

# COWELL

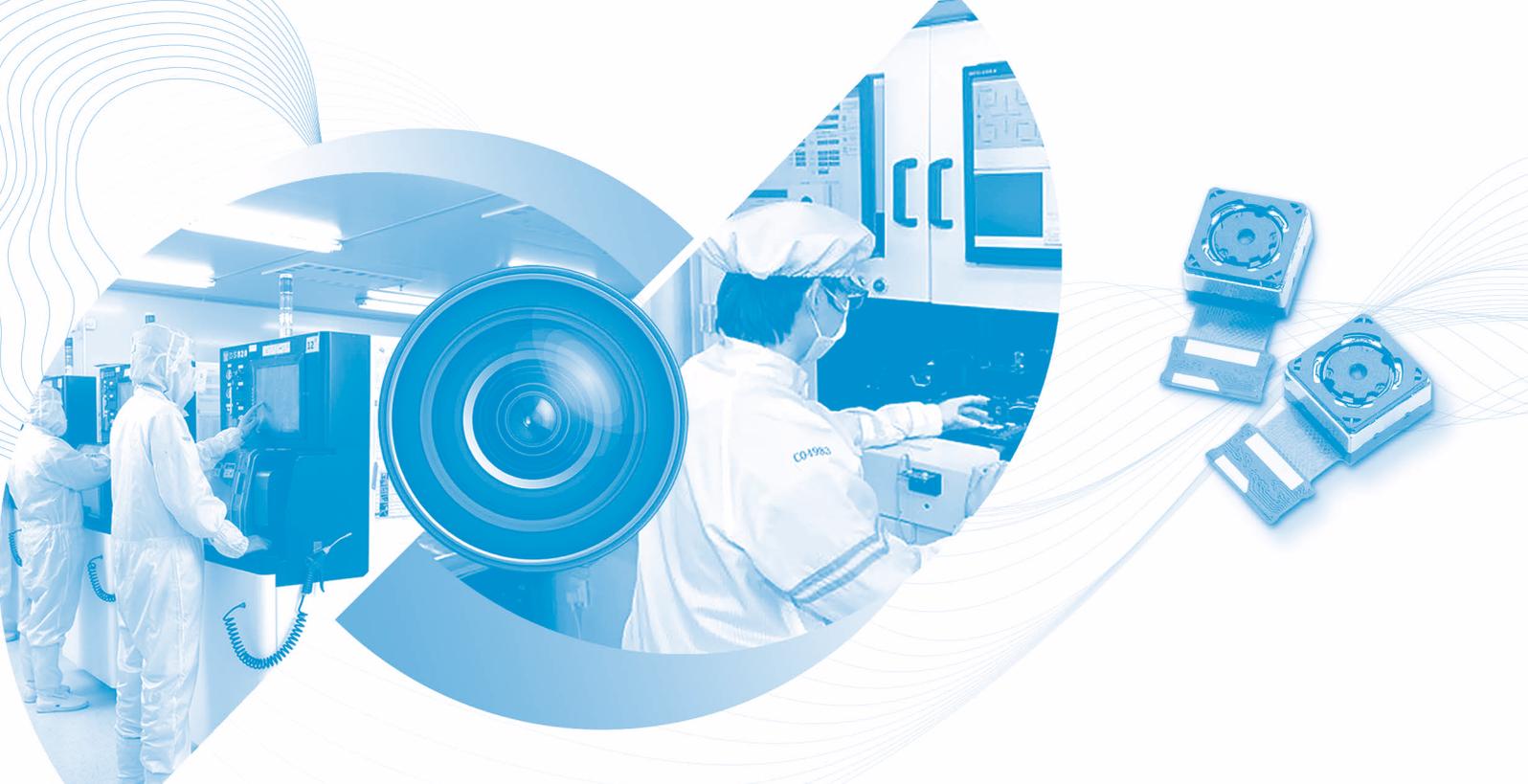
# Cowell e Holdings Inc. 高偉電子控股有限公司

*(Incorporated in the Cayman Islands with limited liability)*

**Stock Code: 1415**

**2021  
INTERIM REPORT**





# Contents

Corporate Information	2
Management Discussion and Analysis	4
Supplementary Information	7
Review Report to the Board of Directors of Cowell e Holdings Inc.	14
Consolidated Statement of Profit or Loss	15
Consolidated Statement of Profit or Loss and Other Comprehensive Income	16
Consolidated Statement of Financial Position	17
Consolidated Statement of Changes in Equity	18
Condensed Consolidated Cash Flow Statement	19
Notes to the Unaudited Interim Financial Report	20



## 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. Meng Yan (*Chairman*)  
(*appointed on 15 January 2021*)  
Mr. Wu Ying-Cheng  
(*appointed on 15 January 2021*)  
Mr. Kwak Jung Young (*Chairman*)  
(*resigned on 5 February 2021*)  
Mr. Cho Young Hoon  
(*resigned on 5 February 2021*)

#### Non-executive Directors

Mr. Chen Han-Yang (*appointed on 1 March 2021*)  
Mr. Yang Li (*appointed on 1 March 2021*)

#### Independent Non-executive Directors

Ms. Su Yen-Hsueh (*appointed on 15 January 2021*)  
Mr. Tsai Chen-Lung (*appointed on 15 January 2021*)  
Ms. Liu Xia (*appointed on 26 July 2021*)  
Mr. Luo Zhenbang (*appointed on 15 January 2021 and  
resigned on 26 July 2021*)  
Mr. Kim Chan Su (*resigned on 5 February 2021*)  
Dr. Song Si Young (*resigned on 5 February 2021*)  
Mr. Jung Jong Chae (*resigned on 5 February 2021*)

### COMPANY SECRETARY

Ms. Lam Wing Yan

### AUTHORIZED REPRESENTATIVES

Mr. Chen Han-Yang (*appointed on 1 March 2021*)  
Ms. Lam Wing Yan  
Mr. Cho Young Hoon (*resigned on 1 March 2021*)

### AUDIT COMMITTEE

Ms. Liu Xia (*Chairman*) (*appointed on 26 July 2021*)  
Ms. Su Yen-Hsueh (*appointed on 15 January 2021*)  
Mr. Tsai Chen-Lung (*appointed on 15 January 2021*)  
Mr. Luo Zhenbang (*Chairman*) (*appointed on 15 January  
2021 and resigned on 26 July 2021*)  
Mr. Kim Chan Su (*Chairman*)  
(*resigned on 5 February 2021*)  
Dr. Song Si Young (*resigned on 5 February 2021*)  
Mr. Jung Jong Chae (*resigned on 5 February 2021*)

### REMUNERATION COMMITTEE

Ms. Su Yen-Hsueh (*Chairman*)  
(*appointed on 15 January 2021*)  
Mr. Tsai Chen-Lung (*appointed on 15 January 2021*)  
Ms. Liu Xia (*appointed on 26 July 2021*)  
Mr. Luo Zhenbang (*appointed on 15 January 2021 and  
resigned on 26 July 2021*)  
Dr. Song Si Young (*Chairman*) (*resigned on 5 February  
2021*)  
Mr. Kim Chan Su (*resigned on 5 February 2021*)  
Mr. Cho Young Hoon (*resigned on 5 February 2021*)

### NOMINATION COMMITTEE

Mr. Tsai Chen-Lung (*Chairman*)  
(*appointed on 15 January 2021*)  
Ms. Su Yen-Hsueh (*appointed on 15 January 2021*)  
Ms. Liu Xia (*appointed on 26 July 2021*)  
Mr. Luo Zhenbang (*appointed on 15 January 2021 and  
resigned on 26 July 2021*)  
Mr. Kwak Jung Young (*Chairman*)  
(*resigned on 5 February 2021*)  
Dr. Song Si Young (*resigned on 5 February 2021*)  
Mr. Kim Chan Su (*resigned on 5 February 2021*)

### REGISTERED OFFICE

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



## Corporate Information

**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

**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**

Reed Smith Richards Butler  
17/F, One Island East  
Taikoo Place, 18 Westlands Road,  
Quarry Bay, 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](http://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.

The global economy for the fiscal year of 2021 has been continuously affected by the outbreak of the coronavirus disease (the “**COVID-19 Pandemic**”), leading to sluggish market sentiment which created pressure on the operation and development of the Group. In order to adapt to the ever-changing market landscape, we focused on optimizing manufacturing process, increasing efficiency while reducing consumption of raw materials, increasing output and satisfying customers’ needs. We will continue our efforts in these areas.

The Group’s revenue amounted to US\$297.6 million for the six months ended 30 June 2021 (the “**Reporting Period**”) as compared with US\$307.5 million in the first half of 2020. The Group’s net profit amounted to US\$22.5 million in the Reporting Period as compared with the net profit of US\$28.2 million in the first half of 2020.

#### Camera modules

Despite the impact of the COVID-19 pandemic and a growing competition in the supply chain of camera modules (“**CM**”). However, the orders of the Group’s CM was basically at par with that in the same period of 2020, with revenue decreasing by 3.2% as compared with that in the same period of 2020, which was mainly due to decreased unit price.

#### 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 increased due to the customers’ increased orders. The Group’s optical component sales in the Reporting Period had increased by 31.7% as compared with that in the corresponding period of 2020.

## 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 30 June		Changes	
	2021	2020	Amount	%
	<i>(US\$ in million, except percentages)</i>			
<b>Revenue</b>				
CM	297.5	307.4	(9.9)	(3.2)%
Optical components	0.1	0.1	0.0	31.7%
<b>Total</b>	<b>297.6</b>	<b>307.5</b>	<b>(9.9)</b>	<b>(3.2)%</b>

## OUTLOOK AND FUTURE STRATEGIES

Due to the COVID-19 pandemic and continuous global economic turmoil, the smart mobile device market faced headwind for the Reporting Period. However, this did not impair the determination of the management team to lead the Company's performance to new heights. The team will continue to improve on the existing solid foundation.

In terms of business strategy, the Company will comprehensively develop optical-related new products to optimize product and customer mix. It will also continue to enhance its investment in research and development, innovate and develop new production technologies and will introduce automated production to achieve efficient production and enhance the Company's operational efficiency.

In terms of supply chain strategy, the Company will continue to optimize its order management, material management, procurement management and inventory management, and comprehensively promote efficiency and reduce consumption of raw materials in order to enhance the Company's core competitiveness.

In terms of talent strategy, the Company highly values the importance of selecting, utilising, nurturing and retaining core talents. Benefited from the introduction and reserve of abundant human resources, our performance has been growing quickly. In the future, the Company will be more proactive in recruiting and nurturing outstanding talents in the optical field, so that the Company can achieve another peak performance and create a win-win outcome for its employees and shareholders.

## Management Discussion and Analysis

### LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30 June 2021, the Group had total assets of US\$392.6 million (31 December 2020: US\$381.6 million); net current assets of US\$188.8 million (31 December 2020: US\$162.8 million) and total equity of US\$275.7 million (31 December 2020: US\$250.1 million).

The Group had a solid financial position and continued to maintain a strong and steady inflow from operating activities. As at 30 June 2021, the Group reported US\$62.4 million in unencumbered cash and cash equivalents. The management believes that the Group's current cash and cash equivalents and expected cash flow from operations, will be sufficient to support the Group's operational requirements.

### PLEDGE OF THE GROUP'S ASSETS

As at 30 June 2021, the Group's had no pledged deposits. (31 December 2020: US\$Nil).

### 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\$6.1 million, compared with US\$6.6 million for the six months ended 30 June 2020. The Group's capital expenditures in the Reporting Period 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 30 June 2021, the Group had no significant contingent liabilities.

### HUMAN RESOURCES

The Group employed a total of 2,471 full-time employees as at 30 June 2021 (31 December 2020: 2,735). Total staff costs for the Reporting Period, excluding the remuneration of the directors of the Company (the "**Directors**") were approximately US\$22.0 million (six months ended 30 June 2020: US\$18.3 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 30 June 2021, 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. Meng Yan	Executive Director, Chairman	5,000,000	5,000,000	0.60%
Mr. Wu Ying-Cheng	Executive Director, Chief executive officer and Chief financial officer	3,300,000	3,300,000	0.40%
Mr. Chen Han-Yang	Non-executive Director	2,800,000	2,800,000	0.34%
Mr. Yang Li	Non-executive Director	2,800,000	2,800,000	0.34%

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 30 June 2021, so far as is known to the Directors or chief executive of the Company, 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 its associated corporations which (a) 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 (b) were required, pursuant to Section 352 of the SFO, to be recorded in the register referred to therein; or (c) were required, pursuant to the Model Code, to be notified to the Company and the Hong Kong Stock Exchange.



## Supplementary Information

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

As at 30 June 2021, 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**

<b>Name of shareholder</b>	<b>Nature of interest</b>	<b>Number of Shares or underlying Shares<sup>(2)</sup></b>	<b>Approximate percentage of shareholding interest</b>
LITL <sup>(1)</sup>	Beneficial interest	524,337,760	62.84 (L)
		522,932,760	62.67 (S)

(1) Luxvisions Innovation Technology Limited (“**LITL**”), a limited liability company incorporated in Hong Kong which is a wholly-owned subsidiary of Guangzhou Luxvisions Innovation Technology Limited (“**GLITL**”), a company incorporated in the PRC. GLITL is a wholly-owned subsidiary of Luxvisions Innovation Limited (“**LIL**”), a company incorporated in Hong Kong with limited liability and its own as to 94.81% by Mr. Wang Laixi and as 5.19% by Lite-On Singapore Pte. Limited (“**Lite-On**”). Lite-On is a company incorporated in Singapore with limited liability and a wholly-owned subsidiary of Lite-On Technology Corporation 光寶科技股份有限公司 (a company incorporated in Taiwan with limited liability and listed on the Taiwan Stock Exchange (stock code 2301)).

(2) 62.84% interests are long positions and 62.67% interests are short position.

(3) LITL has pledged an aggregate of 522,932,760 Shares in favour of a licensed bank in Hong Kong as security for its banking facilities granted by said bank, representing approximately 62.67% of the total issued share capital of the Company as at 30 June 2021.

Save as disclosed above as at 30 June 2021, 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 30 June 2021.

**SHARE OPTION SCHEME**

The Company has adopted the old Share Option Scheme (the “**Old Share Option Scheme**”) by a resolution of its Shareholder on 4 February 2015. The termination of the Old Share Option Scheme was approved pursuant to an ordinary resolution of Shareholders passed on 5 May 2021. No further options will be granted under the Old Share Options Scheme.

As at 30 June 2021, there are no outstanding options under the Old Share Option Scheme.

## Supplementary Information

## MOVEMENT OF THE OLD OPTIONS

	Number of Options			As at 30 June 2021	Closing price immediately before the date of grant (HK\$)	Exercise price (HK\$)	Date of grant	Vesting period	Exercisable period
	As at 1 January 2021	Exercised	Cancelled						
Lee Dong Goo	1,000,000	—	1,000,000	—	3.76	3.78	30 October 2015	31 October 2015 to 31 December 2017	1 January 2018 to 29 October 2025
Cho Young Hoon	500,000	—	500,000	—	3.76	3.78	30 October 2015	31 October 2015 to 31 December 2017	1 January 2018 to 29 October 2025
Lee Kyung Koo	2,000,000	—	2,000,000	—	1.814	1.75	26 April 2019	27 April 2019 to 18 April 2020	19 April 2020 to 18 April 2028
Continuous contract employee	350,000	150,000	200,000	—	3.76	3.78	30 October 2015	31 October 2015 to 31 December 2017	1 January 2018 to 29 October 2025
<b>Total</b>	<b>3,850,000</b>	<b>150,000</b>	<b>3,700,000</b>	<b>—</b>					

## Supplementary Information

The Company adopted a new share option scheme (the “**Share Option Scheme**”) on 5 May 2021 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 has granted any share options (the “**Options**”) to certain eligible persons (the “**Grantees**”) to subscribe for a total of 45,450,000 Shares under the Share Option Scheme. Details of the Options granted are set out below:

**Grant of Options**

Date of grant	:	25 May 2021 (the “ <b>Date of Grant</b> ”)
Exercise price	:	HK\$4.144 per Share
Total number of Options granted	:	45,450,000 Options
Validity period of the Options	:	The Options shall be valid for a period from 25 May 2021 to 24 May 2031, both dates inclusive, subject to the vesting conditions as stated in the offer letters to the Grantees.
Exercise period of the Options	:	<p>20% of the Options shall be vested on the date falling the first anniversary of the Date of Grant and exercisable from 25 May 2022 to 24 May 2031, both dates inclusive.</p> <p>20% of the Options shall be vested on the date falling the second anniversary of the Date of Grant and exercisable from 25 May 2023 to 24 May 2031, both dates inclusive.</p> <p>20% of the Options shall be vested on the date falling the third anniversary of the Date of Grant and exercisable from 25 May 2024 to 24 May 2031, both dates inclusive.</p> <p>20% of the Options shall be vested on the date falling the fourth anniversary of the Date of Grant and exercisable from 25 May 2025 to 24 May 2031, both dates inclusive.</p> <p>20% of the Options shall be vested on the date falling the fifth anniversary of the Date of Grant and exercisable from 25 May 2026 to 24 May 2031, both dates inclusive.</p>
Vesting conditions	:	In each of the aforesaid exercise period, if a Grantee’s performance appraisal result for the preceding calendar year before an exercise period is level B or C, the Board is entitled to cancel some Options exercisable in that exercise period of that Grantee; and if a Grantee’s performance appraisal result for the preceding calendar year before an exercise period is level D, the Board is entitled to cancel all Options exercisable in that exercise period of that Grantee.

## Supplementary Information

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

**MOVEMENT OF THE OPTIONS**

	Number of Options			As at 30 June 2021	Closing price Exercise price before the date of grant (HK\$)	Closing price before the date of grant (HK\$)	Date of grant	Vesting period
	As at 1 January 2021	Date of grant 25 May 2021	Lapsed					
Meng Yan	-	5,000,000	-	5,000,000	4.144	4.09	25 May 2021	25 May 2021 to 24 May 2031
Wu Ying-Cheng	-	3,300,000	-	3,300,000	4.144	4.09	25 May 2021	25 May 2021 to 24 May 2031
Chen Han-Yang	-	2,800,000	-	2,800,000	4.144	4.09	25 May 2021	25 May 2021 to 24 May 2031
Yang Li	-	2,800,000	-	2,800,000	4.144	4.09	25 May 2021	25 May 2021 to 24 May 2031
Continuous contract employee	-	31,550,000	300,000	31,250,000	4.144	4.09	25 May 2021	25 May 2021 to 24 May 2031
<b>Total</b>	-	45,450,000	300,000	45,150,000				

As at 30 June 2021, the total number of shares available for issue under the Share Option Scheme was 45,150,000, representing approximately 5.4% of the issued share of the Company as the date of this report.

## Supplementary Information

### 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.

### 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.



## Supplementary Information

**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.**

**Meng Yan**  
*Chairman*

Hong Kong, 12 August 2021



# 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 15 to 28 which comprises the consolidated statement of financial position of Cowell e Holdings Inc. ("**the Company**") as of 30 June 2021 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 30 June 2021 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

12 August 2021



## Consolidated Statement of Profit or Loss

for the six months ended 30 June 2021 — unaudited  
(Expressed in United States dollars)

	Note	Six months ended 30 June	
		2021 \$'000	2020 \$'000
<b>Revenue</b>	3 & 4	<b>297,629</b>	307,521
Cost of sales		<b>(252,349)</b>	(258,683)
<b>Gross profit</b>		<b>45,280</b>	48,838
Other revenue		<b>1,864</b>	2,146
Other net (loss)/income		<b>(1,860)</b>	2,617
Selling and distribution expenses		<b>(1,193)</b>	(1,200)
Administrative expenses		<b>(18,722)</b>	(17,516)
<b>Profit from operations</b>		<b>25,369</b>	34,885
Finance costs	5(a)	<b>(402)</b>	(359)
<b>Profit before taxation</b>	5	<b>24,967</b>	34,526
Income tax	6	<b>(2,465)</b>	(6,362)
<b>Profit for the period</b>		<b>22,502</b>	28,164
<b>Earnings per share</b>	7		
Basic and diluted		<b>\$0.027</b>	\$0.034

The notes on pages 20 to 28 form part of this interim financial report. Details of dividends payable to equity shareholders of the Company are set out in note 13(a).



## Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the six months ended 30 June 2021 — unaudited  
(Expressed in United States dollars)

	Six months ended 30 June	
	2021 \$'000	2020 \$'000
<b>Profit for the period</b>	<b>22,502</b>	28,164
<b>Other comprehensive income for the period (after tax adjustments):</b>		
<i>Item that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of financial statements	2,777	(5,434)
<i>Item that will not be reclassified to profit or loss:</i>		
Remeasurement of net defined benefit liability	98	(23)
<b>Other comprehensive income for the period</b>	<b>2,875</b>	(5,457)
<b>Total comprehensive income for the period</b>	<b>25,377</b>	22,707

# Consolidated Statement of Financial Position

at 30 June 2021 — unaudited  
(Expressed in United States dollars)

	Note	At 30 June 2021 \$'000	At 31 December 2020 \$'000
<b>Non-current assets</b>			
Property, plant and equipment	8	82,644	82,502
Intangible assets		6,604	6,211
Other receivables		4,565	4,167
Deferred tax assets		6,603	6,980
		<b>100,416</b>	99,860
<b>Current assets</b>			
Inventories	9	146,230	85,772
Trade and other receivables	10	83,503	106,607
Current tax recoverable		8	14
Bank deposits	11	—	4,785
Cash and cash equivalents	11	62,442	84,603
		<b>292,183</b>	281,781
<b>Current liabilities</b>			
Trade and other payables	12	96,451	107,517
Lease liabilities		2,379	2,067
Current tax payable		4,514	9,354
		<b>103,344</b>	118,938
<b>Net current assets</b>			
		<b>188,839</b>	162,843
<b>Total assets less current liabilities</b>			
		<b>289,255</b>	262,703
<b>Non-current liabilities</b>			
Lease liabilities		13,510	12,476
Net defined benefit retirement obligation		27	115
Deferred tax liabilities		34	—
		<b>13,571</b>	12,591
<b>NET ASSETS</b>			
		<b>275,684</b>	250,112
<b>CAPITAL AND RESERVES</b>			
Share capital		3,337	3,337
Reserves		272,347	246,775
<b>TOTAL EQUITY</b>			
		<b>275,684</b>	250,112

The notes on pages 20 to 28 form part of this interim financial report.



## Consolidated Statement of Changes in Equity

for the six months ended 30 June 2021 — unaudited  
(Expressed in United States dollars)

	Share capital	Share premium	Capital reserve	Capital redemption reserve	Other reserve	General reserve fund	Exchange reserve	Retained profits	Total
Note	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Balance at 1 January 2020</b>	3,326	57,850	3,335	7	762	12,417	(25,968)	284,239	335,968
<b>Changes in equity for the six months ended 30 June 2020:</b>									
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	13(a)	—	—	—	—	—	—	(50,000)	(50,000)
Equity settled share-based transactions	—	—	81	—	—	—	—	—	81
<b>Balance at 30 June 2020</b>	3,326	57,850	3,416	7	762	12,417	(31,402)	262,380	308,756
<b>Balance at 1 January 2021</b>	3,337	59,101	2,694	7	762	16,792	(4,959)	172,378	250,112
<b>Changes in equity for the six months ended 30 June 2021:</b>									
Profit for the period	—	—	—	—	—	—	—	22,502	22,502
Other comprehensive income	—	—	—	—	—	—	2,777	98	2,875
Total comprehensive income	—	—	—	—	—	—	2,777	22,600	25,377
Transfer from retained profits	—	—	—	—	—	618	—	(618)	—
Shares issued under share option scheme	13(b)	116	(44)	—	—	—	—	—	72
Equity settled share-based transactions	—	—	123	—	—	—	—	—	123
Share options lapsed	—	—	(610)	—	—	—	—	610	—
<b>Balance at 30 June 2021</b>	3,337	59,217	2,163	7	762	17,410	(2,182)	194,970	275,684

# Condensed Consolidated Cash Flow Statement

for the six months ended 30 June 2021 — unaudited  
(Expressed in United States dollars)

	Note	Six months ended 30 June	
		2021 \$'000	2020 \$'000
<b>Operating activities</b>			
Cash (used in)/generated from operations		(12,506)	52,988
Tax paid		(6,972)	(3,683)
<b>Net cash (used in)/generated from operating activities</b>		<b>(19,478)</b>	49,305
<b>Investing activities</b>			
Payment for purchase of property, plant and equipment		(6,061)	(6,589)
Payment for purchase of intangible assets		(975)	—
Decrease in bank deposits		4,785	19,425
Other cash flows arising from investing activities		531	1,089
<b>Net cash (used in)/generated from investing activities</b>		<b>(1,720)</b>	13,925
<b>Financing activities</b>			
Decrease in pledged deposits		—	3,113
Capital element of lease rentals paid		(680)	(994)
Interest element of lease rentals paid		(336)	(359)
Dividend paid to equity shareholders of the Company		—	(50,000)
Other cash flows arising from investing activities		(66)	—
<b>Net cash used in financing activities</b>		<b>(1,082)</b>	(48,240)
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(22,280)</b>	14,990
<b>Cash and cash equivalents at 1 January</b>	11	<b>84,603</b>	119,571
<b>Effect of foreign exchange rates changes</b>		<b>119</b>	(1,420)
<b>Cash and cash equivalents at 30 June</b>	11	<b>62,442</b>	133,141



# 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 12 August 2021.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2020 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2021 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 2020 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 14.

The financial information relating to the financial year ended 31 December 2020 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 (2020: one customer), whom transactions have exceeded 98% of the Group's revenues, for the six months ended 30 June 2021. Revenues from sales to this customer, arose in the camera module segment, during the reporting period are set out below.

	Six months ended 30 June	
	2021 \$'000	2020 \$'000
Largest customer	292,152	302,099
— Percentage of total revenue	98%	98%

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 30 June	
	2021 \$'000	2020 \$'000
The People's Republic of China ("PRC") (place of domicile)	291,141	303,067
The Republic of Korea ("Korea")	1,384	1,777
Others	5,104	2,677
	297,629	307,521

## 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 30 June	Camera module		Optical components		Total	
	2021	2020	2021	2020	2021	2020
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue from external customers	297,492	307,417	137	104	297,629	307,521
Reportable segment revenue	297,492	307,417	137	104	297,629	307,521
Reportable segment profit/(loss)	45,237	49,352	43	(514)	45,280	48,838

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

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

	Six months ended 30 June	
	2021	2020
	\$'000	\$'000
Reportable segment profit	45,280	48,838
Other revenue	1,864	2,146
Other net (loss)/income	(1,860)	2,617
Selling and distribution expenses	(1,193)	(1,200)
Administrative expenses	(18,722)	(17,516)
Finance costs	(402)	(359)
Consolidated profit before taxation	24,967	34,526

**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 30 June 2021, the camera module segment reported reportable segment revenue of \$739,977,000 (twelve months ended 30 June 2020: \$656,286,000), and reportable segment profit of \$115,034,000 (twelve months ended 30 June 2020: \$106,477,000).

## Notes to the Unaudited Interim Financial Report

(Expressed in United States dollars unless otherwise indicated)

**5 Profit before taxation**

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

	Six months ended 30 June	
	2021	2020
	\$'000	\$'000
<b>(a) Finance costs</b>		
Interest on bank borrowings	66	—
Interest on lease liabilities	336	359
	<b>402</b>	359
<b>(b) Other items</b>		
Amortisation	574	516
Depreciation	8,698	9,347
Research and development costs (other than depreciation)	10,736	8,377
Interest income	(531)	(1,227)
Net loss on disposal of property, plant and equipment	375	—

**6 Income tax**

	Six months ended 30 June	
	2021	2020
	\$'000	\$'000
Current tax — Hong Kong Profits Tax	1,186	4,099
Current tax — Outside Hong Kong	868	1,987
Deferred taxation	411	276
Income tax	<b>2,465</b>	6,362

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% (2020: 16.5%) to the six months ended 30 June 2021, 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 2020.



## Notes to the Unaudited Interim Financial Report

(Expressed in United States dollars unless otherwise indicated)

**6 Income tax** (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 2020 and 2021. 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 2020 and 2021 was subject to a reduced tax rate of 15%.

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.

**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 \$22,502,000 (six months ended 30 June 2020: \$28,164,000) and weighted average of 834,360,000 ordinary shares (six months ended 30 June 2020: weighted average of 831,519,000 ordinary shares) in issue during the interim period.

**(b) Diluted earnings per share**

The calculation of diluted earnings per share is based on the profit attributable to ordinary equity shareholders of the parent of \$22,502,000 (six months ended 30 June 2020: \$28,164,000) and the weighted average number of ordinary shares of 840,203,000 (six months ended 30 June 2020: 831,519,000 shares).



## Notes to the Unaudited Interim Financial Report

(Expressed in United States dollars unless otherwise indicated)

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

During the six months ended 30 June 2021, the Group acquired items of plant and equipment with a cost of \$6,061,000 (six months ended 30 June 2020: \$6,589,000). Items of plant and equipment with a net book value of \$375,000 were disposed of during the six months ended 30 June 2021 (six months ended 30 June 2020: \$28,000), resulting in a loss on disposal of \$375,000 (six months ended 30 June 2020: \$Nil).

**(b) Customer's equipment**

A customer has provided machinery to the Group for production of goods to that customer. The original acquisition costs of machinery borne by the customer amounted to \$113,232,000 (31 December 2020: \$113,416,000) 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 Inventories**

During six months ended 30 June 2021, \$6,362,000 (six months ended 30 June 2020: \$259,000) has been recognised as an addition in the amount of inventories recognised as an expense in profit or loss during the period, being the amount of a write-down of inventories to the estimated net realisable value.

**10 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 30 June 2021 \$'000	At 31 December 2020 \$'000
Within 1 month	50,208	62,510
Over 1 to 2 months	27,811	35,288
Over 2 to 3 months	530	2,952
Over 3 months	—	932
Trade receivables, net of loss allowance	78,549	101,682
Other receivables and prepayments	4,954	4,925
	<b>83,503</b>	106,607

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)

**11 Bank deposits and cash and cash equivalents**

	At 30 June 2021 \$'000	At 31 December 2020 \$'000
Bank deposits within three months to maturity when placed	10,150	14,908
Cash at bank and on hand	52,292	69,695
Cash and cash equivalents in the consolidated statement of financial position and the condensed consolidated cash flow statement	62,442	84,603
Bank deposits with more than three months to maturity when placed	—	4,785

**12 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 30 June 2021 \$'000	At 31 December 2020 \$'000
Within 1 month	60,243	64,037
Over 1 to 3 months	30,013	33,173
Over 3 to 6 months	14	71
Trade payables	90,270	97,281
Accrued charges and other payables	6,181	10,236
	96,451	107,517



## Notes to the Unaudited Interim Financial Report

(Expressed in United States dollars unless otherwise indicated)

**13 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 30 June	
	2021 \$'000	2020 \$'000
No final dividend in respect of the previous financial year, approved and paid during the following interim period (six months ended 30 June 2020: HK24.2640 cents per share)	—	26,000
No special dividend in respect of the previous financial year, approved and paid during the following interim period (six months ended 30 June 2020: \$22.3976 cents per ordinary share)	—	24,000
	—	50,000

**(b) Equity settled share-based transactions**

On 25 May 2021, 45,450,000 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. 20% of the share options will vest each year starting from 25 May 2022 to 2026 respectively and then be exercisable until 24 May 2031. The exercise price is HK\$4.144, being the weighted average closing price of the Company's ordinary shares immediately before the grant.

During the six months ended 30 June 2020, no options were issued and exercised. During the six months ended 30 June 2021, 150,000 options were exercised.



## Notes to the Unaudited Interim Financial Report

(Expressed in United States dollars unless otherwise indicated)

**14 Commitments****Capital commitments outstanding at 30 June 2021 not provided for in the interim financial report**

	At 30 June 2021 \$'000	At 31 December 2020 \$'000
Contracted for	158	669

**15 Material related party transactions**

The Group entered into the following material related party transactions.

**(a) Key management personnel remuneration**

All members of key management personnel are the directors of the Company, and their salaries and other short-term benefits for the period are \$295,000 (six months ended 30 June 2020: \$873,000).

**(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 consulting agreement has been terminated since 17 December 2020. The amount of consultancy service fee incurred during the six months ended 30 June 2020 was \$190,000. No amounts were outstanding as at 30 June 2021 (31 December 2020: \$Nil).

