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

2023
ANNUAL REPORT

Contents

Corporate Information

COMPANY NAME

Cowell e Holdings Inc.

PLACE OF LISTING OF SHARES

The Stock Exchange of Hong Kong Limited

STOCK CODE

1415

STOCK NAME

Cowell

BOARD OF DIRECTORS

Executive Directors

Mr. Meng Yan *(Chairman)*
Mr. Wu Ying-Cheng

Non-Executive Directors

Mr. Chen Han-Yang
Mr. Yang Li

Independent Non-executive Directors

Ms. Su Yen-Hsueh
Mr. Tsai Chen-Lung
Ms. Liu Xia

COMPANY SECRETARY

Ms. Lam Wing Yan

AUTHORIZED REPRESENTATIVES

Mr. Chen Han-Yang
Ms. Lam Wing Yan

AUDIT COMMITTEE

Ms. Liu Xia *(Chairman)*
Ms. Su Yen-Hsueh
Mr. Tsai Chen-Lung

REMUNERATION COMMITTEE

Ms. Su Yen-Hsueh *(Chairman)*
Mr. Tsai Chen-Lung
Ms. Liu Xia

NOMINATION COMMITTEE

Mr. Tsai Chen-Lung *(Chairman)*
Ms. Su Yen-Hsueh
Ms. Liu Xia

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PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Hong Kong

AUDITOR

KPMG
Public Interest Entity Auditor registered in accordance with the Accounting and Financial Reporting Council Ordinance
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

LEGAL ADVISOR

Reed Smith Richards Butler LLP
17/F, One Island East
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Quarry Bay, Hong Kong

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER AGENT

Maples Fund Services (Cayman) Limited
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Cricket Square
Grand Cayman
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HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712–1716
17/F, Hopewell Centre
183 Queen's Road East
Wan Chai
Hong Kong

PRINCIPAL BANKERS

Hongkong and Shanghai Banking Corporation Limited

China Merchants Bank Co., Ltd.

COMPANY WEBSITE

www.cowelleholdings.com

PUBLIC RELATIONS CONSULTANT

Strategic Public Relations Group Limited
24/F., Admiralty Centre I
18 Harcourt Road
Hong Kong

Chairman's Statement

Dear Shareholders,

I am pleased to present our key milestones and achievements for the financial year ended 31 December, 2023 on behalf of Cowell e Holdings Inc.

Looking back to 2023, the global economy was in the process of recovery from the aftermath of the COVID-19 pandemic. The public's concern about the pandemic was alleviated, leading to a gradual return to normalcy. However, negative factors such as geopolitical tensions, regional conflicts, and inflation exerted increasingly significant impacts on the global economy, surpassing the challenges of 2022. This resulted in a prevailing negative market sentiment. Concurrently, political turbulence and economic uncertainties presented unprecedented challenges for industries worldwide. Statistically, over 50 countries and regions, encompassing nearly half of the global population, were slated to hold elections in 2024, with particular attention on the United States. The outcomes of these elections will influence subsequent global political and economic developments, heightening macroeconomic uncertainties beyond those experienced in 2023.

We navigated through a year fraught with challenges and trials. For the year ended 31 December, 2023, our revenue amounted to US$923.8 million, marking a decline, and the net profit stood at US$46.4 million, representing a 44.7% decrease compared to 2022. These figures underscore the impact of the adverse macroeconomic environment on our operations. Despite this downtrend, we have surpassed our industry peers and maintain confidence in our ability to regain growth through concerted efforts.

The downturn of the macro-economy presents both challenges and opportunities. The market incentivises innovation, and customers seek high value-added partners. Over the past year, we seized opportunities to bolster our investments in research and development ("**R&D**") and automation. Additionally, we intensified efforts to attract top-tier talents and enhance our core competitiveness amidst adversity. The proportion of R&D expenses in the revenue increased from 4.7% in 2022 to 5.9% in 2023, representing an 11% uptick in R&D investment compared to 2022. We remain committed to further escalating R&D expenses this year, firmly believing that only through a differentiated and forward-looking approach can we navigate market fluctuations and meet customer demands, thereby leading the market and fostering mutually beneficial outcomes.

We remain unswervingly optimistic about the development of the global delicate optical industry. In addition to traditional 3C electronic products such as smartphones, laptops, and tablets, emerging sectors such as augmented reality ("**AR**"), virtual reality ("**VR**"), mixed reality ("**MR**"), intelligent driving, micro-display, and healthcare will serve as primary drivers for our future growth. Looking ahead to 2024, in alignment with our innovation-driven and steady development strategies, we anticipate entering a new phase characterised by a diversified product portfolio that will generate momentum for growth in 2024. We are confident in charting our distinctive growth path amid the global economic adversity.

In response to global climate change, Cowell, as a member of the global village, will continuously take actions such as introducing green power and energy storage equipment to strive for corporate "carbon neutrality". At the same time, it will head towards the objective of "plastic reduction", developing a commercial model for recycling and reducing plastics consumption, in the hope to become a model for the practice of sustainable development and work together to protect the global environment.

Looking ahead, we remain confident and ambitious. Our ability to thrive and grow amid adversity has been demonstrated through the trials we have encountered. Despite the unpredictable and challenging nature of the environment, our staff have collaborated closely to overcome challenges, ensuring the continuous and stable growth of the Company's performance. We remain committed to serving our nation and society, maximising shareholders' equity, fostering mutually beneficial relationships with our team and partners, and establishing Cowell as a respected enterprise within the industry and globally.

Last but not least, on behalf of the Board, I would like to express my sincere gratitude to all our staff and the management team for their tireless efforts and contribution to the Company. I would also like to express gratitude to all our shareholders, customers, and partners for their support and trust in Cowell e. We acknowledge that our achievements would not have been possible without your vigorous support. Moving forward, we will continue to collaborate and strive for a promising future.

Mr. Meng Yan
Chairman

Management Discussion and Analysis

MARKET REVIEW

In 2023, the global economic sentiment remained pessimistic, with prevailing apprehension. The International Monetary Fund ("**IMF**") updated the global growth rate to 3.1% for 2023, lower than the 3.5% of the previous year yet marginally surpassing initial estimations at the beginning of 2023. Nevertheless, this figure lingered below the 21st-century average of 3.8%. The global economic landscape in 2023 was fraught with uncertainty, marked by ongoing challenges such as Brexit, US-China trade tensions, the COVID-19 pandemic, persistent inflation, and geopolitical conflict. These events collectively lead to the uncertainty in global economy, exerting adverse effects on the overall economic growth.

Turning our focus to the sector in which the Company operates, based on the statistical data from the International Data Corporation ("**IDC**"), the global sales volume of smartphones recorded 1.17 billion units in 2023, representing a year-on-year decline of 3.2% compared to 2022 figures. IDC attributes these fluctuations primarily to the macroeconomic challenge and heightened inventory levels at the outset of 2023. Despite 2023 witnessing the lowest annual volume of global smartphone shipments in a decade, a resurgence in growth during the latter half of the year reversed the trend, restoring optimism for recovery in 2024. According to IDC, the IOS series emerged as the top-selling mobile phone globally in 2023, surpassing Samsung, with sales volume reaching 234.6 million units. Moreover, as per the report on high-end smartphone sales volume in 2023 by market research firm Counterpoint, despite the overall downward trend in global smartphone shipments, the high-end smartphone market experienced unexpected growth. High-end smartphone (priced above US$600) sales contributed to nearly 25% of the global market share, accounting for 60% of total sales in the global smartphone market. Notably, the IOS series maintained a robust sales share of 71% in the high-end segment.

Furthermore, in 2023, the global market exhibited increasing interests in emerging technologies, particularly the metaverse technology application and intelligent driving implementation.

According to IDC forecasts, the global AR/VR market size is projected to reach US$13.8 billion in 2023, surging to US$50.9 billion by 2026, with a five-year compound annual growth rate ("**CAGR**") expected to reach 32.3%. IDC's report anticipates the AR market in China to attain a shipment of 240,000 units in 2023, representing a year-on-year growth of 133.9%. Additionally, IDC predicts 2024 as the "Year of AR/VR Devices," with the market witnessing continued high-volume shipment growth due to the market impact of new products from leading manufacturers.

Light Detection and Ranging ("**LiDAR**") boasts a broad spectrum of application scenarios, spanning automotive, robotics, and smart city sectors, with automotive applications constituting the largest market segment for LiDAR. According to the 2023 Report on the Global Automotive Laser Radar Market and Technology released by Yole Intelligence, the global automotive laser radar market size is anticipated to experience continuous growth from US$332 million in 2022 to US$4.65 billion by 2028, with household passenger vehicles projected to achieve a CAGR of 69% between 2022 and 2028. In the Chinese market, as of the third quarter of 2023, a total of 36 Chinese automobile manufacturers have announced the adoption of LiDAR technology. It is envisaged that up to 106 vehicle models equipped with LiDAR will be launched in the domestic market, accounting for nearly 90% of the globally projected new vehicle models equipped with LiDAR during the same period. Leveraging its advantages in visibility, precision, and reliability, LiDAR remains integral to automated driving technology and is expected to witness rapid growth, emerging as a pivotal driver in the evolution of automated driving technology in the forthcoming years.

The growth metrics in AR, VR, and LiDAR serve as barometers of vitality, potential, and direction within the optical field. Despite the prevailing macroeconomic uncertainties and the challenge of competitive market to the operation of the Company, the Company has strategically positioned itself within pertinent market segments and capitalised on development opportunities, aiming to enhance its competitive edge in the future. Consequently, the Company maintains an optimistic outlook and confidence in its future business growth prospects.

BUSINESS REVIEW

The Group is a supplier of delicate optical modules for electronic mobile devices. It engages in the design, development, manufacture and sale of a variety of modules and systems integration products that are applied in smartphones, multimedia tablets, smart driving and other mobile devices of internationally-renowned brands.

The Group has continuously explored the business of precision optical modules deeply, focusing on product improvement and technological innovation to meet the changing demands of customers and the market. Despite the spreading pessimism in the global economy, the Group has been dedicated to improving the products and technology capabilities, optimizing supply chain management and strengthening mutual trust with partners to ensure stable supply and quality of products and achieve a multi-win outcome.

In 2023, the impact of the unfavorable macro-environment and the investment in new product development resulted in a downward trend in operating revenue and profit from the same period last year. Looking ahead, the Group will continuously increase investment in R&D and high-end talent reserve. In addition, given that new products will be mass-produced in 2024, we are confident to see a rapid recovery in growth amidst the economic downturn.

For the year ended 31 December, 2023, the Group recorded a decrease in revenue from US$1,116.2 million in 2022 to US$923.8 million in 2023 and recorded a decrease in profit from US$83.8 million in 2022 to US$46.4 million in 2023. The Group had total assets of US$943.3 million and total equity of US$415.2 million as of 31 December, 2023 as compared to total assets of US$631.2 million and total equity of US$360.6 million as of 31 December, 2022, respectively.

In response to future market changes and the investment required to develop new products, and in order to address the challenges posed by the growing multidimensional demands of customers and the changing market environment, the Board has proposed no dividend distribution for the year ended 31 December, 2023, so as to ensure that the Group can remain a leading position in business development in the field of optics.

OUTLOOK AND FUTURE STRATEGIES

According to the report World Economic Situation and Prospects 2024 released by the United Nations, global economic growth is expected to slow down from 2.7% in 2023 to 2.4% in 2024. The report points out that the sluggish international trade and increasing climate disasters have posed a great challenge to the global growth, the pressure on the price of goods remains high in many countries, the possibility of geopolitical conflicts has increased, and the inflation rate may be on the rise again. Besides, it also notes that approximately a quarter of developing countries will see an inflation rate of more than 10% in 2024.

Looking ahead, we are well aware that the uncertainty of the global macro-economy is still at a high level and the pressure for business expansion will continue, but we remain optimistic about the business opportunities brought by the innovative technologies and new applications in the optical industry. In addition to the traditional smartphones and tablet PCs, we are particularly bullish about the development potential of emerging areas such as smart driving, AR, VR, MR and micro-display.

Currently, Artificial Intelligence ("**AI**") technology continues to remain an important driving force for the development of many fields and industries, and is recognized as an significant impetus for the new generation of technological revolution and industrial change. AI, AR and VR, as relatively independent technology fields, are now seeing or will see integrated development in the near future. Continuous exploration of new application scenarios will be an eternal theme. Regardless of health care, education, entertainment, tourism and culture, or direct productivity, they can empower each other to generate unexpected potential, which will undoubtedly bring new guidance for the Company's business development.

With the rapid development of automated driving, biomedicine, smart city and other applications, the market demand for high-precision optical sensors is growing, and the future application scenarios of the products will be diversified. In terms of the current efficiency of market application, precision optics is becoming a critical component of many cutting-edge technological fields, which not only brings new market and business opportunities to the Company, but also requires us to continuously innovate to maintain our technological leadership.

According to the forecast of International Data Corporation, the global market size of AR/VR will grow from US$13.8 billion in 2023 to US$50.9 billion in 2026, and the five-year CAGR of the AR/VR market size is expected to reach 32.3%. With the market effect of new products from leading manufacturers, it is expected that the shipment volume will continue to grow at a high rate in 2024.

Light Detection And Ranging (LiDAR) has a wide range of application scenarios, covering automotive, robotic and smart city, of which the automotive field is the largest application market for LiDAR. According to the report Market and Technology — Radar for Automotive 2023 released by Yole Intelligence, the global automotive radar market size is expected to grow continuously from US$332 million in 2022 to US$4.65 billion by 2028, with household passenger vehicles growing at a CAGR of 69% between 2022 and 2028. Due to its advantages in visibility, precision and reliability, LiDAR continues to be an important part of automated driving technology, and is expected to see rapid growth and become a core driver of the development of automated driving technology in the coming years.

Facing new areas of rapid growth, we will be constantly committed to enhancing cooperation with existing customers, expanding new customer base, enriching product categories, accelerating process automation, improving process capabilities, optimizing internal efficiency, and fully exploring the team's comprehensive potential, in a push to improve services and added value for customers while focusing on long-term product and business planning. We will constantly increase resources invested in R&D boost market development, and set up a team that is adaptive to the market changes, to deliver maximum value for all shareholders.

Talent is the most important core asset of the Company, and it is essential to have an excellent team to promote and implement the Company's strategies and policies in the course of growth. With the expansion of business, we must continue to invest in the training and building of a key high-caliber talent team to meet the requirements of each business, and only in this way can we withstand the market fluctuations and continuously provide the best service to our customers.

In terms of the development of corporate culture, it is important to create an innovative, open and collaborative corporate culture. We encourage employees to fully leverage on their own strengths and individual creativity, and try new ideas and technologies to cope with the opportunities and challenges encountered in the work through team cooperation, which will provide a strong impetus for the Company's continuous innovation and development. At the same time, we will enhance the awareness of customer-centered service to help the Company better understand market demands and provide products and services that beat expectations.

In the face of fierce market competition and technological transformation, we will proactively embrace the changes, consolidate and expand our continued influence in the field of optics through continuous technological innovation, talent training and cultural development, and lay a solid and sustainable foundation for future development. The management team is confident to lead the Company to achieve new heights in the future, and seek stable benefits for stakeholders.

FINANCIAL REVIEW

The following table sets out the summary of business results for the year ended 31 December, 2023:

	For the year ended 31 December, Consolidated		
	2023	2022	Changes
	(US$ in millions)	(US$ in millions)	%
OPERATING RESULTS			
Revenue	**923.8**	1,116.2	-17.2%
Gross profit	**127.8**	174.4	-26.7%
Gross margin	**13.8%**	15.6%	
Operating profit	**59.7**	106.0	-43.7%
Operating margin	**6.5%**	9.5%	
Net profit	**46.4**	83.8	-44.6%
Net margin	**5.0%**	7.5%	
ASSETS & LIABILITIES			
Total assets	**943.3**	631.1	49.5%
Current assets	**747.9**	480.6	55.6%
Non-current assets	**195.4**	150.5	29.8%
Total liabilities	**528.1**	270.5	95.2%
Current liabilities	**515.8**	252.3	104.4%
Non-current liabilities	**12.3**	18.2	-32.4%
Total equity	**415.2**	360.6	15.1%
EARNINGS PER SHARE	**US$0.055**	US$0.101	-45.5%

Revenue

The Group reported a total revenue of approximately US$923.8 million in 2023, representing an approximately 17.2% decrease compared with that of 2022, which was mainly due to decreased orders from customers.

Profit and Margin

For the year ended 31 December, 2023, the Group has reported gross profit, operating profit and net profit of US$127.8 million, US$59.7 million and US$46.4 million, respectively, as compared with US$174.4 million, US$106.0 million and US$83.8 million, respectively, in the fiscal year of 2022. In terms of margins, the Group's gross margin, operating margin and net margin for the year ended 31 December, 2023 were 13.8%, 6.5% and 5.0%, respectively, as compared to 15.6%, 9.5% and 7.5%, respectively, in 2022.

During the year ended 31 December, 2023, 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.

Key Financial Ratios

	For the year ended 31 December, Consolidated	
	2023	2022
KEY FINANCIAL RATIO (%)		
Return on equity	**11.2%**	23.2%
Current ratio (times)	**1.45**	1.90
Quick ratio (times)	**1.19**	1.35
Gearing ratio	**(55.0%)**	(42.0%)
Debt to equity ratio	**(35.5%)**	(29.6%)

Return on Equity

The calculation of return on equity is based on profit for the period divided by capital and reserves and multiplied by 100%.

The Group's return on equity at the end of the fiscal year of 2023 decreased from 23.2% in 2022 to 11.2% in 2023, primarily due to a decrease in net profit for the year ended 31 December, 2023.

Current Ratio

The calculation of current ratio is based on current assets divided by current liabilities.

The Group's current ratio decreased from 1.90 in 2022 to 1.45 in 2023, which was primarily due to the increase in the Group's cash, which were partially offset by corresponding increase in the Group's short-term bank loan.

Quick Ratio

The calculation of the quick ratio is based on current assets less inventories divided by current liabilities.

The Group's quick ratio decreased from 1.35 in 2022 to 1.19 in 2023, which was mainly due to the increase in the Group's cash, which were partially offset by a corresponding increase in the Group's short-term bank loan.

Gearing Ratio

The calculation of gearing ratio is based on net debt (defined as bank loans and lease liabilities less cash and cash equivalents, bank deposits and pledged deposits) divided by the sum of net debt and total equity, and multiplied by 100%.

The Group's gearing ratio increased from -42.0% in 2022 to -55.0% in 2023, which was primarily due to an increase in its reserves.

Debt to Equity Ratio

The calculation of debt to equity ratio is based on net debt divided by total equity and multiplied by 100%.

Consistent with its gearing ratio, the Group's debt to equity ratio increased from -29.6% in 2022 to -35.5% in 2023, which was primarily due to an increase in its reserves.

Other Income

The other income increased by approximately 122.9% from approximately US$5.7 million in 2022 to approximately US$12.8 million in 2023. The increase was mainly attributable to an increase in bank interest income of approximately US$4.1 million and a decrease in exchange gain of approximately US$10.2 million, a decrease in loss on asset disposal of approximately US$13.1 million and offset by an increase in the remaining other income of approximately US$0.1 million.

Selling and Distribution Expenses

The selling and distribution expenses decreased by approximately 11.8% from approximately US$2.4 million in 2022 to approximately US$2.1 million in 2023. This decrease was mainly attributable to a decrease of US$0.6 million in transportation expenses and an increase of US$0.3 million in labor costs.

Administrative Expenses

Administrative expenses increased by approximately 9.7% from approximately US$71.8 million in 2022 to approximately US$78.8 million in 2023. This increase was mainly attributable to increase in the research and development expense of approximately US$2.1 million, as well as an increase of US$4.9 million in other administrative expenses.

Finance Costs

Finance costs increased by approximately 87.0% from approximately US$5.1 million in 2022 to approximately US$9.6 million in 2023, such increase was resulted from increase in interest expenses on bank loans.

Income Tax

The Group's income tax expense decreased by approximately 78.1% from approximately US$17.0 million in 2022 to US$3.7 million in 2023. The decrease was mainly attributable to decrease in profit before tax.

Final Dividends

No dividend was paid during the year ended 31 December, 2023 (2022: Nil). The Directors do not recommend the payment of a final dividend after the end of the reporting period (2022: Nil).

There is no arrangement under which a Shareholder has waived or agreed to waive any dividends.

CURRENT ASSETS AND LIABILITIES

As of 31 December, 2023, the Group had net current assets of approximately US$232.1 million, compared with net current assets of approximately US$228.3 million as of 31 December, 2022, representing an increase of approximately US$3.7 million.

Inventories

The Group's inventory balance decreased by approximately 3.2%, or approximately US$4.4 million, from approximately US$138.3 million as of 31 December, 2022 to approximately US$133.9 million as of 31 December, 2023, mainly due to increase in the stock of raw materials which were offset by a corresponding decrease in the stock of finished products in 2023.

The following table sets forth the Group's average inventory turnover days for the periods indicated:

	As of 31 December,	
	2023	2022
	(US$ in millions)	
Inventory turnover days[1]	**62.4**	53.7

(1) Inventory turnover days were calculated based on the average of the opening and closing inventory balances divided by the cost of sales for the relevant period and multiplied by the number of days in the period.

Trade and Other Receivables

Trade receivables represent outstanding amounts due from the Group's customers for the purchase of its products. Besides trade receivables, the Group's other receivables and prepayments primarily comprise prepayments on the purchase of components and materials, value-added tax refunds due and guarantee deposits for its leases.

The Group's trade and other receivables decreased by approximately 10.6%, or approximately US$20.8 million, from approximately US$195.8 million as of 31 December, 2022 to approximately US$175.1 million as of 31 December, 2023.

The table below sets forth an ageing analysis of the Group's trade receivables (which are included in trade and other receivables), based on the invoice date and net of loss allowance, as of the dates indicated:

	As of 31 December,	
	2023	2022
	(US$ in millions)	
Trade receivables		
Within 1 month	**101.2**	124.1
Over 1 to 2 months	**51.1**	53.1
Over 2 to 3 months	**0.1**	3.2
Over 3 months	**0.4**	1.3
Total	**152.8**	181.7

The following table sets forth the turnover days for the Group's trade receivables for the periods indicated:

	Year ended 31 December,	
	2023	2022
Trade receivables turnover days(1)	**66.1**	47.5

(1) Trade receivables turnover days were calculated based on the average of the opening and closing trade receivables divided by turnover for the relevant period multiplied by the number of days in the period.

There is no significant change in the Group's average trade receivables turnover days for the year ended 31 December, 2023 compared with the year ended 31 December, 2022.

Other receivables mainly represented bank interest income receivables and value-add tax receivables.

Trade and Other Payables

Trade payables represent outstanding amounts due on the Group's purchases of components and materials and equipment from external suppliers. Apart from trade payables, the Group's accrued charges and other payables primarily comprise accrued salaries and other remuneration benefits and interest expenses payable.

The Group's trade and other payables increased by approximately 4.5%, or approximately US$10.1 million, from approximately US$224.9 million as of 31 December, 2022 to approximately US$235.0 million as of 31 December, 2023, primarily due to an increase in the purchased components and materials resulting mainly stocking up at the year-end of 2023.

The following table sets forth an ageing analysis of the Group's trade payables (which include in trade and other payables) based on the invoice date, is as follows:

	As of 31 December,	
	2023	2022
	(US$ in millions)	
Trade payables		
Within 1 month	**125.2**	115.2
Over 1 to 3 months	**82.3**	75.6
Over 3 to 6 months	**1.7**	5.3
Total	**209.2**	196.1

The following table sets out the turnover days for the Group's trade payables for the periods indicated:

	Year ended 31 December,	
	2023	2022
Trade payables turnover days(1)	**92.9**	53.2

(1) Trade payables turnover days were calculated based on the average of the opening and closing trade payables divided by cost of sales for the relevant period multiplied by the number of days in the period.

Other payable mainly represented accrued charges and machine payable.

The Group's average trade payables turnover days for the year ended 31 December, 2023 were higher as compared with the year ended 31 December, 2022, which were partially offset by a decrease in the Group's sales.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 December, 2023, the Group had total assets of approximately US$943.3 million (31 December, 2022: US$631.2 million); net current assets of approximately US$232.1 million (31 December, 2022: US$228.3 million) and total equity of approximately US$415.2 million (31 December, 2022: US$360.6 million).

The Group has a solid financial position and continued to maintain a strong and steady inflow from operating activities. As at 31 December, 2023, the Group had approximately US$96.7 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.

Borrowings

As of the close of business on 31 December, 2023, the Group had aggregate banking facilities of approximately US$361.2 million, of which US$274.8 million were utilized. Other than this, the Group did not have any other outstanding debt securities, charges, mortgages or other similar indebtedness, hire purchase or guarantee or other material contingent liabilities.

Pledge of the Group's Assets

As at 31 December, 2023, the Group's pledged deposits of approximately US$74.3 million represented deposits provided to secure certain bank loans in the PRC (31 December 2022: Nil).

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 31 December, 2023 amounted to US$80.8 million which was funded through cash flow from operation, compared to US$92.7 million for the year ended 31 December, 2022. The Group's capital expenditures in 2023 mainly reflected purchases of additional machinery and equipment to produce more advanced 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.

The Group's capital commitments that were contracted but not provided as of 31 December, 2023 amounted to approximately US$26.1 million, compared with approximately US$13.9 million as of 31 December, 2022. Such capital commitments represent commitments arising out of a contractual relationship where the relevant property, plant and equipment were not provided as of the relevant dates.

Contingent Liabilities

As at 31 December, 2023, the Group had no significant contingent liabilities except for the guarantee issued by the Company and ultimate controlling party to secure the banking facilities granted to the Group amounting to US$361 million. (31 December, 2022: US$59 million).

Interest Coverage Ratio

The interest coverage ratio decreased from 20.7 in 2022 to 6.2 in 2023, which was primarily due to an increase in interest expenses and a decrease in profit from operations.

Treasury Policies

The Group has adopted a prudent financial management approach towards its treasury policies and thus maintained a healthy liquidity position throughout the period under review. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of its assets, liabilities and other commitments can meet funding requirements from time to time.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ON MARKET RISK

The Group's exposure to credit, liquidity, interest rate and currency risks arises in the normal course of its business. The market risks to which the Group is exposed to, as well as its practices to manage such risks, are as follows:

Credit Risk

The Group's credit risk is primarily attributable to its trade receivables. The Group's exposure to credit risk arising from cash and cash equivalents is limited because the counterparties are banks for which the Group considers to have low credit risk. In respect of trade and other receivables, individual credit evaluations are performed on all customers. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and may take into account information specific to the customer and the economic environment in which the customer operates. Trade and other receivables are generally due within 30 to 90 days from the date of billing. Debtors with balances that are more than three months overdue are requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collateral from its customers. In respect of deposits with banks, the Group only places its deposits with the major financial institutions which the management believes such institutions have a high credit rating.

The Group's exposure to credit risk is influenced primarily by the individual characteristics of each customer, and to a lesser extent, by the default risk of the industry and country in which its customers operate. As of 31 December, 2023, 73.1% (2022: 98.8%) of the Group's trade receivables were due from its largest customer, and 99.6% (2022: 100.0%) of its trade receivables were due from its five largest customers in aggregate.

Liquidity Risk

The Group's policy is to regularly monitor liquidity risk so as to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and long term. The Group's bank loans amount to US$274.8 million (2022: US15.8 million) as at 31 December, 2023.

Please refer to note 24(b) to the consolidated financial statements for further information.

Interest Rate Risk

The Group's interest rate risk arises primarily from its interest-bearing borrowings subject to variable rates and those subject to fixed rates, which expose the Group to fair value interest rate risks. As of 31 December, 2023, the Group's variable rate borrowings amounted is US$Nil (2022: US$Nil).

As at 31 December, 2023, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have decreased/increased the Group's profit after taxation and retained profits by approximately is US$Nil (2022: US$Nil). Other components of consolidated equity would not be affected in response to a general increase/decrease in interest rates.

Please refer to note 24(d) to the consolidated financial statements for further details.

Currency Risk

The Group's exposure to currency risk arises primarily through sales and purchases giving rise to receivables, payables and cash balances that are denominated in a currency other than the functional currency of the operations to which they relate. The currencies giving rise to this risk are primarily Hong Kong dollars (pegged to the U.S. dollar), Renminbi and Korean Won.

The functional currency of the Company and its subsidiaries operating in Hong Kong, the PRC and Korea are U.S. dollars, U.S. dollars, Renminbi and Korean Won, respectively. While both the Group's sales of products and purchases of components, materials and equipment are denominated mainly in U.S. dollars, a portion of its purchases, as well as its labor and other operating costs, are denominated in other currencies, including Renminbi and Korean Won. For the year ended 31 December, 2023, the Group did not use any forward exchange contracts or other derivative instruments to hedge against fluctuations in currency exchange rates applicable to us.

Please refer to note 24(c) to the consolidated financial statements for further details.

SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

There were no significant investments held, and no material acquisitions or disposals of subsidiaries and associated companies of the Company performed by the Group for the year ended 31 December, 2023.

HUMAN RESOURCES

The Group employed a total of approximately 5,764 full-time employees as of 31 December, 2023 (31 December, 2022: 3,405). Total staff costs for the year ended 31 December, 2023, excluding Directors' remuneration, amounted to approximately US$65.9 million (2022: US$64.3 million).

In particular, professional employment agencies located in Dongguan, the PRC, have been involved for purposes of 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.

Furthermore, to provide incentive or reward to our employees for their contribution or potential contribution to, and continuing efforts to promote the interests of, the Group with greater flexibility, the Group had terminated the share option scheme of the Company adopted on 4 February, 2015 and adopted a new share option scheme on 5 May, 2021 (the "**Share Option Scheme**" or the "**Scheme**"). During the year ended 31 December, 2023, 13,861,000 options had been exercised, 149,000 options had been cancelled, and 710,000 options had been lapsed. As at 31 December, 2023, based on the number of options granted which had not been exercised, cancelled and/or lapsed, the total number of Shares available for issue under the Share Option Scheme was 57,020,880, representing approximately 6.68% of the issued shares of the Company. For details of the Share Option Scheme, please refer to the circular of the Company dated 20 April, 2021 and the subsection headed "Share Option Scheme" in this report.

Other than the Share Option Scheme, to motivate our employees to optimize their performance and efficiency for the benefit of the Group, and retain talents and attract suitable personnel for further development of the Group, the Board approved the adoption of a share award scheme for the Company (the "**Share Award Scheme**") on 21 March, 2024 (the "**Adoption Date**"). Pursuant to the Share Award Scheme, existing Shares will be purchased by the Computershare Hong Kong Trustees Limited (the "**Trustee**"), a trustee corporation appointed by the Company for the administration of the Scheme, and any additional or replacement trustee (if applicable), from the secondary market out of cash contributed by the Company and be held on trust for the selected employees until such Shares are vested with the selected employees in accordance with the rules of the Share Award Scheme. No share options can be granted under the Share Award Scheme.

Pursuant to the Share Award Scheme, the Board shall not make any further award which will result in the aggregate number of the Shares awarded by the Board under the Share Award Scheme representing in excess of ten (10)% of the total number of the Shares in issue as at the Adoption Date (the "**Scheme Limit**") (i.e. 85,312,480 Shares based on the total number of issued Shares of 853,124,800 as at the Adoption Date). While the Share Award Scheme constitutes a share scheme under Chapter 17 of the Listing Rules, it does not involve issue of new shares and as such, the adoption of the Share Award Scheme was not subject to Shareholders' approval.

During the period from the Adoption Date to the date of this annual report, no Shares had been purchased by the Trustee and no awards had been granted by the Company. For details of the Share Award Scheme, please refer to the subsection headed "Share Award Scheme" in this report.

Directors and Senior Management

As of the date of this annual report, the Board consists of seven Directors including two executive Directors, two non-executive Directors and three independent non-executive Directors. The following sets forth the profile of the Directors and senior management:

Executive Directors

Mr. Meng Yan ("Mr. Meng") (孟岩), aged 48, is an executive Director and chairman of the Board. Mr. Meng obtained a bachelor's degree in mechanical and electrical engineering from the University of Electronic Science and Technology of China (電子科技大學) in 1998. Mr. Meng has extensive experience in operation, investment and corporate management. He has previously worked in leading companies in the electronic industries, such as International Business Machines Corporation, Sony Ericsson Mobile Communications (now known as Sony Mobile Communications Corporation) and Knowles Corporation. He joined the Luxshare Precision Industry Co., Limited as a vice president in 2016. Mr. Meng was appointed as an executive Director on 15 January, 2021 and renewed his appointment for next three years from 15 January, 2024. He was appointed as the chairman of the Board on 1 March, 2021.

Mr. Wu Ying-Cheng ("Mr. Wu") (吳英政), aged 56, is an executive Director, the chief executive officer ("**CEO**") and the chief financial officer ("**CFO**") of the Company. Mr. Wu obtained a master's degree in material science from the Department of Mechanical Engineering of the National Chung Hsing University (國立中興大學) in 1993. Mr. Wu has been working in the semiconductor assembly technology and camera module development industries since 1995. He has been a general manager of Lite-On Singapore Pte. Limited for portable image device business unit since 2015 and a general manager of Luxvisions Innovation Limited since 2018. Mr. Wu was appointed as an executive Director on 15 January, 2021. He was appointed as a CEO and chief financial officer of the Company on 1 March, 2021.

Non-executive Directors

Mr. Chen Han-Yang ("Mr. Chen") (陳漢洋), aged 53, is a non-executive Director. Mr. Chen obtained a master's degree in banking and finance from the Tamkang University (台灣淡江大學) in 1998. Mr. Chen has been working in the investment, mergers and acquisitions and corporate management in Fortune 500 corporations. He has been the head of investment of Luxshare Precision Industry Co., Limited since 2016 and has been primarily responsible for corporation investment. Mr. Chen has extensive experience in the consumer electronics industry. Mr. Chen was appointed as a non-executive Director on 1 March, 2021.

Mr. Yang Li ("Mr. Yang") (楊立), aged 38, is a non-executive Director. Mr. Yang joined Luxshare Precision Industry Co., Limited in July 2007. He has over 10 years of experiences in supply chain and operation management in consumer electronics industry. He has been chief operating officer of Shenzhen Luxshare Precision Industry Co., Limited, Bozhou Lanto Electronics Co., Limited and Luxshare Precision Industry (Chuzhou) Co., Limited. He has extensive experience in supply chain management. Mr. Yang was appointed as a non-executive Director on 1 March, 2021.

Independent non-executive Directors

Ms. Su Yen-Hsueh (“Ms. Su”) (蘇艷雪), aged 54, is an independent non-executive Director, a chairman of the remuneration committee of the Company (the “**Remuneration Committee**”) and a member of each of the audit committee (the “**Audit Committee**”) and the nomination committee (the “**Nomination Committee**”) of the Company. Ms. Su obtained a bachelor’s degree in international business from the National Taiwan University (國立台灣大學) in 1991 and a master’s degree in industrial administration from the Carnegie Mellon University in 1993. Ms. Su has extensive experience in investments and mergers and acquisitions in the technology sector. She was a top ranked technology analyst for ABN AMRO Bank and UBS before joining AsusTeK Computer Inc. as a chief investment officer in 2004. She spearheaded the AsusTeK Computer Inc. and Pegatron Corporation restructuring in 2009 and retired from her position of senior vice president for investment and business development from Pegatron Corporation in 2013. Ms. Su currently serves on the boards of TXC Corporation, Eslite Spectrum Corporation and Universal Cement Corporation as an independent director, and on the board of Spotfilms Company Limited as a Corporate director representative. Ms. Su was appointed as an independent non-executive Director on 15 January, 2021.

Mr. Tsai Chen-Lung (“Mr. Tsai”) (蔡鎮隆), aged 51, is an independent non-executive Director, a chairman of the Nomination Committee and a member of each of the Remuneration Committee and the Audit Committee. Mr. Tsai obtained a bachelor’s degree majoring in information system from the Western United States International University and a master’s degree majoring in electronic computer engineering from the Arizona State University. Mr. Tsai is currently the chief strategy officer of Taiwan Luxshare-ICT Company Limited, a director of Stech International Company Limited, a director of Space Speed Technology Limited, the chairman of the board of directors of Speedtech (LS-ICT) Company Limited, the legal representative of Luxshare-ICT Inc., the legal representative of Leader Precision Industry Corporation Limited, a director of Luxshare Precision Accessory (Kunshan) Limited, and the chairman of Toyoshima Corporation (M) Sdn. Bhd. Mr. Tsai was appointed as an independent non-executive Director on 15 January, 2021.

Ms. Liu Xia (“Ms. Liu”) (劉霞), aged 58, is an independent non-executive Director, a chairman of the Audit Committee and a member of each of the Remuneration Committee and the Nomination Committee. Ms. Liu graduated with a bachelor’s degree in Industrial and Economics Management from the Dongbei University of Finance and Economics in 1988 and completed an in-service postgraduate course in Finance at the Central University of Finance and Economics in 2004. From July 1988 to February 1993, she was appointed as a staff member and Chief Officer of the Finance Department’s Plant Representative Office of Ansteel Group Corporation Limited by the Finance Bureau of Anshan City, Liaoning Province under the Ministry of Finance of the People’s Republic of China (the “**PRC**”), in which role she undertook supervision and review of finance matters and formulation of policies for state-owned enterprises.

From March 1993 to March 1999, she successively worked as Project Manager, Department Manager, Chief Accountant and Deputy General Manager of DeveChina International Appraisals Co., Ltd. During her tenure at DeveChina International Appraisals Co., Ltd., she was engaged in and led major listing-related valuation projects such as the A share listing of Changhong Huayi Compressor Co., Ltd., the A share listing of FAW Car Co., Ltd. and the H share listing of Sinopec Yanshan Petrochemical Company. Since April 1999, she has been working as a Director and Senior Deputy General Manager of China Assets Appraisal Co., Ltd.. During her tenure at China Assets Appraisal Co., Ltd., she was engaged in and led major listing valuation projects, such as the secondary share issuance of Shandong International Power Development Co., Ltd., the A share listing of China Petroleum & Chemical Corporation, the rights issue of GD Power Development Co., Ltd., the debt for equity swap of Panzhihua Steel (Group) Co., Ltd., the rights issue of Harbin Dongan Automotive Power Co., Ltd., the assets reorganization (H shares) of Sinopharm Group Co., Ltd., the secondary share issuance of TianChuang Property Co., Ltd., the reorganisation and overall listing of Bengang Steel Plates Co., Ltd., the disposal of employee shares during the initial public offering of CSR Corporation Limited, the A share listing of China National Chemical Engineering Co., Ltd., the initial offering application at ChiNext of Landocean Energy Services Co., Ltd., the establishment of CECEP Solar Energy Technology Co., Ltd. and the major assets reorganization project of CETC Energy Joint-Stock Co., Ltd. Ms. Liu was appointed as an independent non-executive Director on 26 July, 2021.

Save as disclosed above, the Directors (i) have not held any directorships in other listed public companies, whether in Hong Kong or overseas, during the last three years; and (ii) do not have any other relationships with any Directors, senior management or substantial or controlling shareholders of the Company. Regarding the Directors' interests in shares of the Company within the meaning of Part XV of the SFO, please refer to the paragraph headed "Directors' and Chief Executive Officers' Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company or its associates corporations" in the Directors' Report section of this report for more details. Save as disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B (1) of the Listing Rules.

SENIOR MANAGEMENT

The senior management team of the Group, in addition to the Directors listed above, is as follows:

Mr. Hwang Young-Hwan ("Mr. Hwang"), aged 49, is the director of the production department of Cowell China. Mr. Hwang received a bachelor's degree in industrial engineering from Inha University in February 2002. He had worked at LG Electronics Inc. as a quality manager from 2002 to 2008. From 2009 to 2017, Mr. Hwang had worked at LG Innotek Company Limited as a quality senior manager. He joined Cowell China in June 2017. Mr. Hwang had over 20 years of working experience in consumer electronics industry.

Mr. Ryu Jin-Kyu ("Mr. Ryu"), aged 53, is a director of the international business department of Cowell China. Prior to joining Cowell China in August 2015, Mr. Ryu had over 20 years of work experience in the quality division of the semiconductor manufacturing industry. Mr. Ryu started his career in the quality division of Hynix Semiconductor Inc., one of the major semiconductor manufacturing companies in the world, and had worked there for 4 years from 1994 to 1997. From 1997 to 2015, Mr. Ryu had served as a senior manager in the quality division of Dongbu Hitek Company Limited which was the first runner of non-memory semiconductor foundry business in Korea. Mr. Ryu received a bachelor's degree in Metallurgical Engineering from Hanyang University in February 1994.

COMPANY SECRETARY

Ms. Lam Wing Yan ("Ms. Lam"), aged 47, is the senior finance manager of Cowell Hong Kong and was appointed as the company secretary of the Company on 17 September, 2014. Ms. Lam joined the Group in August 2013 and has been primarily responsible for corporate financial management. She has over 19 years of experience in corporate financial management, accounting and the company secretarial area. Prior to joining the Group, Ms. Lam held various positions, including the senior manager of finance and operations at Iriver Hong Kong Limited, a private company based in Hong Kong which provides, among others, broadcasting equipment and semiconductors, and the holding company of which is listed on the Korea Exchange, for approximately 10 years from March 2001 to June 2011. Ms. Lam obtained a master's degree in business administration from the University of South Australia in March 2012. Ms. Lam is a certified public accountant, a fellow member of the Association of Chartered Certified Accountants and a fellow member of the Hong Kong Institute of Certified Public Accountants.

The Board is pleased to present their report together with the audited consolidated financial statements of the Group for the year ended 31 December, 2023. The business review is disclosed in the section headed "Management Discussion and Analysis", which forms part of this Director's Report, on page 6 in this annual report.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The activities of its principal subsidiaries are set out in note 12 to the consolidated financial statements. The Group 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. Major customers for the Group's camera modules include some of the leading mobile device manufacturers in the world. 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.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December, 2023 and the state of the Company's and the Group's affairs as at that date are set out in the consolidated financial statements on pages 101 to 169.

The Directors do not recommend the payment of a final dividend after the end of the reporting period.

CLOSURE OF REGISTER OF MEMBERS FOR ENTITLEMENT TO ATTEND AND VOTE AT ANNUAL GENERAL MEETING

The annual general meeting of the Company (the "**AGM**") will be held on Thursday, 23 May, 2024. The notice of the AGM will be published and despatched to the Shareholders in due course.

For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Monday, 20 May, 2024 to Thursday, 23 May, 2024, 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, 17 May, 2024.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the last five years ended 31 December, 2023 are set out on page 170 of this annual report. That summary does not form part of the audited financial statements.

SHARE CAPITAL

Details of the movements in the share capital of the Company are set out in note 23(b) to the consolidated financial statements.

DISTRIBUTABLE RESERVES

Distributability of reserves of the Company

The application of the share premium account is governed by the Companies Law of the Cayman Islands. Under the Companies Law of the Cayman Islands, the funds in share premium account are distributable to the Shareholders provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

As at 31 December, 2023, the reserves of the Company available for distribution to the Shareholders amounted to approximately US$72,795,000 (2022: US$66,179,000).

DONATIONS

There was no charitable donations made by the Group during the year ended 31 December, 2023 (2022: Nil).

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association or the relevant laws of the Cayman Islands which would oblige the Company to offer new shares on a pro-rata basis to its existing shareholders.

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 31 December, 2023.

SHARE OPTION SCHEME

The Company has adopted a Share Option Scheme by a resolution of its Shareholder on 4 February, 2015 (the "**Old Share Option Scheme**"). The termination of the Old Share Option Scheme was approved pursuant to an ordinary resolution of Shareholders passed on 5 May, 2021. No options were granted under the Old Share Option Scheme since its termination.

The Company's existing share option scheme (the "**Share Option Scheme**" or the "**Scheme**") was adopted pursuant to the resolution of our Shareholders passed on 5 May, 2021 to provide greater flexibility for the Company to grant share options and provide incentives and/or rewards to eligible persons for their contribution to, and continuing efforts to promote the interests of the Group.

Purpose of the Share Option Scheme

The purpose of the Share Option Scheme is to provide an incentive or a reward to selected Eligible Participants (as defined in paragraph "Who may join" below) for their contribution or potential contribution to, and continuing efforts to promote the interests of, the Group or any invested entity and/or to enable the Group to recruit and retain high-calibre employees and attract human resources that are valuable to the Group or invested entity.

The Board is of the view that the Share Option Scheme may provide the Eligible Participants with the opportunity of participating in the growth of the Group by acquiring shares in the Company which may in turn assist in the attraction and retention of the Eligible Participants. To ensure the achievement of the purpose of the Share Option Scheme, its rules do not specify any minimum holding period and/or performance targets as a condition for the exercise of an option but subject to the determination of the Board. The Board is given the authority under the Share Option Scheme rules to determine and state in the offer letter of grant any minimum holding period and/or performance targets as conditions for exercise of an option. In addition, the Board has the authority under the Share Option Scheme rules to determine the basis of eligibility of any Eligible Participant and the grant of an option on a case by case basis as the Board in its sole discretion considers appropriate. Hence, the Board believes that the rules of the Share Option Scheme will serve to achieve its purpose as well as protect the value of the Company.

Who may join

The Board may, at its absolute discretion, offer to grant an option to subscribe for such number of Shares as the Board may determine to:

(i) any employee (whether full-time or part-time) of the Company, any of the subsidiaries and any invested entity;

(ii) any Director (including executive, non-executive and independent non-executive directors) of the Company, any subsidiary or any invested entity;

(iii) any supplier of goods or services to any member of the Group or any invested entity;

(iv) any customer of the Group or any invested entity; or

(v) any business or joint venture partners, contractors, agents or representatives, consultants, advisers or service providers that provides research, development, professional service or other technological support to the Group or any invested entity, (together with (i) to (iv) above, collectively, the "**Eligible Participant**").

Maximum number of Shares in respect of which options may be granted

The maximum number of the Shares in respect of which may be allotted and issued upon exercise of all share options, ("**Option**") to be granted under the Share Option Scheme and any other share option schemes of the Company must not in aggregate exceed 83,436,880 Shares, representing 10 per cent. (the "**Scheme Mandate Limit**") of the issued share capital of the Company as at the date which the Share Option Scheme is approved by the Shareholders, excluding for this purpose options which have lapsed in accordance with the terms of the Share Option Scheme and any other share option schemes of the Company, provided that:

(i) the Company may seek approval of the Shareholders in general meeting to renew the Scheme Mandate Limit such that the total number of Shares in respect of which options may be granted by the Directors under the Scheme and any other share option schemes of the Company shall not exceed 10 per cent. (the "**Renewal Limit**") of the issued share capital of the Company at the date of approval to renew such limit. Options previously granted under the Scheme (including those outstanding, cancelled, lapsed in accordance with the Scheme or exercised Options) shall not be counted for the purpose of calculating the Renewal Limit. The Company shall send a circular to the Shareholders containing the information required under the Listing Rules and the disclaimer required under the Listing Rules for the purpose of seeking the approval of the Shareholders for the Renewal Limit.

(ii) the Company may authorise the Directors to grant Options to specified Eligible Participants beyond the Scheme Mandate Limit or the Renewal Limit if the grant of such Options is specifically approved by the Shareholders in general meeting. In such case, the Company must send a circular to the Shareholders in connection with the general meeting at which their approval will be sought containing a generic description of the specified Eligible Participants who may be granted such Options, the number and terms of the Option to be granted, the purpose of granting Options to the specified Eligible Participants with an explanation as to how the terms of the Options serve such purpose, the information and the disclaimer required under the Listing Rules and such further information as may be required by the Stock Exchange from time to time.

(iii) if the Company or the subsidiary conducts a share consolidation or subdivision after the 10% limit has been approved in general meeting, the maximum number of securities that may be issued upon exercise of all options to be granted under all of the share option schemes of the Company or the subsidiary under the 10% Scheme Mandate Limit as a percentage of the total number of issued shares at the date immediately before and after such consolidation or subdivision shall be the same.

The maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme, the Scheme and any other share option schemes of the Company shall not exceed 30 per cent. of the total number of Shares in issue from time to time. No Options shall be granted under the Scheme or any other share option scheme of the Company or any of its subsidiaries which will result in the limit being exceeded.

The maximum number of Shares in respect of which options may be granted shall be adjusted in such manner as the auditors of the Company shall certify in writing to the Board to be fair and reasonable in the event of any alteration to the capital structure of the Company whether by way of capitalization of profits or reserves, rights issue, consolidation, reclassification, reconstruction, subdivision or reduction of the share capital of the Company but shall not in any event exceed the limits imposed by the Listing Rules.

Maximum entitlement of each Eligible Participant

Unless approved by Shareholders in general meeting in the manner prescribed in the Listing Rules, the Board shall not grant options to any Eligible Participant or grantee if the acceptance of those options would result in the total number of Shares issued and to be issued to that Eligible Participant or grantee on exercise of his options (including both exercised and outstanding options) during any 12 month period exceeding 1% of the total Shares then in issue.

Acceptance of an offer of options

An offer of the grant of an Option shall be made to Eligible Participants in writing (and unless so made shall be invalid) in such form as the Board may from time to time determine and shall remain open for acceptance by the Eligible Participant concerned for a period of twenty-one (21) days inclusive of, from the date upon which it is made provided that no such offer shall be open for acceptance after the earlier of the 10th anniversary of the adoption date (i.e. 5 May, 2021) or the termination of the Share Option Scheme or the Eligible Participant to whom such offer is made has ceased to be an Eligible Participant.

A non-refundable nominal consideration of HK$1.00 is payable by the grantee upon acceptance of an Option. An Option shall be deemed to have been accepted when the duplicate letter comprising acceptance of the Option duly signed by the Eligible Participant together with the said consideration of HK$1.00 is received by the Company.

Any offer of the grant of an Option may be accepted in respect of less than the number of Shares in respect of which it is offered provided that it is accepted in such number of Shares as represents a board lot for the time being for the purpose of trading on the Stock Exchange or an integral multiple thereof.

Exercise price

The exercise price shall be a price determined by the Board but in any event shall be at least the highest of:

(i) the closing price of the Shares as stated in the Hong Kong Stock Exchange's daily quotations sheets on the date of offer;

(ii) the average of the closing prices of the Shares as stated in the Hong Kong Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of offer; and

(iii) the nominal value of the Shares on the date of offer.

Restriction on the time of grant of options

A grant of Options shall not be made after inside information has come to the knowledge of the Company until (and including) the trading day after it has been announced pursuant to the requirements of the Listing Rules and the Inside Information Provisions of Part XIVA of the Securities and Future Ordinance (Chapter 571 of the Laws of Hong Kong). In particular, during the period of one month immediately preceding the earlier of:-

(i) the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of the Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and

(ii) the deadline for the Company to publish an announcement of its results for any year, half-year and quarterly period under the Listing Rules, or any other interim period (whether or not required under the Listing Rules),

and ending on the date of the results announcement. No option may be granted during any period of delay in publishing a results announcement. Without prejudice to the foregoing, no option shall be granted during the period specified in the Listing Rules as being a period during which no option may be granted.

Rights are personal to the grantee

An Option shall be personal to the grantee and shall not be assignable and no grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest whatsoever in favour of any third party over or in relation to any Option or enter into any agreement so to do. Any breach of the foregoing by a grantee shall entitle the Company to cancel any Option or part thereof granted to such grantee to the extent not already exercised.

Time of exercise of Option and duration of the Share Option Scheme

An option may be exercised in accordance with the terms of the Share Option Scheme at any time after the date upon which the Option is deemed to be granted and accepted and prior to the expiry of 10 years from that date. The period during which an option may be exercised will be determined by our Board in its absolute discretion, save that no option may be exercised more than 10 years after it has been granted. No option may be granted more than 10 years after the date of approval of the Share Option Scheme. Subject to earlier termination by our Company in general meeting or by our Board, the Share Option Scheme shall be valid and effective for a period of 10 years from the date of its adoption (i.e. 5 May, 2021). Accordingly, the Share Option Scheme has a remaining life of more than 8 years as at the date of this report. There is no minimum period for which an option must be held before it can be exercised.

Movement of the share options

For the year ended 31 December, 2023, the Company did not grant any share options (2022: no options were granted) to any eligible persons under the Share Option Scheme. The total number of Shares for issue under the Scheme is 83,436,880 representing 9.78% of the total number of issued Shares of the Company as at the date of this annual report. Movement of the share options under the Share Option Scheme during the reporting period are listed below:

	Number of Options								
	As at 1 January, 2023	Exercised	Cancelled	Lapsed	As at 31 December, 2023	Exercise price (HK$)	Closing price of the Shares before the date of grant (HK$)	Date of grant[3]	Vesting period
Directors of the Company									
Meng Yan[1]	5,000,000	1,850,000	–	–	**3,150,000**	4.144	4.09	25 May, 2021	25 May, 2021 to 24 May, 2026
Wu Ying-Cheng[1]	3,300,000	1,320,000	–	–	**1,980,000**	4.144	4.09	25 May, 2021	25 May, 2021 to 24 May, 2026
Chen Han-Yang[1]	2,800,000	1,120,000	–	–	**1,680,000**	4.144	4.09	25 May, 2021	25 May, 2021 to 24 May, 2026
Yang Li[1]	2,800,000	1,120,000	–	–	**1,680,000**	4.144	4.09	25 May, 2021	25 May, 2021 to 24 May, 2026
Employee participants									
Continuous contract Employee[1]	22,674,000	5,068,000	80,000	270,000	**17,256,000**	4.144	4.09	25 May, 2021	25 May, 2021 to 24 May, 2026
Continuous contract Employee[2]	14,380,000	3,383,000	69,000	440,000	**10,488,000**	4.84	4.758	15 October, 2021	15 October, 2021 to 14 October, 2026
Total	50,954,000	13,861,000	149,000	710,000	**36,234,000**				

Note:

(1) On 25 May, 2021, a total of 45,450,000 Options were granted to certain Directors, chief executive and certain employees of the Group, and the exercise period of the Options are as follows:

20% of the Options shall be vested on the date falling the first anniversary of the Date of Grant and exercisable from 25 May, 2022 to 24 May, 2031, both dates inclusive.

20% of the Options shall be vested on the date falling the second anniversary of the Date of Grant and exercisable from 25 May, 2023 to 24 May, 2031, both dates inclusive.

20% of the Options shall be vested on the date falling the third anniversary of the Date of Grant and exercisable from 25 May, 2024 to 24 May, 2031, both dates inclusive.

20% of the Options shall be vested on the date falling the fourth anniversary of the Date of Grant and exercisable from 25 May, 2025 to 24 May, 2031, both dates inclusive.

20% of the Options shall be vested on the date falling the fifth anniversary of the Date of Grant and exercisable from 25 May, 2026 to 24 May, 2031, both dates inclusive.

For further details of the grant, please refer to the announcement of the Company dated 25 May, 2021.

(2) On 15 October, 2021, a total of 17,200,000 Options were granted to certain continuous contract employees of the Group, and the exercise period of the Options are as follows:

20% of the Options shall be vested on the date falling the first anniversary of the Date of Grant and exercisable from 15 October, 2022 to 14 October, 2031, both dates inclusive.

20% of the Options shall be vested on the date falling the second anniversary of the Date of Grant and exercisable from 15 October, 2023 to 14 October, 2031, both dates inclusive.

20% of the Options shall be vested on the date falling the third anniversary of the Date of Grant and exercisable from 15 October, 2024 to 14 October, 2031, both dates inclusive.

20% of the Options shall be vested on the date falling the fourth anniversary of the Date of Grant and exercisable from 15 October, 2025 to 14 October, 2031, both dates inclusive.

20% of the Options shall be vested on the date falling the fifth anniversary of the Date of Grant and exercisable from 15 October, 2026 to 14 October, 2031, both dates inclusive.

For further details of the grant, please refer to the announcement of the Company dated 15 October, 2021.

(3) Save as disclosed, no options had been granted to other chief executive, substantial shareholders of the Company, participants in excess of the individual limit and/or other related entity participants and/or service providers under the Share Option Scheme since its adoption.

For the vesting conditions, in each of the aforesaid exercise period, if a Grantee's performance appraisal result for the preceding calendar year before an exercise period is level B or C, the Board is entitled to cancel some options exercisable in that exercise period of that Grantee; and if a Grantee's performance appraisal result for the preceding calendar year before an exercise period is level D, the Board is entitled to cancel all options exercisable in that exercise period of that Grantee.

During the reporting period, 13,861,000 options (2022: 4,816,000 options) were exercised under Share Option Scheme. For the options exercised during the reporting period, the weighted average closing price of the Shares immediately before the dates on which the options were exercised was HK$18.142 (2022: HK$12.315).

Considering a total of 62,650,000 options were granted before the year ended 31 December, 2022, and no options were granted during the reporting period, the number of options available for grant under the Scheme Mandate Limit as at the 1 January, 2023 and 31 December, 2023 remained as 20,786,880.

Based on the Scheme Mandate Limit and subtracting the number of options exercised, cancelled and/or lapsed, the total number of Shares available for issue under the Share Option Scheme was 57,020,880, representing approximately 6.68% of the issued shares of the Company as at the date of this report.

The number of shares that may be issued in respect of Options granted under the Share Option Scheme of the Company during the year ended 31 December, 2023 divided by the weighted average number of Shares in issue for the year is 6.74%.

Other details of options granted by the Company, including but not limited to the fair value of the options at the date of the grant and the accounting standard and policy adopted, are set out in note 21 to the consolidated financial statements.

SHARE AWARD SCHEME

The Board approved the adoption of a share award scheme for the Company (the "**Share Award Scheme**") on 21 March 2024 (the "**Adoption Date**"). Pursuant to the Share Award Scheme, existing Shares will be purchased by the Computershare Hong Kong Trustees Limited (the "**Trustee**"), a trustee corporation appointed by the Company for the administration of the Scheme, and any additional or replacement trustee (if applicable), from the secondary market out of cash contributed by the Company and be held on trust for the selected employees until such Shares are vested with the selected employees in accordance with the rules of the Share Award Scheme. No share options can be granted under the Share Award Scheme. While the Share Award Scheme constitutes a share scheme under Chapter 17 of the Listing Rules, it does not involve issue of new shares and as such, the adoption of the Share Award Scheme was not subject to Shareholders' approval.

Set out below is a summary of the Share Award Scheme:

Purpose of the Share Award Scheme and who may join

The purpose of the Share Award Scheme is to motivate any employee (the "**Employee**") of the Group employed under a contract of employment and shall include any person who has been an employee of the Company and/or our subsidiaries so employed (including without limitation any executive director of any member of the Group and non-executive director of any member of the Group), and to optimize their performance and efficiency for the benefit of the Group, and retain talents and attract suitable personnel for further development of the Group.

The Board may, from time to time, at its absolute discretion select any Employee (other than any Employees who is resident in a place where, as determined by the Board or the Trustee (as the case may be), the grant, vesting and/or settlement of the awarded shares and related income pursuant to the terms of the Share Award Scheme at the time of the proposed grant, vesting and/or settlement is not permitted under the laws and regulations of such place, or where in the view of the Board or the Trustee (as the case may be), compliance with the applicable laws and regulations of such place makes it necessary or expedient to exclude such Employees) after taking into account various factors as it deems appropriate for participation in the Scheme as a selected employee (the "**Selected Employee(s)**").

Administration of the Share Award Scheme

The Share Award Scheme shall be subject to the administration of the Board in accordance with the rules of the Share Award Scheme. The Board may by resolution delegate any or all of its powers in the administration of the Share Award Scheme to the administrator or any other committee or sub-committee or any person(s) as from time to time authorized by the Board for such purpose. In addition, the remuneration committee of the Company is responsible for the review of relevant matters pertaining to the Share Award Scheme (including but not limited to performance appraisal criteria and procedures) and makes recommendation to the Board from time to time for its consideration and approval on the operations of the Share Award Scheme including the selection of the Employees, the terms of the grant of awards and the other related matters as expressly provided under the Share Award Scheme and the Listing Rules.

Scheme Limit — Maximum number of Shares available for award

Pursuant to the Share Award Scheme, the Board shall not make any further award which will result in the aggregate number of the Shares awarded by the Board under the Share Award Scheme representing in excess of ten (10)% of the total number of the Shares in issue as at the Adoption Date (the "**Scheme Limit**") (i.e.85,312,480 Shares based on the total number of issued Shares of 853,124,800 as at the Adoption Date). During the period from the Adoption Date to the date of this annual report, no Shares had been purchased by the Trustee and no awards had been granted by the Company. As at the date of this annual report, the Scheme Limit represents 10% of the total number of issued shares of the Company.

Maximum entitlement of each participant under the Share Award Scheme

The maximum number of awarded shares that may be awarded to any Selected Employee under the Share Award Scheme shall not exceed 1% of the total number of the Shares in issue of the Company as at the Adoption Date (i.e. 8,531,248 Shares based on the total number of issued Shares of 853,124,800 as at the Adoption Date).

Granting and Vesting

There is no specific requirement on the length of the vesting period of an awarded share. The Board has its absolute discretion to determine and impose any conditions in relation to the number of scheme shares to be awarded to the Selected Employees, the vesting dates of awarded shares (the "**Vesting Date(s)**"), and the vesting terms and conditions (such as individual performance and common key performance indicators) in respect of awarded shares (if any). Unless otherwise stated in the written notice in relation to the grant of awards, Selected Employees who are granted such awards are not required to pay any monetary consideration upon acceptance of the share awards.

Subject to the terms of the Share Award Scheme and the specific terms on which an award is granted, an award held by the Trustee on behalf of the relevant grantee shall vest on the Vesting Date as determined by the Board in accordance with the Listing Rules and notified to the relevant grantee.

Lapse

Any awarded shares shall, to the extent not yet vested, automatically lapse forthwith in certain events, including but not limited to:

— when the Selected Employee fails to remain as an Employee on the relevant Vesting Date;

— when the Selected Employee fails to fulfil the vesting conditions (if any);

— the death of the Selected Employee before the relevant Vesting Date;

— when the Selected Employee's employment with the Company, or any subsidiary, is terminated before the relevant Vesting Date by reason of: dishonesty or serious misconduct, violation of any of the provisions of the Group's employee behavior codes; or

— such other events that the Board considers relevant or appropriate.

Purchase of Shares

The Board may also from time to time pay to the Trustee from the Company's resources a sum of money (the "**Utilised Profit**") as part of the trust fund and instruct the Trustee in writing to purchase Shares on the Hong Kong Stock Exchange at the then prevailing price as instructed and/or approved by the Board. The factors which the Board should take into account when deciding on the Utilised Profit includes the amount of Shares proposed to be purchased, the amount of Scheme Shares which may be granted to the Selected Employees and the related purchase expenses.

Pursuant to the Share Award Scheme, the Board may not instruct the Trustee to acquires Shares in certain circumstances as detailed in the rules of the Share Award Scheme and where dealings in the Shares are prohibited under any code or requirement of the Listing Rules and all applicable laws from time to time. The Company shall also comply with the Listing Rules in relation to the restrictions on the time of grant of awards.

Duration of the Share Award Scheme

The Share Award Scheme shall continue in full force and effect from the Adoption Date and expiring on the day immediately preceding the tenth (10th) anniversary of the Adoption Date (both days inclusive), unless sooner terminated by a resolution of the Board or otherwise as required under any applicable legal and/or regulatory requirements. Therefore, the remaining life of the Share Award Scheme is approximately 9 years and 11 months as at the date of this annual report.

If the Scheme Limit is reached or the Scheme is terminated, the Trustee shall not purchase any Shares pursuant to the rules of the Share Award Scheme, but such rules shall remain in full force and effect in all other respects for existing shares under the Share Award Scheme.

EQUITY-LINKED AGREEMENTS

Saved for the Share Option Scheme mentioned above, no equity-linked agreements were entered into by the Company during or at the end of the financial year ended 31 December, 2023.

SUBSIDIARIES

Details of the Company's principal subsidiaries as at 31 December, 2023 are set out in note 12 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December, 2023, the percentage of the Group's revenue attributable to the Group's largest customer and the five largest customers in aggregate were approximately 93.5% and 99.8% respectively (2022: 98.8% and 99.9% respectively).

During the year ended 31 December, 2023, the percentage of the Group's purchases attributable to the Group's largest supplier and the five largest suppliers in aggregate were approximately 46.7% and approximately 63.2% (2022: approximately 46.7% and approximately 62.2% respectively) respectively.

During the year ended 31 December, 2023, none of the Directors or any of their associates or any shareholders which to the best knowledge of the Directors, who own more than 5% of the Company's issued share capital, had any interest in any of the Group's five largest customers or suppliers.

RETIREMENT BENEFIT SCHEMES

The Group participated in various retirement benefit schemes in accordance with relevant rules and regulations in the PRC, Hong Kong and Korea. Particulars of the retirement benefit schemes are set out in note 20 to the consolidated financial statements.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

The Company has established a formal and transparent procedure for formulating policies on the remuneration of senior management of the Group. Details of the remuneration of each Director for the year ended 31 December, 2023 are set out in note 6 to the consolidated financial statements of this annual report.

In addition to the remuneration of Directors mentioned above, the remuneration of members of the senior management by band for the year ended 31 December, 2023 is set out below:

	2023	2022
Remuneration Bands:	Number of individuals	Number of individuals
HK$1,000,001 (equivalent to $128,001) to HK$1,500,000 (equivalent to $192,000)	**2**	3
HK$1,500,001 (equivalent to $192,001) to HK$2,000,000 (equivalent to $255,000)	**1**	—

DIRECTORS

The Directors during the financial year ended 31 December, 2023 and up to the date of this annual report are:

Executive Directors
Mr. Meng Yan *(Chairman)*
Mr. Wu Ying-Cheng

Non-Executive Directors
Mr. Chen Han-Yang
Mr. Yang Li

Independent non-executive Directors
Ms. Su Yen-Hsueh
Mr. Tsai Chen-Lung
Ms. Liu Xia

In the forthcoming AGM, Mr. Wu Ying-Cheng, Ms. Su Yen-Hsueh and Ms. Liu Xia will retire as Directors in accordance with Article 16.18 of the Articles of Association. All of them are eligible, and will offer themselves for re-election.

DIRECTORS' SERVICE CONTRACTS

None of the Directors offering for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation other than statutory compensation.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 December, 2023.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save for the contracts described under the paragraph headed "Connected Transactions and Continuing Connected Transactions" below and note 26 to the consolidated financial statements, no contracts of significance in relation to the Group's business or for the provision of services to which the Company or any of its subsidiaries was a party and in which a Director or a controlling shareholder of the Company (or any entity connected with a director or controlling Shareholder) had a material interest, whether directly or indirectly, subsisted at the end of 2023 or at any time during 2023.

CONTRACTS WITH CONTROLLING SHAREHOLDERS

Saved as disclosed in the section headed "Connected Transactions and Continuing Connected Transactions" below, no transaction, arrangement or contracts of significance to which the Company or any its subsidiaries was a party and in which a Shareholder had a material interest, whether directly or indirectly, subsisted during the year ended 31 December, 2023.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

During the year, certain related party transactions as set out in note 26 to the consolidated financial statements also constituted connected transactions or continuing connected transactions for the Company under the Listing Rules, and are required to be disclosed in this report in accordance with Chapter 14A of the Listing Rules. Save as disclosed in this report, none of the related party transactions constitutes a continuing connected transaction or connected transaction as defined under the Listing Rules. The disclosure of the following related party transactions has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

The details of the connected transactions and continuing connected transactions are set out below:

Connected transaction — Equipment procurement framework agreement in respect of the purchase of equipment from Luxshare Precision

On 19 April, 2023, the Company entered into the Machinery Purchase Agreement with Luxshare Precision, pursuant to which the Company shall purchase, and Luxshare Precision shall supply, the machinery at a consideration of not more than RMB95,000,000. For further details, please refer to the announcement of the Company dated 19 April, 2023.

As the applicable percentage ratios stipulated under Rule 14.07 of the Listing Rules in respect of the transactions contemplated under the Machinery Purchase Agreement are more than 0.1% but less than 5%, the transactions under the Machinery Purchase Agreement are subject to the reporting and announcement requirements but are exempt from the Independent Shareholders' approval requirement as set out under Chapter 14A of the Listing Rules.

For the year ended 31 December, 2023, the total actual transaction amount under the Machinery Purchase Agreement was approximately US$1,529,000 (equivalent to approximately RMB10,560,000).

Continuing connected transaction — Supply framework agreement in respect of the supply of customized products and/or materials to Guangzhou Luxvisions Innovation Technology Limited ("GLITL")

On 5 May, 2022, the Company and GLITL entered into a supply framework agreement for a term from 6 May, 2022 to 31 December, 2024 in relation to the supply of customized products and/or materials by the group to the GLITL group according to the specifications as provided by the GLITL group, including but not limited to optical glass, optical adhesive, optical coating and related materials or parts in relation to the production of the GLITL group. For further details, please refer to the announcement of the Company dated 5 May, 2022.

For the year ended 31 December, 2023, the total actual transaction amount under the supply framework agreement was approximately US$1,852,000 (equivalent to approximately RMB13,056,000) (2022: US$1,203,000 equivalent to approximately RMB8,057,000) and the annual cap amount for the year ended 31 December, 2023 was RMB43,780,000 (2022: RMB26,200,000).

Guangzhou Luxvisions Innovation Technology Limited ("**GLITL**") is a company incorporated in the PRC and a controlling Shareholder indirectly interested in approximately 71.21% of the entire issued share capital of the Company through Luxvisions Innovation Technology Limited ("**LITL**"), a limited liability company incorporated in Hong Kong and a wholly-owned subsidiary of GLITL. GLITL is owned as to approximately 67.29% by Luxvisions Innovation Limited ("**LIL**"), a company incorporated in Hong Kong with limited liability which is owned as to approximately 53.415% by Mr. Wang Laixi, 43.659% by Luxsan Limited ("**Luxsan**") and as 2.927% by Lite-On Singapore Pte. Limited ("**Lite-On**"). Luxsan is a company incorporated in Hong Kong with limited liability and owned as to by Ms. Wang Laichun (an elder sister of Mr. Wang Laixi), Mr. Wang Laisheng (an elder brother of Mr. Wang Laixi) and Ms. Wang Laijiao (an elder sister of Mr. Wang Laixi) as to 34%, 33% and 33% respectively. Lite-On is a company incorporated in Singapore with limited liability and a wholly-owned subsidiary of Lite-On Technology Corporation 光寶科技股份有限公司 (a company incorporated in Taiwan with limited liability and listed on the Taiwan Stock Exchange (stock code 2301)). As at the date of this report, GLITL is a connected person of the Company. As such, the transactions contemplated under the supply framework agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Continuing connected transaction — Purchase framework agreement in respect of the purchase of customized products from Luxshare Precision Industry Co., Limited ("Luxshare Precision")

On 20 May, 2022, the Company and Luxshare Precision entered into a purchase framework agreement for a term from 23 May, 2022 to 31 December, 2022 for the supply of the products by the Luxshare Precision group to the Group according to the specifications as requested by the Group, including but not limited to front and rear facing cameras of smartphones and cameras of tablets in relation to the production of the Group. For further details, please refer to the announcement of the Company dated 20 May, 2022.

As the term of the transactions contemplated under the purchase framework agreement expired on 31 December, 2022 and the Group expected to continue the relevant transactions upon expiration of the term, on 29 December, 2022, the Company entered into the New Purchase Framework Agreement with Luxshare Precision to extend the term of the existing purchase framework agreement for one year commencing on 1 January, 2023. For further details, please refer to the announcement of the Company dated 29 December, 2022.

On 19 April, 2023, the Company entered into the Supplemental Purchase Framework Agreement with Luxshare Precision to revise the 2023 annual cap from US$20,000,000 to US$45,000,000 and to extend the term of the agreement to 31 December, 2025. For further details, please refer to the announcement of the Company dated 19 April, 2023 and the circular of the Company dated 8 June, 2023.

For the year ended 31 December, 2023, the total actual transaction amount under the purchase framework agreement was approximately US$6,632,000 and the annual cap amount for the year ended 31 December, 2023 was US$45,000,000.

Luxshare Precision Industry Co., Limited ("**Luxshare Precision**") (立訊精密工業股份有限公司), is a company incorporated in the PRC with limited liability and listed on the Shenzhen Stock Exchange (stock code: 002475). Ms. Wang Laichun and Mr. Wang Laisheng, who are the controlling Shareholders and indirectly interested in approximately 71.21% of the issued share capital of the Company, together are also indirectly interested in approximately 38.21% of the equity interests, and Mr. Wang Laisheng is also directly interested in approximately 0.17% equity interests, of Luxshare Precision. Hence, Luxshare Precision is an associate (as defined under Chapter 14A of the Listing Rules) of Ms. Wang Laichun and Mr. Wang Laisheng and a connected person of the Group. Ms. Wang Laichun and Mr. Wang Laisheng are siblings of Mr. Wang Laixi, one of the controlling Shareholders.

Continuing connected transaction — Materials procurement framework agreement in respect of the purchase of customized products from GLITL

On 2 September, 2022, the Company and GLITL entered into a materials procurement framework agreement for a term from 3 September, 2022 to 31 December, 2022 for the supply of materials by the GLITL group to the Group according to the specifications as requested by the Group, including but not limited to circuit board assembly (including LIDAR printed circuit board assembly) and related raw materials, stores, consumables and other materials in relation to the production of the Group. For further details, please refer to the announcement of the Company dated 2 September, 2022.

On 29 December, 2022, the Company entered into the new materials procurement framework agreement with GLITL, to extend the term of the existing agreement for one year commencing on 1 January, 2023. For further details, please refer to the announcement of the Company dated 29 December, 2022.

On 19 April, 2023, the Company entered into the Supplemental Materials Procurement Framework Agreement with GLITL to revise the 2023 annual cap from RMB70,000,000 to RMB73,000,000 and to extend the term of the agreement to 31 December, 2025. For further details, please refer to the announcement of the Company dated 19 April, 2023 and the circular of the Company dated 8 June, 2023.

On 10 November, 2023, the Company entered into the Second Supplemental Materials Procurement Framework Agreement with GLITL to further revise the 2023 annual cap from RMB73,000,000 to RMB123,000,000. For further details, please refer to the announcement of the Company dated 10 November, 2023 and the circular of the Company dated 5 December, 2023.

For the year ended 31 December, 2023, the total actual transaction amount under the materials procurement framework agreement was approximately US$9,817,000 (equivalent to approximately RMB69,756,000) and the annual cap amount for the year ended 31 December, 2023 was RMB123,000,000.

Continuing connected transaction — Supply framework agreement in respect of the supply of customized products to Suteng

On 19 April, 2023, Dongguan Luxsense Innovation Electronics Limited ("**Luxsense**"), a subsidiary which is owned as to 51% by the Company, entered into the ST Supply Framework Agreement with Suteng Innovation Technology Company Limited ("**Suteng**") for a term from 20 April, 2023 to 31 December, 2025 for supply the LS Products to Suteng. For further details, please refer to the announcement of the Company dated 19 April, 2023 and the circular of the Company dated 8 June, 2023.

On 10 November, 2023, Luxsense entered into the Supplemental ST Supply Framework Agreement with Suteng to revise the 2023 annual cap from RMB211,000,000 to RMB400,000,000. For further details, please refer to the announcement of the Company dated 10 November, 2023 and the circular of the Company dated 5 December, 2023.

For the year ended 31 December, 2023, the total actual transaction amount under the ST Supply Framework Agreement was approximately US$52,566,000 (equivalent to approximately RMB373,797,000) and the annual cap amount for the year ended 31 December, 2023 was RMB400,000,000.

Suteng is interested in 49% of the equity interest of Luxsense since February 2023 and is therefore a connected person at the subsidiary level of the Group. It is wholly-owned by RoboSense HongKong Limited. Save as disclosed above, to the best knowledge, information and belief of the Directors after having made all reasonable enquiries, the ultimate beneficial owner of Suteng has a diverse shareholder base, including (i) Luxshare Limited (which in turn is owned by Ms. Wang Laichun and Mr. Wang Laisheng who are the controlling Shareholders indirectly interested in approximately 71.20% of the issued share capital of the Company through LITL as at the date of this annual report); and (ii) a single largest shareholder being Mr. Qiu Chunxin, an independent third party of the Company and its connected person, who are interested in approximately 2.35% and 11.58% of the total issued share capital of the ultimate holding company of Suteng as at the date of this annual report, respectively.

Annual review of the continuing connected transactions

The independent non-executive Directors have reviewed the above continuing connected transactions and confirmed that the transactions have been entered into:

a. In the ordinary and usual course of business of the Group;

b. According to normal commercial terms or terms better to the Group than terms available to or from, as appropriate, independent third parties;

c. According to the agreement governing them on terms that are fair and reasonable and in the interests of the Company's shareholders as a whole; and

d. The total annual transaction amount for the year ended 31 December, 2023 has not exceeded the respective annual cap.

The Directors confirmed that the auditors of the Company have confirmed the matters set out in the Listing Rule 14A.56.

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagement 3000 (Revised) "Assurance Engagement Other than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 (Revised) "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued its unqualified letter containing its findings and conclusions in respect of the continuing connected transactions disclosed above in accordance with Listing Rule 14A.56.

RELATED PARTY TRANSACTIONS

Details of the material related party transactions undertaken by the Group in its normal course of business are set out in note 26 to the consolidated financial statements.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at 31 December, 2023, none of the Directors is interested in any business, apart from the Group's businesses, which competes or is likely to compete, either directly or indirectly, with the businesses of the Group.

DIRECTORS' AND CHIEF EXECUTIVE OFFICERS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ITS ASSOCIATED CORPORATIONS

As at 31 December, 2023, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO which were required (a) to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they have taken or deemed to have under such provisions of the SFO); or (b) to be recorded in the register required to be kept pursuant to Section 352 of the SFO; or (c) as otherwise to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code were as follows:

Name of Director	Title	Nature of interest	Number of Shares or underlying Shares	Approximate percentage of shareholding interest
Meng Yan	Executive Director, Chairman	Beneficial interest *(Note)*	3,150,000	0.37
Wu Ying-Cheng	Executive Director, Chief executive officer and Chief financial officer	Beneficial interest *(Note)*	1,980,000	0.23
Chen Han-Yang	Non-executive Director	Beneficial interest *(Note)*	1,680,000	0.20
Yang Li	Non-executive Director	Beneficial interest *(Note)*	1,680,000	0.20

Note: These interests represented the interests in underlying shares in respect of the share options granted by the Company to the Directors under the Share Option Scheme.

Save as disclosed above, as of 31 December, 2023, so far as is known to the Directors or chief executive of the Company, none of the Directors or chief executive of the Company had interests or short positions in the Shares, underlying Shares and debentures of the Company or its associated corporations which (a) were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to Section 352 of the SFO, to be recorded in the register referred to therein; or (c) were required, pursuant to the Model Code, to be notified to the Company and the Hong Kong Stock Exchange.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS IN SHARES, UNDERLYING SHARES OF THE COMPANY

As at 31 December, 2023, the following persons (other than the Directors or chief executive of the Company) had interests or short positions in the Shares or relevant Shares which were required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Interest of substantial shareholders

Name of shareholder	Nature of interest	Number of Shares or underlying Shares	Approximate percentage of shareholding interest[2]
Luxvisions Innovation Technology Limited[1]	Beneficial interest	607,455,760 551,229,760	71.21% (L) 64.62% (S)[3]
Mr. Wang Laichun[1]	Interest in a controlled corporation	607,455,760 551,229,760	71.21% (L) 64.62% (S)[3]
Mr. Wang Laisheng[1]	Interest in a controlled corporation	607,455,760 551,229,760	71.21% (L) 64.62% (S)[3]
Ms. Wang Laijiao[1]	Interest in a controlled corporation	607,455,760 551,229,760	71.21% (L) 64.62% (S)[3]
Mr. Wang Laixi[1]	Interest in a controlled corporation	607,455,760 551,229,760	71.21% (L) 64.62% (S)[3]
Luxsan[1]	Interest in a controlled corporation	607,455,760 551,229,760	71.21% (L) 64.62% (S)[3]
LIL[1]	Interest in a controlled corporation	607,455,760 551,229,760	71.21% (L) 64.62% (S)[3]
GLITL[1]	Interest in a controlled corporation	607,455,760 551,229,760	71.21% (L) 64.62% (S)[3]

(1) Luxvisions Innovation Technology Limited ("**LITL**"), is a limited liability company incorporated in Hong Kong and a wholly-owned subsidiary of Guangzhou Luxvisions Innovation Technology Limited ("**GLITL**"), which is a company incorporated in the PRC. GLITL is owned as to approximately 58.35% by Luxvisions Innovation Limited ("**LIL**"), a company incorporated in Hong Kong with limited liability, which is owned as to approximately 53.415% by Mr. Wang Laixi, 43.659% by Luxsan Limited ("**Luxsan**") and as 2.927% by Lite-On Singapore Pte. Limited ("**Lite-On**"). Luxsan is a company incorporated in Hong Kong with limited liability and owned as to by Ms. Wang Laichun (an elder sister of Mr. Wang Laixi), Mr. Wang Laisheng (an elder brother of Mr. Wang Laixi) and Ms. Wang Laijiao (an elder sister of Mr. Wang Laixi) as to 34%, 33% and 33% respectively. Lite-On is a company incorporated in Singapore with limited liability and a wholly-owned subsidiary of Lite-On Technology Corporation 光寶科技股份有限公司 (a company incorporated in Taiwan with limited liability and listed on the Taiwan Stock Exchange (stock code 2301)). Each of Ms. Wang Laichun, Mr. Wang Laisheng, Ms. Wang Laijiao, Mr. Wang Laixi, Luxsan, LIL and GLITL is deemed, or taken to be, interested in the Shares held by LITL for the purposes of the SFO.

(2) At as 31 December, 2023, the total number of issued shares of the Company was 853,045,800 ordinary shares. (L) denotes long position, and (S) denotes short position.

(3) LITL has pledged an aggregate of 551,229,760 Shares in favour of a licensed bank in Hong Kong as security for its banking facilities granted by said bank, representing approximately 64.62% of the total issued share capital of the Company as at 31 December, 2023.

Saved as disclosed above, as at 31 December, 2023, the Directors were not aware of any person (other than Directors or chief executive and substantial shareholders of the Company the interests of which were disclosed above) who had an interest or short position in the securities of the Company that were required to be entered in the register of the Company pursuant to section 336 of the SFO as at 31 December, 2023.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, during the financial year ended 31 December, 2023 and up to the date of this report, there has been sufficient public float of more than 25% of the Company's issued shares as required under the Listing Rules.

EVENTS AFTER THE FINANCIAL YEAR ENDED 31 DECEMBER, 2023

Save as disclosed above, there were no significant events affecting the Company nor any of its subsidiaries after the financial year ended 31 December, 2023 requiring disclosure in this report.

CORPORATE GOVERNANCE

Principal corporate governance practices adopted by the Company are set out in the "Corporate Governance Report" section on pages 42 to 74 of this annual report.

AUDIT COMMITTEE

The Audit Committee had reviewed together with the management and KPMG, the Company's auditor, the accounting principles and policies adopted by the Group and the audited consolidated financial statements for the year ended 31 December, 2023.

AUDITOR

KPMG retire and, being eligible, offer themselves for re-appointment. A resolution for the reappointment of KPMG as the Company's auditors is to be proposed at the forthcoming AGM. The Company confirmed that there is no disagreement with the audit committee on such reappointment. The Company did not change its auditor in the preceding three years.

ENVIRONMENTAL POLICIES

The Group is committed to contributing to the sustainability of the environment and is committed to building an environmentally-friendly corporation that pays close attention to conserving natural resources. We strive to minimize our environmental impact by saving electricity and encouraging recycle of office supplies and other materials.

For more details of the policies of environmental responsibility and sustainability, please refer to the Environmental, Social and Governance Report of the Company set out on pages 75 to 100 of this annual report.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

During the year ended 31 December, 2023, as far as the Company is aware, there was no material breach of or non-compliance with the relevant laws and regulations by the Group that have a significant impact on the business and operations of the Group.

FINANCIAL KEY PERFORMANCE INDICATORS

For the year ended 31 December, 2023, the Group's total revenue decreased by 17.2% to US$923.8 million (2022: US$1,116.2 million). Profit for this year decreased by approximately 44.6% to approximately US$46.4 million (2022: US$83.8 million). Net profit margin was 5.0% (2022: 7.5%) for the year ended 31 December, 2023. Earnings per share were US$0.06 (2022: US$0.10).

Overall revenue increase was mainly due to increase unit price of products.

The Group financial position still remained solid. The Group was able to generate positive operating cashflows for the year ended 31 December, 2023 which amounted to US$113.4 million (2022: US$97.1 million).

Average inventory turnover days of the Group were 62.4 days for 2023, which is greater than the 53.7 days for 2022. Average turnover days of trade receivables increased to 66.1 days for the year ended 31 December, 2023 as compared to 47.5 days for the year ended 31 December, 2022. Average trade payable turnover days were 92.9 days for the year ended 31 December, 2023 as compared with 53.2 days for the year ended 31 December, 2022.

KEY RELATIONSHIPS

(i) Employees

Human resources are one of the greatest assets of the Group and the Group regards the personal development of its employees as highly important. The Group wants to continue to be an attractive employer for committed employees.

The Group strives to motivate its employees with a clear career path and opportunities for advancement and improvement of their skills. The Group provides on-the-job training and development opportunities to our staff members.

In addition, the Group offers competitive remuneration packages to our employees. The Group has also adopted the Share Option Scheme to recognize and reward the contribution of the employees to the growth and development of the Group.

(ii) Suppliers

We have developed long-standing relationships with a number of our suppliers and take a great care to ensure that they share our commitment to quality and ethics. We carefully select our suppliers and require them to satisfy certain assessment criteria including experience, reputation and quality control effectiveness.

(iii) Customers

We are committed to offer quality services to our customers. We also stay connected with our customers and keep them updated of our latest business developments.

Details of principal risks are set out in corporate governance report and details of future development is set out in management discussion and analysis.

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the independent non-executive Directors an annual confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that all of the independent non-executive Directors are independent.

PERMITTED INDEMNITY PROVISION

The Articles of Associations provide that the Directors or other officers of the Company shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities incurred or sustained by him as a Director or other officer of the Company in defending any proceedings, civil or criminal, in which judgment is given in his favour, or in which he is acquitted.

The Company has arranged appropriate insurance cover in respect of potential legal actions against its Directors and senior management members as well as directors of the subsidiaries of the Group.

On behalf of the Board
Cowell e Holdings Inc.

Meng Yan
Chairman

Hong Kong, 21 March, 2024

Corporate Governance Report

The Company believes that maintaining high standards of corporate governance is the foundation for effective management and successful business growth. The Company is committed to developing and maintaining robust corporate governance practices to safeguard the interests of Shareholders and to enhance corporate value, accountability and transparency of the Company.

The Company has adopted the principles and code provisions of the Corporate Governance Code and Corporate Governance Report (the "**CG Code**") set out in Appendix C1 (formerly known as Appendix 14) to the Listing Rules as the basis of the Company's corporate governance practices. The CG Code has been applicable to the Company with effect from the Listing Date. On 1 January, 2022, the amendments to the CG Code as set out in Appendix C1 (formerly known as Appendix 14) of the Listing Rules came into effect and the requirements under the CG Code will apply to corporate governance reports for financial year commencing on or after 1 January, 2022. Throughout the financial year ended 31 December, 2023 and up to the publication date of this annual report, the Company has complied with all applicable code provisions of the CG Code.

SECURITIES TRANSACTIONS

The Company has adopted the Model Code as the code of conduct regarding Directors' dealings in the securities of the Company.

The Company, after making specific inquiries to all Directors, confirmed that all of them have complied with the required standards in the Model Code during the year ended 31 December, 2023.

THE BOARD OF DIRECTORS

Board Responsibilities

The Board is at the core of the Company's corporate governance structure, and is responsible for the overall strategic leadership and planning of the Company. All important matters of the Company are reserved for the Board's decision and the Board retains the authority of deciding such matters, including formulating and monitoring the Company's long term strategies and policy matters, reviewing financial performance, approving annual budgets, monitoring and reviewing internal control and risk management systems, assuming responsibility for the corporate governance of the Company, and upholding the core values of the Company.

Delegation by the Board

The Board relies on management for the day-to-day operation of the Company's business, and has delegated the authority and responsibility for the daily management, administration and operation of the Group as well as the implementation of the Board's policies and strategies to the senior management of the Group. The Board and senior management fully appreciate their respective responsibilities, and they complement each other in formulating and maintaining higher standards of corporate governance practices of the Company.

Board Composition

The Board is structured with a view to ensuring that it is of high caliber and has a balance of skills and experience appropriate for the needs of the Company's business. The Board comprises seven members, consisting of two executive Directors, two non-executive Directors and three independent non-executive Directors as set out below.

Executive Directors
Mr. Meng Yan *(Chairman)*
Mr. Wu Ying-Cheng

Non-executive Directors
Mr. Chen Han-Yang
Mr. Yang Li

Independent non-executive Directors
Ms. Su Yen-Hsueh
Mr. Tsai Chen-Lung
Ms. Liu Xia

Further description of the biographical details and backgrounds of the Board members are set out under the section headed "Directors and Senior Management" in this annual report. A list of the Directors is available on the designated website of the Hong Kong Stock Exchange and the website of the Company.

There is no financial, business, family or other material or relevant relationships among the Directors.

Executive Directors

Each of the executive Directors has entered into a letter of appointment with the Company for an initial term for three years commencing from 15 January, 2021.

Under the Articles of Association, every Director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. Retiring Directors shall be eligible for re-election at the annual general meeting at which he retires.

Non-Executive Directors

Each of the non-executive Directors has entered into a letter of appointment with the Company for an initial term for three years commencing from 1 March, 2021. Under the Articles of Association, every Director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. Retiring Directors shall be eligible for re-election at the annual general meeting at which he retires.

Independent Non-executive Directors

Ms. Su Yen-Hsueh and Mr. Tsai Chen-Lung have entered into a letter of appointment with the Company for an initial term of three years commencing from 15 January, 2021 and Ms. Liu Xia has entered into a letter of appointment with the Company for an initial term of three years commencing from 26 July, 2021. The Company has three Independent non-executive Directors and the Audit Committee comprises of three members (who are all independent non-executive Directors) and therefore the Company is in compliance with the requirements under Rules 3.10(1) and 3.21 of the Listing Rules.

Independent non-executive Directors play an important role in the Board by bringing independent judgment and advice and through scrutiny of the Company's performance. During the year ended 31 December, 2023, save as disclosed above, the Company was in compliance with Rules 3.10(1) and 3.10(2) of the Listing Rules relating to the appointment of at least three independent non-executive Directors with at least one of them possessing the appropriate professional qualifications or accounting or related financial management expertise. The Company had also complied with Rule 3.10A of the Listing Rules which requires that independent non-executive Directors appointed must represent at least one-third of the Board.

As at 31 December, 2023, none of the independent non-executive Directors has served the Company for more than nine years, or has held seven or more listed company directorship.

Each of the independent non-executive Directors had confirmed his/her independence pursuant to Rule 3.13 of the Listing Rules, and the Company considered each of them to be independent with reference to the criteria set out in Rule 3.13 of the Listing Rules.

The Board will continue to review and consider whether there are any circumstances that are likely to affect the independence of the independent non-executive Directors.

CHAIRMAN AND CHIEF EXECUTIVE

Pursuant to Code Provision C.2.1 of the CG Code, the role of chairman and the chief executive should be segregated and should not be performed by the same individual. During the year ended 31 December, 2023, the Company had a separate chairman and chief executive.

The Directors consider that the Company had fully complied with the applicable code provisions as set out in the Code of Corporate Governance Practices as contained in Appendix 14 during the year ended 31 December, 2023.

APPOINTMENT, RETIREMENT AND RE-ELECTION OF DIRECTORS

The Articles of Association provide that any Director appointed by the Board to fill a casual vacancy shall hold office only until the first general meeting of the Company after his appointment and be subject to re-election at such meeting. Any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following general meeting of the Company and shall then be eligible for re-election.

At each annual general meeting of the Company, one-third of the current Directors should retire from office by rotation, provided that every Director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. A retiring Director shall be eligible for re-election.

Where the Board proposes a resolution to elect an individual as an independent non-executive Director at the general meeting, it should set out in the circular to the Shareholders and/or explanatory statement accompanying the notice of the relevant general meeting (i) if an independent non-executive Director to be re-elected has served more than nine years, why the Board believes the individual would still be independent and should be re-elected, or (ii) if the proposed independent non-executive Director will be holding their seventh (or more) listed company directorship, why the Board believes the individual would still be able to devote sufficient time to the Board.

The Nomination Committee is responsible for reviewing the Board's structure, size and composition and making recommendations to the Board on the appointment and re-appointment of Directors and succession planning of Directors.

INDUCTION AND CONTINUOUS PROFESSIONAL DEVELOPMENT

The Directors have been provided with relevant training to ensure that they fully understand their responsibilities, duties and obligations as directors of a listed company.

Pursuant to the Code Provision C.1.4, the Company has received from the below directors, being all Directors during the year ended 31 December, 2023, a record of the training they received for the year.

Directors	Reading materials	Attend seminars/ conference/ workshops
Executive Directors		
Meng Yan	√	√
Wu Ying-Cheng	√	√
Non-Executive Directors		
Chen Han-Yang	√	√
Yang Li	√	√
Independent Non-Executive Directors		
Su Yen-Hsueh	√	√
Tsai Chen-Lung	√	√
Liu Xia	√	√

The Directors will continue to be updated by the Company on any changes or developments affecting their obligations as directors of a listed company.

BOARD MEETINGS

Notice of regular Board meetings is given to each Director at least 14 days before the meeting. The agenda and the relevant board papers were circulated to each Director at least three days before regular Board meetings to enable them to make informed decisions at the meeting.

ATTENDANCE RECORDS OF BOARD AND GENERAL MEETINGS

Code provision C.5.1 of the CG Code requires that at least four regular Board meetings should be held each year at approximately quarterly intervals, with active participation of a majority of directors, either in person or through other electronic means of communication.

The Board intends to hold Board meetings regularly at least four times a year at approximately quarterly intervals. Other Board meetings will be held if necessary.

Details of Directors' attendance records during the financial year ended 31 December, 2023 are set out below:

	Meetings Attended/Held					
Directors	**Board**	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**	**2023 AGM**	**2023 EGM**
Executive Directors						
Meng Yan	6/6	N/A	N/A	N/A	1/1	2/2
Wu Ying-Cheng	6/6	N/A	N/A	N/A	1/1	2/2
Non-Executive Directors						
Chen Han-Yang	6/6	N/A	N/A	N/A	1/1	2/2
Yang Li	6/6	N/A	N/A	N/A	1/1	2/2
Independent Non-Executive Directors						
Su Yen-Hsueh	6/6	2/2	1/1	1/1	1/1	2/2
Tsai Chen-Lung	6/6	2/2	1/1	1/1	1/1	1/2
Liu Xia	6/6	2/2	1/1	1/1	1/1	2/2

The date of each meeting is decided in advance to enable the Directors to attend the meeting. Draft notice and agenda were sent to all Directors at least 3 days prior to the meeting. Management also supplies the Board and its committees with sufficient information and explanations so as to enable them to make an informed assessment of financial and other information out before the Board and its committee for approval. Management is also invited to join Board Meetings where appropriate.

If a Director has a conflict of interest in a matter before the Board, the matter will be dealt with in accordance with applicable rules and regulations and, if appropriate, an independent board committee will be set up to deal with the matter. The interest Director shall abstain from voting when appropriate.

The chairman of the Board also held a meeting with the independent non-executive Directors without the presence of other directors pursuant to code provision C.2.7 of the CG code during the year ended 31 December, 2023.

INDEPENDENT VIEWS

To ensure that independent views and input are available to the Board, the Company has maintained various measures and mechanisms. In compliance with Code provisions C.5.6 and C.5.9 under part 2 of Appendix C1 (formerly Appendix 14) of the Listing Rules, the Board and its committees are provided with adequate and update information and have separate and independent access to the senior management of the Company for purpose of making informed decisions. In particular, all members of the Board are entitled to have timely access to the information of the Group (including but not limited to management accounts, financial information, operational results and statistics, and other relevant industry and market information, statistics and forecasts), as well as assistance of the Company Secretary and professionals such as independent financial advisers and legal counsels if necessary at the expense of the Company. Furthermore, the audit committee of the Company is also entitled to contact, and has discussed with, external auditors of the Company on an annual basis to discharge its duties. Our Board members are also encouraged to seek inputs from other stakeholders such as suppliers, employees and as well as investors (via the investor relations channels) in appropriate circumstances to ensure that different views and expectations are taken into account in the decision-making process to the extent appropriate.

The implementation and effectiveness of the relevant measures and mechanisms are reviewed by the Board on an annual basis. The Board is satisfied that there are effective and sufficient formal or informal channels in place to ensure that independent views and input are reached at the Board level.

BOARD COMMITTEES

The Board has established three Board committees to oversee particular aspects of the Company's affairs, namely the Audit Committee, the Remuneration Committee and the Nomination Committee. The Board has delegated to the Board committees responsibilities as set out in their respective terms of reference. The independent non-executive Directors, as members of the various Board committees, bring their range of experiences and expertise and provide objective perspectives to them. The Board has provided the Board committees with sufficient resources to discharge their duties, and the Board committees may seek independent professional advice as and when required at the Company's expense. The Board also assumes the responsibilities for corporate governance duties as set out in Code Provision A.2.1 of the CG Code, including among others, reviewing the Company's policies and practices on corporate governance, and reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements.

Audit Committee

The Audit Committee comprises three members, all of whom are independent non-executive Directors. It is currently chaired by Ms. Liu Xia, and its other members are Ms. Su Yen-Hsueh and Mr. Tsai Chen-Lung.

The primary functions of the Audit Committee include the following:

- making recommendations to the Board on the appointment, reappointment and removal of external auditors, and to approve remuneration and terms of such engagement;

- reviewing and monitoring the external auditors' independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;

- discussing with the external auditors the nature and scope of the audit and reporting obligations before the audit commences;

- developing and implementing policy on engaging external auditors to supply non-audit services;
- monitoring the integrity of the Company's financial statements and annual report and accounts, half-yearly reports and, if prepared for publication, quarterly reports, and to review significant financial reporting opinions contained in them;
- reviewing the Company's financial controls, risk management and internal control systems and discussing the internal control system with management to ensure that management has performed its duty to have an effective internal control system;
- reviewing continuing connected transactions, with a recommendation to the Board for approval;
- considering major investigation findings on risk management and internal control matters as delegated by the Board or on the Audit Committee's own initiative, as well as management's response to these findings;
- establishing a whistleblowing policy and system for employees and those who deal with Company to raise concerns, in confidence and anonymity;
- establishing and reviewing the anti-corruption policy and system of the Group, and ensuring that the anti-corruption policy and system remain adequate of any applicable legislation including in China and Hong Kong; and
- reviewing the Group's financial and accounting policies and practices.

During the year ended 31 December, 2023, Audit Committee reviewed the annual report and annual results announcement for the financial year ended 31 December, 2022 and the interim report and interim results announcement for the six months ended 30 June, 2023 with recommendation to the Board for approval. The Audit Committee reviewed and approved of the KPMG's confirmation of independence, its report to the Audit Committee and the management representation letter for the year with a recommendation to the Board for the re-appointment of KPMG at the 2023 annual general meeting of the Company. The Audit Committee reviewed and assessed of effectiveness of the risk management, internal control systems, connected transactions reports and internal audit reports. The Audit Committee also reviewed its terms of reference to ensure the content of which is in compliance with the Listing Rules.

The written terms of reference of the Audit Committee (as adopted by the Board on 4 February, 2015 and further revised on 29 December, 2022) are available on the website of the Company and the designated website of the Hong Kong Stock Exchange. The Audit Committee holds at least two meetings each year from 2015 onwards. The Audit Committee held two meetings during the financial year ended 31 December, 2023.

Remuneration Committee

The Remuneration Committee comprises three members, all of whom are independent non-executive Directors. It is currently chaired by Ms. Su Yen-Hsueh, and its other members are Mr. Tsai Chen-Lung and Ms. Liu Xia.

The primary functions of the Remuneration Committee include the following:

- reviewing and making decisions in respect of the remuneration packages and overall benefits for the Directors and senior management of the Company based on the Board's delegation given on 15 April, 2015;

- making recommendations to the Board on the Company's policy and structure for all directors' and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;

- reviewing and approving the management's remuneration proposals with reference to the Board's corporate goals and objectives;

- making decisions on the remuneration packages of individual executive directors based on the Board's delegation given on 15 April, 2015 by adopting the model described under Code Provision E.1.2(c)(i) of the CG Code;

- to review and/or approve matters relating to share schemes under Chapter 17 of the Listing Rules, including any grants of options or awards to directors or senior management, and to make disclosure and give explanation on the appropriateness to such material matters (if any) being approved in the corporate governance report;

- making recommendations to the Board on the remuneration of non-executive directors;

- assessing the performance of executive directors and approving the terms of executive directors' service contracts; and

- ensuring that no Director or any of his associates is involved in deciding his own remuneration.

In particular, when considering the potential grant of share options to the eligible employees of the Group, the Remuneration Committee will take into account, among others, the strategic goals of the Company, if the employees had achieved the targets for the preceding year, the terms of the share option scheme of the Company and other recommendations from senior management of the Company, to ensure that any potential grant is align with market practice, and the grantees' interests with those of the Group and the Shareholders. As a result, directors and eligible employees of the Group may be granted a certain number of share options under the share option scheme adopted by the Company from time to time. Such awards may be granted upon the recommendation of the Remuneration Committee and approval by the Board in accordance with the terms of the share option scheme of the Company and the Listing Rules.

As a result of the adoption of the Share Award Scheme of the Company after the year ended 31 December 2023, going forward, the Remuneration Committee will also take into account the aforementioned factors and the rules of the Share Award Scheme when reviewing relevant matters pertaining to the Share Award Scheme (including but not limited to performance appraisal criteria and procedures) and makes recommendation to the Board from time to time for its consideration and approval on the operations of the Share Award Scheme, including the selection of the Employees, the terms of the grant of awards and the other related matters as expressly provided under the Share Award Scheme and the Listing Rules.

The work performed by the Remuneration Committee (as adopted by the Board on 4 February, 2015 and revised on 29 December, 2022) during the year ended 31 December, 2023 included the review and approval of the emoluments and performance bonus of the Directors. The Remuneration Committee was of the opinion that the remuneration packages were fair and commensurate with the market. The Remuneration Committee also reviewed its terms of reference to ensure the content of which is in compliance with the Listing Rules. The Company confirms that there is no disagreement between the Board and the remuneration committee on any remuneration or compensation arrangements.

The written terms of reference of the Remuneration Committee are available on the website of the Company and the designated website of the Hong Kong Stock Exchange. The Remuneration Committee holds at least one meeting each year from 2015 onwards. The Remuneration Committee held one meeting during the financial year ended 31 December, 2023.

Nomination Committee

The Nomination Committee comprises three members, all of whom are independent non-executive Directors. It is currently chaired by Mr. Tsai Chen-Lung, and its other members are Ms. Su Yen-Hsueh and Ms. Liu Xia.

The primary functions of the Nomination Committee include the following:

- reviewing the structure, size and composition (including without limitation, gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service) of the Board and making recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

- identifying individuals suitably qualified to become members of the Board and selecting or making recommendations to the Board on the selection of individuals nominated for directorships. In identifying suitable individuals, the Nomination Committee shall consider individual on merit and against the objective criteria, with due regard for the benefits of diversity on the Board;

- assessing the independence of independent non-executive Directors;

- reviewing the board diversity policy, as appropriate, and review the measurable objectives that the Board has set for implementing the board diversity policy, and the progress on achieving the objectives, and reviewing the implementation and effectiveness of the board diversity policy on an annual basis;

- making recommendations to the Board on the appointment or reappointment of Directors and succession plan for Directors;

- developing, reviewing and disclosing the policy for nomination of directors (the "**Nomination Policy**"), as appropriate, in the Company's corporate governance report annually;

- establishing and making recommendation to the Board on, where appropriate, mechanism(s) to ensure independent views and input are available to the Board and disclose such mechanism(s) in the corporate governance report of the Company, and review the implementation and effectiveness of such mechanism on an annual basis.

The written terms of reference of the Nomination Committee (as adopted by Board on 4 February, 2015 and further revised on 29 December, 2022) are available on the website of the Company and the designated website of the Hong Kong Stock Exchange. The Nomination Committee held at least one meeting each year from 2015 onwards. The Nomination Committee held one meeting during the financial year ended 31 December, 2023.

During the year ended 31 December, 2023, the Nomination Committee reviewed the structure, size and composition of the Board with reference to the skill, knowledge, experience and diversity of the Board. They reviewed and assessed the independence of all independent non-executive Directors and recommended to the Board for approval for the list of retiring directors for re-election at the annual general meeting of the Company. The Nomination Committee also reviewed its terms of reference to ensure the content of which is in compliance with Listing Rules.

Board Diversity Policy

The Nomination Committee has a board diversity policy under which, with the assistance of the Nomination Committee, the Company will implement its Board members selection process by referring to various factors, including but not limited to gender, age, cultural and educational background, ethnicity, professional expertise, independence, skills, knowledge and length of service. Decision shall ultimately be made based on the merits of and contribution to be made by the candidate.

The Board currently has two female Directors out of seven Directors. The current gender diversity of the Board, which 28.6% of the Directors being female Directors, stands at a relatively high level among companies of the same industry listed on the Stock Exchange. Gender diversity of the Board was achieved throughout the year ended 31 December, 2023 as the Board adhered to our board diversity policy. The Company will use its best endeavors to maintain gender diversity at least at a level of 22% female representation in the Board, subject to any changes to the business model and needs of the Group.

Having considered the business needs of the Company, the Board and the Nomination Committee considers that the current Board is sufficiently diversified in terms of its skills, experience, knowledge, expertise, culture, independence, age and gender.

Nomination Policy

The Nomination Committee has adopted a Nomination Policy that sets out the nomination procedures, process and criteria to select and recommend candidates for directorship.

Selection Criteria

In assessing the suitability of a candidate for directorship, the following criteria (the "**Criteria**") should be considered:

(a) character and integrity;

(b) qualifications including professional qualifications, skills, knowledge, accomplishment and experience that are relevant to the Company's business and corporate strategy;

(c) diversity in all aspects, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service;

(d) commitment in respect of available time and relevant interest; and

(e) potential contributions that the individual can bring to the Board in terms of qualifications, skills, experience, independence and gender diversity.

The Nomination Committee will evaluate and recommend candidate(s) for the position of the independent non-executive Directors by taking into account (a) the factors set out in Rules 3.10(2) and 3.13 of the Listing Rules, subject to any amendments as may be made from time to time and/or any other rules imposed by the Stock Exchange from time to time; and (b) the Criteria.

Nomination Procedures

The Nomination Committee will recommend to the Board for appointment as additional Director or to fill Board's casual vacancy in accordance with the following procedures:

(a) the Nomination Committee may consult any source it deems appropriate in identifying or selecting suitable candidates, such as referrals from existing Directors, recommendations from personnel agents or as proposed by shareholders of the Company with due consideration given to the Criteria;

(b) the Nomination Committee may adopt any process it deems appropriate in evaluating the suitability of the candidates, such as interviews, background checks and third-party reference checks;

(c) the Nomination Committee will hold a meeting and/or by way of written resolutions to, if thought fit, approve the recommendation to the Board for appointment;

(d) the Nomination Committee will provide the relevant information of the selected candidate to the Remuneration Committee for consideration of a remuneration package of such candidate;

(e) the Remuneration Committee will make a recommendation to the Board on the proposed remuneration package; and

(f) all appointment of Directors will be confirmed by the signing of the consent to act as Director (or any other similar filings requiring the relevant Director to acknowledge or accept the appointment, as the case may be) and filing of the same with the Companies Registry of Hong Kong and any other relevant government authorities.

The Nomination Committee will evaluate and recommend retiring Director(s) to the Board for re-appointment in accordance with the following procedures:

(a) the Nomination Committee and/or the Board should review the overall contribution and service of the retiring Director(s) to the Company and the level of participation and performance on the Board, including but not limited to the attendance of the meetings of the Board and/or its committees and general meetings;

(b) the Nomination Committee and/or the Board should also review and determine whether the retiring Director(s) continue(s) to satisfy the Criteria; and

(c) the Nomination Committee and/or the Board should then make recommendation to shareholders in respect of the proposed re-election of director at the general meeting.

Monitoring and Review of the Nomination Policy

The Nomination Committee will monitor the implementation of the Nomination Policy and from time to time review the Nomination Policy, as appropriate, to ensure its effectiveness in complementing the Company's corporate strategy and business needs. The Nomination Committee will discuss any revisions that may be required, and recommend any such revisions to the Board for consideration and approval.

CORPORATE GOVERNANCE FUNCTIONS

The corporate governance functions have been reserved to the Board. The primary governance functions include:

- developing and reviewing the Company's policies and practices on corporate governance and make recommendations to the Board;
- reviewing and monitoring training and continuous professional development of Directors and senior management;
- reviewing and monitoring the Company's compliance with the CG Code and other legal and regulatory requirements;
- developing, reviewing and monitoring any code of conduct and compliance manual applicable to Directors and employees of the Company; and
- reviewing the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

During the year ended 31 December, 2023, the Company reviewed and monitored training and continuous professional development of Directors and senior management, compliance with the CG Code and other legal and regulatory requirements and disclosure in the Corporate Governance Report.

The Company also reviewed the Company's policies and code of conduct and compliance manual applicable to Directors and employees.

DIVIDEND POLICY

In accordance with the Dividend Policy, the Company intends to share its profit with Shareholders in the form of semi-annual dividends in an aggregate amount per year of no less than 20% of the Company's annual consolidated net income attributable to its Shareholders, subject to the criteria as set out below. The Dividend Policy allows the Company to declare special dividends from time to time in addition to the semi-annual dividends.

The Company's liability to pay dividends will depend upon, among other things, the Group's current and future operations, liquidity position and capital requirements, as well as dividends received from the Company's subsidiaries and associate companies. The payment of dividend by the Company is also subject to any restrictions under the Cayman Islands laws and the Articles of Association.

ACCOUNTABILITY AND AUDIT

Directors' Responsibilities for Financial Reporting in respect of Financial Statements

The Directors acknowledge their responsibility for preparing the financial statements for the year ended 31 December, 2023, presenting a balanced, clear and comprehensible assessment of the Company's performance, position and prospects, and for ensuring that the financial report is prepared in accordance with applicable statutory requirements and accounting standards. To the best knowledge, information and belief of the Directors, the Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The management of the Company has provided the Board with such explanation and information necessary to enable the Board to carry out an informed assessment of the Company's financial statements, which are put to the Board for approval.

Risk Management and Internal Control System

The Board acknowledges that it is its responsibility to maintain an adequate risk management and internal control system to safeguard Shareholders' investment and the Company's assets, and to review the effectiveness of such system on an annual basis, including considering the adequacy of resources, staff qualifications and experience, training programs for staff and budget of the Group's accounting and financial reporting function. The Company's risk management and internal control system are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and note absolute assurance against material misstatement or loss.

The Audit Committee and the Board has conducted a review of the effectiveness of the risk management and internal control system of the Group once for the financial year ended 31 December, 2023 covering all material controls, including financial, operational and compliance control, and consider the risk management and internal control systems to be effective and adequate. The Board has received a confirmation from management of the Company on the effectiveness of the Company's risk management and internal control systems.

Auditor's Remuneration

For the year ended 31 December, 2023, details of the fees paid or payable to the Company's external auditor, KPMG, in respect of audit and non-assurance services are set out in the table below:

Type of Services	US$'000
Audit and audit related services	
— Audit	229
— Interim review	40
Non-assurance services	
— Tax compliance and advisory services	124
— Assurance service on continuing connected transactions	11
— Agreed upon procedures on annual results announcement	2
Total	406

COMPANY SECRETARY

Ms. Lam Wing Yan is the Company's company secretary, and she is responsible for advising the Board on corporate governance matters and ensuring that Board policy and procedures and applicable laws, rules and regulations are complied with.

Ms. Lam Wing Yan confirmed that she undertook not less than 15 hours of appropriate continuous professional training during the financial year ended 31 December, 2023, as required under Rule 3.29 of the Listing Rules.

SHAREHOLDERS' RIGHTS AND INVESTOR RELATIONS

Convening of extraordinary general meeting and putting forward proposals

Pursuant to Article 12.3 of the Articles of Association, extraordinary general meeting shall be convened on the written requisition of any one or more members of the Company holding together, as at the date of deposit of the requisition, shares representing not less than one-tenth of the voting rights, on a one vote per share basis, of the Company which carry the right of voting at general meetings of the Company. The written requisition shall be deposited at the principal office of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office of the Company, specifying the objects of the meeting and the resolutions to be added to the meeting agenda, and signed by the requisitionist(s). If the Board does not within 21 days from the date of deposit of the requisition proceed duly to convene the meeting to be held within a further 21 days, the requisitionist(s) themselves or any of them representing more than one-half of the total voting rights of all of them, may convene the general meeting in the same manner, as nearly as possible, as that in which meetings may be convened by the Board provided that any meeting so convened shall not be held after the expiration of three months from the date of deposit of the requisition, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to them by the Company.

Communication with Shareholders and investor relations

The Board recognizes that it is accountable to its stakeholders, and values the importance of communications with Shareholders. The Company is dedicated to maintaining an open dialogue with its Shareholders, and it will continually improve its communications with Shareholders to obtain their feedback.

The Company has established a shareholders' communication policy to ensure effective communication with its Shareholders. The Company's corporate website also serves as a channel for Shareholders to access information about the Group. The Group's key corporate governance policies and documents, including the terms of reference of the various Board committees, as well as all communications for Shareholders including the Group's financial reports and announcements, are available on the website.

The Board has conducted a review of the implementation and effectiveness of the shareholders' communication policy of the Company, and having considered there are various formal and informal means for shareholders to have timely and equal access of the information of the Group and for the Group to interacts and understands the views of shareholders and stakeholders, it is satisfied that an effective shareholders' communication policy has been properly implemented throughout the year ended 31 December, 2023.

Shareholders are welcome to send their request for general meeting, proposed resolutions or enquiries to the Board to the primary contact person of the Company as follows:

Cowell e Holdings Inc.
Suite 1620
16/F Ocean Centre
5 Canton Road
Tsimshatsui Kowloon
Hong Kong
Attention: Ms. Lam Wing Yan
Email: carol@cowell.com.hk

A copy of the latest version of the Articles of Association is available on the websites of the Company and the Stock Exchange. For the year ended 31 December, 2023, no change has been made to the Articles of Association.

RISK MANAGEMENT REPORT

The Company is committed to the risk management and internal control, which are deeply embedded into the integral part of its operations. The management of the Company has been focusing on internal policies and strategies to minimize risks while making every endeavor to achieve its missions and objectives. In order to manage and control the identified risks as well as unexpected risks, the Company has designed and developed risk management framework and tools. Applying sound risk management framework and tools, the Company has made proper assessment of the risks and strived to manage the risks within the boundary of the Boards risk appetite.

1. PRINCIPAL RISKS

The Board has defined principal risks that the Company has to confront with in order to achieve its strategic objectives.

The principal risks, risk mitigating strategies and key performance indicators (the "**KPIs**") that the Board has identified are illustrated below:

1. STRATEGIC RISKS			
Risk Description	**Current Situation/Risk Mitigating Strategy**	**Key Performance Indicators (KPI) & Status**	**CHANGES IN 2023**
1.1 Single Customer Concentration Risk: The Company currently sells a substantial portion of its camera modules and optical components to a limited number of customers. The Company's dependence on these customers may cause material fluctuations or declines in revenue.	**1. Current Situation** - Key markets for smartphone including China are being saturated; - Low level of technology innovation did not justify the high pricing strategy of the major US customer; and - Chinese smartphone makers' enlarging market share led order reduction from US major customer. **2. Risk Mitigating Strategy** - **Short Term:** Keep focusing on production yield enhancement and cost management to maintain price competitiveness and profitability of the business - **Medium Term:** Upgrade skills and technology for high-end products and diversify product offering to the existing customers - **Long Term:** Keep exploring new product and business opportunities activating new business development team other than smartphone industry	1. # of days that the production yield is lower than the management's comfort zone - No case to trigger an escalation to Group Risk Management Committee ("GRMC") in 2023 2. Revenue dependency on each customer and share allocation from the customers - Monitoring purpose	• Competition in the supply chain due to increased # of suppliers • More than expected orders of new products from major US customer in second half year • Chinese smartphone markers' continuously enlarging market share
1.2 Technology Risk: The Company's continued success depends on its ability to respond to technology upgrade demanded by customers. It requires the Company's ability to maintain talented engineers. The Company's failure to further refine its technology and retain talented engineers may weaken its product competitiveness which may result in lower sales and market share.	**1. Current Situation** - Highly talented engineers are scarce resource and maintaining talent pool is challenging due to relatively high turnover ratio - Competition in the camera module business has been manageable due to high entry barrier led by advanced technology, significant investment and no assurance of sales volume **2. Risk Mitigating Strategy** - Keep hiring & retaining talented engineers by offering attractive compensation - Enhancing talent pool retention program	1. Retention ratio of the talent pool - No case to trigger an escalation to GRMC in 2023 2. Maintained comfortable level of retention ratio in 2023 (98.4%) 3. A larger talent pool for 2024 has been established to retain more talented engineers	• Maintained high retention ratio of 2023 talent pool • Strived to hire more local talented engineers • Incentivized talented engineers with both monetary and non-monetary compensation • Registered patents to secure our processing technology

2. LEGAL & REGULATORY RISKS			
Risk Description	**Current Situation/Risk Mitigating Strategy**	**Key Performance Indicators (KPI) & Status**	**CHANGES IN 2023**
2.1 Legal & Compliance Risk: Non-compliance with Hong Kong Listing Rules and local regulations where we operate (Cayman, China, Hong Kong and Korea) may result in adverse publicity and potentially significant monetary damages	**1. Current Situation** - No material violation or breach of Hong Kong Listing Rules and/or local regulations and laws where we operate (Cayman/China/Hong Kong and Korea) **2. Risk Mitigating Strategy** - Maintained external legal advisors for both Hong Kong and China to ensure a full compliance with Hong Kong listing rules and local regulations - Conducting internal audit and mobilizing group risk management committee to manage any unexpected situation	1. # of critical findings during monthly internal audit 2. # of enquiries, guidance or warnings from the Authority - No case to trigger an escalation to GRMC in 2023	• Maintained a sound risk management & internal control system • Expanded support from external legal & compliance professionals
2.2 Risk from mis-handling customers' confidential information: The Company has signed Non-Disclosure Agreements ("NDA") with all customers and any breach of the NDAs may cause serious financial damages.	**1. Current Situation** - No breach of NDAs has been escalated - No inside information on disclosure case has been reported **2. Risk Mitigating Strategy** - Reinforcing the inside information handling policy - Implementing high level of security system - Strengthening internal audit processes - Providing training on inside information handling policy to all employees	1. # of security rule violations and the amount of financial loss caused by the violation - No case to trigger an escalation to GRMC in 2023	• Conducted regular NDA and inside information related training for all employees in 2023

3. OPERATIONAL RISKS			
Risk Description	**Current Situation/Risk Mitigating Strategy**	**Key Performance Indicators (KPI) & Status**	**CHANGES IN 2023**
3.1 Production & Operational Risks: Securing sufficient factory labor in a timely manner is critical for executing production plan. Work stoppages and other labor-related issues may adversely affect our operation.	**1. Current Situation** - Efficiently managed production in line with production plan by sourcing sufficient labor in a timely manner despite the seasonality and high turnover of China labor market in Dongguan - There was no case in 2023 which triggered an escalation to GRMC **2. Risk Mitigating Strategy** - Expanding factory labor recruiting channel - Initiated factory labor retention program - Production line automation	1. # of days with production shortage against production plan 2. No case to trigger an escalation to GRMC in 2023	Sufficient liquidity of labor due to: 1. Lessened workforce required due to upgraded automation in the production line 2. Relatively low factory utilization rate due to reduced orders from customers led by fierce market competition and overall retreating smartphone industry

4. FINANCIAL RISKS			
Risk Description	**Current Situation/Risk Mitigating Strategy**	**Key Performance Indicators (KPI) & Status**	**CHANGES IN 2023**
4.1 Foreign Exchange Risk: Mismatching currencies in sales and procurement contracts may adversely affect the Company's financial results. Furthermore, operating subsidiaries in multiple countries increase FX exposure.	**1. Current Situation** - Maintained USD as a core currency for both sales and procurements - Operating subsidiaries in multiple countries caused FX valuation gain or loss which may mislead the Company's actual financial results **2. Risk Mitigating Strategy** - Maximizing natural hedging position by matching currencies in sales and procurements contracts - Recording actual FX transaction gain or loss as well as FX valuation gain or loss on a regular basis to monitor the situation and providing this report to GRMC and Audit Committee on a regular basis for their management decision	1. Natural hedging position (Total procurement amount settled in USD/Total sales settled in USD) 2. FX transaction gain or loss with a trigger point to make an escalation to GRMC and Audit Committee 3. No case to trigger an escalation to GRMC in 2023	1. Maintained the natural hedging position within the management's comfort zone; and 2. About 1.70% and 1.86% depreciation of CNY and KRW, respectively in 2023 had led marginal FX transaction loss while sizable FX valuation. The situation was well within the management's comfort zone.

Risk level gets higher   Risk level gets lower   Risk level remains unchanged

2. PHILOSOPHY & OBJECTIVES OF THE COMPANY'S RISK MANAGEMENT SYSTEM

Managing risk is an ongoing process in the presence of uncertainties and should involve employees at all levels. Therefore, risk management cannot be practically performed on a standalone basis. All employees are required to be responsible and accountable for managing risk in so far as is reasonably practicable within the area of their responsibility. The principles and practices of sound risk management must be fully integrated into all business units' normal management strategy, planning and operational processes. Reflecting this philosophy, the Company has prepared and implemented its prudent risk management system.

The objectives of the Company's risk management system are to:

- outline its systematic approach to risk management to achieve strategic and operational objectives of the Company;
- improve decision-making, accountability and outcomes through the effective use of risk management system;
- integrate risk management system into daily operations; and
- reduce any potential financial loss, protect the brand and reputation and optimize business performance in a controlled manner when opportunities arise.

3. RISK APPETITE

In pursuit of its strategic objectives, the Board and the management of the Company is willing to undertake risks only if they shall not jeopardize:

- the relationship with major customers;
- health and safety of stakeholders including employees, suppliers, customers, etc.;
- the viability of the Company due to intractable financial loss;
- environment of the community and nation;
- the Company's reputation and brand name; and
- business license due to breach of regulations and laws where the Company operates.

4. RISK TAXONOMY

At the highest level, the risks that the Company may have to confront with in order to achieve its strategic objectives can fall into the following risk categories:

- Strategic Risks: relating to the Group's business model and strategy such as demand shortfall, customer retention, pricing pressure, industry or sector downturn and failure to achieve technology upgrades;
- Operational Risks: risks that can be typically managed from within the business such as cost overrun, operating controls, poor capacity management, supply chain issues, employee issues including fraud, bribery and corruption and raw material prices;
- Financial Risks: the risks relating to inadequate liquidity management and unfavorable changes in the financial market such as interest rates and foreign exchange; and
- Compliance/Regulatory risks: relating to legal, regulatory and stakeholders considerations.

5. RISK MANAGEMENT PROCESS

The Company adopts an integrated and structured approach to risk management, which consists of 4 steps to follow.

A. Risk Identification

Day-to-day risk management resides with the individual business units; therefore, departmental manager of each business units is accountable for the identification of the risks and their assessments as well as their bottom-up reporting in order to achieve strategic and operational objectives.

B. Mitigation Control and Assurance Activities

Every risk identified must be carefully evaluated and all the root causes of the identified risks should be assessed in order to find mitigating factors of the risk and ways to monitor and control the risk in an effective manner. The internal audit, as the 3rd line of defense explained in the section 7.A., will need to carry out analysis and independent appraisal of the mitigation control and assurance activities.

C. Accountabilities

Actively managing risks are the key duty of the risk owners/department managers of the Company. Department managers will assist risk owners in measuring, controlling, monitoring and reporting risks and they have both the right and obligation to contribute to risk management.

D. *Reporting*

All critical risks identified and any new/emerging risks to be identified by any individual department will be registered and reported to Group Risk Management Committee ("**GRMC**"). The risk management team of the Company (the "**Risk Management Team**") can facilitate and assist the relevant staff/department to register the risks and consolidate all the risks registered based on the pre-defined risk taxonomy and report it to GRMC on a regular basis.

6. RISK GOVERNANCE STRUCTURE

The effectiveness of risk management is unavoidably linked to management competence, commitment and integrity, all of which forms the basis of sound corporate governance. Corporate governance provides a systematic framework within which each management group can discharge their duties in managing the business.

A. *The Board of Directors*

The Board is responsible for:

- evaluating and determining the risks it is willing to take in achieving the company's strategic objectives;
- overseeing the Company's risk management and internal control systems on an ongoing basis;
- reviewing the effectiveness of the risk management and internal control systems which need to be conducted at least annually;
- reporting to shareholders that it has done so in its Corporate Governance Report; and
- reviewing the related party transactions, connected transactions and to ensure the connected transactions are in compliance with the Listing Rules.

B. *Audit Committee*

The Audit Committee is responsible for:

- reviewing the Company's financial controls, risk management and internal control systems;
- discussing the risk management and internal control systems with GRMC to ensure that GRMC has performed its duty to have effective systems. This discussion should include the adequacy of resources, staff qualifications and experience, training programs and budget of the issuer's accounting and financial reporting function;
- considering major investigation findings on risk management and internal control matters as delegated by the Board;
- ensuring co-ordination between the internal and external auditors;

- the significant control failings or weaknesses identified during the year, and the extent to which they have resulted in unforeseen outcomes or contingencies that have had, could have had, or may in the future have, a material impact on the Group's financial performance or condition; and

- the effectiveness of the Group's processes for financial reporting and compliance with the Listing Rules.

The Audit Committee meets regularly to assess and evaluates the effectiveness and adequacy of the risk management and internal control system of the Group and communicates to the Board in a timely manner where there are any material internal control defects or failings or weakness.

C. The GRMC is responsible for:

- assisting the Audit Committee to identify and evaluate risks with which the Company is facing;

- designing, implementing and monitoring the risk management and internal control systems;

- reviewing the identified risks on a regular basis and taking actions to alleviate the level of the identified risks; and

- assessing the effectiveness of the risk management and internal control systems on a quarterly basis and reporting it to the Audit Committee and the Board.

D. Risk Management Team

Risk Management Team is responsible for:

- updating the risk management policy and formalizing it by having it approved by the Audit Committee and the Board;

- updating the inside information handling policy and formalizing it by having it approved by the Audit Committee and the Board;

- implementing the risk management and internal control systems and processes and providing a risk management and internal control system training to all employees on a regular basis;

- ensuring all office employees attend the training at least once a year;

- facilitating the registration of all identified risks and new/emerging risks to be identified by any employee and reporting it to GRMC; and

- preparing and facilitating GRMC meeting on a monthly basis for the seamless flow and maximum outcome of the meeting.

E. Internal Audit

Internal Audit Team of the Company (the "**Internal Audit Team**") is responsible for:

- reviewing the continuing connected transaction and provide findings to the independent Directors to assist them in performing their annual review;
- carrying out the internal audit function of the Company;
- updating the internal audit policy when it is needed;
- conducting the analysis and independent appraisal of the adequacy and effectiveness of the workflow and work manual of the members of the Company;
- pointing out non-compliance works of the member of the Company being audited and instructing them to make remedy actions within the set timeframe; and
- reporting to GRMC critical findings of the audit and the effectiveness of internal control measures.

F. Senior Management

Senior management of the Company is responsible for:

- providing direction and guidance within their areas of accountability so that subordinates best utilize their abilities in the preservation of the Company's resources;
- promoting, sponsoring and coordinating the development of a risk management culture within the organization;
- guiding the inclusion of risk management in all strategic and operational decision making; and
- possessing a clear profile of major risks within their area of control incorporating both opportunities and negative risks.

G. Line Management

Line Management of the Company is responsible for the adoption of risk management practices and will be directly responsible for the results of risk management activities, relevant to their area of responsibility. As part of the annual planning cycle all responsible managers will be required to consider and document existing risks and their impact on proposed plans. Any new emerging risks identified due to changes in the business environment must also be documented. Risk records must be maintained up-to-date on an on-going basis to reflect any changes which may occur.

H. All Employees

All employees of the Company are responsible for:

- acting at all times in a manner which does not place at risk the health and safety of themselves or any other person in the workplace;
- providing direction and training to persons for whom they have a supervisory responsibility or duty of care relating to health and safety; and
- identifying areas where risk management practices should be adopted and are to advise their supervisors accordingly.

7. RISK MANAGEMENT FRAMEWORK

There are a number of different types of risks, which the Company must take and manage in order to achieve its strategic objectives. The Board and senior management must identify these risks and discuss about the mitigating factors to manage the overall risk level and find ways to monitor the risks ensuring they stay within the Company's risk appetite.

In order to be more systematic to manage these risks, the following risk management framework has been adopted:

A. Three Lines of Defense Model

Risks are inherent in every corner of our businesses, and it is important to have a culture involving all levels of employee and a systematic approach to identify and assess risks such that they can be reduced, eliminated or avoided. In order to create risk conscious culture within the organization and manage risks systematically, three lines of defense model has been adopted. The following illustration and table show the definition of each line of defense and its role:


Board of Directors & Audit Committee
Group Risk Management Committee
Senior Management
1st Line of Defence
• Ongoing identifcation, assessment, monitoring and reporting of risks and opportunities in respective areas
• Plan and implement actions to manage risk
• Escalate risks that exceed the group's risk appetite
Risk Owners:
• Front line staff
• Project development
2nd Line of Defence
• Periodic Review and challenge of top risks impacting the strategic objectives
• Escalate the top risks to Senior Management Offcers and through them, to the Audit & Group Risk Management Committee and the Board of Directors for their review
• Facilitate the risk process
Risk Owners:
• Risk Management
• Accounting/Finance
• Legal/HR
3rd Line of Defence
• Provide assurance over the effectiveness of controls in place to manage risk
Independent Oversight:
• Internal Audit

B. *Risk Rating Methodology*

In order to measure our risk appetite, all the identified principal risks will need to be rated based on the significance of the risk and the likelihood of occurrence.

Table 1 Significance of the Risk

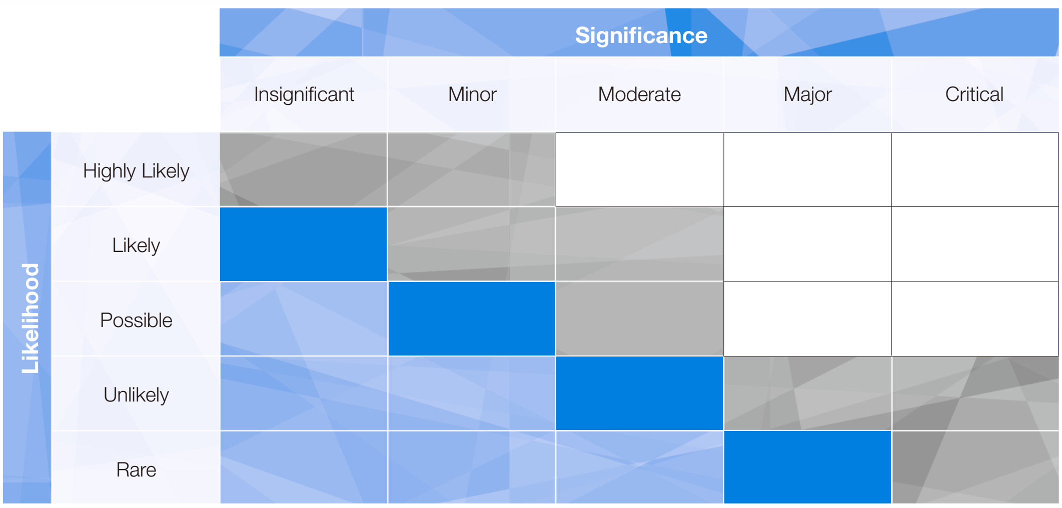
Risk Rating Dimension	Insignificant[(1)]	Minor[(2)]	Moderate[(3)]	Major[(4)]	Critical[(5)]
Financial	Financial damage of event less than HKD1 million	Financial damage of event between HKD1 million and HKD5 million	Financial damage of event between HKD5 million and HKD10 million	Financial damage of event between HKD10 million and HKD15 million	Financial damage of event more than HKD15 million
Reputational	Internal corrective action without any negative media focus	No negative media focus and/or concerns raised by one stakeholder	Short-term (less than a week) negative media focus and/ or significant concerns raised by more than one stakeholders	Long-term (more than a week) negative media focus and/ or sustained concerns raised by more than one stakeholders	Stakeholders lose confidence in the organization in the long-term, permanent withdrawal of support by several stakeholders
Operational	Corrective action within a day without disruption of operation	Corrective action within a week without disruption of operation	An incidence with the potential to lead to disruption of operation for a day	An incidence with the potential to lead to disruption of operation for more than a week	An incidence with the potential to lead to disruption of operation for more than a month
Regulatory	Internal corrective action without any operational disruption	Guidance from the authority	Warnings from the authority	Monetary penalty	Civil/criminal liabilities

Table 2 Likelihood of Occurrence

Rating	Description
Highly Likely	Highly likely to occur in all circumstances (weekly)
Likely	Likely to occur in most circumstances (monthly)
Possible	Possible to occur at some stage (quarterly)
Unlikely	Unlikely to occur in most circumstances (1–3 years)
Rare	May only occur in exceptional circumstances (3–10 years)

Every identified risk will be mapped out based on the result of risk ratings using the above risk parameters. The significance of the risk will be evaluated in four different areas such as financial risk, reputational risk, operational risk and regulatory risk and the rating of the most relevant risk area will be selected, which will represent the significance of the risk. And after measuring the likelihood of occurrence, the risk can be positioned in the following risk map.

Picture 1 Risk Map



Any risk located outside of the white area can be defined as the risk within our risk appetite. And any risk located in the white area will be continuously monitored and the Company will make every effort to bring it out of the area which is acceptable based on the Company's risk appetite.

8. RISK MANAGEMENT TRAINING

The Risk Management Team is responsible for the development and provision of risk management awareness training as well as specific training programs throughout the Company. This training is to address the needs of all employees including senior management.

9. RISK MANAGEMENT PERIODIC REVIEW

The Risk Management Team will support the management through periodic independent review of risk management practices and procedures to provide assurance on their efficiency and relevance to the GRMC and the Audit Committee.

INTERNAL AUDIT

Internal audit is an integral part of internal control along with risk management system. The mission of the Internal Audit Team is to provide independent and objective reviews and assessments of the business activities, operations, financial systems and internal accounting controls of the Company. The Internal Audit Team accomplishes its mission through the conduct of operational, financial and performance audits, selected as the result of a risk identification and assessment process. The resulting schedule of audits is reviewed and approved by the Audit Committee and the GRMC of the Company.

1. OBJECTIVE

The Internal Audit Team conducts independent reviews and appraisals of the work procedures and operations. These reviews provide management with an independent appraisal of the various operations and systems of control. The reviews also help to ensure that the Company's resources are used efficiently and effectively while helping the Company achieve its mission, as directed by the Board. It is the intention of the Internal Audit Team to perform this service with professional care and with minimal disruption to daily operations.

2. RESPONSIBILITY AND AUTHORITY

The internal audit function was established at the direction of the Board and derives its authority directly from the Audit Committee. The Internal Audit Team reports to the GRMC on a monthly basis and to the Audit Committee on a quarterly basis. Internal audit staff is authorized to conduct a comprehensive internal audit program within the Company and is responsible for keeping the Audit Committee and GRMC informed of unusual transactions or other matters of significance.

3. INDEPENDENCE

In order to maintain independence and objectivity, the internal audit function has no direct responsibility or any authority over the activities or operations that are subject to review, nor should the Internal Audit Team develop or install procedures, prepare records or engage in activities that would normally be subject to review. However, the Internal Audit Team may be consulted when new systems or procedures are designed to ensure they adequately address internal controls.

4. OBJECTIVITY

Internal audit is a service function organized and operated primarily for the purpose of conducting audits, in accordance with the predefined work procedures. The evidential matter gathered from these audits forms the basis for furnishing opinions and other relevant information to chairman of the Board, Audit Committee, GRMC and senior management of the Company.

Opinions and other information furnished may attest to the adequacy of internal control, the degree of compliance with established policies and procedures and/or their effectiveness and efficiency in achieving organizational objectives. The Internal Audit Team may also recommend cost effective courses of action for the management to consider in improving efficiencies that have been identified during an audit.

5. AUDIT PROCESS

Although every audit project is unique, the audit process is similar for most engagements and usually consists of nine stages. Through these stages the Internal Audit Team will determine ways to minimize risks and increase efficiencies within the area.

A. Plan:

The Internal Audit Team will develop an audit plan based on a review of all pertinent information.

B. Notify:

The Internal Audit Team will schedule a meeting with the unit manager and the senior managers of the process to be audited. Identify the scope and objectives of the audit, how long it is expected to last and what the responsibilities for all parties are in the audit process. Any factors that may impact the audit should be raised at this time. Factors include vacations, fiscal year end reporting requirements, etc.

C. Test:

Testing will include interviews with the staff, review of procedures and risk manuals, assessing the adequacy of internal controls.

D. Communicate:

Keep the department that is undergoing the audit updated on the status of the audit on a regular basis especially if there are any findings. There may be instances where the findings can be addressed immediately.

E. Draft:

The report draft will include the audit scope and objectives, summary and opinion, findings and audit recommendations.

F. Management Response:

Management will receive the audit draft to confirm the facts and respond to the audit recommendations. Their response should assign the responsibility and have a specific target date of completion for the corrective actions. The time window for the management response will be 21 calendar days.

G. Review:

The final version of the audit will be reviewed and all issues resolved by the Internal Audit Team.

H. Distribute:

The report is then released to the Audit Committee and GRMC as part of the agenda at the periodic meetings as requested.

I. Verify:

The Internal Audit Team will normally conduct a follow up on the management responses to the audit Findings and Recommendations within a reasonable time frame. This subsequent review will be discussed with the involved management and the comments published. The comments may also be released to the Audit Committee and GRMC as part of the agenda at the periodic meetings.

6. PRIORITIZATION OF THE AUDIT

The below are three factors adopted for the prioritization of processes for auditing:

A. **Financial Factor:** The significance of a process will be evaluated based on the amount of monetary impact of the process.

B. **Operational Factor:** The criticality of the process, when it has ERRORS or IRREGULARITIES, will be determined by time to be required for the corrective action.

C. **Regulatory Factor:** The rating of this category will be determined by the level of action from the authority.

And the risk parameters of each category are illustrated in the following Table:

Risk Rating Dimension	Insignificant (Ratings 1)	Moderate (Ratings 2)	Critical (Ratings 3)
Financial	Financial damage of event less than HK$500,000	Financial damage of event between HK$500,000 and HK$1,000,000	Financial damage of event more than HK$1,000,000
Operational	Corrective action within a week without disruption of operation	An incidence with the potential to lead to disruption of operation for more than a week	An incidence with the potential to lead to disruption of operation for more than a month
Regulatory	Internal corrective action without any warning from the authority	Warnings from the authority and/or monetary penalties	Monetary penalties and/or Civil/criminal liabilities

The prioritization of the process for auditing will be determined by the rating of the most relevant factors indicated above.

INTERNAL CONTROL FOR THE HANDLING INSIDE INFORMATION

The Board and the management of the Company are well aware of the following statutory duties relating to the handling of inside information:

- The Company must have procedures for the secure handling of inside information;
- A list of persons who are given access to inside information must be kept and the list must be continuously updated;
- Persons who are given access to inside information shall be made aware of the duties and responsibilities that this entails, as well as the criminal liability involved; and
- The Company must be able to provide documentary evidence to the Securities and Futures Commission in Hong Kong that persons who are given access to inside information are aware of their duties.

1. APPLICABILITY

These inside information handling procedures apply to all employees and elected officers (directors, elected auditor and corporate secretary) of the Company and its subsidiaries and to joint ventures in which the Group is a partner. The persons in charge of business areas in the Company shall ensure that employees and elected officers of the Company's subsidiaries receive necessary information about and training in use of these instructions. Responsibility at the Company lies with the heads of the various departments. The individual department heads shall assist in providing practical training.

2. THE DUTIES AND RESPONSIBILITIES OF A PERSON WITH RECEIPT OF INSIDE INFORMATION

Each employee and elected officer who receives inside information regarding the Group's financial instruments shall act in accordance with the prohibitions and duties that are described in further detail below.

A. Prohibition of misuse of inside information

No person must subscribe for, purchase, sell or exchange financial instruments issued by the Company if he or she has inside information regarding the Group's financial instruments. This prohibition applies to every natural and legal person, indirect and direct trading, and trading both for own account and for a third party's account, irrespective of form of settlement. The prohibition also applies to incitement to trade, i.e. persons who have inside information regarding the Group's financial instruments are not permitted to give other persons advice or in any way influence other persons to carry out, or refrain from carrying out, such transactions. This applies correspondingly to the entry into, purchase, sale or exchange of options or forward/futures contracts or similar rights (including financial derivatives) related to such financial instruments or to incitement to carry out such transactions.

The prohibition applies only to trades that can be characterized as misuse of inside information. Whether or not the trade constitutes misuse must be assessed in each individual case.

B. ***Duty of confidentiality***

Inside information is confidential information, and shall not be given to or in other ways made available to unauthorized persons. The information may only be communicated or made available to another person if the recipient has a relevant, well-founded need for the information, assessed on the basis of the Company's interests. A strict "need to know" principle applies, i.e. as few people as possible shall have access to the information, as late as is practically possible.

Any person who communicates inside information or makes such information available to another person has an independent responsibility for ensuring that the person who is given access to the information is simultaneously made aware of the duties and responsibilities entailed by the receipt of such information, including the duty of confidentiality, the duty of proper handling of the information, the duty not to misuse it, and the criminal liability that attaches to the misuse or unwarranted distribution of such information. The above applies regardless of whether the recipient is an employee, an elected officer or an external advisor or a business connection.

C. ***Duty of information in connection with the communication of inside information***

If inside information is communicated or made available to another person, the person responsible for maintaining the insider list and/or the Investor Relations Department shall be notified immediately, and if possible, before the information is communicated. Compliance with this duty of information is essential if the Company is to be able to fulfil its statutory duty to maintain an insider list, and to ensure that the persons who are given access to inside information are aware of the responsibility that this entails.

The person responsible for maintaining the insider list shall immediately put the person in question on the list of persons who have access to inside information. The insider list maintainer shall at the latest at the same time make sure that the recipient has been made aware of the duties and responsibilities that such access entails, and the criminal liability that attaches to misuse or unlawful use of such information.

D. ***Duty to ensure proper handling of inside information and to secure information***

Any person who has inside information has a duty, in handling such information, to exercise due care in order to ensure that inside information does not come into the possession of unauthorized persons or is misused.

Whistleblowing and Anti-Corruption Policies

In order to raise internal control awareness, the Company has established whistleblowing policy and system for employees and those who deal with the Company to raise concerns, in confidence and anonymity, with the Audit Committee about possible improprieties in any matter related to the Company.

The Company has also implemented anti-corruption policy and system against corrupt and fraudulent activities including, for instance, measures against receiving bribes and kickbacks, and misappropriation of company assets, as well as prohibiting the acceptance of gifts, hospitality and other offers by interested third parties. The anti-corruption policy is included in the Group's Code of Conduct which all employees are required to acknowledge and accept.

The whistleblowing and anti-corruption policies are reviewed on an annual basis to ensure that they remain adequate of and up-to-date with any applicable legislation including but not limited to the Prevention of Bribery Ordinance in Hong Kong and relevant laws and regulations on anticorruption and bribery in China.

GENDER DIVERSITY ACROSS WORKFORCE

In our workforce (including senior management), the gender ratio is 27.73% (females): 72.27% (males). The Board considers that our current workforce is diverse in terms of gender. The Company is determined to maintain gender diversity at least at a level of 22% female representation in the workforce subject to any changes to the business model and needs of the Group. The Group will also further enhance diversity in all aspects, including gender diversity, through policies and training for all employees to support inclusive behaviors. For further details about our gender diversity in the workforce, please refer to the Company's environmental, social and governance report set out on pages 75 to 100 of this annual report.

Environmental, Social and Governance Report

1. INTRODUCTION

1.A. PREPARATION

The section was prepared with reference to the "mandatory disclosure requirements" and the "comply or explain" provisions of the Environmental, Social and Governance ("**ESG**") Reporting Guide (the "**ESG Guide**") set out in Appendix C2 (formerly known as Appendix 27) to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") and other relevant rules and regulations such as Labor Law of the People's Republic of China (the "**PRC**"), China Occupational Health and Safety Regulations, China Environmental Protection Act., etc.

Cowell e Holdings Inc. (herein after the "Company" and together with its subsidiaries, the "**Group**"), is committed to the highest standards of environmental and social responsibility and ethical behavior, which has been embedded into the Group's main operational principles. The Group's commitment in ESG areas has been well recognized by all stakeholders including the main United States customer.

This ESG report covers the environmental and social aspects of operations of the Group's entire manufacturing aspect which is carried out via Cowell China and the manufacturing site located in Huanan ("**HN Factory**") during the fiscal year of 2023 from 1 January, 2023 to 31 December, 2023 (or, the "**Reporting Period**"). Further, given that the Group's factory in Heng Keng was closed down in fiscal year of 2021, operations of the Heng Keng factory was no longer covered in this report. Save for the above, the reporting scope of this ESG report is the same as for the previous ESG report for the year ended 31 December, 2022. This ESG Report has been prepared based on the principles of Materiality, Quantitative, Balance, and Consistency as defined in the ESG Guide.

The Board has the overall accountability to assess and determine the Group's ESG related risks and ensure that appropriate and effective ESG risk management and internal control systems are in place.

In order to pursue and assess its compliance with the ESG principles internally, the Company has formed Environmental, Social & Governance Working Group ("**ESG Working Group**") under Group Risk Management Committee of the Company ("**GRMC**") which directly reports to the audit committee of the Company (the "**Audit Committee**"). The member of ESG Working Group includes individuals who are directly responsible for each ESG areas. The main duties of ESG Working Group to evaluate, prioritise and manage material ESG-related issues (including risks to the Company's businesses) are as follows:

A. To set up and maintain policies for environmental and social responsibility;
B. To comply with the relevant laws and regulations that have a significant impact on the Company;
C. To identify potential issues relating to environmental and social responsibility (including risks to the Company's businesses);
D. To prioritize the identified issues to be managed;
E. To develop ways to monitor the identified issues and keep tracking Key Performance Indicators ("**KPI**") of the issues;
F. To make recommendations on the ESG strategies to GRMC;
G. To implement the ESG strategies adopted by GRMC; and
H. To make monthly ESG report to GRMC

Under the supervision of the Board, the regular ESG Working Group meeting is held on a monthly basis and the identified issues are discussed and proper action plans are set up to follow up. The ESG Working Group will report to the Board on a quarterly basis to facilitate the Board's review of the progress made against the Group's ESG-related goals and strategies. In addition, in accordance with the latest requirements under the

ESG Guide, ESG Working Group provides guidance and training on all aspects of policies and strategies in respect of the Company's environmental, social and governance management as well as their relevance to the Company's operations.

1.B. MATERIALITY AND RELEVANCE

In order to identify most relevant General Disclosures, the ESG issues that are material to the Group and KPI, all the areas of concern specified in the ESG Guide were discussed in the ESG Working Group meetings and cross-checked with GRMC. The outcome of the discussion was laid out and further examined from the perspective of major US customer's ESG guideline and priorities as well as feedback from the external stakeholders. The detailed methods of engagement are as follows:

TABLE 1 METHOD OF ENGAGEMENT

Stakeholders Engaged	Method of Engagement
ESG Working Group	• Areas of expertise • Meetings • Ratings • Cross checking with GRMC
Group Risk Management Committee	• Areas of experience • Meetings • Ratings • Ongoing engagement
Customers	• Areas of focus • Global ESG guideline and standards • Priorities of concerns
External Stakeholders	• Areas of interest • Investor meetings and conference calls • Overseas roadshows • Investor forums and conferences

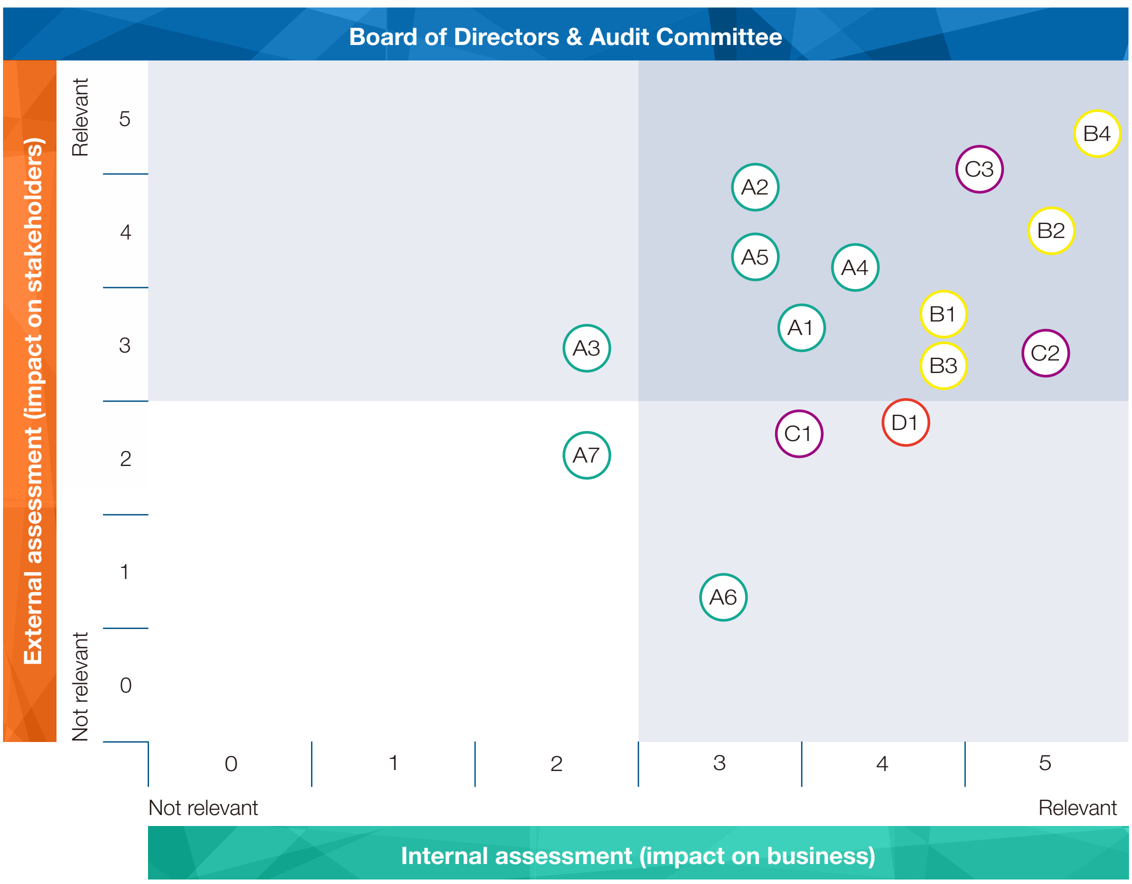
Based on the outcome of the ESG Working Group meetings, feedback from GRMC and external stakeholders as well as major customers' ESG guideline and priorities, the areas to be discussed were rated. The results of rating on each discussion point represents the Company's core organizational values, policies and strategies. During the rating process, both internal and external stakeholders' opinions were evaluated in consideration of potential financial implications, reputational risk and sustainability of the business.

The discussion points recommended by the ESG Guide were summarized in the following table using four different categories:

TABLE 2 ESG Discussion Points

A. Environment	B. Workplace	C. Operating Practice	D. Community
A1: Greenhouse Gas A2: Hazardous Waste A3: Non-hazardous Waste A4: Energy A5: Water A6: Packaging Material A7: Natural Resources	B1: Employment B2: Health & Safety B3: Development & Training B4: Labour Standards	C1: Supply Chain Management C2: Product Responsibility C3: Anti-corruption	D1: Community Investment

Each discussion point was rated in a scale from 0 to 5 (where 0 is the lowest relevance and 5 is highest) and mapped out in the following matrix:



Based on the above matrix, 14 out of 15 topics were identified as strong relevance and materiality to Cowell China. Natural Resources' low rating was mainly due to the Company's insignificant usage of natural resources.

2. ENVIRONMENTAL

Cowell China undertakes environmental protection seriously since it believes that protecting environment effort critically relates to the sustainability of its operation. Cowell China has initiated and implemented a number of measures to reduce carbon emission and solid wastes, improve energy efficiency and conserve water resources. Thanks to its effort in complying with the environment laws and regulations in force in China and its well defined internal policies and procedures, Cowell China has been successfully re-accredited the certification of ISO 14001: 2015 Environmental Management System. During the certification process, Cowell China has sufficiently demonstrated the followings:

- Compliance of mandatory requirements of the environmental standards; and
- Effectiveness of Cowell China's environmental management system

In the fiscal year of 2023, Cowell China was not aware of any material non-compliance with the relevant environmental laws and regulations that would have a significant impact on the Company relating to air and greenhouse gas emissions, discharges into water and land and generation of hazardous and non-hazardous waste.

2.A. EMISSIONS

Cowell China has effectively managed emissions of relevant greenhouse gases, waste water and hazardous and non-hazardous wastes. Main types of emissions discharged by Cowell China are as follows:

- Greenhouse gases
- Waste water
- Hazardous waste: Waste lubricant from power generators (HW08), Epoxy (HW13), Fluorescent lamp (HW29), Solvent (HW42) and cleaning cloth (HW49)
- Non-hazardous waste: Food waste, household garbage, plastic packaging materials and boxes

The above hazardous wastes are categorized based on Corrosivity (C), Toxicity (T), Ignitability (I) and Infectivity (In) in reference to national catalogue of Hazardous Wastes formulated in accordance with the Environment Protection Law of the People's Republic of China ("**PRC**") and the Law of the PRC for the Prevention and Control of Pollution by solid wastes.

Greenhouse Gases

The main sources of the emitted gases can fall into two different categories: direct emission and indirect emission. The direct emission of Cowell China arises from three different sources: 1) owned and controlled vehicles being operated for its employees' daily commute; 2) consumption of liquefied natural gas ("**LNG**") for the humidity control facilities in the clean rooms of the production sites and cooking facilities in the canteens; and 3) consumption of diesel for the power generators which are contingent facilities for any failure of electrical power supply. The greenhouse gas emission from the power generators is minimal since the facilities are only utilized when there is any electrical power blackout. Normally these facilities are running only 10 minutes per week to check its readiness. Also the greenhouse gas emission from LNG boiler for humidity control and cooking is insignificant since LNG is relatively environmentally friendly.

The indirect emission results from consumption of electricity for the production facilities as well as air-conditioning and heating facilities. Total greenhouse gas emission is measured regularly by converting total consumption of electricity, LNG, diesel and car fuel into greenhouse gas using conversion factors from 2015 China Regional Power Grid Baseline Emission Factor for electricity and GB-T2589–2008 General Rules for other energy consumption. Based on this methodology, Cowell China's total greenhouse gas estimated in the fiscal year of 2022 and 2023 are shown below:

TABLE 3 GREENHOUSE GAS EMISSION

ITEM	UNIT	CONSUMPTION		CONVERSION FACTOR	GREENHOUSE GAS (tCO_2)	
		2023	2022		2023	2022
Electricity	kwh	80,958,940	60,891,566	0.0008959	72,531	53,045
LNG	m^3	442,950	343,735	0.0022000	974	756
Car Fuel	Liter	36,797	26,449	0.0022630	85	60
Diesel	Liter	12,128	12,540	0.0026195	32	33
TOTAL EMISSION					**73,622**	**53,894**

* Conversion Factor for Electricity in reference to 2015 China Regional Power Grid Baseline Emission Factor (2015中國區域電網基準線排放因子)

** Conversion Factor for LNG/Car Fuel/Diesel in reference to GB-T2589–2008 general rules for calculating energy consumption (GB-T2589–2008綜合能耗計算通則)

Air Emission

In order to comply with the law of the prevention and control of atmospheric pollution in China, air emission inspection has been conducted by the local authority annually. During the inspection, NO_x, SO_2 and dust level of the emission from LNG boilers and power generators have been measured and recorded. As shown in the below tables, all inspected items have remained below the tolerance level of the authority.

TABLE 4 AIR EMISSION INSPECTION FOR LNG BOILER

ENTITY	ITEM	UNIT	TOLERANCE	RESULT		STATUS
				2023	2022	
HN FACTORY	No_x	mg/m³	200	**86**	82	PASS
	SO_2	mg/m³	50	**0**	0	PASS
	DUST	mg/m³	30	**3.0**	3.2	PASS

TABLE 5 AIR EMISSION INSPECTION FOR POWER GENERATOR

ENTITY	ITEM	UNIT	TOLERANCE	RESULT		STATUS
				2023	2022	
HN FACTORY	No_x	mg/m³	120	**41**	36	PASS
	SO_2	mg/m³	500	**136**	11	PASS
	DUST	mg/m³	120	**47.8**	6.8	PASS

Waste Water

In respect of waste water treatment, Cowell China has strictly complied with the related national laws and regulations of The Ministry of Environmental Protection of the PRC (MEP). The discharged water from HN Factory has been annually inspected by the local authority, and non-compliance case has never been reported previously.

The following table shows the results of inspections conducted in 2022 and 2023:

TABLE 6 INSPECTION OF DISCHARGED WATER

ENTITY	ITEM	UNIT	MEP STANDARD[1]	INSPECTION RESULT		STATUS
				2023	2022	
HN FACTORY	PH[2]		6.00–9.00	7.20	7.31	PASS
	COD[3]	mg/L	30.00	11.00	27	PASS
	BOD[4]	mg/L	6.00	2.10	5.4	PASS
	T-N[5]	mg/L	1.50	0.283	0.112	PASS
	PETROLEUM	mg/L	0.50	0.27	0.4	PASS

(1) Environmental Quality Standards for Surface Water GB38382002 Class 3 (地表水環境質量標準GB38382002 3類)
(2) PH: Potential of Hydrogen
(3) COD: Chemical Oxygen Demand
(4) BOD: Biochemical Oxygen Demand
(5) T-N: Total Nitrogen

And the below table shows the amount of discharged water in the fiscal year of 2022 and 2023, which are all within the limits approved by the local authority:

TABLE 7 DISCHARGED WATER

ENTITY	2023	2022
HN FACTORY	**1,867 m³**	1,596 m³

Hazardous & Non-Hazardous Waste

Cowell China's hazardous and non-hazardous wastes are listed in the below table, which also shows total emitted amount of each item in the fiscal year of 2022 and 2023:

TABLE 8 HAZARDOUS & NON-HAZARDOUS WASTES

ITEM	UNIT	HN FACTORY		SOURCE OF WASTES
		2023	2022	
HAZARDOUS WASTES				
Lubricant	kg	**0**	100	Power generating
Chemical	kg	**18,692**	2,170	Cleaning (alcohol, acetone & solvent)
Fluorescent Lamps	kg	**0**	0	Lighting
Epoxy	kg	**1,791**	1,240	Production processing
Cleaning Cloth	kg	**6,619**	6,730	Cleaning (with chemicals)
NON-HAZARDOUS WASTES				
Paper, Boxes, etc.	tonne	**54.61**	57.37	Packaging
Household & Food	tonne	**840.31**	598.6	Canteens and Dormitory

In addition, the following table illustrates how each of the emitted hazardous and non-hazardous wastes are handled:

TABLE 9 HAZARDOUS AND NON-HAZARDOUS WASTE TREATMENT

NO	TYPE	COWELL CHINA		WASTE TREATMENT COMPANIES		
		USAGE	TREATMENT	COLLECTION	TREATMENT	END PROCESS
1	NON-HAZARDOUS WASTE	HOUSEHOLD GARBAGE & PACKAGING WASTE (BOX & PLASTIC PACKAGING MATERIALS)	STORING IN GENERAL WASTE STORAGE AREA EVERYDAY	URBAN HOUSEHOLD GARBAGE PROCESSING CENTER EVERYDAY	FILTERING & SORTING (RECYCLE & NON-RECYCLE WASTE)	* RECYCLABLE WASTE- RECYCLE * NON-RECYCLABLE WASTE – INCINERATION AND LANDFILL
2	FOOD WASTE	FOOD WASTE FROM CANTEEN	STORING IN THE DESIGNATED AREA EVERYDAY	EVERYDAY BY PIG FARM	FILTERING & SORTING	FEED FOR PIG FARMING
3	HAZARDOUS WASTE	ALCOHOL, ACETONE & SOLVENT (HW42) FOR CLEANING	COLLECTING WASTE CHEMICALS IN 200 LITER CONTAINER EVERYDAY & STORE IN THE DESIGNATED HAZARDOUS WASTE AREA	EVERY 2 MONTHS BY PROFESSIONAL HAZARDOUS WASTE TREATMENT COMPANY	TREATMENT FOR RECYCLING	RESALE
4	HAZARDOUS WASTE	WASTE LUBRICANT FROM POWER GENERATORS (HW08)	COLLECTING WASTE LUBRICANT IN 20 LITER CONTAINER & STORE IN THE DESIGNATED HAZARDOUS WASTE AREA	EVERY 6 MONTHS BY PROFESSIONAL OIL WASTE TREATMENT COMPANY	TREATMENT FOR RECYCLING	RESALE
5	HAZARDOUS WASTE	WASTE EPOXY (HW13) FROM PRODUCTION	STORING IN THE DESIGNATED HAZARDOUS WASTE STORAGE AREA	EVERY 3 MONTHS BY PROFESSIONAL OIL WASTE TREATMENT COMPANY	FILTERING	INCINERATION
6	HAZARDOUS WASTE	WASTE CLOTH AFTER CLEANING USING CHEMICALS	STORING IN THE DESIGNATED HAZARDOUS WASTE STORAGE AREA	EVERY 3 MONTHS BY PROFESSIONAL OIL WASTE TREATMENT COMPANY	FILTERING	INCINERATION

The majority of wastes including both hazardous and non-hazardous wastes are being filtered, sorted and processed for recycling as much as possible and the final residual wastes are incinerated by the authorized waste treatment companies. These treatments are fully in compliance with Solid Waste Pollution Prevention Act 75 Article 5 (固體廢物污染環境防治法75條5行) and non-compliance case has never been reported previously.

Packaging material consumption

The main packaging materials consumed by Cowell China during the fiscal year of 2023 include trays and carton boxes. These are in line with main customers' standard packaging requirements. The total weight of trays and carton boxes used for the shipments of camera modules in the fiscal year of 2023 were approximately 380 tonnes and 65 tonnes, respectively, as compared to approximately 320 tonnes and 83 tonnes, respectively, in 2022. Each carton box takes up to 60 trays. The decreased usage of the packaging materials was led by the decreased shipments.

2.B. ENERGY AND WATER USAGE

Electricity is the main source of energy required for Cowell China's manufacturing processes, heating and cooling. And water is mainly used for the followings:

1) Ultrasonic cleaning processes for components;
2) Cooling compressors;
3) Greening;
4) Sprinkling for dust control; and
5) Other usage (general cleaning, drinking and washing etc.)

LNG is required to control humidity in the clean rooms of the production site and used for preparing meals for the employees of Cowell China. During the fiscal year of 2022 and 2023, total consumption of energy and water are provided in the following table:

TABLE 10 ENERGY & WATER CONSUMPTION

ITEM	UNIT	HN FACTORY	
		2023	2022
Electricity	kwh	**80,958,940**	58,938,248
LNG	m^3	**442,950**	355,842
Water	m^3	**389,423**	436,013

Proper usage of energy and water with care relates to not only environmental protection, but also health and safety of employees of Cowell China. For effective and efficient consumption of energy and water, Cowell China has prepared and implemented internal policies listed below:

- LNG user manual and policy
- Water user manual and policy
- Electricity safety user manual and policy
- Uninterrupted Power Supply ("**UPS**") policy
- Power generator user manual and policy
- Lighting and illumination policy

Cowell China does not have any issue in sourcing water; however, the management has advocated water saving and efficiency initiatives. As a good practice and internal guideline, more than 50% of HN Factory's total discharging water has been reused since April 2017.

In addition, Cowell China has constantly explored to find ways to optimize the energy consumption and waste management. To achieve this mission, the Company has formed a task force team ("**TFT**") within the organization. TFT has carried out various projects and many of them have already been materialized. The project details and outcome of the projects are in the following table:

TABLE 11 2023 ENERGY SAVING INITIATIVES

PROJECT DESCRIPTION	OBJECTIVES	OUTCOME
Upgrading and Optimization of Refrigerator Air Compressors	— Save Electricity	— Savings of 5,927,552.5 kWh

CLIMATE CHANGE

Cowell China is well aware of the potential consequences brought about by climate change, and therefore it is important for us to respond to the climate change-related issues that may impact our business operations.

More frequent extreme weather events, for instance, typhoons, rainstorms and flooding, could interrupt our capability in delivering products to our customers. Meanwhile, as the international community is increasingly concerned about climate change, countries have been actively negotiating and various protocols and agreements are entered into in that regards. Keeping abreast of changes and developments in policies on climate change and mitigation of its effects could also potentially increase costs and legal risks in our daily operations.

To ensure that Cowell China remains vigilant in managing risks caused by climate change, ESG Working Group closely monitors our emissions, continuously reviews and makes recommendations on various green initiatives in day-to-day operations. Please refer to section headed “2. Environmental” for further information on the strategies and actions we undertook to mitigate the impact of climate change.

3. SOCIAL RESPONSIBILITY

3.A. EMPLOYMENT

All employees of Cowell China totaling 4,795 as of 31 December, 2023 are full time employees and well diversified in terms of geographical region, age group and gender. The detailed breakdown of our employees by region, age group and gender as well as turnover rate is as follows:

TABLE 12 TURNOVER RATE BY REGION, AGE GROUP & GENDER

	Region	# of Employees at FYE'23	%	# of Employees Resigned in 2023	Turnover Ratio
By Region	Central China	1,693	35.31%	290	5.14%
	South China	1,532	31.95%	279	4.94%
	Southwest	769	16.04%	164	2.90%
	Northwest	187	3.90%	36	0.64%
	Other regions in China	558	11.64%	75	1.33%
	Foreign nationals	56	1.16%	6	0.11%
By Age Group	Below 30	2,432	50.72%	544	9.64%
	30s	1,918	40.00%	266	4.71%
	40s	400	8.34%	31	0.55%
	50 & above	45	0.94%	9	0.16%
By Gender	Female	1,085	22.63%	224	3.97%
	Male	3,710	77.37%	626	11.09%
	TOTAL	**4,795**	**100.0%**	**850**	**15.06%**

* Turnover Rate = # of employees resigned in 2023/(# of employees at FYE'23 + # of employees resigned in 2023)

** The turnover is defined as employees who leave Cowell China voluntarily or due to retirement, dismissal or other reasons

The management of Cowell China believes that our employees are one of the most valuable assets to the Company and essential to the Company's operations. In order to make Cowell China friendly and fair working environment, the Company has adopted the following principles as its core human resources ("**HR**") policy:

Anti-discrimination in recruitment and promotion

To comply with Chapter 2 of PRC Labor Law, Cowell China prohibits any discrimination against any employees based on age, disability, ethnicity, gender, marital status, national origin, political affiliation, race, religion, sexual orientation, gender identity, labor union membership, or any other status protected by the national law, in hiring and other employment practices. Furthermore, Cowell China does not require pregnancy or medical examinations unless it is required by applicable laws or prudent for workplace safety. It is also clearly stated in the policy that any grievances in good faith will not be retaliated against or punished. Non-compliance of this case has never been reported previously.

Working Hours and Compensation

Cowell China strives to create and maintain a work-life balanced working environment with reasonable working hours and rest periods. In addition, employees of Cowell China can enjoy reasonable annual leave periods and time off for national holidays. Furthermore, employees of Cowell China receive, at least, the legally required minimum wages and a range of allowances and compensation for working during weekend, overtime, night shift as well as year-end bonuses. The detail pay scheme is clearly communicated to all employees in their local languages and accurate wages are paid in a timely manner.

Cowell China's labor policies are set to adhere to legislation within the boundary of the respective labor laws in China. Non-compliance of this case has never been reported previously.

Other Benefits and Welfare

Cowell China promotes employees' collaborative spirit and nurtures their work-life balance by sponsoring a number of cultural and sporting activities on a regular basis.

The followings are such regular activities that are organized by either the management of Cowell China or employees themselves:

1. Badminton workout
2. Basketball competition
3. Mountain tracking
4. Birthday get-together
5. Annual sports day
6. Mid-Autumn festival
7. Chinese New Year festival

During the reporting period, there was no incident of non-compliance with the relevant laws and regulations that have a significant impact on the Group relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination and other benefits and welfare.

3.B. HEALTH AND SAFETY

Occupational Health, Safety and Hazard Prevention

The management of Cowell China pays much attention to employees' health, safety and well-being since it is inarguably important to the Company's sustainable operation. The Company is making every effort to provide and maintain a safe working environment and integrate appropriate health and safety management practices into its operation. In any case, if any employee of Cowell China observes unsafe or unhealthy working conditions, a proper internal escalation procedure is in place.

As a part of the internal standard procedures, Environmental, Health & Safety Team ("**EHST**") and Labor Team perform the following actions:

1. Providing employees with appropriate personal protective equipment with manual and teaching them how to properly use the equipment;

2. Training employees to adhere to Cowell China's health and safety policy; and

3. Conducting fire drills on a semi-annual basis (day & night fire drills) at the production, office and residential areas within Cowell China.

Furthermore, Cowell China has formed a group of professional from General Affairs, Labor, Construction, HR and EHST, which conducts and promotes 'Health & Safety Day' for the employees' health and safety awareness on a monthly basis. During 'Health & Safety Day', the team checks its surroundings, assesses emergency evacuation procedures and eliminates potential occupational health and safety hazards.

The method used to measure occupational health and safety is as follows:

- Average Number of Accidents per 1,000 workers per year ("**Accident Rate**") = Number of accidents/ Total number of workers x 1,000

During the reporting period, there was no significant incident of safety and work-related injury. There was no incident of non-compliance with the relevant laws and regulations that have a significant impact on the Group relating to providing a safe working environment and protecting employees from occupational hazards.

In the fiscal year of 2023, an Accident Rate of 0.08 was reported. The occupational health and safety incidents occurred in 2023 were investigated and proper corrective actions were conducted. All these activities have been reported to Group Risk Management Committee.

TABLE 13 WORK-RELATED FATALITIES

	Unit	2023	2022
Total # of Work-related Fatalities	# of People	**0**	0
Work-related Fatalities Rate	Per 1,000 Workers	**0.00%**	0.00%

TABLE 14 WORK INJURIES

	Unit	2023	2022
Accidents *	# of Accidents	**3**	4
Accident Rate	Per 1,000 Workers	**0.08**	0.14
Lost Hours	# of Hours	**623**	536

* Work related accidents with a minimum 8 lost hours (a full working day)

Cowell China has maintained zero work-related fatalities in each of the past three years ended 31 December, 2021, 2022 and 2023.

Emergency Prevention and Readiness

Potential emergency situations are carefully examined and assessed. And for each different emergency case, proper emergency evacuation procedures were implemented to minimize any physical injury as well as environmental and property damage. All new employees must attend an 'Emergency Prevention & Evacuation" training. And for those who work in the dangerous areas, 'Health & Safety' training is conducted on a monthly basis to raise their awareness of emergency procedures and readiness.

3.C. DEVELOPMENT AND TRAINING

Recruiting and maintaining skilled employees and cultivating loyalty to the Company are pivotal to both the success of the Company and the employees' career development. Training will help employees improve their work performance, which will eventually increase their loyalty to the Company. Therefore, Cowell China has developed a series of training specific to the needs and requirements of the work and tailored in line with their roles and responsibilities. Most trainings are done by internal staffs, but if necessary for the effectiveness of the training, outside professionals are often hired to conduct trainings as well.

The following table shows a summary of regular trainings for Cowell China factory employees in the fiscal year of 2023:

TABLE 15 REGULAR TRAININGS FOR COWELL CHINA FACTORY EMPLOYEES

Training Type	Training Subjects	Target Audience	2023	2022	Training Hour	Frequency
New Employee Orientation	1. Company Introduction; 2. Code of Conduct; 3. Health & Safety; 4. Disciplinary Regulations; 5. Corporate Social Responsibility; 6. Safety Gear Manual; 7. Clean Room Rules; 8. Security Regulations; 9. Manufacturing Processes; 10. Terminology; 11. Tool Manual.	Newly hired operators 1. Management level 2. Middle level 3. Entry level	 0.9% 18.2% 80.9% Male: 80.9% Female: 19.1%	 0.1% 3.8% 96.1% Male: 80.1% Female: 19.9%	2 days (8 hours per day)	1st and 2nd day of employment
Post-promotion Training	1. Floor Management; 2. Code of Conduct; 3. Corporate Social Responsibility; 4. Health & Safety; 5. Security Regulations; 6. Leadership Skill; 7. Interpersonal Skill; 8. Effective Communication; 9. Leader's Role & Team Spirit.	1. Management level 2. Middle level	26.7% 73.3% Male:41.9% Female: 58.1%	75.0% 25.0% Male: 58.3% Female: 41.7%	8 hours	Semi-annually
General Annual Training	1. Roles & Responsibilities; 2. Code of Conduct; 3. Corporate Social Responsibility; 4. Working Attitude; 5. Chemical Handling Instruction; 6. Security Regulations; 7. People Management; 8. Interpersonal Skill; 9. Improving Productivity; 10. Leader's Role & Team Spirit.	1. Management level 2. Middle level 3. Entry level	3.2% 37.8% 59.0% Male:77.8% Female: 22.2%	9.1% 27.3% 63.6% Male: 69.9% Female: 30.1%	8 hours	Annually (From November to December)

3.D. LABOR STANDARDS

Anti-harassment and Abuse

Cowell China has strived to make friendly workplace without in any form of harassment and abuse including, but not limited to verbal abuse and harassment, psychological harassment, mental and physical coercion, and sexual harassment. To create this working environment, a regular training on an annual basis has been provided to all employees including the newly hired.

Prevention of Involuntary Labor

Persons can have an opportunity to work for Cowell China only when they want to work voluntarily. Any form of slave, forced, bonded, indentured, or prison labor will not be recruited based on the internal policy. In any case, Cowell China will not forcibly withhold employee's original government-issued identification and travel documents. The relevant conditions of employment will be clearly explained to all employees in their own language.

Prevention of Underage Labor

The minimum legal age applicable to Cowell China's employment is 18 years old. Anyone younger than 18 years old are not allowed to work for the Company. In order to prevent from hiring any underage workers, a number of strict measures have been placed.

The following procedures are the synopsis of the policy:

1. All applicants for employment must present valid identification documents;

2. All applicants for employment must be interviewed by three interviewers; and

3. All documents provided and the results of the interviews will be carefully reviewed by both HR manager and team head of the hiring department.

In addition to the above procedures, internal escalation procedure for any unauthorized underage employment has also been set up. Any unauthorized underage workers can be anonymously escalated to the management. Furthermore, regarding this particular aspect, a quarterly review is conducted for the floor workers at the production site.

During the Reporting Period, there was no incident of non-compliance with the relevant laws and regulations that have a significant impact on the Group relating to child and forced labor.

3.E. SUPPLY CHAIN MANAGEMENT

Cowell China respects the partnership with suppliers and desires to enhance its relationship for the sustainable and mutual growth with integrity. In order to achieve this goal, the Company has integrated environment protection and social responsibility into the supply chain management policy, which extensively covers various areas including production management, quality control, environmental governance and labor practice. The Company keeps exchanging dialogue with suppliers in routine work, physical visits, field review, supplier meetings and conferences, etc.

Suppliers' ESG Requirements

Cowell China encourages suppliers to adopt ESG principles in the areas of labor and human rights, health and safety, business ethics and environmental and social responsibility. The Company carefully selects its suppliers based on the above principles and any violations of these principles may jeopardize overall business relationship with Cowell China. Cowell China's standard purchase agreement includes supplier's social responsibility which extensively covers ESG requirements such as environmental protection, fair treatment for employment, health and safety of workers and business ethics.

Supplier Selection Process

When Cowell China needs to select a new supplier, it strictly follows procedures and on-site visit is one of critical steps in selecting new suppliers. The procurement team examines the qualification of potential suppliers in a stringent manner. Before sending out a request for proposal ("**RFP**") to potential suppliers, the followings are carefully reviewed:

1. Financial condition of the supplier

2. Shipping track record

3. Product quality assurance

Based on the outcome of the above review, multiple suppliers are shortlisted. Then, finally pricing competitiveness and ESG compliance are evaluated as core criteria for the selection of suppliers.

The following shows geographical diversification of Cowell China's suppliers in 2023:

TABLE 16 SUPPLIES BY GEOGRAPHY

SUPPLIER LOCATION		2023 # OF SUPPLIERS	2022 # OF SUPPLIERS
China	East China	50	45
	South China	217	213
	Middle China	1	1
	North China	5	5
	West China	3	3
Korea		25	24
Japan		10	11
Hong Kong		7	6
Others		19	18
Total		337	326

TABLE 17 LENGTH OF RELATIONSHIP

LENGTH OF RELATIONS	2023 # OF SUPPLIERS	2022 # OF SUPPLIERS
Less than 1 year	32	20
1~2 years	52	53
More than 3 years	253	253
Total	337	326

In terms of geography, suppliers of Cowell China are widely diversified, but majority of Chinese suppliers are located in South China. Furthermore, about 75.1% of total suppliers have more than 3 years of business relationship with Cowell China while about 9.5% of total suppliers have less than 1 years of business relationship with Cowell China.

3.F. PRODUCT RESPONSIBILITY

Cowell China's continued effort in improving quality management system has been recognized by successful renewal of ISO 9001: 2015. This ISO 9001: 2015 was based on the following eight quality management principles which would further help Cowell China improve its performance:

1.	Customer focus:	fulfillment of customer needs
2.	Leadership:	unity of purpose and direction
3.	Involvement of people:	employees' involvement in achieving the organization's objectives
4.	Process approach:	resources and activities managed as processes
5.	System management:	systemized approach for the effectiveness and efficiency
6.	Continual improvement:	adopting system as a part of everyday culture for improvement
7.	Fact based decision-making:	making decisions based on the logical and intuitive analysis of data and factual information
8.	Mutual benefit:	enhancing relationship with customers for mutual benefit and value

In fact, all manufacturing processes are carefully designed and validated by long experienced engineers. Production activities are performed in Class 10 clean room environment to satisfy our clients' stringent requirements for the quality of products. After every step of the production, the outcome produced are carefully examined and tested based on well-defined testing procedures. Even then, in order to strengthen quality assurance program, a proper customer return product procedure has been set up. The main purpose of this procedure is to efficiently handle the returned products from the customer due to not only product quality issues, but also any relevant re-inspection or re-test procedures prior to shipment back to the customer.

During the Reporting Period, there was no incident of non-compliance with the relevant laws and regulations that have a significant impact on the Group relating to product responsibility.

Protecting Intellectual Property Rights & Privacy Policies

In accordance with the non-disclosure agreement ("**NDA**") agreed with the customers, all manufacturing activities within Cowell China have been treated in a highly confidential manner and the whole property of Cowell China is secured as the restricted area where only authorized persons can enter. Any violation of NDA requirement is regularly reviewed by both internal audit team and legal team and the outcome of the regular review is reported to GRMC, on a monthly basis, which determines further escalation to the Audit Committee or the board of directors. In addition, this agenda has been regularly specified in the GRMC report which has been reported to the Audit Committee on a quarterly basis. In the fiscal year of 2023, there has been no violation reported to either GRMC or Audit Committee.

Quality Assurance Process and Recall Procedures

Cowell China's Return Material Authorization ("**RMA**") system has two basic categories.

One is Incoming Quality Control ("**IQC**") reject/Field Failure returns/Production fallouts (Quality), which encompasses product returned for technical reasons such as electrical rejections and/or functional failures, cosmetic and mechanical. Retest and sorting fees related to the quality defect is included in this category. The other is Administrative Returns (Non Quality), which encompasses all products returned for non-technical reasons. Examples are shipment error and freight fees, price reduction, customer requested changes and other administrative issues in nature.

For quality related returns, Cowell Quality Assurance ("**QA**") manager or representative confirms the customer complaint and communicates recommendations to Cowell China's quality engineering manager, director, supply chain, sales team and procurement team as needed. And a corrective and preventive action report is created to follow up in accordance with the procedures. If any quality issue at the customers' end is suspected, customers' quality representative will conduct the validation process prior to further actions.

3.G. ANTI-CORRUPTION

The Prevention of Bribery Ordinance in Hong Kong and relevant laws and regulations on anti-corruption and bribery in China are a part of core principles of Cowell China's Code of Conduct. The core principles of anti-corruption policy are well communicated with all Cowell China employees through a regular training. Cowell China's anti-corruption policy prohibits any and all form of corruption, extortion and embezzlement. In particular, employees of Cowell China shall in no event bribe foreign civil servants in any transactions and shall comply with laws that prohibit promising or giving bribes or any act of expressing intention to give either directly or indirectly to foreign civil servants regarding business affairs for the purpose of achieving unlawful profit in any transactions.

The followings are Cowell China's corruption prevention practices:

1. No monetary gift should be given or received;

2. A pre-approval must be sought when any employee of Cowell China needs to take part in activities including meals with suppliers or any relevant party outside of Cowell China;

3. No employee of Cowell China is allowed to use Cowell China's business opportunities for personal interest or benefit; and

4. All employees of Cowell China must attend "Anti-Corruption" training annually.

Furthermore, a suitable whistleblowing policy has been adopted by the management, which enables employees and other stakeholders to escalate any suspected misconduct or malpractice within Cowell China without any retribution. In the fiscal year of 2023, there was no concluded legal cases brought against the Group or its employees, and no case relating to anti-corruption reported.

During the Reporting Period, there was no incident of non-compliance with the relevant laws and regulations that have a significant impact on the Group relating to bribery, extortion, fraud and money laundering.

3.H. COMMUNITY INVESTMENT

Cowell China, since its inception in 2002, has grown its business substantially. The management of Cowell China has recognized that such success and growth could not have been achieved without support from people, local community where Cowell China operates and the government. As a token of appreciation and for the sustainable growth, Cowell China has shown its commitment to the community in form of voluntary participation in community services and monetary sponsorship or charitable donations caring for people in need as well as supporting educational and environmental protection activities.

The areas of our focus in this aspect are as follows:

1. Fighting Poverty

2. Helping young people's education

3. Caring the elderly

4. Protecting environment

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General Disclosures & KPIs	**Description**	**Page number**	**Remarks**
SUBJECT AREA A. ENVIRONMENTAL			
Aspect A1: Emissions			
General Disclosure		78–83	ISO 14001:2015
KPI A1.1	The types of emissions and respective emission data.	80	TABLE 4 TABLE 5
KPI A1.2	Greenhouse gas emissions in total (in tonnes)	79	TABLE 3
KPI A1.3	Total hazardous waste produced (in tonnes)	82	TABLE 8
KPI A1.4	Total non-hazardous waste produced (in tonnes)	82	TABLE 8
KPI A1.5	Description of measures to mitigate emissions and results achieved.	78–83	
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	83	TABLE 9
Aspect A2: Use of Resources			
General Disclosure		79–85	ISO 14001:2015
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in ’000s) and intensity	84	TABLE 10 Energy Consumption
KPI A2.2	Water consumption in total and intensity	81, 82, 84	TABLE 6 Water Inspection Results TABLE 7 Discharged Water TABLE 10 Water Consumption
KPI A2.3	Description of energy use efficiency initiatives and results achieved.	85	TABLE 11 2022 Energy Saving Initiatives
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	84	
KPI A2.5	Total packaging material used for finished products (in tonnes)	83	
Aspect A3: The Environment and Natural Resources			
General disclosure		78, 81, 83, 84	
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.		Natural resources are not material to our operation.

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General Disclosures & KPIs	**Description**	**Page number**	**Remarks**
Aspect A4: Climate Change			
General Disclosure		85	
KPI A4.1	Description of the significant climate-related issues which have impacted, and those which may impact and the actions taken to manage them.	85	
SUBJECT AREA B. SOCIAL			
EMPLOYMENT & LABOUR PRACTICES			
Aspect B1: Employment			
General Disclosure		86–87	There was no material non-compliance regarding employment and labour practices during the fiscal year of 2023
KPI B1.1	Total workforce by gender, employment type, age group and geographical region.	86	TABLE 12
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	86	TABLE 12
Aspect B2: Health and Safety			
General Disclosure		88–90	
KPI B2.1	Number and rate of work-related fatalities.	89	TABLE 13
KPI B2.2	Lost days due to work injury.	89	TABLE 14
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	88–90	Health & Safety Day, Emergency Prevention & Readiness
Aspect B3: Development and Training			
General Disclosure		89	
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	90	TABLE 15
KPI B3.2	The average training hours completed per employee by gender and employee category.	90	TABLE 15

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General Disclosures & KPIs	**Description**	**Page number**	**Remarks**
Aspect B4: Labour Standards			
General Disclosure		91	Summary of Labor Policy
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	91	
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	91	
OPERATING PRACTICE			
Aspect B5: Supply Chain Management			
General Disclosure		92–93	
KPI B5.1	Number of suppliers by geographical region.	93	TABLE 16 TABLE 17
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	92–93	
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	92–93	
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	92–93	
Aspect B6: Product Responsibility			
General Disclosure		93–95	ISO 9001:2015
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.		Not relevant to our operation
KPI B6.2	Number of products and service related complaints received & how they are dealt with.		No complaint received
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	94	
KPI B6.4	Description of quality assurance process and recall procedures.	94–95	
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	94	

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General Disclosures & KPIs	**Description**	**Page number**	**Remarks**
Aspect B7: Anti-corruption			
General Disclosure		95	
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.		No legal cases regarding corrupt practices
KPI B7.2	Description of preventive measures and whistle- blowing procedures, how they are implemented and monitored.	95	
KPI B7.3	Description of anti-corruption training provided to directors and staff.	95	
COMMUNITY			
Aspect B8: Community Investment			
General Disclosure		95–96	
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	96	
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	95	

Independent Auditor's Report

KPMG

Independent auditor's report to the shareholders of Cowell e Holdings Inc.

(Incorporated in the Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of Cowell e Holdings Inc. ("**the Company**") and its subsidiaries ("**the Group**") set out on pages 106 to 169, which comprise the consolidated statement of financial position as at 31 December, 2023, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes, comprising material accounting policy information and other explanatory information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December, 2023 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("**IFRSs**") issued by the International Accounting Standards Board ("**IASB**") and have been properly prepared in compliance with the disclosure requirements of Hong Kong Companies Ordinance.

Basis of opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* ("**the Code**") together with any ethical requirements that are relevant to our audit of the consolidated financial statements in the Cayman Islands, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of inventories in the manufacturing subsidiaries	
Refer to accounting policy note 1(j) and note 14 to the consolidated financial statements	
The Key Audit Matter	**How the matter was addressed in our audit**
The Group held significant inventories as at 31 December, 2023, which comprised raw materials, work-in-progress and finished goods in respect of camera modules and optical components, and a significant portion are located in the manufacturing subsidiaries in the People's Republic of China. Inventories are stated at the lower of cost and net realisable value. The Group maintains its inventory levels based on customer orders and forecast demand. There is a risk that the net realisable value of inventories may fall below their cost due to changes in customer demand and the consequent overstocking of inventories at the end of the reporting period. In addition, a significant proportion of the Group's products are manufactured to meet specific customer requirements. There is a risk that if there is a demand issue with customer's products, the related inventories held by the Group may not be able to sell. Management assesses the level of write-downs of inventories required at each reporting date after considering inventory ageing and other relevant factors. Such assessment involves significant management judgement and estimation in determining the value of inventories which might not be recoverable at each reporting date. We identified the valuation of inventories in the manufacturing subsidiaries as a key audit matter because inventories are significant to the consolidated financial statements and there is significant degree of management judgement involved in determining the write-down of inventories.	Our audit procedures to assess the valuation of inventories in the manufacturing subsidiaries included the following: • evaluating the design and implementation of management's key internal controls over the inventory write-down assessment process, including the Group's monitoring controls over slow-moving inventories; • assessing the historical accuracy of management's calculation of write-downs of inventories by examining the utilisation or release of write-downs and write-downs recorded at the end of the previous financial year during the current financial year; • assessing whether the inventory write-down policy is appropriate with reference to the requirements of the prevailing accounting standards; • assessing whether items in the inventory ageing report were classified within the appropriate ageing bracket by comparing with the individual items with underlying documents, such as purchase invoices, on a sample basis; • assessing the reasonableness of the key parameters and assumptions used in the calculation of inventory write-downs adopted by the management, taking into account the ageing for the inventories, the historical write-downs rate and the Group's current circumstances; and • assessing whether the inventory write-downs at the reporting date were calculated on a basis consistent with the Group's inventory write-down policy by recalculating the inventory write-downs based on the percentages and other parameters in the Group's inventory provision policy.

Information other than the consolidated financial statements and auditor's report thereon

The directors are responsible for the other information. The other information comprises all the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated financial statements

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Auditor's responsibilities for the audit of the consolidated financial statements (continued)

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Kong Wing Hung.

KPMG
Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

21 March, 2024

Consolidated Statement of Profit or Loss

for the year ended 31 December, 2023
(Expressed in United States dollars)

	Note	2023 $'000	2022 $'000
Revenue	*2*	**923,846**	1,116,210
Cost of sales		**(796,080)**	(941,763)
Gross profit		**127,766**	174,447
Other income	*3*	**12,802**	5,744
Selling and distribution expenses		**(2,119)**	(2,402)
Administrative expenses		**(78,772)**	(71,836)
Profit from operations		**59,677**	105,953
Finance costs	*4(a)*	**(9,567)**	(5,115)
Profit before taxation	*4*	**50,110**	100,838
Income tax	*5*	**(3,720)**	(17,022)
Profit for the year		**46,390**	83,816
Attributable to:			
Equity shareholders of the Company		**46,589**	84,305
Non-controlling interests		**(199)**	(489)
Profit for the year		**46,390**	83,816
Earnings per share	*9*		
Basic		**$0.055**	$0.101
Diluted		**$0.053**	$0.097

The notes on pages 113 to 169 form part of these consolidated financial statements.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended 31 December, 2023
(Expressed in United States dollars)

	Note	2023 $'000	2022 $'000
Profit for the year		**46,390**	83,816
Other comprehensive income for the year (after tax adjustments):	*8*		
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements		**(7,112)**	(37,573)
Item that will not be reclassified to profit or loss:			
Remeasurement of net defined benefit asset/obligation		**(9)**	33
		(7,121)	(37,540)
Total comprehensive income for the year		**39,269**	46,276
Attributable to:			
Equity shareholders of the Company		**39,693**	46,765
Non-controlling interests		**(424)**	(489)
Total comprehensive income for the year		**39,269**	46,276

The notes on pages 113 to 169 form part of these consolidated financial statements.

Consolidated Statement of Financial Position

as at 31 December, 2023
(Expressed in United States dollars)

	Note	2023 $'000	2022 $'000
Non-current assets			
Property, plant and equipment	10	176,819	130,253
Intangible assets	11	2,360	3,066
Interest in a joint venture	13	565	574
Net defined benefit retirement asset	20	—	23
Prepayment and other receivables	15(b)	9,700	7,377
Deferred tax assets	22(b)	5,967	9,224
		195,411	150,517
Current assets			
Inventories	14	133,895	138,339
Trade and other receivables	15	175,083	195,846
Current tax recoverable	22(a)	2,410	—
Pledged bank deposits	16(e)	74,336	—
Bank deposits	16(a)	265,435	101,944
Cash and cash equivalents	16(a)	96,726	44,508
		747,885	480,637
Current liabilities			
Trade and other payables	17	234,998	224,938
Bank loans	18	274,760	15,794
Lease liabilities	19	4,011	5,727
Current tax payable	22(a)	2,051	5,856
		515,820	252,315
Net current assets		232,065	228,322
Total assets less current liabilities		427,476	378,839

Consolidated Statement of Financial Position

as at 31 December, 2023
(Expressed in United States dollars)

	Note	2023 $'000	2022 $'000
Non-current liabilities			
Lease liabilities	*19*	**10,432**	18,242
Net defined benefit retirement obligation	*20*	**2**	—
Deferred income		**1,876**	—
		12,310	18,242
NET ASSETS		**415,166**	360,597
CAPITAL AND RESERVES			
Share capital	*23(b)*	**3,412**	3,357
Reserves		**406,243**	356,632
Total equity attributable to equity shareholders of the Company		**409,655**	359,989
Non-controlling interests		**5,511**	608
TOTAL EQUITY		**415,166**	360,597

Approved and authorised for issue by the board of directors on 21 March, 2024

Mr. Chen Han-Yang
Director

Mr. Wu Ying-Cheng
Director

The notes on pages 113 to 169 form part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

for the year ended 31 December, 2023
(Expressed in United States dollars)

		Attributable to equity shareholders of the Company										
	Note	Share capital $'000	Share premium $'000	Capital reserve $'000	Capital redemption reserve $'000	Other reserve $'000	General reserve fund $'000	Exchange reserve $'000	Retained profits $'000	Total $'000	Non-controlling interest $'000	Total $'000
Balance at 1 January, 2022		3,337	59,217	3,188	7	762	20,117	2,471	219,570	308,669	–	308,669
Changes in equity for 2022:												
Profit for the year		–	–	–	–	–	–	–	84,305	84,305	(489)	83,816
Other comprehensive income	*8*	–	–	–	–	–	–	(37,573)	33	(37,540)	–	(37,540)
Total comprehensive income		–	–	–	–	–	–	(37,573)	84,338	46,765	(489)	46,276
Transfer from retained profits		–	–	–	–	–	5,624	–	(5,624)	–	–	–
Shares issued under share option scheme	*23(b)(ii)*	20	3,216	(516)	–	–	–	–	–	2,720	–	2,720
Equity settled share-based transactions		–	–	1,835	–	–	–	–	–	1,835	–	1,835
Establishment of a subsidiary		–	–	–	–	–	–	–	–	–	1,097	1,097
		20	3,216	1,319	–	–	5,624	–	(5,624)	4,555	1,097	5,652
Balance at 31 December, 2022		3,357	62,433	4,507	7	762	25,741	(35,102)	298,284	359,989	608	360,597

Consolidated Statement of Changes in Equity

for the year ended 31 December, 2023
(Expressed in United States dollars)

		Attributable to equity shareholders of the Company										
	Note	Share capital $'000	Share premium $'000	Capital reserve $'000	Capital redemption reserve $'000	Other reserve $'000	General reserve fund $'000	Exchange reserve $'000	Retained profits $'000	Total $'000	Non-controlling interest $'000	Total $'000
Balance at 1 January, 2023		3,357	62,433	4,507	7	762	25,741	(35,102)	298,284	359,989	608	360,597
Changes in equity for 2023:												
Profit for the year		–	–	–	–	–	–	–	46,589	46,589	(199)	46,390
Other comprehensive income	*8*	–	–	–	–	–	–	(6,887)	(9)	(6,896)	(225)	(7,121)
Total comprehensive income		–	–	–	–	–	–	(6,887)	46,580	39,693	(424)	39,269
Transfer from retained profits		–	–	–	–	–	5,476	–	(5,476)	–	–	–
Shares issued under share option scheme	*23(b)(ii)*	55	8,497	(1,440)	–	–	–	–	–	7,112	–	7,112
Equity settled share-based transactions		–	–	1,308	–	–	–	–	–	1,308	–	1,308
Share options lapsed		–	–	(28)	–	–	–	–	28	–	–	–
Capital contributions from non-controlling interest		–	–	–	–	1,553	–	–	–	1,553	5,327	6,880
		55	8,497	(160)	–	1,553	5,476	–	(5,448)	9,973	5,327	15,300
Balance at 31 December, 2023		3,412	70,930	4,347	7	2,315	31,217	(41,989)	339,416	409,655	5,511	415,166

The notes on pages 113 to 169 form part of these consolidated financial statements.

Consolidated Cash Flow Statement

for the year ended 31 December, 2023
(Expressed in United States dollars)

	Note	2023 $'000	2022 $'000
Operating activities			
Cash generated from operations	16(b)	**120,369**	116,428
Tax paid			
— Hong Kong Profits Tax paid		**(2,482)**	(4,744)
— PRC and Korea tax paid		**(4,451)**	(14,561)
Net cash generated from operating activities		**113,436**	97,123
Investing activities			
Payment for purchase of property, plant and equipment		**(80,726)**	(91,948)
Payment for purchase of intangible assets		**(59)**	(717)
Payment for investment in a joint venture		**—**	(596)
Interest received		**3,456**	7,140
Proceeds from matured bank deposits		**691,549**	—
Placement of new bank deposits		**(855,040)**	(89,396)
Net cash used in investing activities		**(240,820)**	(175,517)
Financing activities			
Proceeds from new bank loans	16(c)	**1,133,849**	217,986
Repayment of bank loans	16(c)	**(872,740)**	(274,456)
Capital element of lease rental paid	16(c)	**(5,067)**	(4,041)
Interest element of lease rental paid	16(c)	**(878)**	(1,142)
Interest paid	16(c)	**(8,689)**	(3,973)
Prepayment received for capital contribution		**—**	7,036
Capital contributions from non-controlling interest		**—**	1,097
Proceeds from shares issued under share option scheme		**7,931**	1,901
Increase in pledged bank deposits		**(74,336)**	—
Net cash generated from/(used in) financing activities		**180,070**	(55,592)
Net increase/(decrease) in cash and cash equivalents		**52,686**	(133,986)
Cash and cash equivalents at 1 January		**44,508**	188,243
Effect of foreign exchange rate changes		**(468)**	(9,749)
Cash and cash equivalents at 31 December	16(a)	**96,726**	44,508

The notes on pages 113 to 169 form part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

(Expressed in United States dollars unless otherwise indicated)

1 Material accounting policies

(a) Statement of compliance

These 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**") 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**"). Material accounting policies adopted by the Group are disclosed below.

The IASB has issued certain amendments to IFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 1(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December, 2023 comprise Cowell e Holdings Inc. (the "**Company**") and its subsidiaries (together referred to as the "**Group**") and the Group's interest in a joint venture.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that certain employee benefits are stated at their fair value as explained in the accounting policies set out below.

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 28.

1 Material accounting policies (Continued)

(c) Changes in accounting policies

The IASB has issued a number of amendments to IFRSs that are first effective for the current accounting period of the Group.

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.

(d) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests ("**NCI**") represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income ("**OCI**") as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position in accordance with notes 1(n) depending on the nature of the liability.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

When the Group loses control of a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in that former subsidiary is measured at fair value when control is lost.

1 Material accounting policies (Continued)

(d) Subsidiaries and non-controlling interests (Continued)

In the company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 1(i)(ii)), unless it is classified as held for sale (or included in a disposal group classified as held for sale).

(e) Joint venture

A joint venture is an arrangement whereby the Group and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

A joint venture is accounted for using the equity method, unless it is classified as held for sale (or included in a disposal group classified as held for sale). They are initially recognised at cost, which includes transaction costs. Subsequently, the consolidated financial statements include the Group's share of the profit or loss and OCI of those investees, until the date on which significant influence or joint control ceases.

When the Group's share of losses exceeds its interest in the joint venture, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method, together with any other long-term interests that in substance form part of the Group's net investment in the associate or the joint venture, after applying the ECL model to such other long-term interests where applicable (see note 1(i)(i)).

Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent there is no evidence of impairment.

In the company's statement of financial position, an investment in a joint venture is stated at cost less impairment losses (see note 1(i)(ii)), unless it is classified as held for sale (or included in a disposal group classified as held for sale).

(f) Property, plant and equipment

The following items of property, plant and equipment are stated at cost, which includes capitalised borrowing costs, less accumulated depreciation and any accumulated impairment losses (see note 1(i)(ii)):

— right-of-use assets arising from leases over freehold or leasehold properties where the Group is not the registered owner of the property interest; and

— items of plant and equipment, including right-of-use assets arising from leases of underlying plant and equipment (see note 1(h)).

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components).

1 Material accounting policies (Continued)

(f) Property, plant and equipment (Continued)

Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss. Any related revaluation surplus is transferred from the revaluation reserve to retained profits and is not reclassified to profit or loss.

Depreciation is calculated to write off the cost or valuation of items of property, plant and equipment less their estimated residual values, if any, using the straight line method over their estimated useful lives, and is generally recognised in profit or loss.

The estimated useful lives for the current and comparative periods are as follows:

—	Leasehold improvements	Shorter of the terms of leases or 13 years
—	Plant and machinery	5–8 years
—	Equipment, furniture and fixtures	3–5 years
—	Motor vehicles	3–5 years
—	Properties leased for own use	Unexpired terms of leases

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(g) Intangible assets

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources and the intention to complete development. The expenditure capitalised includes the costs of materials, direct labour, and an appropriate proportion of overheads and borrowing costs, where applicable (see note 1(t)). Capitalised development costs are stated at cost less accumulated amortisation and impairment losses (see note 1(i)(ii)). Other development expenditure is recognised as an expense in the period in which it is incurred.

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see note 1(i)(ii)).

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

—	Development costs	5 years
—	Software	5 to 10 years

Both the period and method of amortisation are reviewed annually.

1 Material accounting policies (Continued)

(g) Intangible assets (Continued)

Club membership are not amortised while their useful lives are assessed to be indefinite. Any conclusion that the useful life of an intangible asset is indefinite is reviewed annually to determine whether events and circumstances continue to support the indefinite useful life assessment for that asset. If they do not, the change in the useful life assessment from indefinite to finite is accounted for prospectively from the date of change and in accordance with the policy for amortisation of intangible assets with finite lives as set out above.

(h) Leased assets

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. 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.

As a lessee

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for leases that have a short lease term of 12 months or less, and leases of low-value items such as laptops and office furniture. When the Group enters into a lease in respect of a low-value item, the Group decides whether to capitalise the lease on a lease-by-lease basis. If not capitalised, the associated lease payments are recognised in profit or loss on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is recognised using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability, and are charged to profit or loss as incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see notes 1(f) and 1(i)(ii)), except for the following types of right-of-use asset:

— right-of-use assets related to leasehold land and buildings where the Group is the registered owner of the leasehold interest are carried at fair value (see note 1(f)); and

1 Material accounting policies (Continued)

(h) Leased assets (Continued)

As a lessee (Continued)

Refundable rental deposits are accounted for separately from the right-of-use assets in accordance with the accounting policy applicable to investments in non-equity securities carried at amortised cost. Any excess of the nominal value over the initial fair value of the deposits is accounted for as additional lease payments made and is included in the cost of right-of-use assets.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The lease liability is also remeasured when there is a lease modification, which means a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract, if such modification is not accounted for as a separate lease. In this case, the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification. The only exceptions are rent concessions that occurred as a direct consequence of the COVID-19 pandemic and met the conditions set out in paragraph 46B of IFRS 16 Leases. In such cases, the Group has taken advantage of the practical expedient not to assess whether the rent concessions are lease modifications, and recognised the change in consideration as negative variable lease payments in profit or loss in the period in which the event or condition that triggers the rent concessions occurred.

In the consolidated statement of financial position, the current portion of long-term lease liabilities is determined as the present value of contractual payments that are due to be settled within twelve months after the reporting period.

(i) Credit losses and impairment of assets

(i) Credit losses from financial instruments

The Group recognises a loss allowance for expected credit losses ("**ECLs**") on:

— financial assets measured at amortised cost (including cash and cash equivalents, bank deposits, pledged bank deposits, trade receivables and other receivables, including those are held for the collection of contractual cash flows which represent solely payments of principal and interest)

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Generally, credit losses are measured as the present value of all expected cash shortfalls between the contractual and expected amounts.

1 Material accounting policies (Continued)

(i) Credit losses and impairment of assets (Continued)

(i) ***Credit losses from financial instruments*** (Continued)

Measurement of ECLs (Continued)

The expected cash shortfalls are discounted using the following rates if the effect is material:

— fixed-rate financial assets, trade and other receivables: effective interest rate determined at initial recognition or an approximation thereof;

— variable-rate financial assets: current effective interest rate;

The maximum period considered when estimating ECLs is the maximum contractual period over which the group is exposed to credit risk.

ECLs are measured on either of the following bases:

— 12-month ECLs: these are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months); and

— lifetime ECLs: these are the ECLs that result from all possible default events over the expected lives of the items to which the ECL model applies.

The Group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-months ECLs:

— financial instruments that are determined to have low credit risk at the reporting date; and

— other financial instruments for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade and other receivables are always measured at an amount equal to lifetime ECLs.

1 Material accounting policies (Continued)

(i) Credit losses and impairment of assets (Continued)

(i) ***Credit losses from financial instruments*** (Continued)

Significant increases in credit risk

When determining whether the credit risk of a financial instrument has increased significantly since initial recognition and when measuring ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment, that includes forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be in default when:

— the debtor is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or

— the financial asset is 90 days past due.

The Group considers a financial instrument to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Write-off policy

The gross carrying amount of a financial asset is written off to the extent that there is no realistic prospect of recovery. This is generally the case when the asset becomes 90 days past due or when the Group otherwise determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

1 Material accounting policies (Continued)

(i) Credit losses and impairment of assets (Continued)

(ii) Impairment of other non-current assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than inventories, prepayments and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units ("**CGUs**").

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs of disposal. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the resulting carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(j) Inventories

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised.

The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1 Material accounting policies (Continued)

(j) Inventories (Continued)

A right to recover returned goods is recognised for the right to recover products from customers sold with a right of return. It is measured in accordance with the policy set out in note 1(r)(i).

(k) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due.

Trade receivables that do not contain a significant financing component are initially measured at their transaction price. Trade receivables that contain a significant financing component and other receivables are initially measured at fair value plus transaction costs. All receivables are subsequently stated at amortised cost using the effective interest method and including an allowance for credit losses (see note 1(i)(i)).

(l) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and other short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement. Cash and cash equivalents are assessed for ECL (see note 1(i)(i)).

(m) Trade and other payables

Trade and other payables are initially recognised at fair value. Subsequent to initial recognition, trade and other payables are stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at invoice amounts.

(n) Interest-bearing borrowings

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method. Interest expense is recognised in accordance with the Group's accounting policy for borrowing costs (see note 1(t)).

1 Material accounting policies (Continued)

(o) Employee benefits

(i) Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

Obligations for contributions to defined contribution retirement plans are expensed as the related service is provided.

(ii) Defined benefit plan obligation

The group has the following two categories of defined benefit plans:

— defined benefit retirement plan for Korean employees working in Korea

— long service payment ("**LSP**") under the Hong Kong Employment Ordinance.

The Group's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods and discounting that amount. For defined benefit retirement plan for Korean employees, the net obligation is after deducting the fair value of plan assets. For LSP obligations, the estimated amount of future benefit is determined after deducting the negative service cost arising from the accrued benefits derived from the Group's MPF contributions that have been vested with employees, which are deemed to be contributions from the relevant employees.

The calculation of defined benefit obligation is performed by a qualified actuary using the projected unit credit method. For defined benefit retirement plan for Korean employees, when the calculation results in a benefit to the Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan.

Remeasurements arising from defined benefit plans, which comprise actuarial gains and losses, the return on plan assets in defined benefit retirement plan for Korean employees (excluding interest) and the effect of any asset ceiling (excluding interest), are recognised immediately in OCI. Net interest expense for the period is determined by applying the discount rate used to measure the defined benefit obligation at the beginning of the defined benefit liability, taking into account any changes in the net defined benefit liability during the period. Net interest expense and other expenses related to defined benefit plans are recognised in profit or loss.

(iii) Share-based payments

The fair value of share options granted to employees recognised as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at grant date using the binomial option pricing model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

1 Material accounting policies (Continued)

(o) Employee benefits (Continued)

(iii) Share-based payments (Continued)

During the vesting period, the number of share options that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the capital reserve until either the option is exercised (when it is included in the amount recognised in share capital and share premium for the shares issued) or the option expires (when it is released directly to retained profits).

(iv) Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognises restructuring costs involving the payment of termination benefits.

(p) Income tax

Income tax expense comprises current tax and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in OCI.

Current tax comprises the estimated tax payable or receivable on the taxable income or loss for the year and any adjustments to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects any uncertainty related to income taxes. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

Current tax assets and liabilities are offset only if certain criteria are met.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

— temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences;

— temporary differences related to investment in subsidiaries and joint venture to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future;

— taxable temporary differences arising on the initial recognition of goodwill; and

1 Material accounting policies (Continued)

(p) Income tax (Continued)

— those related to the income taxes arising from tax laws enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development.

The Group recognised deferred tax assets and deferred tax liabilities separately in relation to its lease liabilities and right-of-use assets.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Deferred tax assets and liabilities are offset only if certain criteria are met.

(q) Provisions and contingent liabilities

Generally provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the liability.

A provision for warranties is recognised when the underlying products or services are sold, based on historical warranty data and a weighting of possible outcomes against their associated probabilities.

A provision for onerous contracts is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract, which is determined based on the incremental costs of fulfilling the obligation under that contract and an allocation of other costs directly related to fulfilling that contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract (see note 1(i)(ii)).

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

1 Material accounting policies (Continued)

(r) Revenue and other income

Income is classified by the Group as revenue when it arises from the sale of goods. The Group is the principal for its revenue transactions and recognises revenue on a gross basis. In determining whether the Group acts as a principal or as an agent, it considers whether it obtains control of the products before they are transferred to the customers. Control refers to the Group's ability to direct the use of and obtain substantially all of the remaining benefits from the products.

Further details of the Group's revenue and other income recognition policies are as follows:

(i) Sales of goods

Revenue is recognised when the goods are delivered to the location designated by the customers. The Group takes advantage of the practical expedient in paragraph 63 of IFRS 15 and does not adjust the consideration for any effects of a significant financing component as the period of financing is 12 months or less.

For sales that had an original expected duration of one year or less, the Group has not disclosed the information related to the aggregated amount of the transaction price allocated to the remaining performance obligations in accordance with paragraph 121(a) of IFRS 15.

(ii) Interest income

Interest income is recognised as it accrues using the effective interest method using the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of the financial asset.

(iii) Subsidy income

Subsidies are recognised in the consolidated statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attached to them. Subsidies that compensate the Group for expenses incurred are recognised as revenue in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Subsidies that compensate the Group for the cost of an asset incurred are deferred and recognised as revenue in profit or loss over the useful life of the assets in which the depreciation of the related assets is incurred.

1 Material accounting policies (Continued)

(s) Translation of foreign currencies

Transactions in foreign currencies are translated into the respective functional currencies of group companies at the exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary assets and liabilities that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognised in profit or loss.

The assets and liabilities of foreign operations are translated into United States dollars at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into United States dollars at the exchange rates at the dates of the transactions.

Foreign currency differences are recognised in OCI and accumulated in the exchange reserve, except to the extent that the translation difference is allocated to NCI.

When a foreign operation is disposed of in its entirety or partially such that control, significant influence or joint control is lost, the cumulative amount in the exchange reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal.

1 Material accounting policies (Continued)

(t) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(u) Related parties

(i) A person, or a close member of that person's family, is related to the Group if that person:

(1) has control or joint control over the Group;

(2) has significant influence over the Group; or

(3) is a member of the key management personnel of the Group or the Group's parent.

(ii) An entity is related to the Group if any of the following conditions applies:

(1) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(2) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(3) Both entities are joint ventures of the same third party.

(4) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(5) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(6) The entity is controlled or jointly controlled by a person identified in (i)(1).

(7) A person identified in (i)(2) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(8) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

1 Material accounting policies (Continued)

(v) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

2 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 (2022: one customer), with whom transactions have exceeded 10% of the Group's revenues, for the year ended 31 December, 2023. Revenues from sales to this customer during the reporting period are set out below.

	2023 **$'000**	2022 $'000
Largest customer	**863,786**	1,102,487
Percentage of total revenue	**93%**	99%

Details of concentration of credit risk arising from this customer are set out in note 24(a).

The Group has applied the practical expedient in paragraph 121(a) of IFRS 15, *Revenue from Contracts with Customers*, such that the Group does not disclose the information about revenue that the Group will be entitled to when it satisfies the remaining performance obligations that had an original expected duration of one year or less.

2 Revenue and segment reporting (Continued)

(b) Segment reporting

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 only one single reportable segment.

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, intangible assets and interest in a joint venture ("**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, the location of the operation to which they are allocated, in the case of intangible assets, and the location of operations, in the case of interest in a joint venture.

	Revenue from external customers		Specified non-current assets	
	2023 $'000	2022 $'000	**2023 $'000**	2022 $'000
The People's Republic of China ("**PRC**") (including Hong Kong)	**852,619**	1,095,619	**179,521**	133,633
India	**52,510**	17,695	**—**	—
The Republic of Korea ("**Korea**")	**4,024**	406	**223**	260
Others	**14,693**	2,490	**—**	—
	923,846	1,116,210	**179,744**	133,893

3 Other income

	2023 $'000	2022 $'000
Bank interest income	**11,212**	7,140
Government subsidy	**1,217**	1,310
Net loss on disposal of property, plant and equipment	**(1,286)**	(11,617)
Impairment loss on property, plant and equipment	**(1,224)**	—
Net loss on disposal of intangible assets	**(11)**	(2,755)
Net foreign exchange gain	**1,049**	11,202
Others	**1,845**	464
	12,802	5,744

4 Profit before taxation

Profit before taxation is arrived at after charging:

	2023 $'000	2022 $'000
(a) Finance costs		
Interest on bank loans	8,689	3,973
Interest on lease liabilities	878	1,142
	9,567	5,115
(b) Staff costs# *		
Contributions to defined contribution retirement plan	5,512	3,889
Expenses recognised in respect of defined benefit retirement plans (note 20(a)(v))	30	39
Equity settled share-based payment expenses	1,308	1,835
Salaries, wages and other benefits	59,901	60,327
	66,751	66,090

Staff costs also include directors' remuneration disclosed in note 6.

	2023 $'000	2022 $'000
(c) Other items		
Amortisation (note 11)	709	873
Depreciation# (note 10)		
— owned property, plant and equipment	25,543	18,861
— right-of-use assets	4,489	4,514
Auditors' remuneration	317	314
Loss allowance for expected credit loss	795	—
Research and development costs other than depreciation and amortisation*	50,157	50,079
Cost of inventories# (note 14(b))	796,080	941,763

Cost of inventories includes $57,695,000 (2022: $55,888,000) relating to staff costs and depreciation expenses, which amounts are also included in the respective total amounts disclosed separately above or in note 4(b) for each of these types of expenses.

* Research and development costs other than depreciation and amortisation includes $21,570,000 (2022: $18,332,000) relating to staff costs, which amounts are also included in the respective total amounts disclosed separately in note 4(b).

5 Income tax in the consolidated statement of profit or loss

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

	2023 $'000	2022 $'000
Current tax — Hong Kong Profits Tax		
Provision for the year	55	3,268
Under-provision in respect of prior years	—	69
	55	3,337
Current tax — PRC and Korea tax		
Provision for the year	682	7,237
(Over)/under-provision in respect of prior years	(83)	5,200
	599	12,437
Deferred tax		
Origination and reversal of temporary differences	3,066	1,248
	3,720	17,022

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 2023 is calculated at 16.5% (2022: 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 Hong Kong dollars ("**HK$**") 2 million of assessable profits are taxed at 8.25% and the remaining assessable profits are taxed at 16.5% in 2023. The provision for Hong Kong Profits Tax for this subsidiary was calculated at the same basis in 2022.

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., 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 2023 and 2022 was subject to a reduced tax rate of 15%. Other PRC subsidiaries were subject to statutory tax rate of 25%.

5 Income tax in the consolidated statement of profit or loss (Continued)

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

Under the tax law in Korea, the statutory corporate tax rate applicable to the subsidiary in Korea is 9% for assessable income below Korean Won ("**KRW**") 200 million, 19% for assessable income between KRW200 million and KRW20 billion and 21% for assessable income above KRW20 billion for the years presented (2022: 10% for assessable income below KRW200 million, 20% for assessable income between KRW200 million and KRW20 billion and 22% for assessable income above KRW20 billion for the years presented).

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	2023 $'000	2022 $'000
Profit before taxation	**50,110**	100,838
Notional tax on profit before taxation, calculated at the rates applicable to profits in the jurisdictions concerned	**7,582**	15,549
Tax effect of non-deductible expenses	**137**	166
Tax effect of non-taxable income	**(116)**	(67)
Effect of research and development bonus deduction	**(4,360)**	(5,024)
(Over)/under-provision in prior years	**(83)**	5,269
Tax effect of unused tax losses not recognised	**871**	1,098
Tax effect of unused tax losses utilised	**(340)**	—
Others	**29**	31
Actual tax expense	**3,720**	17,022

6 Directors' emoluments

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation is as follows:

	Directors' fees $'000	Discretionary bonuses $'000	Salaries, allowances and benefits in kind $'000	Retirement scheme contributions $'000	Sub-total $'000	Share-based payments (note) $'000	2023 Total $'000
Chairman							
Meng Yan	–	–	150	–	150	69	219
Executive director							
Wu Ying-Cheng	–	41	359	–	400	45	445
Non-executive directors							
Chen Han-Yang	–	–	50	–	50	32	82
Yang Li	–	–	50	–	50	38	88
Independent non-executive directors							
Su Yen-Hsueh	–	–	20	–	20	–	20
Tsai Chen Lung	–	–	20	–	20	–	20
Liu Xia	–	–	20	–	20	–	20
	–	41	669	–	710	184	894

	Directors' fees $'000	Discretionary bonuses $'000	Salaries, allowances and benefits in kind $'000	Retirement scheme contributions $'000	Sub-total $'000	Share-based payments (note) $'000	2022 Total $'000
Chairman							
Meng Yan	–	299	150	–	449	126	575
Executive director							
Wu Ying-Cheng	–	144	360	–	504	83	587
Non-executive directors							
Chen Han-Yang	–	144	50	–	194	70	264
Yang Li	–	144	50	–	194	70	264
Independent non-executive directors							
Su Yen-Hsueh	–	–	20	–	20	–	20
Tsai Chen Lung	–	–	20	–	20	–	20
Liu Xia	–	–	20	–	20	–	20
	–	731	670	–	1,401	349	1,750

6 Directors' emoluments (Continued)

No director received any emoluments from the Group as an inducement to join or upon joining the Group or as compensation for loss of office and no arrangement under which a director waived or agreed to waive any emoluments.

Note: These represent the estimated value of share options granted to the directors under the Company's share option scheme. The value of these share options is measured according to the Group's accounting policies for share-based payment transactions as set out in note 1(o)(iii) and, in accordance with that policy, includes adjustments to reverse amounts accrued in previous years where grants of equity instruments are forfeited prior to vesting.

The details of these benefits in kind, including the principal terms and number of options granted, are disclosed under the paragraph "Share option scheme" in the directors' report and note 21.

7 Individuals with highest emoluments

Of the five individuals with the highest emoluments, two (2022: two) are directors whose emoluments are disclosed in note 6. The aggregate of the emoluments in respect of the other three (2022: three) individuals are as follows:

	2023 $'000	2022 $'000
Salaries and other emoluments	**420**	355
Discretionary bonuses	**119**	85
Contribution to retirement benefit scheme	**—**	—
	539	440

The emoluments of the three (2022: three) individuals with the highest emoluments are within the following bands:

	2023 Number of individuals	2022 Number of individuals
HK$1,000,001 (equivalent to $128,001) to HK$1,500,000 (equivalent to $192,000)	**2**	3
HK$1,500,001 (equivalent to $192,001) to HK$2,000,000 (equivalent to $255,000)	**1**	—

Note: None of the above three individuals received any emoluments from the Group as an inducement to join or upon joining the Group or as compensation for loss of office.

8 Other comprehensive income

Tax effects relating to each component of other comprehensive income

	2023			2022		
	Before tax amount $'000	Tax expense $'000	Net-of-tax amount $'000	Before tax amount $'000	Tax expense $'000	Net-of-tax amount $'000
Exchange differences on translation of financial statements	(7,112)	–	(7,112)	(37,573)	–	(37,573)
Remeasurement of net defined benefit asset/obligation	(11)	2	(9)	42	(9)	33
Other comprehensive income	(7,123)	2	(7,121)	(37,531)	(9)	(37,540)

9 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 $46,589,000 (2022: $84,305,000) and the weighted average of 846,561,000 ordinary shares (2022: 835,700,000 shares) in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	2023 '000	2022 '000
Issued ordinary shares at 1 January	839,185	834,369
Effect of share options exercised (note 23(b)(ii))	7,376	1,331
Weighted average number of ordinary shares at 31 December	846,561	835,700

9 Earnings per share (Continued)

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of $46,589,000 (2022: $84,305,000) and the weighted average number of ordinary shares of 880,629,000 shares (2022: 868,528,000 shares), calculated as follows:

Weighted average number of ordinary shares (diluted)

	2023 **'000**	2022 '000
Weighted average number of ordinary shares at 31 December	**846,561**	835,700
Effect of deemed issue of shares under the Company's share option scheme for nil consideration (note 21)	**34,068**	32,828
Weighted average number of ordinary shares (diluted) at 31 December	**880,629**	868,528

10 Property, plant and equipment

Reconciliation of carrying amount

	Leasehold improvements $'000	Properties leased for owned use $'000	Plant and machinery $'000	Equipment, furniture and fixtures $'000	Motor vehicles $'000	Construction in progress $'000	Total $'000
Cost:							
At 1 January, 2022	43,246	17,386	49,377	15,533	1,453	7,285	134,280
Exchange adjustments	(3,502)	(2,585)	(6,097)	(877)	(44)	(1,345)	(14,450)
Additions	7,837	10,586	7,057	1,796	41	74,976	102,293
Disposals	(10,100)	–	(37,593)	(10,783)	(25)	–	(58,501)
Transfers	–	–	62,856	3,561	–	(66,417)	–
At 31 December, 2022 and 1 January, 2023	37,481	25,387	75,600	9,230	1,425	14,499	163,622
Exchange adjustments	(1,529)	(1,004)	(2,317)	(581)	(29)	(1,297)	(6,757)
Additions	611	106	6,119	298	–	79,220	86,354
Disposals	(2,983)	(4,737)	(8,974)	(40)	(63)	–	(16,797)
Transfers	670	–	30,029	2,521	–	(33,220)	–
At 31 December, 2023	34,250	19,752	100,457	11,428	1,333	59,202	226,422
Accumulated depreciation and impairment losses:							
At 1 January, 2022	23,503	1,883	22,862	10,634	1,165	–	60,047
Exchange adjustments	(1,739)	(783)	(382)	(226)	(39)	–	(3,169)
Charge for the year	7,285	4,407	9,546	2,030	107	–	23,375
Written back on disposals	(9,544)	–	(28,209)	(9,106)	(25)	–	(46,884)
At 31 December, 2022 and 1 January, 2023	19,505	5,507	3,817	3,332	1,208	–	33,369
Exchange adjustments	(467)	(256)	(117)	(46)	(3)	–	(889)
Charge for the year	7,403	4,397	16,684	1,456	92	–	30,032
Impairment loss	(91)	(61)	(1,063)	(9)	–	–	(1,224)
Written back on disposals	(1,596)	(1,363)	(8,646)	(17)	(63)	–	(11,685)
At 31 December, 2023	24,754	8,224	10,675	4,716	1,234	–	49,603
Net book value:							
At 31 December, 2022	17,976	19,880	71,783	5,898	217	14,499	130,253
At 31 December, 2023	9,496	11,528	89,782	6,712	99	59,202	176,819

10 Property, plant and equipment (Continued)

Reconciliation of carrying amount (Continued)

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 $111,382,000 (2022: $111,382,000) 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.

Right-of-use assets

The analysis of the net book value of right-of-use assets by class of underlying asset is as follows:

	2023 $'000	2022 $'000
Properties leased for own use, carried at depreciated cost	11,528	19,880
Motor vehicles, carried at depreciated cost	99	217
	11,627	20,097

The Group has obtained the right to use properties mainly as its factory, warehouses, offices and vehicles through tenancy agreements. The leases typically run for an initial period of 2 to 18 years.

The analysis of expense items in relation to leases recognised in profit or loss is as follows:

	2023 $'000	2022 $'000
Depreciation charge of right-of-use assets by class of underlying asset:		
— Properties leased for own use	4,397	4,407
— Motor vehicles	92	107
	4,489	4,514
Interest on lease liabilities (note 4(a))	878	1,142
Expense relating to short-term leases	814	538

During the year, additions to right-of-use assets were $106,000 (2022: $10,627,000). This amount primarily related to the capitalised lease payments payable under new tenancy agreements.

Details of total cash outflow for leases and the maturity analysis of lease liabilities are set out in notes 16(d) and 19, respectively.

11 Intangible assets

	Development costs $'000	Software $'000	Club membership $'000	Total $'000
Cost:				
At 1 January, 2022	73	11,093	173	11,339
Exchange adjustments	(5)	(639)	(9)	(653)
Additions	—	717	—	717
Disposal	—	(5,664)	—	(5,664)
At 31 December, 2022 and 1 January, 2023	**68**	**5,507**	**164**	**5,739**
Exchange adjustments	**(1)**	**(72)**	**(3)**	**(76)**
Additions	**—**	**59**	**—**	**59**
Disposal	**—**	**(13)**	**—**	**(13)**
At 31 December, 2023	**67**	**5,481**	**161**	**5,709**
Accumulated amortisation:				
At 1 January, 2022	73	4,906	—	4,979
Exchange adjustments	(5)	(265)	—	(270)
Charge for the year	—	873	—	873
Written back of disposal	—	(2,909)	—	(2,909)
At 31 December, 2022 and 1 January, 2023	**68**	**2,605**	**—**	**2,673**
Exchange adjustments	**(1)**	**(30)**	**—**	**(31)**
Charge for the year	**—**	**709**	**—**	**709**
Written back of disposal	**—**	**(2)**	**—**	**(2)**
At 31 December, 2023	**67**	**3,282**	**—**	**3,349**
Net book value:				
At 31 December, 2022	—	2,902	164	3,066
At 31 December, 2023	**—**	**2,199**	**161**	**2,360**

The amortisation charge for the year is included in "cost of sales", "selling and distribution expenses" and "administrative expenses" in the consolidated statement of profit or loss.

(Expressed in United States dollars unless otherwise indicated)

12 Investments in subsidiaries

The following list contains the particulars of the subsidiaries which principally affected the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated.

Name of company	Place of incorporation/ registration and operation	Particulars of issued and paid up capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
Cowell Optic Electronics Limited	Hong Kong	100 shares	100%	100%	–	Trading of camera module and optical products
Dongguan Cowell Optic Electronics Co., Ltd (東莞高偉光學電子有限公司)(*) (#)	PRC	$383,831,900	100%	–	100%	Manufacture of camera module and optical products
Dongguan Shiyuan Photoelectric Technology Co., Ltd. (東莞時圓光電科技有限公司)(*) (#)	PRC	RMB35,000,000	80%	–	80%	Manufacture and trading of camera module and optical products
Dongguan Luxsense Innovation Electronics Limited (東莞立騰創新有限公司)(*) (#)	PRC	RMB100,000,000	51%	–	51%	Manufacture and trading of optical components

* Registered under the laws of the PRC as wholly foreign owned enterprise.

\# The official names of these entities are in Chinese. The English translation of the names is for identification only.

13 Interest in a joint venture

Details of the Group's interest in the joint venture, which is accounted for using the equity method in the consolidated financial statements, are as follows:

Name of company	Place of incorporation/ registration and operation	Particulars of issued and paid up capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
Suzhou Liwei Optical Technology Co., Ltd. (#) (蘇州立維光學科技有限公司)	PRC	RMB8,000,000	40%	–	40%	Manufacture and trading of optical products

This joint venture is an unlisted corporate entity whose quoted market price is not available. The registered capital of the joint venture is RMB50,000,000.

\# This entity is PRC limited liability company. The official name of this entity is in Chinese. The English translation of the name is for identification only.

14 Inventories

(a) Inventories in the consolidated statement of financial position comprise:

	2023 $'000	2022 $'000
Raw materials	33,549	31,367
Work in progress	16,141	13,224
Finished goods	84,205	93,748
	133,895	138,339

(b) The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	2023 $'000	2022 $'000
Carrying amount of inventories sold	792,563	932,449
Write-down of inventories	3,517	9,314
	796,080	941,763

15 Trade and other receivables

	2023 $'000	2022 $'000
Trade receivables, net of loss allowance:		
— Third parties	112,744	180,982
— An intermediate holding company	770	590
— A fellow subsidiary	336	102
— Non-controlling interests	38,963	—
	152,813	181,674
Other receivables and prepayments	22,270	14,172
	175,083	195,846

All of the trade and other receivables are expected to be recovered or recognised as expense within one year.

15 Trade and other receivables (Continued)

(a) Ageing analysis

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:

	2023 $'000	2022 $'000
Within 1 month	**101,162**	124,061
Over 1 to 2 months	**51,078**	53,090
Over 2 to 3 months	**128**	3,238
Over 3 months	**445**	1,285
	152,813	181,674

Trade receivables, including amounts due from an intermediate holding company and a fellow subsidiary are due within 30 to 90 days from the date of billing. Further details on the Group's credit policy are set out in note 24(a).

(b) Non-current other receivables

Non-current other receivables mainly represented deposits for property lease.

16 Cash and cash equivalents

(a) Cash and cash equivalents and bank deposits:

	2023 $'000	2022 $'000
Cash at bank and on hand	**96,726**	44,508
Cash and cash equivalents in the consolidated cash flow statement	**96,726**	44,508
Bank deposits with more than three months to maturity when placed	**265,435**	101,944

16 Cash and cash equivalents (Continued)

(b) Reconciliation of profit before taxation to cash generated from operations:

	Note	2023 $'000	2022 $'000
Profit before taxation		**50,110**	100,838
Adjustments for:			
Interest income	*3*	**(11,212)**	(7,140)
Net loss on disposal of property, plant and equipment	*3*	**1,286**	11,617
Net loss on disposal of intangible assets	*3*	**11**	2,755
Finance costs	*4(a)*	**9,567**	5,115
Equity settled share-based payment expenses	*4(b)*	**1,308**	1,835
Amortisation	*4(c)*	**709**	873
Depreciation	*4(c)*	**30,032**	23,375
Impairment loss on property, plant and equipment	*3*	**1,224**	—
Loss allowance for expected credit loss	*4(c)*	**795**	—
Foreign exchange gain		**(5,711)**	(18,729)
Changes in working capital:			
Decrease in inventories		**4,444**	356
Decrease/(increase) in trade and other receivables		**22,372**	(81,672)
Increase in trade and other payables		**13,522**	77,308
Increase/(decrease) in defined benefit obligation		**36**	(103)
Increase in deferred income		**1,876**	—
Cash generated from operations		**120,369**	116,428

16 Cash and cash equivalents (Continued)

(c) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated cash flow statement as cash flows from financing activities.

	Bank loans (Note 18) $'000	Lease liabilities (Note 19) $'000	Total $'000
At 1 January, 2022	72,865	19,826	92,691
Changes from financing cash flows:			
Proceeds from bank loans	217,986	—	217,986
Repayment of bank loans	(274,456)	—	(274,456)
Interest paid on bank loans	(3,973)	—	(3,973)
Capital element of lease rentals paid	—	(4,041)	(4,041)
Interest element of lease rentals paid	—	(1,142)	(1,142)
Total changes from financing cash flows	(60,443)	(5,183)	(65,626)
Exchange adjustments	(601)	(2,443)	(3,044)
Other changes:			
Increase in lease liabilities from entering into new leases during the year	—	10,627	10,627
Interest expenses	3,973	1,142	5,115
Total other changes	3,973	11,769	15,742
At 31 December, 2022	15,794	23,969	39,763

16 Cash and cash equivalents (Continued)

(c) Reconciliation of liabilities arising from financing activities (Continued)

	Bank loans (Note 18) $'000	Lease liabilities (Note 19) $'000	Total $'000
At 1 January, 2023	15,794	23,969	39,763
Changes from financing cash flows:			
Proceeds from bank loans	1,133,849	–	1,133,849
Repayment of bank loans	(872,740)	–	(872,740)
Interest paid on bank loans	(8,689)	–	(8,689)
Capital element of lease rentals paid	–	(5,067)	(5,067)
Interest element of lease rentals paid	–	(878)	(878)
Total changes from financing cash flows	252,420	(5,945)	246,475
Exchange adjustments	(2,143)	(739)	(2,882)
Other changes:			
Increase in lease liabilities from entering into new leases during the year	–	106	106
Decrease in lease liabilities from termination of leases during the period	–	(3,826)	(3,826)
Interest expenses	8,689	878	9,567
Total other changes	8,689	(2,842)	5,847
At 31 December, 2023	274,760	14,443	289,203

(d) Total cash outflow for leases

Amounts included in the consolidated cash flow statement for lease rental paid comprise the following:

	2023 $'000	2022 $'000
Within operating cash flows	814	538
Within financing cash flows	5,945	5,183
	6,759	5,721

(e) Pledged bank deposits

The Group's pledged bank deposits represented deposits provided to secure certain bank loans in the PRC.

17 Trade and other payables

	2023 $'000	2022 $'000
Trade payables		
— Third parties	202,394	179,862
— An intermediate holding company	6,165	3,479
— A related company	636	12,805
	209,195	196,146
Accrued charges and other payables	25,803	28,792
	234,998	224,938

All of the trade and other payables are expected to be settled or recognised as income within one year or are repayable on demand. The related company is under the significant influence by the key shareholders of the Company.

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:

	2023 $'000	2022 $'000
Within 1 month	125,172	115,242
Over 1 to 3 months	82,300	75,593
Over 3 to 6 months	1,723	5,311
	209,195	196,146

18 Bank loans

	2023 $'000	2022 $'000
Current — Within 1 year or on demand (secured) (note 16(e))	70,000	—
Current — Within 1 year or on demand (unsecured)	204,760	15,794
	274,760	15,794

The banking facilities were guaranteed by the Company and ultimate controlling party.

19 Lease liabilities

At 31 December, 2023, the lease liabilities were repayable as follows:

	2023		2022	
	Present value of the minimum lease payments $'000	Total minimum lease payments $'000	Present value of the minimum lease payments $'000	Total minimum lease payments $'000
Within 1 year	**4,011**	**4,615**	5,727	6,199
After 1 year but within 2 years	**2,297**	**2,753**	5,282	5,732
After 2 years but within 5 years	**5,786**	**6,543**	8,982	10,205
After 5 years	**2,349**	**2,437**	3,978	4,227
	10,432	**11,733**	18,242	20,164
	14,443	**16,348**	23,969	26,363
Less: total future interest expenses		**(1,905)**		(2,394)
Present value of lease liabilities		**14,443**		23,969

20 Employees retirement schemes

(a) Defined benefit retirement plan

The Group makes contributions to a defined benefit retirement plan for Korean employees working in Korea which covers 0.1% (2022: 0.2%) of the Group's employees. The plan is administered by a trustee, who is independent, with its assets held separately from those of the Group.

The plan is funded by contributions from the Group in accordance with an independent actuary's recommendation based on an annual actuarial valuation. The independent actuarial valuation of the plan at 31 December, 2023 was prepared by certified insurance actuaries of Dlog Actuarial Consulting, who are registered with the Financial Services Commission, using the projected unit cost method. The actuarial valuation indicates that the Group's obligations under the defined benefit retirement plan are 100% (2022: 108%) covered by the plan assets held by the trustees at 31 December, 2023.

The plan exposes the Group to actuarial risks, such as longevity risk, currency risk, interest rate risk and market risk.

20 Employees retirement schemes (continued)

(a) Defined benefit retirement plan (continued)

(i) The amounts recognised in the consolidated statement of financial position are as follows:

	2023 $'000	2022 $'000
Present value of wholly or partly funded by obligation	336	314
Fair value of plan assets	(334)	(337)
Net defined benefit retirement obligation/(asset)	2	(23)

A portion of the above asset/liability is expected to be recovered/settled after more than one year. However, it is not practicable to segregate this amount from the amounts receivable/payable in the next twelve months, as future contributions will also relate to future services rendered and future changes in actuarial assumptions and market conditions. The Group expects to pay $26,000 in contributions to the defined benefit retirement plan in 2023.

(ii) Plan assets

As at 31 December, 2022 and 2023, the Group's liability under this plan is covered by deposits placed with several banks. There is no plan asset invested in the Company's own financial instruments or any property occupied or other assets used by the Group.

20 Employees retirement schemes (continued)

(a) Defined benefit retirement plan (continued)

(iii) Movements in the present value of the defined benefit obligation

	2023 $'000	2022 $'000
At 1 January	314	428
Remeasurements:		
— Actuarial (gains)/losses arising from experience	(13)	17
— Actuarial losses/(gains) arising from changes in financial assumptions	20	(64)
	7	(47)
Benefits paid by the plan	(27)	(93)
Benefits received by the Group	3	3
Current service cost	30	36
Interest cost	15	14
Exchange difference	(6)	(27)
At 31 December	336	314

The weighted average duration of the defined benefit obligation is 7.6 years (2022: 7.8 years).

(iv) Movements in plan assets

	2023 $'000	2022 $'000
At 1 January	337	393
Group's contributions paid to the plan	21	55
Benefits paid by the plan	(30)	(93)
Interest income	16	11
Return on plan assets, excluding interest income	(4)	(5)
Exchange difference	(6)	(24)
At 31 December	334	337

20 Employees retirement schemes (continued)

(a) Defined benefit retirement plan (continued)

(v) *Amounts recognised in the consolidated statement of profit or loss and other comprehensive income are as follows:*

	2023 $'000	2022 $'000
Current service cost	30	36
Net interest on net defined benefit asset/obligation	–	3
Total amount recognised in profit or loss	30	39
Actuarial losses/(gains)	7	(47)
Return on plan assets, excluding interest income	4	5
Total amounts recognised in other comprehensive income	11	(42)
Total defined benefits income	41	(3)

The current service cost and the net interest on net defined benefit asset/obligation are recognised in administrative expenses in the consolidated statement of profit or loss.

(vi) *Significant actuarial assumptions (expressed as weighted averages) and sensitivity analysis are as follows:*

	2023	2022
Discount rate	4.45%	4.42%
Future salary increases	4.50%	3.25%

The below analysis shows how the defined benefit asset/obligation would have increased/(decreased) as a result of 1% change in the significant actuarial assumptions:

	Increase in 1%		Decrease in 1%	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Discount rate	(23)	19	26	(28)
Future salary increases	(26)	(28)	23	20

20 Employees retirement schemes (continued)

(a) Defined benefit retirement plan (continued)

(vi) Significant actuarial assumptions (expressed as weighted averages) and sensitivity analysis are as follows: (continued)

The above sensitivity analysis is based on the assumption that changes in actuarial assumptions are not correlated and therefore it does not take into account the correlations between the actuarial assumptions.

(b) Defined contribution retirement plan

The subsidiary in Hong Kong also operates a Mandatory Provident Fund Scheme (the "**MPF scheme**") under the Hong Kong Mandatory Provident Fund Scheme Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF scheme is a defined contribution retirement scheme administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the scheme at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$30,000. Contributions to the scheme vest immediately, there is no forfeited contributions that may need to be used by the Group to reduce the existing level of contribution.

The subsidiaries in the PRC participates in the defined contribution retirement schemes operated by the local authorities for employees in the PRC. Contributions to these schemes are charged to profit or loss when incurred. The Group is required to contribute 16.8% (2022: 16.8%) of employees' remuneration to these schemes during the year. Contributions to the scheme vest immediately, there is no forfeited contributions that may need to be used by the Group to reduce the existing level of contribution.

21 Equity settled share-based transactions

On 5 May, 2021, the Company adopted a share option scheme (the "**Share Option Scheme**"), whereby the directors of the Company are authorised, at their discretion, to invite employees of the Group, including directors of any company in the Group, to take up options at HK$1 to subscribe for shares of the Company. The options vest after 1 to 5 years from the date of grant and are then exercisable within a period of 6 to 10 years. Each option gives the holder the right to subscribe for one ordinary share in the Company and is settled gross in shares.

21 Equity settled share-based transactions (continued)

(a) The terms and conditions of the grants are as follows:

	Number of instruments	Vesting conditions	Contractual life of options
Options granted to directors:			
— on 25 May, 2021	2,780,000	1 year from the date of grant	10 years
	2,780,000	2 years from the date of grant	9 years
	2,780,000	3 years from the date of grant	8 years
	2,780,000	4 years from the date of grant	7 years
	2,780,000	5 years from the date of grant	6 years
Options granted to employees:			
— on 25 May, 2021	6,310,000	1 year from the date of grant	10 years
	6,310,000	2 years from the date of grant	9 years
	6,310,000	3 years from the date of grant	8 years
	6,310,000	4 years from the date of grant	7 years
	6,310,000	5 years from the date of grant	6 years
— on 15 October, 2021	3,440,000	1 year from the date of grant	10 years
	3,440,000	2 years from the date of grant	9 years
	3,440,000	3 years from the date of grant	8 years
	3,440,000	4 years from the date of grant	7 years
	3,440,000	5 years from the date of grant	6 years
Total share options granted	62,650,000		

(b) The number and weighted average exercise prices of share options are as follows:

	2023		2022	
	Weighted average exercise price	Number of options '000	Weighted average exercise price	Number of options '000
Outstanding at the beginning of the year	**HK$4.34**	**50,954**	HK$4.35	57,650
Exercised during the year	**HK$4.31**	**(13,861)**	HK$4.42	(4,816)
Lapsed/cancelled during the year	**HK$4.56**	**(859)**	HK$4.46	(1,880)
Outstanding at the end of the period	**HK$4.35**	**36,234**	HK$4.34	50,954
Exercisable at the end of the period	**HK$4.37**	**3,144**	HK$4.29	6,384

(Expressed in United States dollars unless otherwise indicated)

21 Equity settled share-based transactions (continued)

(b) The number and weighted average exercise prices of share options are as follows: (continued)

The weighted average share price at the date of exercise for shares options exercised during the year was $2.26 (equivalents to HK$17.72) (2022: $1.57 (equivalents to HK$12.32)).

The options outstanding at 31 December, 2023 had a weighted average exercise price of $0.56 (equivalents to HK$4.35) (2022: $0.56 (equivalents to HK$4.34)) and a weighted average remaining contractual life of 7.5 years (2022: 8.5 years).

(c) Fair value of share options and assumptions

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of the fair value of the share options granted is measured based on a binomial option pricing model. The contractual life of the share option is used as an input into this model. Expectations of early exercise are incorporated into the binomial option pricing model. There was no share options granted during the year ended 31 December, 2023.

Fair value of share options granted in 2021 related assumptions

	2021
Fair value at measurement date	HK$0.56–0.70
Share price	HK$4.10–4.84
Exercise price	HK$4.14–4.84
Expected volatility (expressed as weighted average volatility used in the modelling under binomial option pricing model)	67.41%
Option life (expressed as weighted average life used in the modelling under binomial option pricing model)	6–10 years
Expected dividends	27.95%
Risk-free interest rate (based on yields of Hong Kong government bonds and treasury bills)	1.08%

The expected volatility is based on the historic volatility (calculated based on the weighted average remaining life of the share options), adjusted for any expected changes to future volatility based on publicly available information. Expected dividends are based on historical dividends. Changes in the subjective input assumptions could materially affect the fair value estimate.

22 Income tax in the consolidated statement of financial position

(a) Current taxation in the consolidated statement of financial position represents:

	2023 $'000	2022 $'000
(Hong Kong Profits Tax recoverable)/provision for Hong Kong Profits Tax	(2,410)	17
Provision for tax outside Hong Kong	2,051	5,839
	(359)	5,856
Representing:		
Current tax recoverable	(2,410)	–
Current tax payable	2,051	5,856
	(359)	5,856

(b) Deferred tax assets and liabilities recognised:

Movement of each component of deferred tax assets and liabilities

The components of deferred tax (assets)/liabilities recognised in the consolidated statement of financial position and the movements during the year are as follows:

	Differences between depreciation and the related depreciation allowances $'000	Defined benefit retirement plan liability $'000	Provisions $'000	Unrealised profits $'000	Others $'000	Total $'000
At 1 January, 2022	(9,879)	–	(1,202)	(123)	(80)	(11,284)
Charged/(credited) to profit or loss (note 5(a))	1,881	9	(1,004)	203	159	1,248
Credited to reserves (note 8)	–	(9)	–	–	–	(9)
Exchange adjustments	728	–	83	–	10	821
At 31 December, 2022 and 1 January, 2023	(7,270)	–	(2,123)	80	89	(9,224)
Charged/(credited) to profit or loss (note 5(a))	1,798	2	1,402	(148)	12	3,066
Credited to reserves (note 8)	–	(2)	–	–	–	(2)
Exchange adjustments	169	–	27	–	(3)	193
At 31 December, 2023	(5,303)	–	(694)	(68)	98	(5,967)

22 Income tax in the consolidated statement of financial position (continued)

(c) Deferred tax assets not recognised

In accordance with the accounting policy set out in note 1(p), the Group has not recognised deferred tax assets in respect of cumulative tax losses of $6,517,000 (2022: $4,393,000) as it is not probable that the future taxable profits against which the losses can be utilised would be available in the relevant tax jurisdiction and entity. The Group has not recognised deferred tax assets in respect of tax losses, whose expiry dates are:

	2023 **$'000**	2022 $'000
In 2027	**3,032**	4,393
In 2028	**3,485**	—
	6,517	4,393

(d) Deferred tax liabilities not recognised

Under the CIT and its implementation rules, a withholding tax at 10%, unless reduced by a tax treaty or arrangement, is applied on dividends received by non-PRC-resident corporate investors from PRC-resident enterprises, such as the Company's PRC subsidiary. Undistributed earnings prior to 1 January, 2008 are exempt from such withholding tax. Under the China-Hong Kong Tax Arrangement and the relevant regulations, a qualified Hong Kong tax resident which is the "beneficial owner" and holds 25% equity interests or more of a PRC enterprise is entitled to a reduced withholding tax rate of 5%.

As at 31 December, 2023, temporary differences relating to the undistributed profits of the Group's PRC subsidiary amounted to $219,549,000 (2022: $189,081,000). Deferred tax liabilities have not been recognised in respect of these undistributed profits as the Company controls the dividend policy of the subsidiary and it has been determined that it is probable that these profits will not be distributed in the foreseeable future.

23 Capital, reserves and dividends

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual component of equity between the beginning and the end of the year are set out below:

The Company

	Note	Share capital $'000	Share premium $'000	Capital reserve $'000	Capital redemption reserve $'000	Other reserve $'000	Retained profits/ (accumulated losses) $'000	Total $'000
At 1 January, 2022	*27*	3,337	59,217	3,084	7	707	2,169	68,521
Changes in equity for 2022:								
Loss and total comprehensive income for the year		–	–	–	–	–	(3,364)	(3,364)
Shares issued under share option scheme	*23(b)(ii)*	20	3,216	(516)	–	–	–	2,720
Equity settled share-based transactions		–	–	1,666	–	–	–	1,666
At 31 December, 2022 and 1 January, 2023	*27*	**3,357**	**62,433**	**4,234**	**7**	**707**	**(1,195)**	**69,543**
Changes in equity for 2023:								
Loss and total comprehensive income for the year		**–**	**–**	**–**	**–**	**–**	**(1,573)**	**(1,573)**
Shares issued under share option scheme	*23(b)(ii)*	**55**	**8,497**	**(1,440)**	**–**	**–**	**–**	**7,112**
Equity settled share-based transactions		**–**	**–**	**1,132**	**–**	**–**	**–**	**1,132**
Share options lapsed		**–**	**–**	**(28)**	**–**	**–**	**28**	**–**
At 31 December, 2023	*27*	**3,412**	**70,930**	**3,898**	**7**	**707**	**(2,740)**	**76,214**

23 Capital, reserves and dividends (continued)

(b) Share capital

(i) Authorised and issued share capital

	2023 Number of shares '000	2023 Amount $'000	2022 Number of shares '000	2022 Amount $'000
Authorised:				
Ordinary shares of $0.004 each	**10,000,000**	**40,000**	10,000,000	40,000
Ordinary shares, issued and fully paid:				
At 1 January	**839,185**	**3,357**	834,369	3,337
Shares issued under share option scheme	**13,861**	**55**	4,816	20
At 31 December	**853,046**	**3,412**	839,185	3,357

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

(ii) Shares issued under share option scheme

During the year ended 31 December, 2023, options were exercised to subscribe for 13,861,000 (2022: 4,816,000) ordinary shares in the Company at a consideration of $7,112,000 (2022: $2,720,000). $1,440,000 (2022: $516,000) was transferred from the capital reserve to the share capital and share premium account in accordance with policy set out in note 1(o)(iii).

23 Capital, reserves and dividends (continued)

(c) Nature and purpose of reserves

(i) Share premium and capital redemption reserve

The application of the share premium and the capital redemption reserve of the Group and the Company is governed by the Companies Law of the Cayman Islands.

(ii) Capital reserve

The capital reserve comprises the following:

— The portion of the grant date fair value of unexercised share options granted to directors and employees of the Company that has been recognised in accordance with the accounting policy adopted for share-based payments in note 1(o)(iii); and

— The contribution from one of the substantial shareholders of $2,040,000 to compensate part of the listing expenses incurred in 2015.

(iii) Other reserve

The Company's other reserve represents the fair value of the estimated number of unexercised share options granted to directors and employees of the Group in 2010. The share options were cancelled without any exercise in 2012.

The Group's other reserve comprises the Company's other reserve and the difference between the consideration paid by the Company to acquire non-controlling interests in Cowell Electronics Co., Ltd. and its carrying amount on the date of acquisition in 2012.

The Group's other reserve also comprises the Company's other reserve and the difference between the capital contributions from non-controlling interest for Dongguan Luxsense Innovation Electronics Limited and the carrying amount of its share in Dongguan Luxsense Innovation Electronics Limited's net assets on the date of acquisition in 2023.

(iv) General reserve fund

According to the PRC laws applicable to wholly-owned foreign investment enterprises, the PRC subsidiaries of the Group are required to set up a general reserve fund and appropriate at least 10% of their annual net profits after taxation, as determined under PRC accounting regulations, to the general reserve fund until the balance of the fund equals to 50% of the respective enterprise's authorised capital. This fund can be used to make good losses and to convert into paid-up capital.

(v) Exchange reserve

The exchange reserve of the Group comprises all foreign exchange differences arising from the translation of the financial statements of operations with functional currency other than United States dollars. The reserve is dealt with in accordance with the accounting policies set out in note 1(s).

23 Capital, reserves and dividends (continued)

(d) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors its capital structure on the basis of a net debt-to-capital ratio. For this purpose the Group defines net debt plus unaccrued proposed dividend as total debt less cash and cash equivalents and bank deposits. Adjusted capital comprises all components of equity less unaccrued proposed dividends.

The Group did not have net debt as at 31 December, 2023 and 2022. Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

24 Financial risk management and fair values

Exposure to credit, liquidity, currency and interest rate risks arises in the normal course of the Group's business.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade receivables. The Group's exposure to credit risk arising from cash and cash equivalents and bank deposits is limited because the counterparties are banks for which the Group considers to have low credit risk.

24 Financial risk management and fair values (continued)

(a) Credit risk (continued)

Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At the end of the reporting period, 73.1% (2022: 98.8%) of the total trade receivables was due from the Group's largest customer and 99.6% (2022: 100%) of trade receivables were due from the Group's five largest customers.

In respect of trade and other receivables, individual credit evaluations are performed on all customers. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due within 30 to 90 days from the date of billing. Debtors with balances that are more than three months past due are requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collateral from customers. In respect of deposits with banks, the Group only places deposits with major financial institutions which the Group's management believes are of high credit rating.

To measure the ECLs, the Group distinguishes the trade and other receivables by different customers or counterparties and estimates the corresponding credit loss rates. The credit loss rates are estimated based on historical observed default rates over the expected life of trade receivables and study of other corporates' default and recovery data, and are adjusted for forward-looking information that is available without undue cost or effort. Such forward-looking information is used by management of the Group to assess the current condition and the Group's view of economic conditions over the expected lives of the receivables.

As the Group's historical credit loss experience does not indicate significantly different loss patterns for different business lines, the loss allowance based on past due status is not further distinguished between the Group's different business lines. There is no material loss allowance recognised under the ECL model in 2022 and 2023 (note 4(c)).

24 Financial risk management and fair values (continued)

(b) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to the approval by the parent company's board in respect of borrowings. The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants, if any, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following table shows the remaining contractual maturities at the end of the reporting period of the Group's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates, or if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay.

	2023						2022					
	Contractual undiscounted cash outflow						Contractual undiscounted cash outflow					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Carrying amount at 31 December	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Carrying amount at 31 December
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Lease liabilities	4,615	2,753	6,543	2,437	16,348	14,443	6,199	5,732	10,205	4,227	26,363	23,969
Bank loans	281,750	–	–	–	281,750	274,760	15,936	–	–	–	15,936	15,794
Trade and other payables	234,635	–	–	–	234,635	234,635	224,938	–	–	–	224,938	224,938
	521,000	2,753	6,543	2,437	532,733	523,838	247,073	5,732	10,205	4,227	267,237	264,701

(c) Currency risk

The Group is exposed to currency risk primarily through sales and purchases which give rise to receivables, payables and cash balances that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk are primarily United States dollars and Hong Kong dollars.

24 Financial risk management and fair values (continued)

(c) Currency risk (continued)

(i) Exposure to currency risk

The following table details the Group's exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in United States dollars, translated using the spot rate at the year end date. Differences resulting from the translation of the financial statements of foreign operations into the Group's presentation currency.

Exposure to foreign currencies (expressed in United States dollars)

	2023		2022	
	United States Dollars '000	**Hong Kong Dollars $'000**	United States Dollars '000	Hong Kong Dollars $'000
Trade and other receivables	**102,325**	**43**	211,297	43
Cash and cash equivalents	**6,232**	**1,189**	4,391	2,005
Trade and other payables	**(864)**	**—**	(25)	—
Bank loans	**(88,000)**	**—**	—	—
Net exposure arising from recognised assets and liabilities	**19,693**	**1,232**	215,663	2,048

(ii) Sensitivity analysis

The following table indicates the instantaneous change in the Group's profit after tax (and retained profits) and other components of consolidated equity that would arise if foreign exchange rates to which the Group has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remained constant. In this respect, it is assumed that the pegged rate between the Hong Kong dollar and the United States dollar would be materially unaffected by any changes in movement in value of the United States dollar against other currencies.

24 Financial risk management and fair values (continued)

(c) Currency risk (continued)

(ii) Sensitivity analysis (continued)

	2023		2022	
	Increase/ (decrease) in foreign exchange rates	Effect on profit after tax and retained profits $'000	Increase/ (decrease) in foreign exchange rates	Effect on profit after tax and retained profits $'000
United States Dollars	5%	801	10%	17,883
	(5%)	(801)	(10%)	(17,883)
Hong Kong Dollars	5%	61	10%	178
	(5%)	(61)	(10%)	(178)

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group entities' profit after tax and equity measured in the respective functional currencies, translated into Unites States dollars at the exchange rate ruling at the end of the reporting period for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to remeasure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period, including inter-company payables and receivables within the Group which are denominated in a currency other than the functional currencies of the lender or the borrower. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into the Group's presentation currency. The analysis is performed on the same basis for 2022.

(d) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk arises primarily from lease liabilities and bank loans. Borrowings issued at variable rates and fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk. The Group's interest rate profile as monitored by management is set out below.

24 Financial risk management and fair values (continued)

(d) Interest rate risk

The following table details the interest rate profile of the Group's borrowings at the end of the reporting period:

	2023		2022	
	Effective interest rate %	$'000	Effective interest rate %	$'000
Fixed rate borrowings:				
Lease liabilities	4.88	14,443	4.83	23,969
Bank loans	4.55	274,760	2.50	15,794
		289,203		39,763

Sensitivity analysis

At 31 December, 2023, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would not material decrease or increase the Group's profit after taxation and retained profits. Other components of consolidated equity would not be affected in response to a general increase/decrease in interest rates.

The sensitivity analysis above indicates the instantaneous change in the Group's profit after taxation (and retained profits) and other components of consolidated equity that would arise assuming that change in interest rates had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to fair value interest rate risk at the end of the reporting period. The analysis is performed on the same basis as 2022.

(e) Fair values

The directors consider that the carrying amounts of the Group's financial instruments carried at amortised cost are not materially different from their fair values at the end of the reporting period.

25 Commitments

Capital commitments outstanding at 31 December, 2023 not provided for in the consolidated financial statements were as follows:

	2023 $'000	2022 $'000
Contracted for the acquisition of property, plant and equipment	**26,081**	13,877

26 Material related party transactions

Transactions with related parties are carried out based on terms agreed with the counterparties in ordinary course of business.

Apart from disclosures made in other parts of the consolidated financial statements, the Group entered into the following material related party transactions during the year.

(a) Key management personnel remuneration

All members of key management personnel are the directors of the Company, and their remuneration is disclosed in note 6.

(b) Transaction with related parties

	2023 $'000	2022 $'000
Sales of finished goods		
— an intermediate holding company and its subsidiaries (note (i))	**1,852**	1,203
— non-controlling interest (note (ii))	**52,566**	—
Purchase of raw materials		
— an intermediate holding company and its subsidiaries (note (iii))	**9,817**	3,280
— related companies (note (iv))	**6,632**	17,711
Purchase of equipment from related companies (note (v))	**1,529**	—

Notes:

(i) The Company entered into a supply framework agreement with Guangzhou Luxvisions Innovation Technology Limited ("**GZ Luxvisions**"), an intermediate holding company, and its subsidiaries ("**GZ Luxvisions Group**"), pursuant to which the Group shall supply products to the GZ Luxvisions Group.

(ii) The Company entered into a supply framework agreement with Suteng Innovation Technology Company Limited ("**Suteng**"), a non-controlling interest, pursuant to which the Group shall supply products to Suteng.

(iii) The Company entered into a materials procurement framework agreement with GZ Luxvisions, pursuant to which the Group shall purchase raw materials from the GZ Luxvisions Group.

26 Material related party transactions (Continued)

(b) Transaction with related parties (Continued)

Notes: (Continued)

(iv) The Company entered into a purchase framework agreement with Luxshare Precision Industry Co., Limited ("**Luxshare Precision**") and its subsidiaries ("**Luxshare Precision Group**"), pursuant to which the Group shall purchase raw materials from the Luxshare Precision Group. Luxshare Precision is under significant influence by the controlling shareholders of the Company.

(v) The Company entered into a machinery purchase framework agreement with Luxshare Precision Group, pursuant to which the Group shall purchase machinery from the Luxshare Precision Group.

(c) Applicability of the Listing Rules relating to connected transactions

The above-mentioned related party transactions in respect of sales and purchase constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules. The disclosures required by Chapter 14A of the Listing Rules are provided in the section "Connected transactions and continuing connected transactions" in the Directors' Report.

27 Company-level statement of financial position

	2023 $'000	2022 $'000
Non-current assets		
Interests in subsidiaries	65,993	65,993
Current assets		
Other receivables	610	819
Cash and cash equivalents	9,830	3,671
	10,440	4,490
Current liabilities		
Other payables	219	940
Net current assets	10,221	3,550
NET ASSETS	76,214	69,543
CAPITAL AND RESERVES		
Share capital	3,412	3,357
Reserves	72,802	66,186
TOTAL EQUITY	76,214	69,543

28 Accounting judgements and estimates

Key area of estimation uncertainty is set out as follows:

Write down of inventories

The Group performs regular reviews of the carrying amounts of inventories with reference to aged inventories analysis, projections of expected future saleability of goods and, management experience and judgement. Based on this review, a write down of inventories will be made when the estimated net realisable value of inventories decline below their carrying amounts. Due to changes in technological environment, actual saleability of goods may be different from estimation and the statement of profit or loss in future accounting periods could be affected by differences in this estimation.

(Expressed in United States dollars unless otherwise indicated)

29 Immediate and ultimate controlling party

At 31 December, 2023, the directors consider the immediate parent and ultimate controlling party of the Group to be Luxvisions Innovation Technology Limited and Mr. Wang Laixi respectively. Luxvisions Innovation Technology Limited is incorporated in Hong Kong and does not provide financial statements available for public use.

30 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December, 2023

Up to the date of issue of these financial statements, the IASB has issued a number of new or amended standards, which are not yet effective for the year ended 31 December, 2023 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to IAS 1, *Presentation of financial statements: Classification of liabilities as current or non-current ("2020 amendments")*	1 January, 2024
Amendments to IAS 1, *Presentation of financial statements: Non-current liabilities with covenants ("2022 amendments")*	1 January, 2024
Amendments to IFRS 16, *Leases: Lease liability in a sale and leaseback*	1 January, 2024
Amendments to IAS 7, *Statement of cash flows and HKFRS 7, Financial Instruments: Disclosures: Supplier finance arrangements*	1 January, 2024
Amendments to IAS 21, *The effects of changes in foreign exchange rates: Lack of exchangeability*	1 January, 2025

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

Five-Year Financial Summary

	2019 (Note) (in US$000)	2020 (Note) (in US$000)	2021 (in US$000)	2022 (in US$000)	**2023 (in US$000)**
Revenue	542,614	750,203	799,291	1,116,210	**923,846**
Gross profit	77,097	118,451	120,498	174,447	**127,766**
Gross profit margin	14.2%	15.8%	15.1%	15.6%	**13.8%**
Operating profit	31,371	53,377	58,609	105,953	**59,677**
Operating margin	5.8%	7.1%	7.3%	9.5%	**6.5%**
Profit attributable to equity holders of the Company	29,280	42,420	49,805	83,816	**46,589**
Bank balance and cash	119,571	84,603	188,243	44,508	**96,726**
Borrowings	—	—	72,865	15,794	**274,760**
Total assets	460,836	381,641	552,102	631,154	**943,296**
Total liabilities	124,868	131,529	243,433	270,557	**528,130**
Total equity	335,968	250,112	308,669	360,597	**415,166**

Note:

As a result of the adoption of IFRS 16, Leases, with effect from 1 January, 2019, the Group changed its accounting policies in respect of the lessee accounting model. In accordance with the transitional provisions of the standard, the changes in accounting policies were adopted by way of opening balance adjustments to recognise right-of-use assets and lease liabilities as at 1 January, 2019. After initial recognition of these assets and liabilities, the Group as a lessee is required to recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. Figures in years earlier than 2019 are stated in accordance with the policies applicable in those years.

Definitions

"Articles of Association"	third amended and restated memorandum and articles of association of the Company adopted by special resolution passed on 26 May, 2022
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Board"	the board of Directors
"Company"	Cowell e Holdings Inc., an exempted company incorporated in the Cayman Islands with limited liability on 28 November, 2006
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"Cowell China" or "Dongguan Cowell"	Dongguan Cowell Optic Electronics Co., Ltd. (東莞高偉光學電子有限公司), a wholly foreign-owned enterprise incorporated in the PRC on 5 February, 2002, which is a wholly owned subsidiary of Cowell Hong Kong
"Cowell Hong Kong"	Cowell Optic Electronics Limited (高偉光學電子有限公司), a limited liability company incorporated in Hong Kong on 6 March, 2002, which is a wholly owned subsidiary of the Company
"Cowell Korea"	Cowell Electronics Co., Ltd. (formerly known as Cowell World Optic Co., Ltd. and World Optic Co., Ltd.), a stock corporation incorporated under the laws of Korea on 29 January, 1997, which is a wholly owned subsidiary of the Company
"Director(s)"	the director(s) of the Company
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong Stock Exchange" or "Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Listing Date"	31 March, 2015, on which the Shares are listed on the Hong Kong Stock Exchange and from which dealings in the Shares are permitted to commence on the Hong Kong Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended or supplemented from time to time

"Model Code"	Model code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 (formerly known as Appendix 10) to the Listing Rules
"PRC"	People's Republic of China
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented from time to time
"Shareholder(s)"	holder(s) of Shares
"Shares"	ordinary share(s) of US$0.004 each in the share capital of the Company
"US$"	U.S. dollars, the lawful currency of the United States of America