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, 2019

HIGHLIGHTS

Our revenue for the six months ended June 30, 2019 reached approximately US$193,483,000, representing a decrease of approximately 23.8% as compared with the corresponding period ended June 30, 2018.

Our net profit attributable to owners of the Company for the six months ended June 30, 2019 was approximately US$815,000, whereas our net loss attributable to owners of the Company for the six months ended June 30, 2018 was approximately US$2,467,000.

Earnings per share for the financial period ended June 30, 2019 was US0.1 cent, whereas loss per share for the financial period ended June 30, 2018 was US0.3 cent.

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, 2019 together with comparative figures for the six months ended June 30, 2018. The interim financial results have been reviewed by the audit committee (the "**Audit Committee**") of the Company.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS — UNAUDITED

(Expressed in United States dollars)

		Six months ended June 30	
		2019	2018(Note)
	Note	***$'000***	*$'000*
Revenue	3 & 4	**193,483**	253,860
Cost of sales		**(173,345)**	(235,609)
Gross profit		**20,138**	18,251
Other revenue		**2,098**	1,144
Other net (loss)/income		**(3,748)**	1,264
Selling and distribution expenses		**(892)**	(1,267)
Administrative expenses		**(17,251)**	(22,412)
Loss from operations		**345**	(3,020)
Finance costs	5(a)	**(430)**	(169)
Donation		**(15)**	—
Loss before taxation	5	**(100)**	(3,189)
Income tax credit	6	**915**	722
Profit/(loss) for the period		**815**	(2,467)
Earnings/(loss) per share	7		
Basic and diluted		**$ 0.001**	$ (0.003)

Note: The Group has initially applied International Financial Reporting Standards ("**IFRS**") 16 at January 1, 2019 using the modified retrospective approach. Under this approach, comparative information is not restated.

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

(Expressed in United States dollars)

	Six months ended June 30	
	2019	2018*(Note)*
	$'000	*$'000*
Profit/(loss) for the period	**815**	(2,467)
Other comprehensive income for the period:		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements	**(881)**	(4,255)
Item that will not be reclassified to profit or loss:		
Remeasurement of net defined benefit liability	**(18)**	(5)
Other comprehensive income for the period	**(899)**	(4,260)
Total comprehensive income for the period	**(84)**	(6,727)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION — UNAUDITED

(Expressed in United States dollars)

	Note	At June 30, 2019 $'000	At December 31, 2018(Note) $'000
Non-current assets			
Property, plant and equipment	8	**116,706**	105,168
Intangible assets		**7,063**	7,516
Other receivables		**5,534**	5,559
Deferred tax assets		**2,824**	1,632
		132,127	119,875
Current assets			
Inventories		**37,324**	66,666
Trade and other receivables	9	**58,845**	60,808
Current tax recoverable		**693**	711
Pledged deposits		**3,226**	3,231
Bank deposits		**20,360**	20,757
Cash and cash equivalents		**139,405**	112,304
		259,853	264,477
Current liabilities			
Trade and other payables	10	**61,182**	54,183
Lease liabilities		**2,117**	—
Current tax payable		**1,480**	3,691
		64,779	57,874
Net current assets		**195,074**	206,603
Total assets less current liabilities		**327,201**	326,478

	Note	At June 30, 2019 $'000	At December 31, 2018(Note) $'000
Non-current liabilities			
Lease liabilities		**15,077**	—
Net defined benefit retirement obligation		**205**	164
		15,282	164
NET ASSETS		**311,919**	326,314
CAPITAL AND RESERVES			
Share capital		**3,326**	3,326
Reserves		**308,593**	322,988
TOTAL EQUITY		**311,919**	326,314

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

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 (the "**Listing Rules**") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), 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 8, 2019.

The interim financial information has been prepared in accordance with the same accounting policies adopted in the 2018 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2019 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, 2018 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 a new IFRS, IFRS 16, *Leases*, and a number of amendments to IFRSs that are first effective for the current accounting period of the Group.

Except for IFRS 16, *Leases*, none of the developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented 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.

IFRS 16, *Leases*

IFRS 16 replaces IAS 17, *Leases*, and the related interpretations, IFRIC 4, *Determining whether an arrangement contains a lease*, SIC 15, *Operating leases — incentives*, and SIC 27, *Evaluating the substance of transactions involving the legal form of a lease*. It introduces a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less ("**short-term leases**") and leases of low value assets. The lessor accounting requirements are brought forward from IAS 17 substantially unchanged.

The Group has initially applied IFRS 16 as from January 1, 2019. The Group has elected to use the modified retrospective approach and has therefore recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at January 1, 2019. Comparative information has not been restated and continues to be reported under IAS 17.

The following table summarises the impacts of the adoption of IFRS 16 on the Group's consolidated statement of financial position:

	Carrying amount at December 31, 2018	Capitalisation of operating lease contracts	Carrying amount at January 1, 2019
	$'000	*$'000*	*$'000*
Line items in the consolidated statement of financial position impacted by the adoption of IFRS 16:			
Property, plant and equipment	105,168	15,427	120,595
Deferred tax assets	1,632	424	2,056
Total non-current assets	119,875	15,851	135,726
Lease liabilities (current)	—	2,077	2,077
Current liabilities	57,874	2,077	59,951
Net current assets	206,603	(2,077)	204,526
Total assets less current liabilities	326,478	13,774	340,252
Lease liabilities (non-current)	—	16,175	16,175
Total non-current liabilities	164	16,175	16,339
Net assets	326,314	(2,401)	323,913
Reserves	322,988	(2,401)	320,587
Total Equity	326,314	(2,401)	323,913

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	**2019**	2018 *(Notes (i) and (ii))*	**2019**	2018 *(Notes (i) and (ii))*	**2019**	2018 *(Notes (i) and (ii))*
	$'000	*$'000*	***$'000***	*$'000*	***$'000***	*$'000*
Revenue from external customers	**192,978**	252,385	**505**	1,475	**193,483**	253,860
Reportable segment revenue	**192,978**	252,385	**505**	1,475	**193,483**	253,860
Reportable segment profit/(loss) *(Note (ii))*	**21,212**	19,183	**(1,074)**	(932)	**20,138**	18,251

Notes:

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

(ii) As a result of re-alignment of information reported to the Group's most senior executive management, the Group changed the definition of reporting segment profit from "profit before taxation" to "gross profit". Comparative figures presented above have been adjusted to confirm to the current period's presentation.

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

(b) Reconciliations of reportable segment profit or loss

	Six months ended June 30	
	2019	2018 *(Notes (i) and (ii))*
	$'000	*$'000*
Reportable segment profit	**20,138**	18,251
Other revenue	**2,098**	1,144
Other net (loss)/income	**(3,748)**	1,264
Selling and distribution expenses	**(892)**	(1,267)
Administrative expenses	**(17,251)**	(22,412)
Finance costs	**(430)**	(169)
Donation	**(15)**	—
Consolidated loss before taxation	**(100)**	(3,189)

Notes:

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

(ii) Comparative figures presented above have been adjusted to confirm to the current period's presentation.

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, 2019, the camera module segment reported reportable segment revenue of $473,829,000 (twelve months ended June 30, 2018: $671,450,000), and reportable segment profit of $24,194,000 (twelve months ended June 30, 2018: $20,363,000).

5 LOSS BEFORE TAXATION

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

	Six months ended June 30	
	2019	2018[(Note)]
	$'000	*$'000*
(a) Finance costs		
Interest on bank borrowings	**—**	169
Interest on lease liabilities	**430**	—
	430	169
(b) Other items		
Amortisation	**528**	551
Depreciation	**12,694**	11,756
Research and development costs (other than depreciation)	**8,227**	9,904
Interest income	**(1,365)**	(575)
Net loss on disposal of plant and equipment	**3,206**	32
Impairment loss/(reversal of impairment loss) on trade receivables	**9**	(2)

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

6 INCOME TAX

	Six months ended June 30	
	2019	2018[(Note)]
	$'000	*$'000*
Current tax — Hong Kong Profits Tax	**42**	62
Current tax — Overseas	**(207)**	(849)
Deferred taxation	**(750)**	65
Income tax credit	**(915)**	(722)

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

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% (2018: 16.5%) to the six months ended 30 June 2019, 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 2018.

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/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share

The calculation of basic earnings/(loss) per share is based on the profit attributable to ordinary equity shareholders of the parent of $815,000 (six months ended June 30, 2018: loss of $2,467,000) and weighted average of 831,519,000 ordinary shares (six months ended June 30, 2018: weighted average of 831,519,000 ordinary shares) in issue during the interim period.

(b) Diluted earnings/(loss) per share

The calculation of diluted earnings/(loss) per share is based on the profit attributable to ordinary equity shareholders of the parent of $815,000 (six months ended June 30, 2018: loss of $2,467,000) and the weighted average number of ordinary shares of 831,519,000 (six months ended June 30, 2018: weighted average of 831,635,000 ordinary shares) during the interim period of 2019.

8 PROPERTY, PLANT AND EQUIPMENT

(a) Right-of-use assets

The Group has initially applied IFRS 16 using the modified retrospective method and adjusted the opening balances at January 1, 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under IAS 17.

(b) Acquisitions and disposals of owned assets

During the six months ended June 30, 2019, the Group acquired items of plant and equipment with a cost of $12,192,000 (six months ended June 30, 2018: $11,322,000). Items of plant and equipment with a net book value of $3,241,000 were disposed of during the six months ended June 30, 2019 (six months ended June 30, 2018: $59,000), resulting in a loss on disposal of $3,206,000 (six months ended June 30, 2018: $32,000).

(c) 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 $116,011,000 (December 31, 2018: $116,011,000) and was not recognised as the Group's property, plant and equipment. There is no rental charge for the machinery and the management consider that the arrangement has been taken into account in determining sales prices with the customer.

9 TRADE AND OTHER RECEIVABLES

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

	At June 30, 2019	At December 31, 2018
	$'000	*$'000*
Within 1 month	**33,675**	31,926
Over 1 to 2 months	**19,079**	22,956
Over 2 to 3 months	**271**	1,992
Over 3 months	**160**	97
Trade receivables, net of loss allowance	**53,185**	56,971
Other receivables and prepayments	**5,660**	3,837
	58,845	60,808

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

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, 2019	At December 31, 2018
	$'000	*$'000*
Within 1 month	**31,599**	25,311
Over 1 to 3 months	**17,478**	20,844
Over 3 to 6 months	**8**	29
Trade payables	**49,085**	46,184
Accrued charges and other payables	**12,097**	7,999
	61,182	54,183

11 CAPITAL, RESERVES AND DIVIDENDS

(a) Dividends

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

	Six months ended June 30	
	2019	2018
	$'000	*$'000*
Final dividend in respect of the previous financial year, approved and paid during the following interim period, of HK11.1987 cents per share (six months ended June 30, 2018: HK5.1553 cents per share)	**12,000**	5,524

(b) Equity settled share-based transactions

On April 26, 2019, 2,000,000 share options (April 19, 2018 and May 24, 2018: 2,000,000 and 1,000,000 share options respectively) were granted for nominal consideration of HK$1 to employees of the Group under the Company's employee share option scheme. Each share option gives the holder the right to subscribe for one ordinary share of the Company. These share options will vest on April 18, 2020 and then exercisable until April 18, 2028. The exercise price is HK$1.81, being the weighted average closing price of the Company's ordinary shares immediately before the grant.

During the six months ended June 30, 2019, no options (six months ended June 30, 2018: 2,400,000 share options) were lapsed/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 and LG Electronics. The Group also designs, develops, manufactures and sells optical components used in a number of consumer electronics products. Major customers for the Group's optical components include subsidiaries or affiliates of leading global electronics companies such as LG Electronics.

The Group operates two production facilities at Hengkeng and Huanan in Dongguan, the People's Republic of China (the "**PRC**"), where the Group is able to take 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.

The Group's revenue amounted to US$193.5 million in the first half of 2019 as compared with US$253.9 million in the first half of 2018. The Group's net profit amounted to US$0.8 million in the first half of 2019 as compared to net loss amount to US$2.5 million in the first half of 2018.

Camera modules

Revenue for the Group's camera module ("**CM**") business decreased by 23.5% in the first half of 2019 as compared with that in the corresponding period in 2018, which was mainly due to customers' decreased orders and growing competition in the supply chain. The demand for camera modules in the first half of 2019 was largely influenced by the stagnant smartphone industry driven by the lengthened smartphone replacement cycle, relatively high prices of US customer's devices, insignificant technology innovation perceived by the market as well as geopolitical conflicts such as trade war between the US and the PRC.

Optical components

The demand for DVD component has substantially decreased due to the growing popularity of the internet based streaming services. Therefore, DVD component business has not been profitable for many years. Consequently, the Company has decided to shut down its DVD component business in the second quarter of 2019. The optical component product presently offered by the Company is 'Blue Filter' which is one of the main parts of the CM. During the period ended June 30, 2019, the Company's blue filter sales decreased due to a stagnant smartphone industry and increased competition in the market. As a result, the Group's optical component sales in the first half of 2019 had decreased by 65.8% as compared with that in the same period of 2018.

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

	Six months ended June 30		**Changes**	
	2019	2018	**Amount**	%
	(US$ in millions, except percentages)			
Revenue				
CM	**193.0**	252.4	(59.4)	(23.5)%
Optical components	**0.5**	1.5	(1.0)	(65.8)%
Total	**193.5**	253.9	(60.4)	(23.8)%

OUTLOOK AND FUTURE STRATEGIES

The outlook of the smartphone industry in the second half of 2019 is uncertain due to the risk factors listed below, but the Company's view on the prospects for the remaining year in 2019 is still positive due to the opportunity factors identified below:

Risk factors:

— lengthening smartphone replacement cycle;

— main US client's high pricing strategy for its new models;

— growing competition among CM suppliers; and

— geopolitical risk such as trade dispute.

Opportunity factors and strategies:

— increasing level of customers' sophistication for new functions relating to virtual reality and augmented reality; and

— increasing number of CM to be equipped into smartphones, which is currently considered as a main differentiating factor for the premium smartphones.

In order to cope with the aforementioned risks and opportunities, the Group will continue to focus on the enhancement of manufacturing processes, development of new technology and new products, improvement of production yield and tight cost management, which will, in turn, strengthen financial standing of the Group, enhance business relationship with the Group's existing customers and capture larger share of the customers' business. The Group has intention to develop new product offerings based on the requests and suggestions from the Group's major customers and strives to obtain mandates for new product development projects as much as possible.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at June 30, 2019, the Group had total assets of US$392.0 million (December 31, 2018: US$384.4 million); net current assets of US$195.1 million (December 31, 2018: US$206.6 million) and total equity of US$311.9 million (December 31, 2018: US$326.3 million).

The Group had a solid financial position and continued to maintain a strong and steady inflow from operating activities. As of June 30, 2019, the Group reported US$139.4 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 June 30, 2018, the Group's pledged deposits included US3.2 million (December 31, 2018: US$3.2 million) provided to the local customs authority in the PRC.

CAPITAL EXPENDITURES AND COMMITMENTS

The Group's capital expenditures (equivalent to the cash the Group spent to purchase property, plant and equipment) for the six months ended June 30, 2019 amounted to US$12.2 million, compared with US$11.3 million for the six months ended June 30, 2018. The Group's capital expenditures in the first half of 2019 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 exercise.

CONTINGENT LIABILITIES

As at June 30, 2019, the Group had no significant contingent liabilities.

HUMAN RESOURCES

The Group employed a total of 2,497 full-time employees as of June 30, 2019 (December 31, 2018: 2,437). Total staff costs for the six months ended June 30, 2019, excluding Directors' remuneration were approximately US$18.2 million (first half of 2018: US$23.1 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 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 does not recommend the payment of an interim dividend for the six months ended June 30, 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 six months ended June 30, 2019.

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, 2019 (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.

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, 2019. 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, 2019.

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 Current Period

There were no significant events affecting the Company nor any of its subsidiaries after the end of the Current Period and up to the date of this announcement requiring disclosure in this announcement.

Publication of 2019 interim 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, 2019 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 8, 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.