

COWELL

Cowell e Holdings Inc. 高偉電子控股有限公司

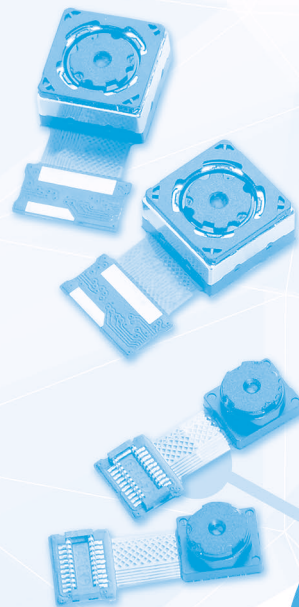
(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1415



2022
INTERIM
REPORT





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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

REGISTERED OFFICE

PO Box 309
Ugland House
Grand Cayman KY1-1104
Cayman Islands

Corporate Information

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PEOPLE'S REPUBLIC OF CHINA

No. 1 Songbai Road
Huanan Industrial Zone Liaobu Town
Dongguan City Guangdong Province
People's Republic of China

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suite 1620
16/F, Ocean Centre
5 Canton Road
Tsimshatsui
Kowloon
Hong Kong

AUDITOR

KPMG
Public Interest Entity Auditor
registered in accordance with the 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
Taikoo Place, 18 Westlands Road,
Quarry Bay, Hong Kong

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER AGENT

Maples Fund Services (Cayman) Limited
PO Box 1093
Boundary Hall
Cricket Square
Grand Cayman
KY1-1102
Cayman Islands

HONG KONG SHARE REGISTRAR

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

PRINCIPAL BANKERS

Hong Kong and Shanghai Banking Corporation Limited
Australia and New Zealand Banking Group Limited

COMPANY WEBSITE

www.cowelleholdings.com

PUBLIC RELATIONS CONSULTANT

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

Management Discussion and Analysis

BUSINESS REVIEW

Cowell e Holdings Inc. (the “**Company**”, together with its subsidiaries, the “**Group**”) is a major supplier of delicate optical modules and components for electronic mobile devices. It engages in the design, development, manufacture and sale of a variety of optical modules and parts that are used in smartphones, multimedia tablets and other mobile devices of internationally-renowned brands.

The global economy in the fiscal year of 2022 continued to be affected by the novel coronavirus (“**COVID-19 Pandemic**”), which led to closed-off management in Shanghai in the second quarter of 2022, making the market sentiment even more sluggish. In order to adapt to the changing market landscape, in addition to continuously enhancing its core competitiveness and increasing the investment in the research and development of new products and new technologies, the Group has actively responded to the government’s anti-pandemic policies and ensured stable supply chain to smoothly produce and deliver all products, so that the Group’s interim sales and net profit for the fiscal year of 2022 outperformed those for the same period in 2021, even in a challenging environment.

The Group’s revenue amounted to US\$404.6 million for the six months ended 30 June 2022 (the “**Reporting Period**”) as compared with US\$297.6 million in the first half of 2021. The Group’s revenue in the Reporting Period had increased by 35.9% as compared with that in the same period of 2021, which was mainly due to increased orders from customers.

The Group’s net profit amounted to US\$31.2 million in the Reporting Period as compared with the net profit of US\$22.5 million in the first half of 2021.

OUTLOOK AND FUTURE STRATEGIES

Looking forward to the fiscal year of 2022, unfavourable factors for the overall economy such as trade conflict between the United States and China, outbreak of COVID-19 Pandemic and regional wars persist, leading to pressure on the smart mobile device market. However, for opportunities in the optical industry brought about by new technologies and application such as the new racetracks of intelligent driving, augmented reality (“**AR**”) and virtual reality (“**VR**”), the demand for relevant optical components and optical modules has been continuously improving, so that the impact from global economy adversity will be relatively limited.

Regarding intelligent driving applications worldwide, with the development of technology and the improvement of relevant laws and regulations in various countries, the market is expected to grow greatly. In particular, the market scale of Light Detection And Ranging (LiDAR) has been expanding as well, and it is expected to become a standard equipment in the industry in the future. According to a report of the market research firm MarketsandMarkets, the market scale of advanced driver-assistance systems (ADAS) will increase from US\$27.2 billion in 2021 to US\$74.9 billion in 2030 at a compound annual growth rate (CAGR) of 12%; meanwhile, the market scale of LiDAR will increase from US\$2.1 billion in 2021 to US\$3.4 billion in 2026 at a CAGR of approximately 22%. The Group will prepare its layout on this new racetrack in order to grasp the market opportunity, which will serve as an important momentum for the next stage of growth.

Management Discussion and Analysis

Driven by AR/VR, the topic of metaverse has been heating up in the fiscal year of 2021. According to a market research by the market research firm Trendforce, the global virtual reality application content market scale is predicted to have reached US\$2.16 billion in 2021 and will reach US\$8.31 billion by 2025 at a CAGR of over 40%. Regarding AR/VR devices, Trendforce expected the shipment for 2022 to reach 12.02 million units with a year-on-year increase of 26.4%. With the expansion in complementary games and content applications, the number of metaverse users will gradually increase and drive market growth. The Group collaborates with leading manufacturers of the AR/VR core optical devices through strategic alliances, in order to leverage their respective advantages and in anticipation of gaining the first mover advantage in this new racetrack.

In the fiscal year of 2022, the Group will continue to increase resource investment in research and development, promote technological innovation in production, accelerate the introduction of automated equipment and expand the automation team, in order to further enhance added value for customers and maintain a more stable cooperative relationship to create a win-win outcome. The management team is confident to lead the Group to greater successes.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30 June 2022, the Group had total assets of US\$608.2 million (31 December 2021: US\$552.1 million); net current assets of US\$204.8 million (31 December 2021: US\$230.2 million) and total equity of US\$320.0 million (31 December 2021: US\$308.7 million).

The Group had a solid financial position and continued to maintain a strong and steady inflow from operating activities. As at 30 June 2022, the Group reported US\$287.0 million in unencumbered cash and cash equivalents. The management believes that the Group's current cash and cash equivalents and expected cash flow from operations, will be sufficient to support the Group's operational requirements.

BORROWING

As at 30 June 2022, the Group had aggregate banking facilities of approximately US\$262.3 million (31 December 2021: US\$256.0 million), of which US\$145.9 million were utilized. Other than this, the Group did not have any outstanding loan, debt securities, charges, mortgages or other similar indebtedness, hire purchase, or guarantees or other material contingent liabilities as at 30 June 2022.

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%. As at 30 June 2022, the gearing ratio of the Group was -65.3% (31 December 2021: -53.9%).

Management Discussion and Analysis

PLEDGE OF THE GROUP'S ASSETS

As at 30 June 2022, the Group's had no pledged assets (31 December 2021: US\$Nil).

CAPITAL EXPENDITURES AND COMMITMENTS

The Group's capital expenditures (equivalent to the cash the Group spent to purchase property, plant and equipment) for the Reporting Period amounted to US\$51.3 million, compared with US\$6.1 million for the six months ended 30 June 2021. The Group's capital expenditures in the Reporting Period mainly reflected purchases of additional equipment to produce more advanced flip-chip camera modules. The Group intends to fund the Group's planned future capital expenditures through a combination of cash flow from operating activities and possible fund raising exercises.

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, Hong Kong 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 six months ended 30 June 2022, the Group did not use any forward exchange contracts or other derivative instruments to hedge against fluctuations in currency exchange rates applicable to us.

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

There were no significant investments held, material acquisitions and disposals of subsidiaries and associated companies of the Company performed by the Group for the six months ended 30 June 2022.

CONTINGENT LIABILITIES

As at 30 June 2022, the Group had no significant contingent liabilities except for the guarantee provided by the Company to secure the bank facilities granted by banks to certain subsidiaries amounting to US\$89.8 million (31 December 2021: US\$60 million).

Management Discussion and Analysis

HUMAN RESOURCES

The Group employed a total of 3,505 full-time employees as at 30 June 2022 (31 December 2021: 2,885). Total staff costs for the Reporting Period, excluding the remuneration of the directors of the Company (the “**Directors**”) were approximately US\$26.0 million (six months ended 30 June 2021: US\$22.0 million).

The Group provides living, entertainment, dining and training facilities for the Group’s employees. The scope of training includes management skills and technology training, as well as other areas.

The Group has an emolument policy with respect to long-term incentive schemes. The basis of determining emoluments payable to the Directors is made on a discretionary basis with reference to the Company’s operating results, individual performance and comparable market statistics. Furthermore, the remuneration committee of the Company (the “**Remuneration Committee**”) is authorized by the board (the “**Board**”) of the Directors to review and make recommendations on the remuneration of the Directors and senior management of the Company. The emolument policy of the Group is considered by the Remuneration Committee on the basis of their merit, qualifications and competence. Besides, the Company has adopted a share option scheme on 5 May 2021 pursuant to which the Directors and employees of the Group are entitled to participate. For details of the aforesaid new share option scheme adopted on 5 May 2021, please refer to the circular of the Company dated 20 April 2021 and the subsection headed “Share Option Scheme” in this report.

Supplementary Information

DIRECTORS' AND CHIEF EXECUTIVE OFFICERS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2022, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares or debenture of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571) (of the Laws of Hong Kong) (the “SFO”) which were (i) required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the “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 (ii) recorded in the register required to be kept under section 352 of the SFO, or (iii) otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 of the Rules (the “Listing Rules”) Governing the Listing of Securities on the Stock Exchange were as follows:

Long position in the shares and underlying shares of the Company

Name	Title	Nature of interest	Share Options	
			Number of shares or underlying shares	Percentage of aggregate interests to the total number of share in issue
Mr. Meng Yan	Executive Director, Chairman	Beneficial interest (Note)	5,000,000	0.60%
Mr. Wu Ying-Cheng	Executive Director, Chief executive officer and Chief financial officer	Beneficial interest (Note)	3,300,000	0.40%
Mr. Chen Han-Yang	Non-executive Director	Beneficial interest (Note)	2,800,000	0.34%
Mr. Yang Li	Non-executive Director	Beneficial interest (Note)	2,800,000	0.34%

Note:

These interests represented the interests in underlying shares in respect of the share options granted by the Company under the Share Option Scheme (as defined below).

Saved as disclosed above, as at 30 June 2022, so far as is known to the Directors or chief executive of the Company, none of the Directors or the chief executive of the Company had any interests or short positions in the Shares, underlying Shares or debentures of the Company or its associated corporations which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which he was 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.

Supplementary Information

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2022, the following persons had interests or short positions in the shares (the "Share(s)") of the Company (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	617,048,760	73.88% (L)
		551,229,760	66.00% (S) ⁽²⁾
Mr. Wang Laichun ⁽¹⁾	Interest in a controlled corporation	617,048,760	73.88% (L)
		551,229,760	66.00% (S) ⁽²⁾
Mr. Wang Laisheng ⁽¹⁾	Interest in a controlled corporation	617,048,760	73.88% (L)
		551,229,760	66.00% (S) ⁽²⁾
Ms. Wang Laijiao ⁽¹⁾	Interest in a controlled corporation	617,048,760	73.88% (L)
		551,229,760	66.00% (S) ⁽²⁾
Mr. Wang Laixi ⁽¹⁾	Interest in a controlled corporation	617,048,760	73.88% (L)
		551,229,760	66.00% (S) ⁽²⁾
Luxsan ⁽¹⁾	Interest in a controlled corporation	617,048,760	73.88% (L)
		551,229,760	66.00% (S) ⁽²⁾
LIL ⁽¹⁾	Interest in a controlled corporation	617,048,760	73.88% (L)
		551,229,760	66.00% (S) ⁽²⁾
GLITL ⁽¹⁾	Interest in a controlled corporation	617,048,760	73.88% (L)
		551,229,760	66.00% (S) ⁽²⁾

Supplementary Information

- (1) Luxvisions Innovation Technology Limited ("**LITL**"), a limited liability company incorporated in Hong Kong which is a wholly-owned subsidiary of Guangzhou Luxvisions Innovation Technology Limited ("**GLITL**"), a company incorporated in the PRC. GLITL is owned as to approximately 67.29% by Luxvisions Innovation Limited ("**LIL**"), a company incorporated in Hong Kong with limited liability, which is own 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 30 June 2022, the total number of issued shares of the Company was 835,190,800 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 66.00% of the total issued share capital of the Company as at 30 June 2022.

Save as disclosed above, as at 30 June 2022, the Directors were not aware of any person (other than the 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 30 June 2022.

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 further options will be granted under the Old Share Options Scheme.

The Company adopted a new share option scheme (the "**Share Option Scheme**") 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 and continuing efforts to promote the interests of the Group.

During the Reporting Period, the Company did not grant any share options (the "**Options**") (six months ended 30 June 2021: 45,450,000 share options) to any eligible persons (the "**Grantees**") under the Share Option Scheme.

Movement of the Options under the Share Option Scheme during the Reporting Period are listed below:

Supplementary Information

MOVEMENT OF THE OPTIONS

	Number of Options				As at 30 June, 2022	Exercise Price (HK\$)	Closing price of the securities immediately before the		Vesting Period
	As at 1 January, 2022	Exercised	Cancelled	Lapsed			Date of Grant (HK\$)	Date of Grant	
Meng Yan ⁽¹⁾	5,000,000	—	—	—	5,000,000	4.144	4.09	25 May, 2021	25 May, 2021 to 24 May, 2031
Wu Ying-Cheng ⁽¹⁾	3,300,000	—	—	—	3,300,000	4.144	4.09	25 May, 2021	25 May, 2021 to 24 May, 2031
Chen Han-Yang ⁽¹⁾	2,800,000	—	—	—	2,800,000	4.144	4.09	25 May, 2021	25 May, 2021 to 24 May, 2031
Yang Li ⁽¹⁾	2,800,000	—	—	—	2,800,000	4.144	4.09	25 May, 2021	25 May, 2021 to 24 May, 2031
Continuous contract employee ⁽¹⁾	26,550,000	822,000	84,000	900,000	24,744,000	4.144	4.09	25 May, 2021	25 May, 2021 to 24 May, 2031
Continuous contract employee ⁽²⁾	17,200,000	—	—	750,000	16,450,000	4.84	4.75	15 October, 2021	15 October, 2021 to 14 October, 2031
Total	57,650,000	822,000	84,000	1,650,000	55,094,000				

Supplementary Information

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.

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 six months ended 30 June 2022, 822,000 options (six months ended 30 June 2021: 150,000 options) were exercised under the Share Option Scheme. For the 822,000 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\$7.5246 (six months ended 30 June 2021: HK\$5.83).

As at 30 June 2022, the total number of Shares available for issue under the Share Option Scheme was 75,209,880, representing approximately 9.00% of the issued share of the Company as the date of this report.

INTERIM DIVIDEND

Having considered for the future expansion via vertical integration and horizontal integration and the highly uncertain economic outlook due to the COVID-19 Pandemic, the Board considered it is more prudent to retain more cash for its future expansion plans. The Board thus does not recommend the payment of an interim dividend for the Reporting Period (2021: Nil).

Supplementary Information

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

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

CORPORATE GOVERNANCE

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

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

Constitutional documents

At the annual general meeting of the Company held on 26 May 2022, a special resolution was passed to amend the Articles of Association of the Company (the "**Articles**") in order to, among other things, (i) bring the Articles in line with the relevant requirements of the applicable laws of the Cayman Islands and the changes of the Listing Rules including the Core Shareholder Protection Standards set out in Appendix 3 to the Listing Rules which took effect on 1 January 2022; and (ii) make some other housekeeping improvements.

Please refer to the Company's announcement dated 21 April 2022 and circular dated 22 April 2022 for details of the changes. The latest version of the Articles is available on the websites of the Hong Kong Stock Exchange and the Company.

AUDIT COMMITTEE

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

MODEL CODE OF SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code and all Directors have confirmed, following specific enquiry of all Directors that they have fully complied with the required standard as set out in the Model Code throughout the Reporting Period.

EVENTS AFTER THE REPORTING PERIOD

There were no significant events affecting the Company nor any of its subsidiaries after the end of the Reporting Period requiring disclosure in this interim report.

Supplementary Information

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.

By order of the Board
Cowell e Holdings Inc.

Meng Yan
Chairman

Hong Kong, 11 August 2022

Review Report to the Board of Directors of Cowell e Holdings Inc.

(Incorporated in the Cayman Islands with limited liability)



Introduction

We have reviewed the interim financial report set out on pages 16 to 30 which comprises the consolidated statement of financial position of Cowell e Holdings Inc. (“**the Company**”) as of 30 June 2022 and the related consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and condensed consolidated cash flow statement for the six month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and International Accounting Standard 34, *Interim financial reporting*, issued by the International Accounting Standards Board. The directors are responsible for the preparation and presentation of the interim financial report in accordance with International Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants. A review of the interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2022 is not prepared, in all material respects, in accordance with International Accounting Standard 34, *Interim financial reporting*.

KPMG

Certified Public Accountants

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

11 August 2022

Consolidated Statement of Profit or Loss

for the six months ended 30 June 2022 — unaudited
(Expressed in United States dollars)

	Note	Six months ended 30 June	
		2022 \$'000	2021 \$'000
Revenue	3 & 4	404,552	297,629
Cost of sales		(344,468)	(252,349)
Gross profit		60,084	45,280
Other revenue		2,623	1,864
Other net income/(loss)		3,409	(1,860)
Selling and distribution expenses		(787)	(1,193)
Administrative expenses		(29,336)	(18,722)
Profit from operations		35,993	25,369
Finance costs	5(a)	(1,729)	(402)
Profit before taxation	5	34,264	24,967
Income tax	6	(3,109)	(2,465)
Profit for the period		31,155	22,502
Attributable to:			
Equity shareholders of the Company		31,391	22,502
Non-controlling interests		(236)	—
Profit for the period		31,155	22,502
Earnings per share	7		
Basic		\$0.038	\$0.027
Diluted		\$0.036	\$0.027

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the six months ended 30 June 2022 — unaudited
(Expressed in United States dollars)

	Six months ended 30 June	
	2022 \$'000	2021 \$'000
Profit for the period	31,155	22,502
Other comprehensive income for the period (after tax adjustments):		
<i>Item that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of financial statements	(22,290)	2,777
<i>Item that will not be reclassified to profit or loss:</i>		
Remeasurement of net defined benefit liability	(32)	98
Other comprehensive income for the period	(22,322)	2,875
Total comprehensive income for the period	8,833	25,377
Attributable to:		
Equity shareholders of the Company	9,069	25,377
Non-controlling interests	(236)	—
Total comprehensive income for the period	8,833	25,377

The notes on pages 23 to 30 form part of this interim financial report.

Consolidated Statement of Financial Position

at 30 June 2022 — unaudited
(Expressed in United States dollars)

	Note	At 30 June 2022 \$'000	At 31 December 2021 \$'000
Non-current assets			
Property, plant and equipment	8	116,062	74,233
Intangible assets		3,836	6,360
Interest in a joint venture		596	—
Other receivables		5,356	3,038
Net defined benefit retirement assets		2	—
Deferred tax assets		10,170	11,284
		136,022	94,915
Current assets			
Inventories	9	83,217	138,695
Trade and other receivables	10	90,041	117,694
Current tax recoverable		—	7
Bank deposits	11	11,920	12,548
Cash and cash equivalents	11	287,007	188,243
		472,185	457,187
Current liabilities			
Trade and other payables	12	110,316	140,876
Bank loans		145,899	72,865
Lease liabilities		5,807	3,378
Current tax payable		5,334	9,831
		267,356	226,950
Net current assets		204,829	230,237
Total assets less current liabilities		340,851	325,152

Consolidated Statement of Financial Position

at 30 June 2022 — unaudited
(Expressed in United States dollars)

	At 30 June 2022 \$'000	At 31 December 2021 \$'000
<i>Note</i>		
Non-current liabilities		
Lease liabilities	20,848	16,448
Net defined benefit retirement obligation	—	35
Deferred tax liabilities	32	—
	20,880	16,483
NET ASSETS	319,971	308,669
CAPITAL AND RESERVES		
Share capital	3,339	3,337
Reserves	315,771	305,332
Total equity attributable to equity shareholders of the Company	319,110	308,669
Non-controlling interests	861	—
TOTAL EQUITY	319,971	308,669

The notes on pages 23 to 30 form part of this interim financial report.

Consolidated Statement of Changes in Equity

for the six months ended 30 June 2022 — unaudited
(Expressed in United States dollars)

	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
Balance at 1 January 2021		3,337	59,101	2,694	7	762	16,792	(4,959)	172,378	250,112
Changes in equity for the six months ended 30 June 2021:										
Profit for the period		—	—	—	—	—	—	—	22,502	22,502
Other comprehensive income		—	—	—	—	—	—	2,777	98	2,875
Total comprehensive income		—	—	—	—	—	—	2,777	22,600	25,377
Transfer from retained profits		—	—	—	—	—	618	—	(618)	—
Shares issued under share option scheme	13	—	116	(44)	—	—	—	—	—	72
Equity settled share-based transactions		—	—	123	—	—	—	—	—	123
Share options lapsed		—	—	(610)	—	—	—	—	610	—
Balance at 30 June 2021		3,337	59,217	2,163	7	762	17,410	(2,182)	194,970	275,684

Consolidated Statement of Changes in Equity

for the six months ended 30 June 2022 — unaudited
(Expressed in United States dollars)

Attributable to equity shareholders of the Company

Note	Share	Share	Capital	Capital	Other	General	Exchange	Retained	Total	Non-	Total
	capital	premium	reserve	redemption	reserve	reserve	reserve	profits	Total	controlling	equity
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'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 the six months ended 30 June 2022:											
Profit for the period	—	—	—	—	—	—	—	31,391	31,391	(236)	31,155
Other comprehensive income	—	—	—	—	—	—	(22,290)	(32)	(22,322)	—	(22,322)
Total comprehensive income	—	—	—	—	—	—	(22,290)	31,359	9,069	(236)	8,833
Transfer from retained profits	—	—	—	—	—	747	—	(747)	—	—	—
Shares issued under share option scheme	2	264	(41)	—	—	—	—	—	225	—	225
Equity settled share-based transactions	—	—	1,147	—	—	—	—	—	1,147	—	1,147
Share options lapsed	—	—	(36)	—	—	—	—	36	—	—	—
Establishment of a subsidiary	—	—	—	—	—	—	—	—	—	1,097	1,097
Balance at 30 June 2022	3,339	59,481	4,258	7	762	20,864	(19,819)	250,218	319,110	861	319,971

The notes on pages 23 to 30 form part of this interim financial report.

Condensed Consolidated Cash Flow Statement

for the six months ended 30 June 2022 — unaudited
(Expressed in United States dollars)

	Note	Six months ended 30 June	
		2022 \$'000	2021 \$'000
Operating activities			
Cash generated from/(used in) operations		90,746	(12,506)
Tax paid		(6,951)	(6,972)
Net cash generated from/(used in) operating activities		83,795	(19,478)
Investing activities			
Payment for purchase of property, plant and equipment		(51,309)	(6,061)
Payment for purchase of intangible assets		—	(975)
Decrease in bank deposits		—	4,785
Payment for investment in a joint venture		(596)	—
Proceeds from capital injection of a non-controlling interest		1,097	—
Other cash flows arising from investing activities		1,853	531
Net cash used in investing activities		(48,955)	(1,720)
Financing activities			
Proceeds from new bank loans		91,973	—
Repayment of bank loans		(18,939)	—
Capital element of lease rentals paid		(1,980)	(680)
Interest element of lease rentals paid		(548)	(336)
Other cash flows arising from financing activities		(1,179)	(66)
Net cash generated from/(used in) financing activities		69,327	(1,082)
Net increase/(decrease) in cash and cash equivalents		104,167	(22,280)
Cash and cash equivalents at 1 January	11	188,243	84,603
Effect of foreign exchange rates changes		(5,403)	119
Cash and cash equivalents at 30 June	11	287,007	62,442

The notes on pages 23 to 30 form part of this interim financial report.

Notes to the Unaudited Interim Financial Report

(Expressed in United States dollars unless otherwise indicated)

1 Basis of preparation

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with International Accounting Standard (“IAS”) 34, *Interim financial reporting*, issued by the International Accounting Standards Board (“IASB”). It was authorised for issue on 11 August 2022.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2021 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2022 annual financial statements. Details of any changes in accounting policies are set out in note 2.

The preparation of an interim financial report in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of Cowell e Holdings Inc. (the “**Company**”) and its subsidiaries (the “**Group**”) since the 2021 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with International Financial Reporting Standards (“**IFRSs**”).

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants. KPMG’s independent review report to the Board of Directors is included on page 15.

The financial information relating to the financial year ended 31 December 2021 that is included in the interim financial report as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that financial year but is derived from those financial statements.

Notes to the Unaudited Interim Financial Report

(Expressed in United States dollars unless otherwise indicated)

2 Changes in accounting policies

The IASB has issued several amendments to IFRSs that are first effective for the current accounting period of the Group. None of these developments have had a material effect on how the Group's result and financial position for the current or prior periods have prepared or presented in this interim report.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

The Group has adopted the accounting policy for joint venture during the current period as follows:

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.

An investment in a joint venture is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). The cost of the investment includes purchase price, other costs directly attributable to the acquisition of the investment, and any direct investment into the joint venture that forms part of the Group's equity investment. Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment. At each reporting date, the Group assesses whether there is any objective evidence that the investment is impaired. Any acquisition date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the period are recognised in the consolidated statement of profit or loss, whereas the Group's share of the post-acquisition post tax items of the investees' other comprehensive income is recognised in the consolidated statement of profit or loss and other comprehensive income.

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 joint venture, after applying the expected credit loss model to such other long-term interests where applicable.

Unrealised profits and losses resulting from transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

Notes to the Unaudited Interim Financial Report

(Expressed in United States dollars unless otherwise indicated)

3 Revenue and segment reporting

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 (2021: one customer), with whom transactions have exceeded 10% of the Group's revenues for the six months ended 30 June 2022. Revenues from sales to this customer during the reporting period are set out below.

	Six months ended 30 June	
	2022 \$'000	2021 \$'000
Largest customer	403,510	292,152
— Percentage of total revenue	99.7%	98.2%

The Group manages its businesses by division, which recognised by geography. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group only has a single reportable segment.

Disaggregation of revenue by geographical location of customers is as follows:

	Six months ended 30 June	
	2022 \$'000	2021 \$'000
The People's Republic of China ("PRC") (place of domicile)	402,448	291,141
The Republic of Korea	52	1,384
Others	2,052	5,104
	404,552	297,629

4 Seasonality of operations

The Group on average experiences higher sales in the fourth quarter, compared to other quarters in the year, due to the increased retail demand for its products during the holiday season. As a result, the Group typically reports lower revenues and segment results for the first half of the year than the second half.

For the twelve months ended 30 June 2022, the Group recorded a revenue of \$906,214,000 (twelve months ended 30 June 2021: \$740,311,000), and gross profit of \$135,302,000 (twelve months ended 30 June 2021: \$114,893,000).

Notes to the Unaudited Interim Financial Report

(Expressed in United States dollars unless otherwise indicated)

5 Profit before taxation

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

	Six months ended 30 June	
	2022	2021
	\$'000	\$'000
(a) Finance costs		
Interest on bank loans	1,181	66
Interest on lease liabilities	548	336
	1,729	402
(b) Other items		
Amortisation	526	574
Depreciation	15,502	8,698
Research and development costs (other than depreciation)	18,726	10,736
Interest income	(1,853)	(531)
Net loss on disposal of property, plant and equipment	1,600	375
Net loss on disposal of intangible assets	2,011	—

6 Income tax

	Six months ended 30 June	
	2022	2021
	\$'000	\$'000
Current tax — Hong Kong Profits Tax	1,225	1,186
Current tax — Outside Hong Kong	1,210	868
Deferred taxation	674	411
Income tax	3,109	2,465

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

Notes to the Unaudited Interim Financial Report

(Expressed in United States dollars unless otherwise indicated)

6 Income tax (continued)

The provision for Hong Kong Profits Tax is calculated by applying the estimated annual effective tax rate of 16.5% (2021: 16.5%) to the six months ended 30 June 2022, except for one subsidiary of the Group which is a qualifying corporation under the two-tiered Profits Tax rate regime. For this subsidiary, the first HK\$2 million of assessable profits are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. The provision for Hong Kong Profits Tax for this subsidiary was calculated at the same basis in 2021.

The Corporate Income Tax rate applicable to the subsidiaries registered in the PRC is 25% for the six months ended 30 June 2021 and 2022, except for Dongguan Cowell Optic Electronics Co., Ltd., an indirect wholly owned subsidiary of the Company, was qualified as High and New Technology Enterprise and was subject to a reduced tax rate of 15% for the six months ended 30 June 2021 and 2022.

Taxation in other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

7 Earnings per share

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the parent of \$31,391,000 (six months ended 30 June 2021: \$22,502,000) and weighted average of 834,426,000 ordinary shares (six months ended 30 June 2021: weighted average of 834,360,000 ordinary shares) in issue during the interim period.

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to ordinary equity shareholders of the parent of \$31,391,000 (six months ended 30 June 2021: \$22,502,000) and the weighted average number of ordinary shares of 861,523,000 (six months ended 30 June 2021: 840,203,000 shares).

8 Property, plant and equipment

(a) Right-of-use assets

During the six months ended 30 June 2022, the Group entered into a number of lease agreements for use of factories, and therefore recognised the additions to right-of-use assets of \$9,214,000 (six months ended 30 June 2021: \$2,358,000).

(b) Acquisitions and disposals of owned assets

During the six months ended 30 June 2022, the Group acquired items of plant and equipment with a cost of \$55,088,000 (six months ended 30 June 2021: \$6,061,000). Items of plant and equipment with a net book value of \$1,600,000 were disposed of during the six months ended 30 June 2022 (six months ended 30 June 2021: \$375,000), resulting in a loss on disposal of \$1,600,000 (six months ended 30 June 2021: \$375,000).

Notes to the Unaudited Interim Financial Report

(Expressed in United States dollars unless otherwise indicated)

8 Property, plant and equipment (continued)**(c) Customer's equipment**

A customer has provided machinery to the Group for production of goods to that customer. The original acquisition costs of machinery borne by the customer amounted to \$111,382,000 (31 December 2021: \$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.

9 Inventories

During six months ended 30 June 2022, \$6,615,000 has been recognised as a reversal of write-down of inventories and recognised as an income in profit or loss during the period (six months ended 30 June 2021: write-down of \$6,362,000). The reversal arose due to an increase in the estimated net realisable value of certain inventories.

10 Trade and other receivables

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

	At 30 June 2022 \$'000	At 31 December 2021 \$'000
Within 1 month	79,012	108,507
Over 1 to 2 months	113	—
Over 2 to 3 months	78	—
Over 3 months	238	25
Trade receivables, net of loss allowance	79,441	108,532
Other receivables and prepayments	10,600	9,162
	90,041	117,694

Trade receivables are due within 30 to 120 days from the date of billing.

Notes to the Unaudited Interim Financial Report

(Expressed in United States dollars unless otherwise indicated)

11 Bank deposits and cash and cash equivalents

	At 30 June 2022 \$'000	At 31 December 2021 \$'000
Bank deposits within three months to maturity when placed	123,978	78,671
Cash at bank and on hand	163,029	109,572
Cash and cash equivalents in the consolidated statement of financial position and the condensed consolidated cash flow statement	287,007	188,243
Bank deposits with more than three months to maturity when placed	11,920	12,548

12 Trade and other payables

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

	At 30 June 2022 \$'000	At 31 December 2021 \$'000
Within 1 month	99,157	112,434
Over 1 to 3 months	—	16,089
Over 3 to 6 months	—	635
Trade payables	99,157	129,158
Accrued charges and other payables	11,159	11,718
	110,316	140,876

13 Equity settled share-based transactions

The Company has adopted a share option scheme on 5 May 2021 (the “Share Option Scheme”) pursuant to which the Directors and employees of the Group are entitled to participate.

During the six months ended 30 June 2022, no share options (six months ended 30 June 2021: 45,450,000 share options) were granted, and 822,000 options (six months ended 30 June 2021: 150,000 options) were exercised under the Share Option Scheme.

Notes to the Unaudited Interim Financial Report

(Expressed in United States dollars unless otherwise indicated)

14 Commitments**Capital commitments outstanding at 30 June 2022 not provided for in the interim financial report**

	At 30 June 2022 \$'000	At 31 December 2021 \$'000
Contracted for	30,074	2,312

15 Material related party transactions

The Group entered into the following material related party transactions.

(a) Key management personnel remuneration

All members of key management personnel are the directors of the Company, and their salaries and other short-term benefits for the period are \$353,000 (six months ended 30 June 2021: \$295,000).

(b) Transactions with related parties

	Six months ended 30 June	
	2022 \$'000	2021 \$'000
Sales of goods		
— intermediate holding company	99	—
— a fellow subsidiary	53	—
Purchase of goods		
— intermediate holding company	494	—
— related companies*	802	—
Service fee paid/payable to intermediate holding company	498	—

* The controlling shareholders of the Company have significant influence over these related companies.