**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, 2019

## HIGHLIGHTS

Our revenue for the year ended December 31, 2019 reached approximately US$542,614,000, representing an increase of approximately 1.26% as compared with the corresponding year ended December 31, 2018.

Our net profit attributable to owners of the Company for the year ended December 31, 2019 reached approximately US$29,280,000, representing an increase of approximately 110.6% as compared with that for the year ended December 31, 2018.

Basic earnings per share for the financial period ended December 31, 2019 was US3.5 cents representing an increase of approximately 105.9% as compared with that for the financial year ended December 31, 2018.

The Directors have proposed the payment of a final dividend of HK24.2640 cents per share and a special dividend of HK22.3976 cents per share for the year ended December 31, 2019.

## 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, 2019 together with comparative figures for the year ended December 31, 2018. 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)*

| | | For the year ended December 31 | |
|---|---|---|---|
| | *Note* | **2019** | 2018 |
| | | | *(Note)* |
| | | ***$'000*** | *$'000* |
| **Revenue** | 3 | **542,614** | 535,862 |
| Cost of sales | | **(465,517)** | (483,567) |
| **Gross profit** | | **77,097** | 52,295 |
| Other revenue | 4 | **4,484** | 2,749 |
| Other net (loss)/income | 4 | **(13,153)** | 1,027 |
| Selling and distribution expenses | | **(2,173)** | (2,384) |
| Administrative expenses | | **(34,884)** | (39,360) |
| **Profit from operations** | | **31,371** | 14,327 |
| Finance costs | 5(a) | **(800)** | (188) |
| Donation | | **(15)** | (8) |
| **Profit before taxation** | 5 | **30,556** | 14,131 |
| Income tax | 6 | **(1,276)** | (225) |
| **Profit for the year** | | **29,280** | 13,906 |
| **Earnings per share** | | | |
| Basic | 7 | **$0.035** | $0.017 |
| Diluted | | **$0.035** | $0.017 |

*Note:* The Group has initially applied IFRS 16 at January 1, 2019. 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 2019 | 2018 (Note) |
|---|---|---|---|
| | | **$'000** | *$'000* |
| **Profit for the year** | | **29,280** | 13,906 |
| **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 | | **(5,463)** | (15,377) |
| *Items that will not be reclassified to profit or loss* | | | |
| Remeasurement of net defined benefit liability | | **40** | (87) |
| | | **(5,423)** | (15,464) |
| **Total comprehensive income for the year** | | **23,857** | (1,558) |

*Note:* The Group has initially applied IFRS 16 at January 1, 2019. Under the transition methods chosen, comparative information is not restated. See note 2.

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*(Expressed in United States dollars)*

| | Note | As at December 31 **2019** *$'000* | 2018 *(Note)* *$'000* |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | | **98,332** | 105,168 |
| Intangible assets | | **6,499** | 7,516 |
| Other receivables | | **6,269** | 5,559 |
| Deferred tax assets | | **6,756** | 1,632 |
| | | **117,856** | 119,875 |
| **Current assets** | | | |
| Inventories | | **70,180** | 66,666 |
| Trade and other receivables | 8 | **114,805** | 60,808 |
| Current tax recoverable | | **355** | 711 |
| Pledged deposits | | **3,113** | 3,231 |
| Bank deposits | | **34,956** | 20,757 |
| Cash and cash equivalents | | **119,571** | 112,304 |
| | | **342,980** | 264,477 |
| **Current liabilities** | | | |
| Trade and other payables | 9 | **104,330** | 54,183 |
| Lease liabilites | | **1,805** | — |
| Current tax payable | | **5,122** | 3,691 |
| | | **111,257** | 57,874 |
| **Net current assets** | | **231,723** | 206,603 |
| **Total assets less current liabilities** | | **349,579** | 326,478 |

| | Note | As at December 31 2019 | 2018 |
|---|---|---|---|
| | | | *(Note)* |
| | | ***$'000*** | *$'000* |
| **Non-current liabilities** | | | |
| Lease liabilities | | **13,443** | — |
| Net defined benefit retirement obligation | | **168** | 164 |
| | | **13,611** | 164 |
| **NET ASSETS** | | **335,968** | 326,314 |
| **CAPITAL AND RESERVES** | | | |
| Share capital | | **3,326** | 3,326 |
| Reserves | | **332,642** | 322,988 |
| **TOTAL EQUITY** | | **335,968** | 326,314 |

*Note:* The Group has initially applied IFRS 16 at January 1, 2019. Under the transition methods chosen, comparative information is not restated. See note 2.

# 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, 2019 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 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. 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.

IFRS 16 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.

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.

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

a. *New definition of a lease*

The change in the definition of a lease mainly relates to the concept of control. IFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group applies the new definition of a lease in IFRS 16 only to contracts that were entered into or changed on or after January 1, 2019. For contracts entered into before January 1, 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases. Accordingly, contracts that were previously assessed as leases under IAS 17 continue to be accounted for as leases under IFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

b. *Lessee accounting and transitional impact*

IFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by IAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under IAS 17, other than those short-term leases and leases of low-value assets which are exempt. As far as the Group is concerned, these newly capitalised leases are primarily in relation to property, plant and equipment.

At the date of transition to IFRS 16 (i.e. January 1, 2019), the Group determined the length of the remaining lease terms and measured the lease liabilities for the leases previously classified as operating leases at the present value of the remaining lease payments, discounted using the relevant incremental borrowing rates at January 1, 2019. The weighted average of the incremental borrowing rates used for determination of the present value of the remaining lease payments was 4.76%.

To ease the transition to IFRS 16, the Group applied the following recognition exemption and practical expedients at the date of initial application of IFRS 16:

(i) the Group elected not to apply the requirements of IFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of IFRS 16, i.e. where the lease term ends on or before December 31, 2019; and

(ii) when measuring the lease liabilities at the date of initial application of IFRS 16, the Group applied a single discount rate to a portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment).

The following table reconciles the operating lease commitments as at December 31, 2018 to the opening balance for lease liabilities recognised as at January 1, 2019:

| | **January 1, 2019** |
|---|---|
| | ***$'000*** |
| Operating lease commitments at December 31, 2018 | **19,654** |
| Add: lease payments for the additional periods where the Group considers it reasonably certain that it will exercise the extension options | **3,428** |
| | **23,082** |
| Less: total future interest expenses | **(4,830)** |
| Present value of remaining lease payments, discounted using the incremental borrowing rate at January 1, 2019 and total lease liabilities recognised at January 1, 2019 | **18,252** |

The right-of-use assets in relation to leases previously classified as operating leases have been recognised as if IFRS 16 had always been applied since the commencement date of the lease (other than discounting using the relevant incremental borrowing rate at the date of initial application of IFRS 16).

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 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 (2018: one customer), with whom transactions have exceeded 10% of the Group's revenues, for the year ended December 31, 2019. Revenues from sales to this customer, arose in the camera module segment, during the reporting period are set out below.

| | **2019** | 2018 |
|---|---|---|
| | ***$'000*** | *$'000* |
| Largest customer | **525,373** | 485,273 |
| Percentage of total revenue | **97%** | 91% |

### (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 gross profit.

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, 2019 and 2018 is set out below.

| | **Camera module** | |
|---|---|---|
| | **2019** | 2018 |
| | | *(Notes (i) and (ii))* |
| | ***$'000*** | *$'000* |
| Revenue from external customers | **541,847** | 533,236 |
| Reportable segment revenue | **541,847** | 533,236 |
| Segment profit | **78,337** | 54,394 |
| Bank interest income | **3,592** | 2,205 |
| Finance costs | **(786)** | (187) |
| Depreciation and amortisation | **(22,450)** | (23,269) |
| Additions to non-current segment assets | **18,945** | 16,228 |

| | **Optical components** | |
|---|---|---|
| | **2019** | 2018 |
| | | *(Notes (i) and (ii))* |
| | ***$'000*** | *$'000* |
| Revenue from external customers | **767** | 2,626 |
| Reportable segment revenue | **767** | 2,626 |
| Reportable segment loss | **(1,240)** | (2,099) |
| Bank interest income | **4** | 12 |
| Finance costs | **(14)** | (1) |
| Depreciation and amortisation | **(2,860)** | (955) |
| Additions to non-current segment assets | **28** | 245 |

| | **Total** | |
|---|---|---|
| | **2019** | 2018 |
| | | *(Notes (i) and (ii))* |
| | ***$'000*** | *$'000* |
| Revenue from external customers | **542,614** | 535,862 |
| Reportable segment revenue | **542,614** | 535,862 |
| Reportable segment profit | **77,097** | 52,295 |
| Bank interest income | **3,596** | 2,217 |
| Finance costs | **(800)** | (188) |
| Depreciation and amortisation | **(25,310)** | (24,224) |
| Additions to non-current segment assets | **18,973** | 16,473 |

*Notes:*

(i) The Group has initially applied IFRS 16 at January 1, 2019. Under the transition methods chosen, comparative information is not restated. See note 2.

(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.

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

| | 2019 | 2018 |
|---|---|---|
| | | *(Notes (i) and (ii))* |
| | ***$'000*** | *$'000* |
| **Revenue** | | |
| Reportable segment revenue and consolidated revenue | **542,614** | 535,862 |
| **Profit** | | |
| Reportable segment profit | **77,097** | 52,295 |
| Other revenue | **4,484** | 2,749 |
| Other net (loss)/income | **(13,153)** | 1,027 |
| Selling and distribution expenses | **(2,173)** | (2,384) |
| Administrative expenses | **(34,884)** | (39,360) |
| Finance costs | **(800)** | (188) |
| Donation | **(15)** | (8) |
| Consolidated profit before taxation | **30,556** | 14,131 |

*Notes:*

(i) The Group has initially applied IFRS 16 at January 1, 2019. Under the transition methods chosen, comparative information is not restated. See note 2.

(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.

*(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** | |
|---|---|---|---|---|
| | **2019** | 2018 | **2019** | 2018 |
| | | | | *(Note)* |
| | ***$'000*** | *$'000* | ***$'000*** | *$'000* |
| The People's Republic of China ("**PRC**") (including Hong Kong) | **531,559** | 512,800 | **103,692** | 111,380 |
| The Republic of Korea ("**Korea**") | **4,866** | 4,167 | **1,139** | 1,304 |
| Others | **6,189** | 18,895 | **—** | — |
| | **542,614** | 535,862 | **104,831** | 112,684 |

*Note:* The Group has initially applied IFRS 16 at January 1, 2019. Under the transition methods chosen, comparative information is not restated. See note 2.

## 4 OTHER REVENUE AND OTHER NET (LOSS)/INCOME

| | 2019 | 2018 |
|---|---|---|
| | **$'000** | *$'000* |
| ***(a) Other revenue*** | | |
| Bank interest income | **3,596** | 2,217 |
| Rental income | **66** | 113 |
| Government subsidy | **522** | 146 |
| Others | **300** | 273 |
| | **4,484** | 2,749 |

| | 2019 | 2018 |
|---|---|---|
| | **$'000** | *$'000* |
| ***(b) Other net (loss)/income*** | | |
| Net loss on disposal of plant and equipment | **(5,178)** | (1,960) |
| Impairment losses of property, plant and equipment | **(8,935)** | — |
| Net foreign exchange gain | **961** | 3,476 |
| Others | **(1)** | (489) |
| | **(13,153)** | 1,027 |

## 5 PROFIT BEFORE TAXATION

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

| | 2019 | 2018 |
|---|---|---|
| | | *(Note)* |
| | **$'000** | *$'000* |
| ***(a) Finance costs*** | | |
| Interest on bank borrowings | **—** | 188 |
| Interest on lease liabilities | **800** | — |
| | **800** | 188 |
| ***(b) Staff costs # **** | | |
| Contributions to defined contribution retirement plan | **2,763** | 3,290 |
| Expenses recognised in respect of defined benefit retirement plans | **169** | 233 |
| Equity settled share-based payment expenses | **198** | 14 |
| Salaries, wages and other benefits | **37,884** | 42,452 |
| | **41,014** | 45,989 |

| | 2019 | 2018 |
|---|---|---|
| | | *(Note)* |
| | ***$'000*** | *$'000* |
| ***(c) Other items*** | | |
| Amortisation | **1,041** | 1,086 |
| Depreciation[#] | | |
| — owned property, plant and equipment | **22,156** | 23,139 |
| — right-of-use assets | **2,113** | — |
| Reversal of impairment losses of trade receivables | **(2)** | (9) |
| Auditors' remuneration | **332** | 356 |
| Expense relating to short-term leases and other leases with remaining lease term ending on or before December 31, 2019 | **1,747** | — |
| Total minimum lease payments for leases previously classified as operating leases under IAS17 (Note) | **—** | 3,647 |
| Research and development costs other than depreciation and amortisation[*] | **16,299** | 17,215 |
| Cost of inventories[#] | **465,517** | 483,567 |

*Note:* The Group has initially applied IFRS 16 using the modified retrospective approach 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. After initial recognition of right-of-use assets at January 1, 2019, the Group as a lessee is required to recognise the depreciation of right-of-use assets, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. Under this approach, the comparative information is not restated.

# Cost of inventories includes $46,441,000 (2018: $45,252,000) 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 $10,614,000 (2018: $9,496,000) 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:

| | **2019** | 2018 |
|---|---|---|
| | ***$'000*** | *$'000* |
| **Current tax — Hong Kong Profits Tax** | | |
| Provision for the year | **497** | — |
| Over-provision in respect of prior years | **—** | (6) |
| | **497** | (6) |
| **Current tax — Overseas** | | |
| Provision for the year | **5,246** | 1,220 |
| Under/(over)-provision in respect of prior years | **246** | (211) |
| | **5,492** | 1,009 |
| **Deferred tax** | | |
| Origination and reversal of temporary differences | **(3,395)** | (778) |
| Effect on deferred tax balance at January 1 resulting from a change in tax rate | **(1,318)** | — |
| | **(4,713)** | (778) |
| | **1,276** | 225 |

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 for 2019 is calculated at 16.5% (2018: 16.5%) of the estimated assessable profits for the year, 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% in 2019. No provision for Hong Kong Profits Tax for 2018 has been made as the entities sustained losses for taxation purposes.

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 2018 was subject to a reduced tax rate of 15%.

Cowell DG was not certified as a HNTE in 2019. The CIT rate applicable to Cowell DG registered in the PRC is 25% for 2019.

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 $29,280,000 (2018: $13,906,000) and 831,518,800 ordinary shares (2018: 831,518,800 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, 2019 and 2018. 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:

| | **2019** | 2018 |
|---|---|---|
| | ***$'000*** | *$'000* |
| Within 1 month | **60,934** | 31,926 |
| Over 1 to 2 months | **51,166** | 22,956 |
| Over 2 to 3 months | **50** | 1,992 |
| Over 3 months | **100** | 97 |
| | **112,250** | 56,971 |

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:

| | **2019** | 2018 |
|---|---|---|
| | ***$'000*** | *$'000* |
| Within 1 month | **54,226** | 25,311 |
| Over 1 to 3 months | **41,119** | 20,844 |
| Over 3 to 6 months | **20** | 29 |
| | **95,365** | 46,184 |

## 10 DIVIDENDS

The Board has proposed the payment of a final dividend of HK24.2640 cents per share (2018: HK11.1987 cents) and a special dividend of HK22.3976 cents per share (2018: Nil) 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, 2019 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 stopped the production and sales of some optical component (DVD pick up glass) as did not receive any order from customers. The Group also stopped the production of consumer electric products.

Following the fiscal year of 2018, the business environment in the fiscal year of 2019 was also not favorable to the Group due to sluggish smartphone industry, increased competition and trade conflict between US and China.

Despite the unfavorable business environment, the Group had good performance in both sales and net profit by continuously satisfying customers' needs and improving yield of new products and reducing overall cost.

For the year ended December 31, 2019, the Group sold approximately 85.9 million units of camera modules and approximately 8.2 million units of optical components, compared to approximately 95.7 million units of camera modules and approximately 60.0 million units of optical components in 2018. Revenue increased from US$535.8 million in 2018 to US$542.6 million in 2019 and a profit for the year of US$13.9 million in 2018 and US$29.3 million in 2019 were recorded. The Group had total assets of US$460.8 million and total equity of US$336.0 million as of December 31, 2019 as compared to total assets of US$384.4 million and total equity of US$326.3 million as of December 31, 2018.

In order to facilitate efficient capital management and demonstrate the management's willingness to share the Group's profit with the shareholders (the "**Shareholders**"), the Board has proposed the payment of a final dividend of HK24.2640 cents (2018: HK11.1987 cents) per ordinary share and a special dividend of HK22.3976 cents (2018: Nil) per ordinary share (totally HK46.6616 cents per ordinary share) for the year ended December 31, 2019, subject to the approval of the Shareholders of the Company at the forthcoming annual general meeting.

## OUTLOOK AND FUTURE STRATEGIES

The business environment in the fiscal year of 2020 is more challenging due to social/economic crisis caused by COVID-19, as the sales of our customer's would be affected and consequently the sales of the Group would be affected.

Moreover hiring operators and engineers is very difficult as limitation of travel between cities and countries.

To overcome this challenges the Group will focus on the following areas:

— Maintaining a clean working environment and strict control procedure to protect employees and supplier and customer from COVID-19

— Enhancing production yield and efficiency to be more competitive and to minimize negative sales impact

— Developing new technology and upgrading manufacturing skills and procedure which will reduce cost and enhance output

— Soliciting new product and new business opportunities

## 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** | |
|---|---|---|---|---|
| | **2019** | 2018 | **Amount** | **%** |
| | *(US$ in millions, except percentages)* | | | |
| Revenue | | | | |
| Camera modules | **541.8** | 533.2 | 8.6 | 1.6% |
| Optical components | **0.8** | 2.6 | (1.8) | (69.2)% |
| Total | **542.6** | 535.8 | 6.8 | 1.3% |

The Group reported a total revenue of US$542.6 million in 2019, representing a 1.3% increase compared with that of 2018.

***Camera modules:*** Camera modules revenue for the fiscal year of 2019 was US$541.8 million, representing a 1.6% increase from US$533.2 million in 2018 which was mainly due to increase unit price of products.

***Optical components:*** Optical components revenue for the fiscal year of 2019 was US$0.8 million, representing a 69.2% decrease from US$2.6 million in 2018 which was primarily due to the decreased demand in line with downtrend smartphone industry and DVD market.

For the year ended December 31, 2019, the Group has reported gross profit, operating profit and net profit of US$77.1 million, US$31.4 million and US$29.3 million, respectively, as compared with US$52.3 million, US$14.3 million and US$13.9 million, respectively, in the fiscal year of 2018. In terms of margins, the Group's gross margin, operating margin and net margin for the year ended December 31, 2019 were 14.2%, 5.8% and 5.4%, respectively, as compared to 9.8%, 2.7% and 2.6%, respectively, in 2018.

During the year ended December 31, 2019, 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 other net loss increased by 1,380.7% from other net income of US$1.0 million in 2018 to other net loss of US$13.2 million in 2019. The decrease was mainly attributable to impairment losses of property, plant and equipment of US$8.9 million in 2019 (2018: US$Nil).

The selling and distribution expenses decreased by 8.9% from US$2.4 million in 2018 to US$2.2 million in 2019. This decrease was mainly attributable to decrease by US$0.2 million in the transportation expenses led by decreased sales volume.

Administrative expenses decreased by 11.4% from US$39.4 million in 2018 to US$34.9 million in 2019. This decrease was mainly attributable to decrease in the staff cost and research and development expense by US$3.5 million.

Finance costs increased by 325.5% from US$0.2 million in 2018 to US$0.8 million in 2019, which was resulted from interest on lease liabilities. No interest on bank borrowings (2018: US$0.2 million) was incurred in 2019.

The Group's income tax expense increased by 467.1% from US$0.2 million in 2018 to US$1.3 million in 2019. Cowell DG was a HNTE in 2018 but was not certified as a HNTE in 2019 and the applicable CIT rate for Cowell DG increased from 15% for 2018 to 25% for 2019.

As a result, the Group's effective tax rate increased by 2.6% from 1.6% in 2018 to 4.2% in 2019.

## LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at December 31, 2019, the Group had total assets of US$460.8 million (December 31, 2018: US$384.4 million); net current assets of US$231.7 million (December 31, 2018: US$206.6 million) and total equity of US$336.0 million (December 31, 2018: US$326.3 million).

The Group has a solid financial position and continued to maintain a strong and steady inflow from operating activities. As at December 31, 2019, the Group had US$119.6 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, 2019, the Group's pledged deposits included US$3.1 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 spent for payment for purchases of property, plant and equipment and intangible assets) for the year ended December 31, 2019 amounted to US$17.9 million which was funded through cash flow from operation, compared to US$16.5 million for the year ended December 31, 2018. The Group's capital expenditures in 2019 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, 2019, the Group had no significant contingent liabilities, which is the same as at December 31, 2018.

## HUMAN RESOURCES

The Group employed a total of approximately 2,696 full-time employees as of December 31, 2019 (December 31, 2018: 2,437). Total staff costs for the year ended December 31, 2019, excluding Directors' remuneration were approximately US$40.6 million (2018: US$45.5 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 and Special dividend

The Board has recommended the payment of a final dividend of HK24.2640 cents (2018: HK11.1987 cents) per ordinary share and a special dividend of HK22.3976 cents (2018: Nil) per ordinary share (totally HK46.6616 cents per ordinary share) for the year ended December 31, 2019 to shareholders whose names appear on the register of members of the Company on Monday, June 1, 2020, subject to the approval of the Shareholders of the Company at the forthcoming annual general meeting.

### Closure of Register of Members

The record date for the proposed final dividend and special dividend will be Monday, June 1, 2020. The Company's register of members will be closed from Thursday, May 28, 2020 to Monday, June 1, 2020 (both days inclusive) in order to determine entitlements to the proposed final dividend and special dividend. During such period, no transfer of shares will be effected. In order to qualify for the proposed final dividend and special 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 27, 2020. Subject to the approval of the Shareholders at the annual general meeting, dividend will be paid to the Shareholders on or around Thursday, June 11, 2020.

## Annual General Meeting

The annual general meeting of the Company (the "**AGM**") will be held on Thursday, May 21, 2020. 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 Monday, May 18, 2020 to Thursday, May 21, 2020, 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 15, 2020.

## 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, 2019.

## 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, 2019 (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 as set out in 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, 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 year ended December 31, 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 Period.

## Events after the financial year ended December 31, 2019

There were no significant events affecting the Company nor any of its subsidiaries after the financial year ended December 31, 2019 requiring disclosure in this announcement.

## Publication of 2019 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, 2019 will be dispatched to the Shareholders and available on the above websites in due course.

By order of the Board
**Cowell e Holdings Inc.**
**Kwak Jung Young**
*Chairman*

Hong Kong, March 26, 2020

*As at the date of this announcement, the Board comprises Mr. Kwak Jung Young and Mr. Cho Young Hoon as executive Directors; and Mr. Kim Chan Su, Dr. Song Si Young and Mr. Jung Jong Chae as independent non-executive Directors.*