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Cowell e Holdings Inc.

高偉電子控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1415)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER, 2020

HIGHLIGHTS

Our revenue for the year ended 31 December, 2020 reached approximately US\$750,203,000, representing an increase of approximately 38.26% as compared with the corresponding year ended 31 December, 2019.

Our net profit attributable to owners of the Company for the year ended 31 December, 2020 reached approximately US\$42,420,000, representing an increase of approximately 44.88% as compared with that for the year ended 31 December, 2019.

Basic earnings per share for the financial period ended 31 December 2020 was US5.1 cents representing an increase of approximately 45.7% as compared with that for the financial year ended 31 December, 2019.

RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of Cowell e Holdings Inc. (the “**Company**”) is pleased to announce the consolidated results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the year ended 31 December, 2020 together with comparative figures for the year ended 31 December, 2019. The annual financial results have also been reviewed by the audit committee (the “**Audit Committee**”) of the Company.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(Expressed in United States dollars)

		For the year ended	
		31 December	
	Note	2020	2019
		\$'000	\$'000
Revenue	3	750,203	542,614
Cost of sales		<u>(631,752)</u>	<u>(465,517)</u>
Gross profit		118,451	77,097
Other revenue	4	3,281	4,484
Other net loss	4	(24,536)	(13,153)
Selling and distribution expenses		(3,051)	(2,173)
Administrative expenses		<u>(40,768)</u>	<u>(34,884)</u>
Profit from operations		53,377	31,371
Finance costs	5(a)	(708)	(800)
Donation		<u>—</u>	<u>(15)</u>
Profit before taxation	5	52,669	30,556
Income tax	6	<u>(10,249)</u>	<u>(1,276)</u>
Profit for the year		<u>42,420</u>	<u>29,280</u>
Earnings per share			
Basic	7	<u>\$0.051</u>	<u>\$0.035</u>
Diluted		<u>\$0.051</u>	<u>\$0.035</u>

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(Expressed in United States dollars)

	For the year ended	
	31 December	
<i>Note</i>	2020	2019
	\$'000	\$'000
Profit for the year	42,420	29,280
Other comprehensive income for the year (after tax adjustments):		
<i>Items that may be reclassified subsequently to profit or loss</i>		
Exchange differences on translation of financial statements	21,009	(5,463)
<i>Items that will not be reclassified to profit or loss</i>		
Remeasurement of net defined benefit liability	(28)	40
	20,981	(5,423)
Total comprehensive income for the year	63,401	23,857

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Expressed in United States dollars)

		As at 31 December	
	Note	2020	2019
		\$'000	\$'000
Non-current assets			
Property, plant and equipment		82,502	98,332
Intangible assets		6,211	6,499
Other receivables		4,167	6,269
Deferred tax assets		6,980	6,756
		<u>99,860</u>	<u>117,856</u>
Current assets			
Inventories		85,772	70,180
Trade and other receivables	8	106,607	114,805
Current tax recoverable		14	355
Pledged deposits		—	3,113
Bank deposits		4,785	34,956
Cash and cash equivalents		84,603	119,571
		<u>281,781</u>	<u>342,980</u>
Current liabilities			
Trade and other payables	9	107,517	104,330
Lease liabilities		2,067	1,805
Current tax payable		9,354	5,122
		<u>118,938</u>	<u>111,257</u>
Net current assets		<u>162,843</u>	<u>231,723</u>
Total assets less current liabilities		<u>262,703</u>	<u>349,579</u>

	As at 31 December	
<i>Note</i>	2020	2019
	\$'000	\$'000
Non-current liabilities		
Lease liabilities	12,476	13,443
Net defined benefit retirement obligation	115	168
	12,591	13,611
NET ASSETS	250,112	335,968
CAPITAL AND RESERVES		
Share capital	3,337	3,326
Reserves	246,775	332,642
TOTAL EQUITY	250,112	335,968

NOTES TO THE FINANCIAL INFORMATION

(Expressed in United States dollars unless otherwise indicated)

1 BASIS OF PREPARATION

The consolidated results set out in this announcement do not constitute the Group's financial statements for the year ended 31 December, 2020 but are extracted from those financial statements.

The Group's consolidated financial statements have been prepared in accordance with all applicable International Financial Reporting Standards ("**IFRSs**"), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards ("**IASs**") and related interpretations, promulgated by the International Accounting Standards Board ("**IASB**"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

The measurement basis used in the preparation of the Group's consolidated financial statements is the historical cost basis except that certain employee benefits are stated at their fair value.

2 CHANGES IN ACCOUNTING POLICIES

The IASB has issued a 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.

3 REVENUE AND SEGMENT REPORTING

(a) Revenue

The principal activities of the Group are manufacturing and sale of camera module and optical components. Revenue represents the sales value of goods supplied to customers and excludes value added tax or other sales taxes and is after deduction of any trade discounts.

The Group's customer base includes one customer (2019: one customer), with whom transactions have exceeded 10% of the Group's revenues, for the year ended 31 December, 2020. Revenues from sales to this customer, arose in the camera module segment, during the reporting period are set out below.

	2020 \$'000	2019 \$'000
Largest customer	729,365	525,373
Percentage of total revenue	<u>97%</u>	<u>97%</u>

(b) Segment reporting

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

- Camera module: this segment is involved in the design, development, manufacture and sale of camera modules for mobile devices and home appliances.
- Optical components: this segment is involved in the design, development, manufacture and sale of optical components for optical disk drivers.

(i) Segment results

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results attributable to each reportable segment on the following bases:

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments. Other than reporting inter-segment sales, assistance provided by one segment to another, including sharing of assets, is not measured.

The measure used for reporting segment profit is gross profit.

In addition to receiving segment information concerning segment profit, management is provided with segment information concerning revenue (including inter-segment sales), interest income and expense from cash balances and borrowings managed directly by the segments, depreciation, amortisation and additions to non-current segment assets used by the segments in their operations.

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December, 2020 and 2019 is set out below.

	Camera module	
	2020	2019
	\$'000	\$'000
Revenue from external customers	<u>749,902</u>	<u>541,847</u>
Reportable segment revenue	749,902	541,847
Reportable segment profit	119,149	78,337
Bank interest income	1,605	3,592
Finance costs	(700)	(786)
Depreciation and amortisation	(26,550)	(22,450)
Additions to non-current segment assets	20,570	18,945
	Optical components	
	2020	2019
	\$'000	\$'000
Revenue from external customers	<u>301</u>	<u>767</u>
Reportable segment revenue	301	767
Reportable segment loss	(698)	(1,240)
Bank interest income	1	4
Finance costs	(8)	(14)
Depreciation and amortisation	(333)	(2,860)
Additions to non-current segment assets	6	28

	Total	
	2020	2019
	\$'000	\$'000
Revenue from external customers	<u>750,203</u>	<u>542,614</u>
Reportable segment revenue	750,203	542,614
Reportable segment profit	118,451	77,097
Bank interest income	1,606	3,596
Finance costs	(708)	(800)
Depreciation and amortisation	(26,883)	(25,310)
Additions to non-current segment assets	20,576	18,973

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

	2020	2019
	\$'000	\$'000
Revenue		
Reportable segment revenue and consolidated revenue	<u>750,203</u>	<u>542,614</u>
Profit		
Reportable segment profit	118,451	77,097
Other revenue	3,281	4,484
Other net loss	(24,536)	(13,153)
Selling and distribution expenses	(3,051)	(2,173)
Administrative expenses	(40,768)	(34,884)
Finance costs	(708)	(800)
Donation	—	(15)
Consolidated profit before taxation	<u>52,669</u>	<u>30,556</u>

(ii) Geographic information

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's property, plant and equipment and intangible assets ("**specified non-current assets**"). The Group's revenue from external customers is presented based on locations of goods physically delivered. The geographical location of the specified non-current assets is based on the physical location of the asset, in the case of property, plant and equipment and the location of the operation to which they are allocated, in the case of intangible assets.

	Revenue from external customers		Specified non-current assets	
	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000
The People's Republic of China ("PRC") (including Hong Kong)	727,708	531,559	88,124	103,692
The Republic of Korea ("Korea")	3,964	4,866	589	1,139
Others	18,531	6,189	—	—
	<u>750,203</u>	<u>542,614</u>	<u>88,713</u>	<u>104,831</u>

4 OTHER REVENUE AND OTHER NET LOSS

	2020	2019
	\$'000	\$'000
a) Other revenue		
Bank interest income	1,606	3,596
Rental income	2	66
Government subsidy	1,470	522
Others	203	300
	<u>3,281</u>	<u>4,484</u>
b) Other net loss		
Net loss on disposal of plant and equipment	(14,212)	(5,178)
Impairment losses of property, plant and equipment	—	(8,935)
Net foreign exchange (loss)/gain	(10,255)	961
Others	(69)	(1)
	<u>(24,536)</u>	<u>(13,153)</u>

5 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	2020 \$'000	2019 \$'000
(a) Finance costs		
Interest on lease liabilities	<u>708</u>	<u>800</u>
(b) Staff costs^{#*}		
Contributions to defined contribution retirement plan	1,254	2,763
Expenses recognised in respect of defined benefit retirement plans	117	169
Equity settled share-based payment expenses	59	198
Salaries, wages and other benefits	<u>44,621</u>	<u>37,884</u>
	<u>46,051</u>	<u>41,014</u>
(c) Other items		
Amortisation	1,053	1,041
Depreciation [#]		
— owned property, plant and equipment	23,665	22,156
— right-of-use assets	2,165	2,113
Reversal of impairment losses of trade receivables	—	(2)
Auditors' remuneration	322	332
Research and development costs other than depreciation and amortisation [*]	16,098	16,299
Cost of inventories [#]	<u>631,752</u>	<u>465,517</u>

[#] Cost of inventories includes \$39,933,000 (2019: \$38,993,000) relating to staff costs and depreciation expenses, which amounts are also included in the respective total amounts disclosed separately above or in note 5(b) for each of these types of expenses.

^{*} Research and development costs other than depreciation and amortisation includes \$13,368,000 (2019:\$10,614,000) relating to staff costs, which amounts are also included in the respective total amounts disclosed separately in note 5(b).

6 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(a) Income tax in the consolidated statement of profit or loss represents:

	2020 \$'000	2019 \$'000
Current tax — Hong Kong Profits Tax		
Provision for the year	3,830	497
Over-provision in respect of prior years	(23)	—
	<u>3,807</u>	<u>497</u>
Current tax — Overseas		
Provision for the year	6,767	5,246
(Over)/under-provision in respect of prior years	(104)	246
	<u>6,663</u>	<u>5,492</u>
Deferred tax		
Origination and reversal of temporary differences	(2,892)	(3,395)
Effect on deferred tax balance at 1 January resulting from a change in tax rate	2,671	(1,318)
	<u>(221)</u>	<u>(4,713)</u>
	<u><u>10,249</u></u>	<u><u>1,276</u></u>

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

The provision for Hong Kong Profits Tax for 2020 is calculated at 16.5% (2019: 16.5%) of the estimated assessable profits for the year, except for one subsidiary of the Group which is a qualifying corporation under the two-tiered Profits Tax rate regime.

For this subsidiary, the first HK\$2 million of assessable profits are taxed at 8.25% and the remaining assessable profits are taxed at 16.5% in 2020. The provision for Hong Kong Profits Tax for this subsidiary was calculated at the same basis in 2019.

Pursuant to the Administrative Measures for Recognition of High-New Technology Enterprise (“**HNTE**”) jointly issued by the Ministry of Science and Technology, the Ministry of Finance and the State Administration of Taxation, Dongguan Cowell Optic Electronics Co., Ltd. (“**Cowell DG**”), an indirect wholly owned subsidiary of the Company, was certified as a HNTE in 2020. 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 2020 was subject to a reduced tax rate of 15%. Cowell DG was not certified as a HNTE in 2019. The CIT rate applicable to Cowell DG is 25% for 2019.

Under the tax law in Korea, the statutory corporate tax rate applicable to the subsidiary in Korea is 10% for assessable income below Korean Won (“**KRW**”) 200 million, 20% for assessable income between KRW200 million and KRW20 billion and 22% for assessable income above KRW20 billion for the years presented.

7 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of \$42,420,000 (2019: \$29,280,000) and the weighted average of 832,067,000 ordinary shares (2019: 831,519,000 shares) in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	2020 '000	2019 '000
Issued ordinary shares at 1 January	831,519	831,519
Effect of share options exercised	548	—
	<u>832,067</u>	<u>831,519</u>
Weighted average number of ordinary shares at 31 December	<u>832,067</u>	<u>831,519</u>

(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 \$42,420,000 (2019: \$29,280,000) and the weighted average number of ordinary shares of 832,845,000 shares (2019: 831,519,000 shares), calculated as follows:

(i) Profit attributable to ordinary equity shareholders of the Company (diluted)

	2020 \$'000	2019 \$'000
Profit attributable to ordinary equity shareholders (diluted)	<u>42,420</u>	<u>29,280</u>

(ii) Weighted average number of ordinary shares (diluted)

	2020 \$'000	2019 \$'000
Weighted average number of ordinary shares at 31 December	832,067	831,519
Effect of deemed issue of shares under the Company's share option scheme for nil consideration	<u>778</u>	<u>—</u>
Weighted average number of ordinary shares (diluted) at 31 December	<u>832,845</u>	<u>831,519</u>

8 TRADE AND OTHER RECEIVABLES

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

	2020 \$'000	2019 \$'000
Within 1 month	62,510	60,934
Over 1 to 2 months	35,288	51,166
Over 2 to 3 months	2,952	50
Over 3 months	<u>932</u>	<u>100</u>
	<u>101,682</u>	<u>112,250</u>

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

9 TRADE AND OTHER PAYABLES

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

	2020 \$'000	2019 \$'000
Within 1 month	64,037	54,226
Over 1 to 3 months	33,173	41,119
Over 3 to 6 months	71	20
	<u>97,281</u>	<u>95,365</u>

10 DIVIDENDS

A special dividend of HK\$93.2060 cents per ordinary share (2019: HK\$22.3976 cents per ordinary share) was paid during the year. The Directors do not recommend the payment of a final dividend after the end of the reporting period (2019: HK\$24.2640 cents per ordinary share).

Scope of work of KPMG

The financial figures in respect of Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December, 2020 as set out in the preliminary announcement have been compared by the Group's auditor, KPMG, Certified Public Accountants, to the amounts set out in the Group's consolidated financial statements for the year and the amounts were found to be in agreement. The work performed by KPMG in this respect did not constitute an audit, review or other assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the auditor.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is a major supplier of camera modules for mobile devices. It engages in the design, development, manufacture and sale of a variety of camera modules that serve as critical components for smartphones, multimedia tablets and other mobile devices with camera functions. Customers for the Group's camera modules include some of the leading mobile device manufacturers in the world such as Apple and LG Electronics.

The retreating smartphone industry, increased competition in industrial pricing and trade conflict between the United States and China in the fiscal year of 2019, as well as the outbreak of COVID-19 in the fiscal year of 2020 have brought significant damage to the economy and has led to the sluggish market sentiment, which created pressure on the operation and development of the Group. Despite the unfavorable business environment, the Group had performed well in both sales and net profit by continuously satisfying customers' needs, optimizing manufacturing process and reducing overall cost.

For the year ended 31 December, 2020, revenue increased from US\$542.6 million in 2019 to US\$750.2 million in 2020 and recorded an increase in a profit from US\$29.3 million in 2019 to US\$42.4 million in 2020, which was the highest since 2016. The Group had total assets of US\$381.6 million and total equity of US\$250.1 million as of 31 December, 2020 as compared to total assets of US\$460.8 million and total equity of US\$336.0 million as of 31 December, 2019.

Looking ahead, the Company will explore into opportunities to develop new products, new markets and new customers. As such, the potential operations of the new projects would require substantial capital. In order to facilitate effective capital management and to satisfy the capital requirement for future growth, the Board does not recommend the payment of a dividend for the year ended 31 December, 2020.

OUTLOOK AND FUTURE STRATEGIES

Due to the COVID-19 pandemic, continuous global economic turmoil and constant pressure on the smart mobile device market, the business environment in the fiscal year of 2021 will remain challenging. However, the Company's management team is confident that the Group will emerge stronger from the current crisis and will embrace the challenges ahead. The Group's future strategies are as follows:

In terms of business strategy, the Company highly values the importance of maintaining a stable relationship with its customers. However, faced with the issue of high customer concentration, the Company will abide to the principle of “new products for old customers, old products for new customers” in order to adjust the operating goals to consolidate its market leading position in the field of camera modules, and will comprehensively develop optical-related new products to optimize product and customer mix.

In terms of innovation strategy, the Company will continue to enhance its investment in research and development, innovate new production technology and will introduce automated production to achieve efficient production and enhance the Company's operational efficiency.

In terms of supply chain strategy, the Company will continue to optimize its order management, material management, procurement management and inventory management, and comprehensively promote efficiency and reduce consumption in order to enhance the Company's core competitiveness and strive for corporate growth.

In terms of talent strategy, since its establishment, the Company has highly valued the importance of selecting, utilising, nurturing and retaining core talents. In recent years, benefited from the introduction and reserve of abundant human resources, the Company has been able to maintain its performance at a high level. In preparation for the next stage of rapid growth, the Company will be more proactive in recruiting and nurturing outstanding talents in the optical field, so that the Company can achieve another peak performance and create a win-win outcome for its employees and shareholders.

In terms of capital strategy, the Company will evaluate various financing options to maximize the efficiency of the use of capital, and will strictly control its capital expenditure on its project to create greater value for its shareholders.

RESULTS OF OPERATIONS

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

	2020	2019	Changes Amount	%
	<i>(US\$ in millions, except percentages)</i>			
Revenue				
Camera modules	749.9	541.8	208.1	38.4
Optical components	0.3	0.8	(0.5)	(62.5)
Total	<u>750.2</u>	<u>542.6</u>	<u>207.6</u>	<u>38.3</u>

The Group reported a total revenue of approximately US\$750.2 million in 2020, representing an approximately 38.3% increase compared with that of 2019.

Camera modules: Camera modules revenue for the fiscal year of 2020 was approximately US\$749.9 million, representing an increase of approximately 38.4% from approximately US\$541.8 million in 2019 which was mainly due to customers increased orders.

Optical components: Optical components revenue for the fiscal year of 2020 was approximately US\$0.3 million, representing an increase of approximately 62.5% decrease from approximately US\$0.8 million in 2019 which was primarily due to the decreased demand in line with downtrend smartphone industry and DVD market.

For the year ended 31 December, 2020, the Group has reported gross profit, operating profit and net profit of approximately US\$118.5 million, US\$53.4 million and US\$42.4 million, respectively, as compared with approximately US\$77.1 million, US\$31.4 million and US\$29.3 million, respectively, in the fiscal year of 2019. In terms of margins, the Group's gross margin, operating margin and net margin for the year ended 31 December, 2020 were approximately 15.8%, 7.1% and 5.7%, respectively, as compared to approximately 14.2%, 5.8% and 5.4%, respectively, in 2019.

During the year ended 31 December, 2020, the Group did not experience any significant change of pricing policy for its products and there was no material change in the unit cost of raw materials.

The other net loss increased by approximately 86.5% from other net loss of US\$13.2 million in 2019 to other net loss of approximately US\$24.5 million in 2020. The increase was mainly attributable to an increase in exchange loss of approximately US\$11.2 million.

The selling and distribution expenses increased by approximately 40.4% from approximately US\$2.2 million in 2019 to approximately US\$3.1 million in 2020. This increase was mainly attributable to an increase of approximately US\$0.9 million in the transportation expenses led by increased sales volume.

Administrative expenses increased by approximately 16.9% from approximately US\$34.9 million in 2019 to approximately US\$40.8 million in 2020. This increase was mainly attributable to increase in the staff cost of approximately US\$4.0 million and research and development expense of approximately US\$4.2 million.

Finance costs decreased by approximately 11.5% from approximately US\$0.8 million in 2019 to approximately US\$0.7 million in 2020, which was resulted from interest on lease liabilities.

The Group's income tax expense increased by approximately 703.2% from approximately US\$1.3 million in 2019 to US\$10.2 million in 2020, the Group's profit before taxation increased by approximately 72.4% from approximately US\$30.6 million in 2019 to approximately US\$52.7 million in 2020.

As a result, the Group's effective tax rate increased by approximately 15.3% from approximately 4.2% in 2019 to approximately 19.5% in 2020.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 December, 2020, the Group had total assets of approximately US\$381.6 million (31 December, 2019: US\$460.8 million); net current assets of approximately US\$162.8 million (31 December, 2019: US\$231.7 million) and total equity of approximately US\$250.1 million (31 December, 2019: US\$336.0 million).

The Group has a solid financial position and continued to maintain a strong and steady inflow from operating activities. As at 31 December, 2020, the Group had approximately US\$84.6 million of cash and cash equivalents. The Directors believe that the current cash and cash equivalents and expected cash flow from operations, will be sufficient to satisfy the current operational requirements of the Group.

PLEDGE OF THE GROUP'S ASSETS

As at 31 December, 2020, the Group had no pledged deposits (31 December, 2019: US\$3.1 million) provided to the local customs authority in the PRC.

CAPITAL EXPENDITURES AND COMMITMENTS

The Group's capital expenditures (equivalent to the cash spent for payment for purchases of property, plant and equipment and intangible assets) for the year ended 31 December, 2020 amounted to approximately US\$19.8 million which was funded through cash flow from operation, compared to approximately US\$17.9 million for the year ended 31 December, 2019. The Group's capital expenditures in 2020 mainly reflected purchases of additional machinery and equipment to produce more advanced Flip-chip camera modules. The Group intends to fund the Group's planned future capital expenditures through a combination of cash flow from operating activities and possible fund raising exercise.

CONTINGENT LIABILITIES

As at 31 December, 2020, the Group had no significant contingent liabilities, which is the same as at 31 December, 2019.

HUMAN RESOURCES

The Group employed a total of approximately 2,735 full-time employees as of 31 December, 2020 (31 December, 2019: 2,696). Total staff costs for the year ended 31 December, 2020, excluding Directors' remuneration were approximately US\$44.6 million (2019: US\$40.6 million).

In particular, professional employment agencies located in Dongguan, the PRC, have been involved in hiring most of the Group's factory workers. The Group also provides living, entertainment, dining and training facilities for its employees. The scope of the training includes human resources policy, health and safety, management skills and machine and equipment manuals as well as other various topics.

The Group has an emolument policy with respect to its long-term incentive schemes. The basis of determining emoluments payable to the directors is made on a discretionary basis with reference to the Company's operating results, individual performance and comparable market statistics. Furthermore, the Board has delegated the remuneration committee to review and make decisions in respect of the remuneration packages and overall benefits for the directors and senior management of the Company. The emolument policy of the Group is determined by the Board on the basis of their merit, qualifications and competence.

SUPPLEMENTARY INFORMATION

Final dividend

A special dividend of HK\$93.2060 cents per ordinary share (2019: HK\$22.3976 cents per ordinary share) was paid during the year. The Directors do not recommend the payment of a final dividend after the end of the reporting period (2019: HK\$24.2640 cents per ordinary share).

Annual general meeting

The annual general meeting of the Company (the “**AGM**”) will be held on Thursday, 20 May, 2021. The notice of the AGM will be published and dispatched to the Shareholders in due course.

Closure of register of members for the AGM

For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Friday, 14 May, 2021 to Thursday, 20 May, 2021, 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 Thursday, 13 May, 2021.

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, 2020.

Corporate governance

The Board has reviewed the corporate governance of the Group in accordance with the code provisions (the “**Code Provisions**”) of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules (the “**CG Code**”) and considered that, during the financial year ended 31 December, 2020 (the “**Period**”), the Company regulated its operation and carried out appropriate governance in accordance with the Code Provisions. The Company has complied with the Code Provisions as set out in the CG Code during the Period.

Audit Committee

The Audit Committee has reviewed with the management, the accounting principles and policies adopted by the Group and the consolidated financial results for the 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 Period.

Model Code of Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules. All Directors have confirmed, following specific enquiry of all Directors that they have fully complied with the required standard of dealings as set out in the Model Code and the code of conduct regarding Director's securities transactions adopted by the Company throughout the Period.

Events after the Period

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

Publication of 2020 Annual Results and Annual Report

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

By order of the Board
Cowell e Holdings Inc.
Meng Yan
Chairman

Hong Kong, 25 March 2021

As at the date of this announcement, the Board comprises Mr. Meng Yan and Mr. Wu Ying-Cheng as executive Directors; Mr. Chen Han-Yang and Mr. Yang Li as non-executive Directors; and Ms. Su Yen-Hsueh, Mr. Tsai Chen-Lung and Mr. Luo Zhenbang as independent non-executive Directors.