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)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED DECEMBER 31, 2018

HIGHLIGHTS

Our revenue for the year ended December 31, 2018 reached approximately US$535,862,000, representing a decrease of approximately 27.7% as compared with the corresponding year ended December 31, 2017.

Our net profit attributable to owners of the Company for the year ended December 31, 2018 reached approximately US$13,906,000, representing a decrease of approximately 49.7% as compared with that for the year ended December 31, 2017.

Basic earnings per share for the financial period ended December 31, 2018 was US1.7 cents representing a decrease of approximately 48.5% as compared with that for the financial year ended December 31, 2017.

The Directors have proposed the payment of a final dividend of HK11.1987 cents per share for the year ended December 31, 2018.

RESULTS

The board (the "**Board**") of directors (the "**Directors**") of Cowell e Holdings Inc. (the "**Company**") is pleased to announce the consolidated results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended December 31, 2018 together with comparative figures for the year ended December 31, 2017. The annual financial results have also been reviewed by the audit committee (the "**Audit Committee**") of the Company.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(Expressed in United States dollars)

	Note	For the year ended December 31 2018 $'000	2017 (Note) $'000
Revenue	3	**535,862**	740,734
Cost of sales		**(483,567)**	(666,507)
Gross profit		**52,295**	74,227
Other revenue	4	**2,749**	2,968
Other net income/(loss)	4	**1,027**	(3,651)
Selling and distribution expenses		**(2,384)**	(3,168)
Administrative expenses		**(39,360)**	(39,263)
Profit from operations		**14,327**	31,113
Finance costs	5(a)	**(188)**	(729)
Donation		**(8)**	(29)
Profit before taxation	5	**14,131**	30,355
Income tax	6	**(225)**	(2,736)
Profit for the year		**13,906**	27,619
Earnings per share	7		
Basic		**$ 0.017**	$ 0.033
Diluted		**$ 0.017**	$ 0.033

Note: The Group has initially applied IFRS 9 at January 1, 2018. Under the transition methods chosen, comparative information is not restated. See note 2.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(Expressed in United States dollars)

	Note	**For the year ended December 31** **2018**	2017 *(Note)*
		$'000	*$'000*
Profit for the year		**13,906**	27,619
Other comprehensive income for the year (after tax adjustments):			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of financial statements		**(15,377)**	18,551
Items that will not be reclassified to profit or loss			
Remeasurement of net defined benefit liability		**(87)**	34
		(15,464)	18,585
Total comprehensive income for the year		**(1,558)**	46,204

Note: The Group has initially applied IFRS 9 at January 1, 2018. Under the transition methods chosen, comparative information is not restated. See note 2.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Expressed in United States dollars)

		As at December 31	
	Note	**2018**	2017
		$'000	*$'000*
Non-current assets			
Property, plant and equipment		**105,168**	121,343
Intangible assets		**7,516**	8,079
Other receivables		**5,559**	6,628
Deferred tax assets		**1,632**	832
		119,875	136,882
Current assets			
Inventories		**66,666**	107,366
Trade and other receivables	*8*	**60,808**	139,904
Current tax recoverable		**711**	1,221
Pledged deposits		**3,231**	3,427
Bank deposits		**20,757**	21,409
Cash and cash equivalents		**112,304**	93,937
		264,477	367,264
Current liabilities			
Trade and other payables	*9*	**54,183**	117,952
Bank loans		**—**	47,114
Current tax payable		**3,691**	5,359
		57,874	170,425
Net current assets		**206,603**	196,839
Total assets less current liabilities		**326,478**	333,721

	Note	As at December 31 2018 $'000	2017 $'000
Non-current liabilities			
Net defined benefit retirement obligation		**164**	225
		164	225
NET ASSETS		**326,314**	333,496
CAPITAL AND RESERVES			
Share capital		**3,326**	3,326
Reserves		**322,988**	330,170
TOTAL EQUITY		**326,314**	333,496

NOTES TO THE FINANCIAL INFORMATION

(Expressed in United States dollars unless otherwise indicated)

1 Basis of preparation

The consolidated results set out in this announcement do not constitute the Group's financial statements for the year ended December 31, 2018 but are extracted from those financial statements.

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

The measurement basis used in the preparation of the Group's consolidated financial statements is the historical cost basis except that certain employee benefits are stated at their fair value.

2 Changes in accounting policies

The IASB has issued a number of new IFRSs and amendments to IFRSs that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's financial statements:

- IFRS 9, *Financial instruments*
- IFRS 15, *Revenue from contracts with customers*
- IFRIC 22, *Foreign currency transactions and advance consideration*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period, except for the amendments to IFRS 9, *Prepayment features with negative compensation* which have been adopted at the same time as IFRS 9.

(i) IFRS 9, *Financial instruments,* including the amendments to IFRS 9, *Prepayment features with negative compensation*

IFRS 9 replaces IAS 39, *Financial instruments: recognition and measurement*. It sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

The Group has applied IFRS 9 retrospectively to items that existed at January 1, 2018 in accordance with the transition requirements. The Group has recognised the cumulative effect of initial application as an adjustment to the opening equity at January 1, 2018. Therefore, comparative information continues to be reported under IAS 39.

The following table summarises the impact of transition to IFRS 9 on retained profits at January 1, 2018.

	$'000
Retained profits	
Recognition of additional expected credit losses on financial assets measured at amortised cost and net decrease in retained profits at January 1, 2018	114

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

a. Credit losses

IFRS 9 replaces the "incurred loss" model in IAS 39 with the "expected credit loss" (ECL) model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises ECLs earlier than under the "incurred loss" accounting model in IAS 39.

The Group applies the new ECL model to the financial assets measured at amortised cost (including trade and other receivables).

The following table reconciles the closing loss allowance determined in accordance with IAS 39 as at December 31, 2017 with the opening loss allowance determined in accordance with IFRS 9 as at January 1, 2018.

	$'000
Loss allowance at December 31, 2017 under IAS 39	104
Additional credit loss recognised at January 1, 2018 on trade receivables	114
Loss allowance at January 1, 2018 under IFRS 9	218

b. *Transition*

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except as described below:

— Information relating to comparative periods has not been restated. Differences in the carrying amounts of financial assets resulting from the adoption of IFRS 9 are recognised in retained profits and reserves as at January 1, 2018. Accordingly, the information presented for 2017 continues to be reported under IAS 39 and thus may not be comparable with the current period.

— If, at the date of initial application, the assessment of whether there has been a significant increase in credit risk since initial recognition would have involved undue cost or effort, a lifetime ECL has been recognised for that financial instrument.

(ii) **IFRS 15, *Revenue from contracts with customers***

IFRS 15 establishes a comprehensive framework for recognising revenue and some costs from contracts with customers. IFRS 15 replaces IAS 18, *Revenue*, which covered revenue arising from sale of goods and rendering of services, and IAS 11, *Construction contracts*, which specified the accounting for construction contracts.

IFRS 15 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

The adoption of IFRS 15 does not have any material impact on the financial position and the financial result of the Group.

(iii) IFRIC 22, *Foreign currency transactions and advance consideration*

This interpretation provides guidance on determining "the date of the transaction" for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) arising from a transaction in which an entity receives or pays advance consideration in a foreign currency.

The Interpretation clarifies that "the date of the transaction" is the date on initial recognition of the non-monetary asset or liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the date of the transaction for each payment or receipt should be determined in this way. The adoption of IFRIC 22 does not have an material impact on the financial position and the financial result of the Group.

3 Revenue and segment reporting

(a) Revenue

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

The Group's customer base includes one customer (2017: two customers), with whom transactions have exceeded 10% of the Group's revenues, for the year ended December 31, 2018. Revenues from sales to these customers, arose in the camera module segment, during the reporting period are set out below.

	2018	2017
	$'000	*$'000*
Largest customer	**485,273**	633,122
Percentage of total revenue	**91%**	85%
Second largest customer	**N/A***	83,086
Percentage of total revenue	**N/A***	11%

* Revenue from this customer was less than 10% of the Group's total revenue for the year ended December 31, 2018.

(b) Segment reporting

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

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

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

(i) Segment results

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

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

The measure used for reporting segment profit is profit before tax. To arrive at segment profit, the Group's earnings are further adjusted for items not specially attributed to individual segments, such as certain directors' remuneration and other head office or corporate administration costs.

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

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended December 31, 2018 and 2017 is set out below.

	Camera module	
	2018	2017
	$'000	*$'000*
Revenue from external customers	**533,236**	735,605
Reportable segment revenue	**533,236**	735,605
Segment profit	**18,517**	33,632
Bank interest income	**2,205**	850
Finance costs	**(187)**	(724)
Depreciation and amortisation	**(23,269)**	(21,819)
Additions to non-current segment assets	**16,228**	18,784

	Optical components	
	2018	2017
	$'000	*$'000*
Revenue from external customers	**2,626**	5,129
Reportable segment revenue	**2,626**	5,129
Segment loss	**(3,410)**	(2,180)
Bank interest income	**12**	5
Finance costs	**(1)**	(5)
Depreciation and amortisation	**(955)**	(930)
Additions to non-current segment assets	**245**	90

	Total	
	2018	2017
	$'000	*$'000*
Revenue from external customers	**535,862**	740,734
Reportable segment revenue	**535,862**	740,734
Segment profit	**15,107**	31,452
Bank interest income	**2,217**	855
Finance costs	**(188)**	(729)
Depreciation and amortisation	**(24,224)**	(22,749)
Additions to non-current segment assets	**16,473**	18,874

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

	2018	2017
	$'000	*$'000*
Revenue		
Reportable segment revenue and consolidated revenue	**535,862**	740,734
Profit		
Reportable segment profit	**15,107**	31,452
Unallocated head office and corporate expenses	**(976)**	(1,097)
Consolidated profit before taxation	**14,131**	30,355

(iii) Geographic information

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

	Revenue from external customers		**Specified non-current assets**	
	2018	2017	**2018**	2017
	$'000	*$'000*	***$'000***	*$'000*
The People's Republic of China ("**PRC**") (including Hong Kong)	**512,800**	688,665	**111,380**	128,454
The Republic of Korea ("**Korea**")	**4,167**	34,793	**1,304**	968
Others	**18,895**	17,276	**—**	—
	535,862	740,734	**112,684**	129,422

4 Other revenue and other net income/(loss)

	2018	2017
	$'000	*$'000*
(a) Other revenue		
Bank interest income	**2,217**	855
Rental income	**113**	158
Government subsidy	**146**	643
Others	**273**	1,312
	2,749	2,968
(b) Other net income/(loss)		
Net loss on disposal of plant and equipment	**(1,960)**	(2,491)
Net foreign exchange gain/(loss)	**3,476**	(1,722)
Others	**(489)**	562
	1,027	(3,651)

5 Profit before taxation

Profit before taxation is arrived at after charging:

	2018 *$'000*	2017 *$'000*
(a) Finance costs		
Interest on bank borrowings	**188**	729
(b) Staff costs # *		
Contributions to defined contribution retirement plan	**3,290**	4,156
Expenses recognised in respect of defined benefit retirement plans	**233**	188
Equity settled share-based payment expenses	**14**	317
Salaries, wages and other benefits	**42,452**	50,793
	45,989	55,454

	2018 *$'000*	2017 *(Note)* *$'000*
(c) Other items		
Amortisation	**1,086**	910
Depreciation#	**23,138**	21,839
(Reversal of impairment loss)/impairment loss of trade receivables	**(9)**	104
Auditors' remuneration	**356**	357
Operating lease charges: minimum lease payments in respect of property rentals#	**3,647**	3,675
Research and development costs other than depreciation and amortisation*	**17,215**	15,725
Cost of inventories#	**483,567**	666,507

Note: The Group has initially applied IFRS 9 at January 1, 2018. Under the transition methods chosen, comparative information is not restated. See note 2.

\# Cost of inventories includes $45,252,000 (2017: $50,900,000) relating to staff costs, depreciation expenses and operating lease charges, which amounts are also included in the respective total amounts disclosed separately above or in note 5(b) for each of these types of expenses.

* Research and development costs other than depreciation and amortisation includes $9,496,000 (2017: $10,998,000) relating to staff costs, which amounts are also included in the respective total amounts disclosed separately in note 5(b).

6 Income tax in the consolidated statement of profit or loss

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

	2018	2017
	$'000	*$'000*
Current tax — Hong Kong Profits Tax		
Provision for the year	**—**	380
Over-provision in respect of prior years	**(6)**	(3)
	(6)	377
Current tax — Overseas		
Provision for the year	**1,220**	3,505
Over-provision in respect of prior years	**(211)**	(432)
	1,009	3,073
Deferred tax		
Origination and reversal of temporary differences	**(778)**	(714)
	225	2,736

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

In March 2018, the Hong Kong Government introduced a two-tiered profits tax rate regime by enacting the Inland Revenue (Amendment) (No. 3) Ordinance 2018 (the "**Ordinance**"). Under the two-tiered profits tax rate regime, the first HK$2 million of assessable profits of qualifying corporations is taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. The Ordinance is effective from the year of assessment 2018-2019.

No provision for Hong Kong Profits Tax for 2018 has been made as the entities sustained losses for taxation purposes. Provision for Hong Kong Profits Tax for 2017 was calculated at 16.5% of the assessable profits.

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. 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 2016 till 2018 will be 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 Company of $13,906,000 (2017: $27,619,000) and 831,519,000 ordinary shares (2017: 831,519,000 shares) in issue during the year.

(b) Diluted earnings per share

There were no dilutive potential ordinary shares outstanding during the years ended December 31, 2018 and 2017. Accordingly, the diluted earnings per share is the same as basic earnings per share.

8 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:

	2018	2017
	$'000	*$'000*
Within 1 month	**31,926**	78,606
Over 1 to 2 months	**22,956**	38,630
Over 2 to 3 months	**1,992**	224
Over 3 months	**97**	859
	56,971	118,319

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

9 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:

	2018	2017
	$'000	*$'000*
Within 1 month	**25,311**	57,437
Over 1 to 3 months	**20,844**	49,810
Over 3 to 6 months	**29**	20
	46,184	107,267

10 Dividends

The Board has proposed the payment of a final dividend of HK11.1987 cents per share for the year ended December 31, 2018 (2017: HK5.1553 cents) per ordinary share after the end of the reporting period.

Scope of work of KPMG

The financial figures in respect of Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended December 31, 2018 as set out in the preliminary announcement have been compared by the Group's auditor, KPMG, Certified Public Accountants, to the amounts set out in the Group's consolidated financial statements for the year and the amounts were found to be in agreement. The work performed by KPMG in this respect did not constitute an audit, review or other assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the auditor.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

The Group believes that its state-of-the-art manufacturing facilities, engineering capabilities, technical expertise and accumulated know-how in manufacturing camera modules and optical components, as well as strong relationships with its customers will continue to differentiate it as a provider of high quality and cost effective camera modules and optical components, and position well for continued growth opportunities. The Group operates two production facilities at Hengkeng and Huanan in Dongguan, PRC, where it can take advantage of high-quality labor force and extensive infrastructure for its operations. Furthermore, this location is strategically important from the perspective of transportation of products to its customers.

For the year ended December 31, 2018, the Group sold approximately 95.7 million units of camera modules and approximately 60.0 million units of optical components, compared to approximately 143.9 million units of camera modules and approximately 79.0 million units of optical components in 2017. Revenue decreased from US$740.7 million in 2017 to US$535.8 million in 2018 and a profit for the year of US$27.6 million in 2017 and US$13.9 million in 2018 were recorded. The Group had total assets of US$384.4 million and total equity of US$326.3 million as of December 31, 2018 as compared to total assets of US$504.1 million and total equity of US$333.5 million as of December 31, 2017.

In order to facilitate efficient capital management and demonstrate the management's willingness to share the Group's profit with the shareholders, the Board has proposed the payment of a final dividend of HK11.1987 cents (2017: HK5.1553 cents) per ordinary share for the year ended December 31, 2018, subject to the approval of shareholders of the Company at the forthcoming annual general meeting.

OUTLOOK AND FUTURE STRATEGIES

Following the fiscal year of 2017, the business environment in the fiscal year of 2018 was also not favorable to the Group due to sluggish smartphone industry, increased competition and lower than expected sales of our major US client's new products. Accordingly, the Group had reported a net loss of US$2.5 million for the first six months ended June 30, 2018. However, the Group had made a great recovery during the second half of 2018 which allowed us to report a net profit for the full year ended December 31, 2018. In order to make this recovery, the Group has made serious effort to improve production yield of new products ramped up in the second half of 2018 and reduce overall cost of operations. These efforts will be continued in 2019 in order to cope with current market situation.

Furthermore, the management of the Group will strive to turn around current downtrend of sales by pursuing the following:

- upgrading camera module related technology and manufacturing capability;
- recruiting and breeding new talented engineers;
- participating various new product development projects as much as possible; and
- soliciting new product opportunities and new business.

RESULTS OF OPERATIONS

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

			Changes	
	2018	2017	**Amount**	%
	(US$ in millions, except percentages)			
Revenue				
Camera modules	**533.2**	735.6	**(202.4)**	(27.5)%
Optical components	**2.6**	5.1	**(2.5)**	(49.0)%
Total	**535.8**	740.7	**(204.9)**	(27.7)%

The Group reported a total revenue of US$535.8 million in 2018, representing a 27.7% decrease compared with that of 2017.

Camera modules: Camera modules revenue for the fiscal year of 2018 was US$533.2 million, representing a 27.5% decrease from US$735.6 million in 2017 which was mainly due to retreating global smartphone industry and increased competition.

Optical components: Optical components revenue for the fiscal year of 2018 was US$2.6 million, representing a 49.0% decrease from US$5.1 million in 2017 which was primarily due to the decreased demand in line with downtrend smartphone industry and DVD market.

For the year ended December 31, 2018, the Group has reported gross profit, operating profit and net profit of US$52.3 million, US$14.3 million and US$13.9 million, respectively, as compared with US$74.2 million, US$31.1 million and US$27.6 million, respectively, in the fiscal year of 2017. In terms of margins, the Group's gross margin, operating margin and net margin for the year ended December 31, 2018 were 9.8%, 2.7% and 2.6%, respectively, as compared to 10.0%, 4.2% and 3.7%, respectively, in 2017.

During the year ended December 31, 2018, the Group did not experience any significant change of pricing policy for its products and there was no material change in the unit cost of raw materials.

The selling and distribution expenses decreased by 24.7% from US$3.2 million in 2017 to US$2.4 million in 2018. This decrease was mainly attributable to US$0.56 million decrease in the transportation expenses led by decreased sales.

Administrative expenses increased by 0.2% from US$39.3 million in 2017 to US$39.4 million in 2018. Although research and development expense was increased by US$1.2 million, overall administrative expenses almost remained unchanged due to the decrease in many other administrative expenses.

Finance costs decreased by 74.2% from US$0.7 million in 2017 to US$0.2 million in 2018, which was mainly attributable to the cancellation of the trade receivable financing facility with the bank.

The Group's income tax expense decreased by 91.8% from US$2.7 million in 2017 to US$0.2 million in 2018. Super deduction is a tax scheme which allows companies to deduct 175% (2017: 150%) of research and development expenses from the taxable income. This tax scheme incentivizes high technology companies to spend more research and development expenses for high technology. As a result, the Group's effective tax rate was lowered by 7.4% from 9.0% in 2017 to 1.6% in 2018.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at December 31, 2018, the Group had total assets of US$384.4 million (December 31, 2017: US$504.1 million); net current assets of US$206.6 million (December 31, 2017: US$196.8 million) and total equity of US$326.3 million (December 31, 2017: US$333.5 million).

The Group has a solid financial position and continued to maintain a strong and steady inflow from operating activities. As at December 31, 2018, the Group had US$112.2 million of cash and cash equivalents. The Directors believe that the current cash and cash equivalents and expected cash flow from operations, will be sufficient to satisfy the current operational requirements of the Group.

PLEDGE OF THE GROUP'S ASSETS

As at December 31, 2018, the Group's pledged deposits included US$3.2 million (December 31, 2017: US$3.4 million) provided to the local customs authority in the PRC. The trade receivables with the carrying amount of US$70.6 million as at December 31, 2017 has been pledged to bank to secure banking facilities and no pledged trade receivables as at December 31, 2018.

CAPITAL EXPENDITURES AND COMMITMENTS

The Group's capital expenditures (equivalent to the cash spent for payment for purchases of property, plant and equipment and intangible assets) for the year ended December 31, 2018 amounted to US$16.5 million which was funded through cash flow from operation, compared to US$18.9 million for the year ended December 31, 2017. The Group's capital expenditures in 2018 mainly reflected purchases of additional machinery and 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 and possible fund raising exercise.

CONTINGENT LIABILITIES

As at December 31, 2018, the Group had no significant contingent liabilities (the guarantees issued by the Company to secure the banking facilities granted by banks to certain subsidiaries amounting to US$70.0 million for the year ended December 31, 2017).

HUMAN RESOURCES

The Group employed a total of approximately 2,437 full-time employees as of December 31, 2018 (December 31, 2017: 4,267). Total staff costs for the year ended December 31, 2018, excluding Directors' remuneration were approximately US$45.5 million (2017: US$54.5 million).

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

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

SUPPLEMENTARY INFORMATION

Final dividend

The Board has recommended the payment of a final dividend of HK11.1987 cents (2017: HK5.1553 cents) per ordinary share for the year ended December 31, 2018 to shareholders whose names appear on the register of members of the Company on Monday, May 27, 2019, subject to the approval of shareholders (the "**Shareholders**") of the Company at the forthcoming annual general meeting.

Closure of Register of Members

The record date for the proposed final dividend will be Monday, May 27, 2019. The Company's register of members will be closed from Thursday, May 23, 2019 to Monday, May 27, 2019 (both days inclusive) in order to determine entitlements to the proposed final dividend. During such period, no transfer of shares will be effected. In order to qualify for the proposed final dividend, all transfers of shares of the Company accompanied by the relevant share certificates must be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited (the "**Share Registrar**"), at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, for registration no later than 4:30 p.m. on Wednesday, May 22, 2019. Subject to the approval of the Shareholders at the annual general meeting, dividend will be paid to the Shareholders on or around Thursday, June 6, 2019.

Annual General Meeting

The annual general meeting of the Company (the "**AGM**") will be held on Thursday, May 16, 2019. The notice of the AGM will be published and dispatched to the Shareholders in due course.

Closure of Register of Members for the AGM

For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Friday, May 10, 2019 to Thursday, May 16, 2019, both dates inclusive, during which period no transfers of shares of the Company will be registered. In order to qualify for attending and voting at the AGM, Shareholders must complete and lodge all transfer documents accompanied by the relevant share certificates with the Share Registrar, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Friday, May 9, 2019.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended December 31, 2018.

Corporate governance

The Board has 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, during the financial year ended December 31, 2018 (the "**Period**"), the Company regulated its operation and carried out appropriate governance in accordance with the Code Provisions. The Company has complied with the Code Provisions during the Period, with the exception that the roles of chairman and chief executive of the Company were both vested in Mr. Seong Seokhoon ("**Mr. Seong**").

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 the Period, the Company did not have a separate chairman and chief executive and Mr. Seong 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 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.

Upon Mr. Seong's resignation from chief executive officer with the Company on April 19, 2018 and effective on April 19, 2018, Mr. Lee Kyung Koo was newly appointed as the Company's chief executive officer.

Save as disclosed above, the Directors consider that the Company has fully complied with the applicable Code Provisions as set out in the CG Code during the Period.

Audit Committee

The Audit Committee has reviewed with the management and KPMG, the Company's auditor, the accounting principles and policies adopted by the Group and the consolidated financial results for the year ended December 31, 2018. 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 year ended December 31, 2018.

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 Period.

Events after the financial year ended December 31, 2018

There were no significant events affecting the Company nor any of its subsidiaries after the financial year ended December 31, 2018 requiring disclosure in this announcement.

Publication of 2018 Annual Results and Annual Report

The annual 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 annual report of the Company for the year ended December 31, 2018 will be dispatched to the Shareholders and available on the above websites in due course.

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

Hong Kong, March 22, 2019

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