Equity settled share-based transactions

On April 26, 2019, 2,000,000 share options were granted for nominal consideration of HK\$1 to employees of the Group under the Company's employee share option scheme. Each share option gives the holder the right to subscribe for one ordinary share of the Company. These share options will vest on April 18, 2020 and then exercisable until April 18, 2028. The exercise price is HK\$1.81, being the weighted average closing price of the Company's ordinary shares immediately before the grant. During the six months ended June 30, 2020, no new share options were issued.

During the six months ended June 30, 2020, no options (six months ended June 30, 2019: no options) were exercised.

13 Commitments**Capital commitments outstanding at June 30, 2020 not provided for in the interim financial report**

| | At June 30, 2020 \$'000 | At December 31, 2019 \$'000 |
|----------------|-------------------------------|-----------------------------------|
| Contracted for | 392 | 23 |



Notes to the Unaudited Interim Financial Report

(Expressed in United States dollars unless otherwise indicated)

14 Material related party transactions

The Group entered into the following material related party transactions.

(a) Key management personnel remuneration

All members of key management personnel are the directors of the Company, and their salaries and other short-term benefits for the period are \$873,000 (six months ended June 30, 2019: \$250,000).

(b) Consultancy fee payable to a substantial shareholder

In April 2016, the Group entered into a consulting agreement at the annual rate of \$380,000 in respect of consultancy service provided by a substantial shareholder. The amount of consultancy service fee incurred during the six months ended June 30, 2020 is \$190,000 (six months ended June 30, 2019: \$190,000). No amounts were outstanding as at June 30, 2020 (31 December 2019: \$Nil).

15 Impacts of COVID-19 pandemic

The COVID-19 pandemic since early 2020 has brought about additional uncertainties in the Group's operating environment and has impacted the Group's operations and financial position.

The Group has been closely monitoring the impact of the developments on the Group's business and has put in place contingency measures. The Group will keep the contingency measures under review as the situation evolves.

As far as the Group's businesses are concerned, there are no significant impact of the COVID-19 pandemic on the Group's financial position and financial performance.

