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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 2023**

### **HIGHLIGHTS**

Our revenue for the year ended 31 December 2023 reached approximately US\$923,846,000 representing a decrease of approximately 17.23% as compared with the corresponding year ended 31 December 2022.

Our net profit attributable to equity shareholders of the Company for the year ended 31 December 2023 reached approximately US\$46,589,000, representing a decrease of approximately 44.74% as compared with that for the year ended 31 December 2022.

Basic earnings per share for the financial period ended 31 December 2023 was US5.5 cents representing a decrease of approximately 45.54% as compared with that for the financial year ended 31 December 2022.

### **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 2023 together with comparative figures for the year ended 31 December 2022. 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	
		2023	2022
	Note	\$'000	\$'000
<b>Revenue</b>	3	<b>923,846</b>	1,116,210
Cost of sales		<u>(796,080)</u>	<u>(941,763)</u>
<b>Gross profit</b>		<b>127,766</b>	174,447
Other income	4	<b>12,802</b>	5,744
Selling and distribution expenses		<b>(2,119)</b>	(2,402)
Administrative expenses		<u>(78,772)</u>	<u>(71,836)</u>
<b>Profit from operations</b>		<b>59,677</b>	105,953
Finance costs	5(a)	<u>(9,567)</u>	<u>(5,115)</u>
<b>Profit before taxation</b>	5	<b>50,110</b>	100,838
Income tax	6	<u>(3,720)</u>	<u>(17,022)</u>
		<u><b>46,390</b></u>	<u>83,816</u>
<b>Attributable to:</b>			
Equity shareholders of the Company		<b>46,589</b>	84,305
Non-controlling interests		<u>(199)</u>	<u>(489)</u>
		<u><b>46,390</b></u>	<u>83,816</u>
<b>Earnings per share</b>	7		
Basic		<u><b>\$0.055</b></u>	<u>\$0.101</u>
Diluted		<u><b>\$0.053</b></u>	<u>\$0.097</u>

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(Expressed in United States dollars)

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

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Expressed in United States dollars)

		As at 31 December	
		2023	2022
	Note	\$'000	\$'000
<b>Non-current assets</b>			
Property, plant and equipment		176,819	130,253
Intangible assets		2,360	3,066
Interest in a joint venture		565	574
Net defined benefit retirement asset		—	23
Prepayment and other receivables		9,700	7,377
Deferred tax assets		5,967	9,224
		<u>195,411</u>	<u>150,517</u>
		-----	-----
<b>Current assets</b>			
Inventories		133,895	138,339
Trade and other receivables	8	175,083	195,846
Current tax recoverable		2,410	—
Pledged bank deposits		74,336	—
Bank deposits		265,435	101,944
Cash and cash equivalents		96,726	44,508
		<u>747,885</u>	<u>480,637</u>
		-----	-----
<b>Current liabilities</b>			
Trade and other payables	9	234,998	224,938
Bank loans		274,760	15,794
Lease liabilities		4,011	5,727
Current tax payable		2,051	5,856
		<u>515,820</u>	<u>252,315</u>
		-----	-----
<b>Net current assets</b>		<u>232,065</u>	<u>228,322</u>
		-----	-----
<b>Total assets less current liabilities</b>		<u>427,476</u>	<u>378,839</u>
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	<b>As at 31 December</b>	
	<b>2023</b>	2022
<i>Note</i>	<b>\$'000</b>	\$'000
<b>Non-current liabilities</b>		
Lease liabilities	<b>10,432</b>	18,242
Net defined benefit retirement obligation	<b>2</b>	—
Deferred income	<b>1,876</b>	—
	<u><b>12,310</b></u>	<u>18,242</u>
<b>NET ASSETS</b>	<b><u>415,166</u></b>	<b><u>360,597</u></b>
<b>CAPITAL AND RESERVES</b>		
Share capital	<b>3,412</b>	3,357
Reserves	<b>406,243</b>	356,632
<b>Total equity attributable to equity Shareholders of the Company</b>	<b>409,655</b>	359,989
<b>Non-controlling interests</b>	<b>5,511</b>	608
<b>TOTAL EQUITY</b>	<b><u>415,166</u></b>	<b><u>360,597</u></b>

## **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 2023 but are extracted from those draft 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**”) and the disclosure requirements of the Hong Kong Companies Ordinance. The 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 (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	<u>93%</u>	<u>99%</u>

#### (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		Specified	
	external customers		non-current assets	
	2023	2022	2023	2022
	\$'000	\$'000	\$'000	\$'000
The People's Republic of China ("PRC") (including Hong Kong)	<b>852,619</b>	1,095,619	<b>179,521</b>	133,633
India	<b>52,510</b>	17,695	—	—
The Republic of Korea ("Korea")	<b>4,024</b>	406	<b>223</b>	260
Others	<b>14,693</b>	2,490	—	—
	<b><u>923,846</u></b>	<u>1,116,210</u>	<b><u>179,744</u></b>	<u>133,893</u>

#### 4 OTHER INCOME

	2023	2022
	\$'000	\$'000
Bank interest income	<b>11,212</b>	7,140
Government subsidy	<b>1,217</b>	1,310
Net loss on disposal of property, plant and equipment	<b>(1,286)</b>	(11,617)
Impairment loss on property, plant and equipment	<b>(1,224)</b>	—
Net loss on disposal of intangible assets	<b>(11)</b>	(2,755)
Net foreign exchange gain	<b>1,049</b>	11,202
Others	<b>1,845</b>	464
	<b><u>12,802</u></b>	<u>5,744</u>

## 5 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	2023 \$'000	2022 \$'000
<b>(a) Finance costs</b>		
Interest on bank loans	8,689	3,973
Interest on lease liabilities	878	1,142
	<u>9,567</u>	<u>5,115</u>
<b>(b) Staff costs<sup>#*</sup></b>		
Contributions to defined contribution retirement plan	5,512	3,889
Expenses recognised in respect of defined benefit retirement plans	30	39
Equity settled share-based payment expenses	1,308	1,835
Salaries, wages and other benefits	59,901	60,327
	<u>66,751</u>	<u>66,090</u>
<b>(c) Other items</b>		
Amortisation	709	873
Depreciation <sup>#</sup>		
— 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 <sup>#</sup>	<u>796,080</u>	<u>941,763</u>

<sup>#</sup> 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 5(b) for each of these types of expenses.

<sup>\*</sup> 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 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:

	2023 \$'000	2022 \$'000
<b>Current tax — Hong Kong Profits Tax</b>		
Provision for the year	55	3,268
Under-provision in respect of prior years	—	69
	<u>55</u>	<u>3,337</u>
<b>Current tax — Overseas</b>		
Provision for the year	682	7,237
(Over)/under-provision in respect of prior years	(83)	5,200
	<u>599</u>	<u>12,437</u>
<b>Deferred tax</b>		
Origination and reversal of temporary differences	3,066	1,248
	<u>3,720</u>	<u>17,022</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 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 (“HNTTE”) 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 HNTTE. 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%.

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 year 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 \$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*

	<b>2023</b>	2022
	<b>'000</b>	'000
Issued ordinary shares at 1 January	<b>839,185</b>	834,369
Effect of share options exercised	<b>7,376</b>	1,331
	<hr/>	<hr/>
Weighted average number of ordinary shares at 31 December	<b><u>846,561</u></b>	<b><u>835,700</u></b>

**(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)***

	<b>2023</b>	2022
	<b>'000</b>	'000
Weighted average number of ordinary shares at 31 December	<b>846,561</b>	835,700
Effect of deemed issue of shares under the Company's share option scheme for nil consideration	<b>34,068</b>	32,828
	<hr/>	<hr/>
Weighted average number of ordinary shares (diluted) at 31 December	<b><u>880,629</u></b>	<b><u>868,528</u></b>

**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:

	<b>2023</b>	2022
	<b>\$'000</b>	\$'000
Within 1 month	<b>101,162</b>	124,061
Over 1 to 2 months	<b>51,078</b>	53,090
Over 2 to 3 months	<b>128</b>	3,238
Over 3 months	<b>445</b>	1,285
	<hr/>	<hr/>
	<b><u>152,813</u></b>	<b><u>181,674</u></b>

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:

	<b>2023</b>	2022
	<b>\$'000</b>	\$'000
Within 1 month	<b>125,172</b>	115,242
Over 1 to 3 months	<b>82,300</b>	75,593
Over 3 to 6 months	<b>1,723</b>	5,311
	<b><u>209,195</u></b>	<b><u>196,146</u></b>

## 10 DIVIDENDS

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

### 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 2023 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 draft 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 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 research and development 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, augmented reality (“AR”), virtual reality (“VR”), mixed reality (“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 compound annual growth rate (“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 research and development, 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.

## RESULTS OF OPERATIONS

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 a single reportable segment.

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.

For the year ended 31 December 2023, the Group has reported gross profit, operating profit and net profit of approximately US\$127.8 million, US\$59.7 million and US\$46.4 million, respectively, as compared with approximately 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 approximately 13.8%, 6.5% and 5.0%, respectively, as compared to approximately 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.

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 assets disposal of approximately US\$13.1 million and offset by an increase in the remaining other income of approximately US\$0.1 million.

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 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 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.

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.

## **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.

## **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 approximately US\$80.8 million which was funded through cash flow from operation, compared to approximately 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 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 2023, the Group had no significant contingent liabilities except for the guarantee issued by Company and ultimate controlling party to secure the banking facilities granted amounting to US\$361 million (31 December 2022: US\$59 million).

## 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 purpose 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**"). 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 as at the date of this announcement. For details of the Share Option Scheme, please refer to the circular of the Company dated 20 April 2021 and the annual report of the Company for the year ended 31 December 2023.

## **SUPPLEMENTARY INFORMATION**

### **Final dividend**

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

### **Annual general meeting**

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

### **Closure of register of members for the AGM**

For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Monday, 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.

### **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.

### **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 C1 (formerly known as Appendix 14) to the Listing Rules (the “**CG Code**”) and considered that, during the financial year ended 31 December 2023 (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 position and results for the Period. Based on their 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 C3 (formerly known as 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 2023 Annual Results and Annual Report**

The annual results announcement is published on the website of the Company ([www.cowelleholdings.com](http://www.cowelleholdings.com)) and the website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)). The annual report of the Company for the Period will be despatched 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, 21 March 2024

*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 Ms. Liu Xia as independent non-executive Directors.*