

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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, 2020

HIGHLIGHTS

Our revenue for the six months ended June 30, 2020 reached approximately US\$307,521,000, representing an increase of approximately 58.9% as compared with the corresponding period ended June 30, 2019.

Our net profit attributable to owners of the Company for the six months ended June 30, 2020 was approximately US\$28,164,000, whereas our net profit attributable to owners of the Company for the six months ended June 30, 2019 was approximately US\$815,000.

Earnings per share for the financial period ended June 30, 2020 was US3.4 cents, whereas earning per share for the financial period ended June 30, 2019 was US0.1 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, 2020 (the “**Reporting Period**”) together with comparative figures for the six months ended June 30, 2019. The interim financial results are unaudited, but have been reviewed by the Company’s auditor, KPMG, in accordance with Hong Kong Standard on Review Engagements 2410, “*Review of interim financial information performed by the independent auditor of the entity*”, issued by the Hong Kong Institute of Certified Public Accountants, whose independent review report is included in the interim report which will be despatched to the shareholders of the Company (the “**Shareholders**”). The interim financial results have also been reviewed by the audit committee (the “**Audit Committee**”) of the Company.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS — UNAUDITED

(Expressed in United States dollars)

		Six months ended June 30	
		2020	2019
	Note	\$'000	\$'000
Revenue	3 & 4	307,521	193,483
Cost of sales		<u>(258,683)</u>	<u>(173,345)</u>
Gross profit		48,838	20,138
Other revenue		2,146	2,098
Other net income/(loss)		2,617	(3,748)
Selling and distribution expenses		(1,200)	(892)
Administrative expenses		<u>(17,516)</u>	<u>(17,251)</u>
Profit from operations		34,885	345
Finance costs	5(a)	(359)	(430)
Donation		<u>—</u>	<u>(15)</u>
Profit/(loss) before taxation	5	34,526	(100)
Income tax (charge)/credit	6	<u>(6,362)</u>	<u>915</u>
Profit for the period		<u>28,164</u>	<u>815</u>
Earnings per share	7		
Basic and diluted		<u>\$0.034</u>	<u>\$0.001</u>

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

(Expressed in United States dollars)

	Six months ended June 30	
	2020	2019
	\$'000	\$'000
Profit for the period	28,164	815
Other comprehensive income for the period:		
(after tax adjustments)		
<i>Item that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of financial statements	(5,434)	(881)
<i>Item that will not be reclassified to profit or loss:</i>		
Remeasurement of net defined benefit liability	(23)	(18)
Other comprehensive income for the period	(5,457)	(899)
Total comprehensive income for the period	22,707	(84)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION — UNAUDITED

(Expressed in United States dollars)

		At June 30, 2020	At December 31, 2019
	<i>Note</i>	\$'000	\$'000
Non-current assets			
Property, plant and equipment	8	93,632	98,332
Intangible assets		6,037	6,499
Other receivables		3,354	6,269
Deferred tax assets		6,398	6,756
		109,421	117,856
Current assets			
Inventories		48,615	70,180
Trade and other receivables	9	90,051	114,805
Current tax recoverable		60	355
Pledged deposits		—	3,113
Bank deposits		15,531	34,956
Cash and cash equivalents		133,141	119,571
		287,398	342,980
Current liabilities			
Trade and other payables	10	66,324	104,330
Lease liabilities		2,047	1,805
Current tax payable		7,186	5,122
		75,557	111,257
Net current assets		211,841	231,723
Total assets less current liabilities		321,262	349,579

	At June 30,	At December
	2020	31, 2019
<i>Note</i>	\$'000	\$'000
Non-current liabilities		
Lease liabilities	12,392	13,443
Net defined benefit retirement obligation	114	168
	<u>12,506</u>	<u>13,611</u>
NET ASSETS	<u>308,756</u>	<u>335,968</u>
CAPITAL AND RESERVES		
Share capital	3,326	3,326
Reserves	305,430	332,642
TOTAL EQUITY	<u>308,756</u>	<u>335,968</u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL INFORMATION

(Expressed in United States dollars unless otherwise indicated)

1 BASIS OF PREPARATION

This interim financial information has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) (the “**Listing Rules**”). It was authorised for issue on August 6, 2020.

The interim financial information has been prepared in accordance with the same accounting policies adopted in the 2019 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2020 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, 2019 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 International Accounting Standards Board has issued several amendments to International Financial Reporting Standards (“**IFRSs**”) that are first effective for the current accounting period of the Group. None of these developments have had a material effect on how the Group’s result and financial position for the current or prior periods have prepared or presented in this interim financial information. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3 SEGMENT REPORTING

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

(a) **Information about profit or loss**

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the period is set out below.

For the six months ended June 30	Camera module		Optical components		Total	
	2020	2019	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue from external customers	307,417	192,978	104	505	307,521	193,483
Reportable segment revenue	307,417	192,978	104	505	307,521	193,483
Reportable segment profit/(loss)	49,352	21,212	(514)	(1,074)	48,838	20,138

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

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

	Six months ended June 30	
	2020	2019
	\$'000	\$'000
Reportable segment profit	48,838	20,138
Other revenue	2,146	2,098
Other net income/(loss)	2,617	(3,748)
Selling and distribution expenses	(1,200)	(892)
Administrative expenses	(17,516)	(17,251)
Finance costs	(359)	(430)
Donation	—	(15)
Consolidated profit/(loss) before taxation	<u>34,526</u>	<u>(100)</u>

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, 2020, the camera module segment reported reportable segment revenue of \$656,286,000 (twelve months ended June 30, 2019: \$473,829,000), and reportable segment profit of \$106,477,000 (twelve months ended June 30, 2019: \$56,423,000).

5 PROFIT/(LOSS) BEFORE TAXATION

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

		Six months ended June 30	
		2020	2019
		\$'000	\$'000
(a) Finance costs			
Interest on lease liabilities		<u>359</u>	<u>430</u>
(b) Other items			
Amortisation		516	528
Depreciation		9,347	12,694
Research and development costs (other than depreciation)		8,377	8,227
Interest income		(1,227)	(1,365)
Net loss on disposal of plant and equipment		—	3,206
Impairment loss on trade receivables		<u>—</u>	<u>9</u>

6 INCOME TAX

		Six months ended June 30	
		2020	2019
		\$'000	\$'000
Current tax — Hong Kong Profits Tax		4,099	42
Current tax — Outside Hong Kong		1,987	(207)
Deferred taxation		<u>276</u>	<u>(750)</u>
Income tax charge/(credit)		<u>6,362</u>	<u>(915)</u>

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% (2019: 16.5%) to the six months ended June 30, 2020, 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 2019.

Taxation for subsidiaries outside Hong Kong is similarly calculated using the estimated annual effective rates of taxation that are expected to be applicable in the relevant countries.

7 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the parent of \$28,164,000 (six months ended June 30, 2019: profit of \$815,000) and weighted average of 831,519,000 ordinary shares (six months ended June 30, 2019: weighted average of 831,519,000 ordinary shares) in issue during the interim period.

(b) Diluted earnings per share

There were no dilutive potential ordinary shares outstanding during the six months ended June 30, 2020 and 2019. Accordingly, the diluted earnings per share is the same as basic earnings per share.

8 PROPERTY, PLANT AND EQUIPMENT

(a) Acquisitions and disposals of owned assets

During the six months ended June 30, 2020, the Group acquired items of plant and equipment with a cost of \$6,589,000 (six months ended June 30, 2019: \$12,192,000). Items of plant and equipment with a net book value of \$28,000 were disposed of during the six months ended June 30, 2020 (six months ended June 30, 2019: \$3,241,000), resulting in a loss on disposal of \$Nil (six months ended June 30, 2019: \$3,206,000).

(b) Customer's equipment

A customer has provided machinery to the Group for production of goods to that customer. The original acquisition costs of machinery borne by the customer amounted to \$113,790,000 (December 31, 2019: \$113,790,000) 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, 2020 \$'000	At December 31, 2019 \$'000
Within 1 month	50,229	60,934
Over 1 to 2 months	35,851	51,166
Over 2 to 3 months	1,077	50
Over 3 months	507	100
Trade receivables, net of loss allowance	87,664	112,250
Other receivables and prepayments	2,387	2,555
	90,051	114,805

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, 2020 \$'000	At December 31, 2019 \$'000
Within 1 month	44,172	54,226
Over 1 to 3 months	14,347	41,119
Over 3 to 6 months	16	20
Trade payables	58,535	95,365
Accrued charges and other payables	7,789	8,965
	66,324	104,330

11. CAPITAL, RESERVES AND DIVIDENDS

(a) Dividends

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

	Six months ended June 30	
	2020	2019
	\$'000	\$'000
Final dividend in respect of the previous financial year, approved and paid during the following interim period, of HK24.2640 cents per share (six months ended June 30, 2019: HK11.1987 cents per share)	26,000	12,000
Special dividend in respect of the previous financial year, approved and paid during the following interim period, of HK22.3976 cents per share (six months ended June 30, 2019: \$Nil)	24,000	—
	<u>50,000</u>	<u>12,000</u>

(b) Equity settled share-based transactions

During six months ended June 30, 2020, no share options (six months ended June 30, 2019: 2,000,000 share options) were granted.

During the six months ended June 30, 2020, 1,000,000 options (six months ended June 30, 2019: Nil) were lapsed 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 advantages 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\$307.5 million in the Reporting Period as compared with US\$193.5 million in the first half of 2019. The Group's net profit amounted to US\$28.2 million in the Reporting Period as compared with the net profit of US\$0.8 million in the first half of 2019.

Camera modules

There has been a growing competition in the supply chain of camera modules ("**CM**"). However, the revenue for the Group's CM business increased by 59.3% in the Reporting Period as compared with that in the corresponding period in 2019, which was mainly due to customers' increased orders and increase unit price of products. The demand for CM in the Reporting Period was largely influenced by the outbreak of the coronavirus disease (the "**COVID-19 Pandemic**").

Optical components

The Company currently offers an optical component product called ‘Blue Filter’, which is one of the main parts of the CM. During the Reporting Period, the Company’s blue filter sales decreased due to the decreased demand in line with downtrend smartphone industry. As a result, the Group’s optical component sales in the Reporting Period had decreased by 79.4% as compared with that in the same period of 2019.

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	
	2020	2019	Amount	%
<i>(US\$ in million, except percentages)</i>				
Revenue				
CM	307.4	193.0	114.4	59.3%
Optical components	0.1	0.5	(0.4)	(79.4)%
Total	<u>307.5</u>	<u>193.5</u>	<u>114.0</u>	<u>58.9%</u>

OUTLOOK AND FUTURE STRATEGIES

The outlook of the smartphone industry in the second half of 2020 is uncertain due to the COVID-19 Pandemic, but the Company’s view on the prospects for the remaining year in 2020 is still positive due to the Group’s existing good relationship with its major customers, its continuous effort and investment for more advanced and newer products and technology along with its strong operational excellence which will lead to stronger cost competitiveness and higher profit.

While the Group will continue to focus on the supply of CM, in order to further expand the Group’s business and operations, the Group has been looking for a new business opportunity that can contribute to its growth in the future.

In light of the COVID-19 Pandemic, the Group will continuously maintain a clean working environment and take all necessary precautions and safety measures to protect its employees, suppliers and customers from COVID-19.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at June 30, 2020, the Group had total assets of US\$396.8 million (December 31, 2019: US\$460.8 million); net current assets of US\$211.8 million (December 31, 2019: US\$231.7 million) and total equity of US\$308.8 million (December 31, 2019: US\$336.0 million).

The Group had a solid financial position and continued to maintain a strong and steady inflow from operating activities. As at June 30, 2020, the Group reported US\$133.1 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, 2020, the Group had no pledged deposits (December 31, 2019: US\$3.1 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 Reporting Period amounted to US\$6.6 million, compared with US\$12.2 million for the six months ended June 30, 2019. The Group's capital expenditures in the Reporting Period mainly reflected purchases of additional equipment to produce more advanced flip-chip CM. The Group intends to fund the Group's planned future capital expenditures through a combination of cash flow from operating activities and possible fund raising exercise.

CONTINGENT LIABILITIES

As at June 30, 2020, the Group had no significant contingent liabilities.

HUMAN RESOURCES

The Group employed a total of 2,896 full-time employees as at June 30, 2020 (December 31, 2019: 2,696). Total staff costs for the Reporting Period, excluding Directors' remuneration, was approximately US\$18.3 million (first half of 2019: US\$18.2 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

Having considered the highly uncertain economic outlook due to the COVID-19 Pandemic, the Board considered it is more prudent to retain more cash for its future expansion plans. The Board thus does not recommend the payment of an interim dividend for the Reporting Period.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the Reporting Period.

Corporate governance

The Board reviewed the corporate governance of the Group in accordance with the code provisions (the “**Code Provisions**”) as set out in the Corporate Governance Code (the “**CG Code**”) contained in Appendix 14 to the Listing Rules and considered that, for the Reporting Period, the Company regulated its operation and carried out appropriate corporate governance in accordance with the CG Code. The Company has complied with the CG Code during the Reporting Period.

The Directors consider that the Company has fully complied with the applicable Code Provisions as set out in the CG Code during the Reporting Period.

Audit Committee

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

Model Code of Securities Transactions by Directors

The Company has adopted the Model Code 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 as set out in the Model Code throughout the Reporting Period.

Events after the Reporting Period

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

Publication of 2020 interim results and interim report

The interim results announcement is published on the website of the Company (<http://www.cowellholdings.com>) and the website of the Stock Exchange (<http://www.hkex.com.hk>). The interim report of the Company for the Reporting Period will be despatched to the Shareholders and will be available on the above websites in due course.

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

Hong Kong, August 6, 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.