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)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED JUNE 30, 2017

HIGHLIGHTS

Our revenue for the six months ended June 30, 2017 reached approximately US$319,437,000, representing an increase of approximately 5.9% as compared to the corresponding period ended June 30, 2016.

Our net profit attributable to owners of the Company for the six months ended June 30, 2017 reached approximately US$9,205,000, representing an increase of approximately 252.8% as compared with that for the financial period ended June 30, 2016.

Basic earnings per share for the financial period ended June 30, 2017 was US1.1 cents, increased from US0.3 cent for the financial period ended June 30, 2016.

RESULTS

The Board (the "**Board**") of Directors (the "**Directors**") of Cowell e Holdings Inc. (the "**Company**") is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the six months ended June 30, 2017 together with comparative figures for the six months ended June 30, 2016. The interim financial results are unaudited, but have been reviewed by the Company's auditor, 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, whose independent review report is included in the interim report to be sent to shareholders of the Company. The interim financial results have also been reviewed by the audit committee (the "**Audit Committee**") of the Company.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS — UNAUDITED

(Expressed in United States dollars)

	Note	Six months ended June 30 **2017** **$'000**	2016 $'000
Revenue	3 & 4	**319,437**	301,759
Cost of sales		**(288,035)**	(276,902)
Gross profit		**31,402**	24,857
Other revenue		**1,423**	440
Other net (loss)/income		**(1,777)**	1,316
Selling and distribution expenses		**(1,453)**	(1,851)
Administrative expenses		**(19,247)**	(21,663)
Profit from operations		**10,348**	3,099
Finance costs	5(a)	**(69)**	(69)
Donation		**(21)**	(49)
Profit before taxation	5	**10,258**	2,981
Income tax	6	**(1,053)**	(372)
Profit for the period		**9,205**	2,609
Earnings per share	7		
Basic and diluted		**$ 0.011**	$ 0.003

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME — UNAUDITED

(Expressed in United States dollars)

	Six months ended June 30	
	2017	2016
	$'000	$'000
Profit for the period	**9,205**	2,609
Other comprehensive income for the period:		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements	**6,948**	(5,002)
Total comprehensive income for the period	**16,153**	(2,393)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION — UNAUDITED

(Expressed in United States dollars)

	Note	**At June 30, 2017 $'000**	At December 31, 2016 $'000
Non-current assets			
Property, plant and equipment	8	**123,266**	123,316
Intangible assets		**6,767**	5,591
Other receivables		**7,048**	6,556
Deferred tax assets		**138**	329
		137,219	135,792
Current assets			
Inventories		**56,510**	60,026
Trade and other receivables	9	**118,227**	231,158
Current tax recoverable		**7,725**	6,981
Pledged deposits		**4,006**	3,193
Bank deposits		**40,739**	39,675
Cash and cash equivalents		**36,869**	85,435
		264,076	426,468
Current liabilities			
Trade and other payables	10	**81,376**	168,693
Bank loans		**10,572**	89,249
Current tax payable		**3,455**	6,567
		95,403	264,509
Net current assets		**168,673**	161,959
Total assets less current liabilities		**305,892**	297,751

	Note	At June 30, 2017 $'000	At December 31, 2016 $'000
Non-current liabilities			
Net defined benefit retirement obligation		**278**	178
Deferred tax liabilities		**48**	210
		326	388
NET ASSETS		**305,566**	297,363
CAPITAL AND RESERVES			
Share capital		**3,326**	3,326
Reserves		**302,240**	294,037
TOTAL EQUITY		**305,566**	297,363

NOTES TO THE UNAUDITED INTERIM FINANCIAL INFORMATION

(Expressed in United States dollars unless otherwise indicated)

1 Basis of preparation

This interim financial information 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 10, 2017.

The interim financial information has been prepared in accordance with the same accounting policies adopted in the 2016 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2017 annual financial statements. Details of any changes in accounting policies are set out in note 2.

The financial information relating to the financial year ended December 31, 2016 that is included in this announcement of the interim results 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 has had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in this interim financial information.

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

3 Segment reporting

The Group manages its businesses by divisions, which are 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) 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.

	Camera module		**Optical components**		**Total**	
For the six months ended June 30	**2017**	2016	**2017**	2016	**2017**	2016
	$'000	$'000	**$'000**	$'000	**$'000**	$'000
Revenue from external customers	**316,540**	298,434	**2,897**	3,325	**319,437**	301,759
Reportable segment revenue	**316,540**	298,434	**2,897**	3,325	**319,437**	301,759
Reportable segment profit/(loss)	**11,757**	4,082	**(663)**	(618)	**11,094**	3,464

Reporting segment profit/(loss) is the profit/(loss) before tax. To arrive at profit/(loss) before taxation, the Group's earnings are further adjusted for items not specifically attributed to individual segments, such as certain directors' remuneration and other head office or corporate administration costs.

(b) Reconciliations of reportable segment profit or loss

	Six months ended June 30	
	2017	2016
	$'000	$'000
Reportable segment profit	**11,094**	3,464
Unallocated head office and corporate expenses	**(836)**	(483)
Consolidated profit before taxation	**10,258**	2,981

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, 2017, the camera module segment reported reportable segment revenue of $925,977,000 (twelve months ended June 30, 2016: $811,796,000), and reportable segment profit of $46,184,000 (twelve months ended June 30, 2016: $51,486,000).

5 Profit before taxation

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

	Six months ended June 30	
	2017	2016
	$'000	$'000
(a) Finance costs		
Interest on bank borrowings	**69**	69
(b) Other items		
Amortisation	**431**	208
Depreciation	**10,564**	8,032
Research and development costs (other than depreciation)	**7,843**	8,310
Interest income	**(446)**	(211)
Net loss on disposal of plant and equipment	**429**	—
Impairment loss on trade receivables	**—**	185

6 Income tax

	Six months ended June 30	
	2017	2016
	$'000	$'000
Current tax — Hong Kong Profits Tax	**—**	335
Current tax — Overseas	**998**	(204)
Deferred taxation	**55**	241
	1,053	372

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% (2016: 16.5%) to the six months ended June 30, 2017. Taxation for overseas subsidiaries is similarly calculated using the estimated annual effective rates of taxation that are expected to be applicable in the relevant countries.

7 Earnings 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 $9,205,000 (six months ended June 30, 2016: $2,609,000) and weighted average of 831,519,000 ordinary shares (six months ended June 30, 2016: weighted average of 831,519,000 ordinary shares) in issue during the interim period.

(b) *Diluted earnings per share*

The diluted earnings per share is the same as the basic earnings per share as the Group did not have dilutive potential ordinary shares during the interim period (2016: Nil).

8 Property, plant and equipment

(a) *Acquisitions and disposals*

During the six months ended June 30, 2017, the Group acquired items of plant and equipment with a cost of $8,054,000 (six months ended June 30, 2016: $26,031,000). Items of plant and equipment with a net book value of $449,000 were disposed of during the six months ended June 30, 2017 (six months ended June 30, 2016: Nil), resulting in a loss on disposal of $429,000 (six months ended June 30, 2016: 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 $116,618,000 (December 31, 2016: $116,618,000) and was not recognised as the Group's property, plant and equipment. There is no rental charge for the machinery and the management consider that the arrangement has been taken into account in determining sales prices with the customer.

9 Trade and other receivables

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

	At June 30, 2017 $'000	At December 31, 2016 $'000
Within 1 month	**71,890**	133,790
Over 1 to 2 months	**14,856**	67,382
Over 2 to 3 months	**233**	391
Over 3 months	**417**	531
Trade receivables, net of allowance for doubtful debts	**87,396**	202,094
Other receivables and prepayments	**30,831**	29,064
	118,227	231,158

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

Trade receivables with carrying amount of $60,180,000 (December 31, 2016: $113,223,000) were used to secure the Group's bank loans.

10 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, 2017 $'000	At December 31, 2016 $'000
Within 1 month	**74,118**	88,010
Over 1 to 3 months	**32**	68,821
Over 3 to 6 months	**919**	631
Trade payables	**75,069**	157,462
Accrued charges and other payables	**6,307**	11,231
	81,376	168,693

11 Capital, reserves and dividends

(a) Dividends

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

	Six months ended June 30	
	2017 $'000	2016 $'000
Interim dividend declared and paid after the interim period of HK1.7179 cents per share (six months ended June 30, 2016: Nil)	**1,841**	—

The interim dividend has not been recognised as a liability at the end of the reporting period.

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

	Six months ended June 30	
	2017 $'000	2016 $'000
Final dividend in respect of the previous financial year, approved and paid during the following interim period, of HK7.977 cents per share (six months ended June 30, 2016: Nil)	**8,548**	—

(b) Equity settled share-based transactions

On June 20, 2017, 400,000 share options (six months ended June 30, 2016: 1,900,000 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 June 19, 2020, and then exercisable until June 2027. The exercise price are HK$3.04, being the weighted average closing price of the Company's ordinary shares immediately before the grant.

During the six months ended June 30, 2017, no options (six months ended June 30, 2016: nil) were exercised and 50,000 share options (six months ended June 30, 2016: 1,800,000 share options) were cancelled under the share option scheme.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Company is a major supplier of camera modules for mobile devices. The Group primarily engages in the design, development, manufacture and sale of a variety of camera modules that serve as critical components for smartphones, multimedia tablets and other mobile devices with camera functions. Customers for the Group's camera modules include some of the leading mobile device manufacturers in the world such as Apple, LG Electronics and Samsung Electronics. The Group also designs, develops, manufactures and sells optical components used in a number of consumer electronics products. Major customers for the Group's optical components include subsidiaries or affiliates of leading global electronics companies such as Samsung Electronics, LG Electronics and Hitachi.

The Group believes that the Group's state-of-the-art manufacturing facilities, engineering capabilities, technical expertise and accumulated know-how in manufacturing camera modules and optical components, as well as the Group's strong relationships with the Group's customers, will continue to differentiate the Group as a provider of high-performance and cost-effective camera modules and optical components, and position the Group to take advantage of attractive growth opportunities. The Group operates two production facilities at Hengkeng and Huanan in Dongguan, PRC, where the Group is able to take advantage of a high-quality labor force, extensive infrastructure for the Group's operations, and a strategic location to facilitate the transportation of products to the Group's customers.

In the first half ended June 30, 2017, the Group sold approximately 64.6 million units of camera modules and approximately 42.0 million units of optical components, compared to approximately 59.3 million units of camera modules and approximately 72.8 million units of optical components in the corresponding period of 2016. The Group's revenue amounted to US$319.4 million in the first half of 2017 as compared to US$301.8 million in the first half of 2016. The Group's net profit amounted to US$9.2 million in the first half of 2017 as compared to US$2.6 million in the first half of 2016 which was primarily due to improved production yield and decreased administrative expenses.

Camera Modules

Camera Module ("**CM**") revenue in the first half of 2017 increased by 6.0% as compared to that in the correspondent period in 2016, which was mainly due to:

1. About 12% and 19% increased shipments to Apple and LG, respectively; and

2. Improved average selling price ("**ASP**") for LG due to the Company's focus on the high-end products.

Optical Components

There are basically two product categories in our optical components product offerings: one is a DVD component and the other is 'Blue Filter' which is a camera modules component. Since DVD market is gradually shrinking as global internet usage is increasing, the consumers' appetite for DVD player has been decreasing. Therefore, the Group developed and introduced blue filters, advanced IR cut filters for camera modules, as its new optical component products in the market in 2014. Due to weakening DVD market and slow blue filter sales, overall optical component sales in the first half of 2017 was down by 12.1% as compared to that in the same period of 2016.

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

	Six months ended June 30		**Changes**	
	2017	2016	**Amount**	**%**
	(US$ in millions, except percentages)			
Revenue				
Camera modules	**316.5**	298.5	18.0	6.0%
Optical components	**2.9**	3.3	(0.4)	(12.1)%
Total	**319.4**	301.8	17.6	5.8%

OUTLOOK AND FUTURE STRATEGIES

During the first half of 2017, the Group demonstrated substantial improvement in the profitability of the business and the Group's view on the second half of 2017 is positive due mainly to the seasonality of the business and high market expectation on the sales of Apple's new products. However, overall outlook of the smartphone market and global economy is still uncertain. In order to cope with the uncertainty of business environment and economic situation, the Group will continue to focus on technology and new product development, production efficiency and customer services, which will, in turn, strengthen business relationship with the Group's existing customers and grow the Group's business with them. The Group intends to develop components of key mobile devices as new product offerings based on suggestions from the Group's major customers and plans to capture larger share of the growing market demand for camera modules. In order to achieve these goals, the Group will make every endeavor to expand its customer base and product portfolio, which will be supported by a new research and development centre (the "**R&D Centre**"). The Group plans to complete the setting up of the R&D Centre by the end of 2017.

The Group also understands that the Group's overall competitiveness will depend on its operational efficiency and production yield. Therefore, through internal promotion, the Group is encouraging employees to think about new ideas and ways to improve the efficiency of their daily operation. The Group is also currently running a talent pool program to retain skillful engineers.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at June 30, 2017, the Group had total assets of US$401.3 million (December 31, 2016: US$562.3 million); net current assets of US$168.7 million (December 31, 2016: US$162.0 million) and total equity of US$305.6 million (December 31, 2016: US$297.4 million).

The Group had a solid financial position and continued to maintain a strong and steady inflow from operating activities. As of June 30, 2017, the Group reported US$36.9 million in unencumbered cash and cash equivalents. Management believes that the Group's current cash and cash equivalents, together with available credit facilities and expected cash flow from operations, will be sufficient to support the Group's operational requirements.

PLEDGE OF THE GROUP'S ASSETS

The Group had pledged its assets as securities for bank loans and other borrowings and banking facilities which were used to finance daily business operation and purchase of machinery. As at June 30, 2017, trade receivables with a net carrying value of US$60.2 million (December 31, 2016: US$113.2 million) has been pledged to bank to secure banking facilities.

CAPITAL EXPENDITURES AND COMMITMENTS

The Group's capital expenditures (equivalent to the cash the Group spent to purchase property, plant and equipment) for the six months ended June 30, 2017 amounted to US$8.1 million, compared to US$26.0 million for the six months ended June 30, 2016. The Group's capital expenditures in the first half of 2017 mainly reflected purchases of additional equipment to produce more advanced flip-chip camera modules. The Group intends to fund the Group's planned future capital expenditures through a combination of cash flow from operating activities, available banking facilities and the net proceeds from the issuance of new Shares in the Global Offering.

CONTINGENT LIABILITIES

As at June 30, 2017, the Group had no significant contingent liabilities except for the guarantees issued by the Company to secure the banking facilities granted by banks to certain subsidiaries amounting to US$50.0 million (December 31, 2016: US$90.0 million).

HUMAN RESOURCES

The Group employed a total of 3,825 full-time employees as of June 30, 2017 (December 31, 2016: 5,298). Total staff costs for the six months ended June 30, 2017, excluding Directors' remuneration were approximately US$24.9 million (first half of 2016: US$27.7 million).

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

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

SUPPLEMENTARY INFORMATION

Interim dividend

The Board has resolved to declare an interim dividend of HK1.7179 cents (2016: Nil) per ordinary share for the six months ended June 30, 2017 to shareholders whose names appear on the register of members of the Company on Tuesday, August 29, 2017. The interim dividend will be paid on Monday, September 11, 2017.

Closure of register of members

The record date for the interim dividend will be Tuesday, August 29, 2017. The Company's register of members will be closed from Friday, August 25, 2017 to Tuesday, August 29, 2017 (both days inclusive) in order to determine entitlements to the interim dividend. During such period, no transfer of shares will be effected. In order to qualify for the interim dividend, all transfers of shares of the Company accompanied by the relevant share certificates must be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, for registration no later than 4:30 p.m. on Thursday, August 24, 2017.

Purchase, sale or redemption of the Company's listed securities

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended June 30, 2017.

Corporate governance

The Board reviewed the corporate governance of the Group in accordance with the code provisions (the "**Code Provisions**") as set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules (the "**CG Code**") and considered that, for the six months ended June 30, 2017 (the "**Current Period**"), the Company regulated its operation and carried out appropriate corporate governance in accordance with the Code Provisions. The Company has complied with the Code Provisions during the Current Period, save for the deviations as disclosed below.

Pursuant to Code Provision A.2.1 of the CG Code, the role of chairman and the chief executive should be segregated and should not be performed by the same individual. However, during part of the Current Period, the Company did not have a separate chairman and chief executive and Mr.

Seong Seokhoon had been performing these two roles at the same time. The Board had considered that having Mr. Seong acting as both the chairman of the Board and the Company's co-chief executive officer would provide a strong and consistent leadership to the Company and allow for more effective planning and management for the Group. The Board had taken into account Mr. Seong's extensive experience in the industry, personal profile and critical role in the Group and its historical development.

Under Rules 3.10(1) and 3.21 of the Listing Rules, every issuer should have at least three independent non-executive directors and its audit committee should comprise a minimum of three members respectively. During the Current Period, Mr. Kim Ilung resigned as an independent non-executive Director (the "**INED(s)**") and as a member of the audit committee (the "**Audit Committee**") of the Company with effect from March 23, 2017. Following Mr. Kim's resignation, the Company had two INEDs and the Audit Committee comprised two members, which fell below the requirements under Rules 3.10(1) and 3.21 of the Listing Rules. Upon the appointment of Mr. Andrew Look as an INED and a member of the Audit Committee with effect from April 3, 2017, the Company has three INEDs and the Audit Committee comprises of three members and therefore the Company has since complied with the requirements under Rules 3.10(1) and 3.21 of the Listing Rules.

Save as disclosed above, the Directors consider that the Company has fully complied with the applicable Code Provisions as set out in the Code of Corporate Governance Practices as contained in Appendix 14 during the Current Period.

Audit Committee

The Audit Committee has reviewed together with the management the accounting principles and policies adopted by the Group and the unaudited consolidated financial report for the six months ended June 30, 2017. Based on this review, the Audit Committee was satisfied that the financial statements were prepared in accordance with applicable accounting standards and fairly present the Group's financial position and results for the six months ended June 30, 2017.

Model Code of Securities Transactions by Directors

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

Events after the Reporting Period

There were no significant events affecting the Company nor any of its subsidiaries after the end of the financial period requiring disclosure in this announcement.

Publication of 2017 Interims Results and Interim Report

The interim results announcement is published on the website of the Company (http://www.cowelleholdings.com) and the website of the Stock Exchange (http://www.hkex.com.hk). The interim report of the Company for the six months ended June 30, 2017 will be despatched to the shareholders of the Company and available on the above websites in due course.

By order of the Board
Cowell e Holdings Inc.
Seong Seokhoon
Chairman

Hong Kong, August 10, 2017

As at the date of this announcement, the Board comprises Mr. Kim Kab Cheol, Mr. Seong Seokhoon and Lee Dong Goo as executive Directors; and Mr. Kim Chan Su, Dr. Song Si Young and Mr. Andrew Look as independent non-executive Directors.