PERCEPTION DIGITAL HOLDINGS LIMITED
幻音數碼控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1822)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2012

FINANCIAL HIGHLIGHTS

- The Group recorded a turnover of approximately HK$340.9 million for the year ended 31 December 2012 (2011: approximately HK$533.4 million).
- The net loss attributable to shareholders for the year ended 31 December 2012 amounted to HK$96.6 million (2011: HK$22.0 million).
- The Board does not recommend any final dividend for the year ended 31 December 2012 (2011: Nil).

ANNUAL RESULTS

The board of Directors (the "Board") presents the consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2012 together with the comparative figures for the corresponding period in 2011.

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2012

	Notes	2012 HK$	2011 HK$
REVENUE	4	**340,869,541**	533,406,703
Cost of sales		**(315,323,262)**	(486,958,388)
Gross profit		**25,546,279**	46,448,315
Other income and gain	5	**1,358,878**	8,748,028
Research and development costs		**(23,678,720)**	(8,321,705)
Selling and distribution expenses		**(16,188,543)**	(13,923,258)
General and administrative expenses		**(39,304,434)**	(45,467,014)
Other expenses, net		**(37,187,744)**	(7,435,420)
Finance costs	6	**(8,556,469)**	(5,434,911)
LOSS BEFORE TAX	7	**(98,010,753)**	(25,385,965)
Income tax credit	8	**1,364,311**	3,397,094
LOSS FOR THE YEAR		**(96,646,442)**	(21,988,871)
Attributable to:			
Owners of the parent		**(96,646,442)**	(21,988,871)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	9	**HK cents**	HK cents
Basic and diluted		**(15.5)**	(3.5)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2012

	2012	2011
	HK$	*HK$*
LOSS FOR THE YEAR	**(96,646,442)**	(21,988,871)
OTHER COMPREHENSIVE INCOME		
Exchange differences on translation of foreign operations	**321,520**	687,630
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	**(96,324,922)**	(21,301,241)
Attributable to:		
Owners of the parent	**(96,324,922)**	(21,301,241)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2012

	Notes	**2012**	2011
		HK$	*HK$*
NON-CURRENT ASSETS			
Property, plant and equipment		**7,507,826**	9,229,064
Deferred development costs		**34,140,404**	35,427,233
Long term deposits		**446,806**	2,614,748
Deferred tax assets		**2,406,665**	2,406,665
Total non-current assets		**44,501,701**	49,677,710
CURRENT ASSETS			
Inventories		**26,615,330**	46,512,587
Trade receivables	*10*	**78,928,766**	153,744,297
Prepayments, deposits and other receivables		**41,957,100**	67,043,273
Tax recoverable		**1,390,035**	1,042,526
Pledged deposits		**16,195,487**	16,960,903
Cash and cash equivalents		**43,155,687**	40,365,986
Total current assets		**208,242,405**	325,669,572
CURRENT LIABILITIES			
Trade payables	*11*	**84,403,598**	167,896,256
Other payables and accruals		**20,617,930**	27,391,762
Interest-bearing bank and other borrowings		**92,056,996**	70,182,220
Tax payable		**852,174**	833,767
Provision		**977,031**	1,634,537
Total current liabilities		**198,907,729**	267,938,542
NET CURRENT ASSETS		**9,334,676**	57,731,030
TOTAL ASSETS LESS CURRENT LIABILITIES		**53,836,377**	107,408,740
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		**44,979,236**	7,393,825
Deferred tax liabilities		**63,607**	1,397,528
Total non-current liabilities		**45,042,843**	8,791,353
Net assets		**8,793,534**	98,617,387
EQUITY			
Equity attributable to owners of the parent			
Issued capital		**62,250,000**	62,250,000
Reserves		**(53,456,466)**	36,367,387
Total equity		**8,793,534**	98,617,387

NOTES:

1. CORPORATE INFORMATION

Perception Digital Holdings Limited (the "Company") is a limited liability company incorporated in the Cayman Islands. The address of the Company's registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

During the year, the Company and its subsidiaries (collectively referred to as the "Group") was primarily involved in the research, design and development and sale of digital signal processing ("DSP") based consumer electronic devices, including DSP platform and embedded firmware, the provision of "end-to-end" turnkey solutions to customers for their DSP-based consumer electronic devices, and trading of electronic components.

2. BASIS OF PREPARATION

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. The financial statements have been prepared under the historical cost convention and are presented in Hong Kong dollars.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised HKFRSs for the first time for the current year's financial statements.

HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Transfers of Financial Assets*
HKAS 12 Amendments	Amendments to HKAS 12 *Income Taxes – Deferred Tax: Recovery of Underlying Assets*

Other than as further explained below regarding the impact of amendments to HKFRS 7, the adoption of the revised HKFRSs has had no significant financial effect on the financial statements.

The HKFRS 7 Amendments require additional disclosures about financial assets that have been transferred but not derecognised to enable users of the financial statements to understand the relationship of those assets that have not been derecognised and their associated liabilities. In addition, the amendments require disclosures about the entity's continuing involvement in derecognised assets to enable users to evaluate the nature of, and risks associated with, such involvement.

The adoption of HKFRS 7 Amendments has enhanced the Group's disclosures in the financial statements for transferred trade receivables that are not derecognised in their entirety.

4. REVENUE AND OPERATING SEGMENT INFORMATION

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts; the value of services rendered; and royalty income received and receivable during the year.

An analysis of revenue is as follows:

	Group	
	2012	2011
	HK$	*HK$*
Sale of goods	**337,150,028**	515,308,512
Rendering of services	**3,560,973**	14,974,072
Royalty income	**158,540**	3,124,119
	340,869,541	533,406,703

Operating Segment

The Group focuses on the research, design and development and sale of DSP based consumer electronic devices, including DSP platform and embedded firmware, the provision of "end-to-end" turnkey solutions to customers for their DSP-based consumer electronic devices, and trading of electronic components. Information reported to the Group's chief operating decision maker, for the purpose of making decisions about resources allocation and performance assessment, focuses on the operating results of the Group as a whole as the Group's resources are integrated and no discrete operating segment financial information is available. Accordingly, no operating segment information is presented.

Geographical information

The following tables present revenue from external customers for the years ended 31 December 2012 and 2011, and certain non-current asset information as at 31 December 2012 and 2011, by geographical areas.

	European Union *HK$*	United States of America *HK$*	Mainland China *HK$*	Hong Kong *HK$*	Others *HK$*	Total *HK$*
Year ended 31 December 2012						
Revenue from external customers	98,876,212	117,604,743	13,292,312	67,349,388	43,746,886	340,869,541
Year ended 31 December 2011						
Revenue from external customers	127,389,937	114,892,720	23,512,896	208,559,828	59,051,322	533,406,703
As at 31 December 2012						
Non-current assets (excluding deferred tax assets)	–	–	13,803,756	28,291,280	–	42,095,036
Non-current assets (excluding financial instruments and deferred tax assets)	–	–	13,540,000	28,291,280	–	41,831,280
As at 31 December 2011						
Non-current assets (excluding deferred tax assets)	–	–	15,023,970	32,247,075	–	47,271,045
Non-current assets (excluding financial instruments and deferred tax assets)	–	–	14,307,661	31,317,075	–	45,624,736

The Group's revenue information by geographical areas is based on the destination where the goods are delivered, except for revenue arising from the rendering of services and royalty income, which is based on the locations where the customers are domiciled/located. The Group's non-current asset information by geographical areas is based on the locations of the assets.

Information about major customers

Revenues of HK$243,250,131 (2011: HK$364,585,318) and HK$37,086,095 (2011: HK$67,518,263) were derived from transactions with two customers, which individually amounted to 10 per cent or more of the Group's total revenue for the year.

5. OTHER INCOME AND GAIN

	Group	
	2012	2011
	HK$	*HK$*
Other income		
Bank interest income	**144,400**	97,598
Other interest income	**–**	6,979,133
Government subsidies	**578,447**	248,953
Others	**636,031**	1,409,835
	1,358,878	8,735,519
Gain		
Gain on disposal of items of property, plant and equipment, net	**–**	12,509
	1,358,878	8,748,028

6. FINANCE COSTS

	Group	
	2012	2011
	HK$	*HK$*
Interest on bank loans, overdrafts and other loan wholly repayable within five years	**4,799,555**	2,696,110
Bank charges	**1,284,874**	930,911
Other finance costs on trade receivables factored:		
Bank interest	**1,720,383**	913,565
Bank charges	**751,657**	894,325
	8,556,469	5,434,911

7. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging:

	2012 *HK$*	2011 *HK$*
Cost of inventories sold and services provided	**315,323,262**	486,958,388
Depreciation	**3,807,322**	3,563,335
Research and development costs:		
Deferred expenditure amortised	**17,359,145**	11,897,552
Current year expenditure	**23,678,720**	8,321,705
	41,037,865	20,219,257
Impairment of deferred development costs	**8,262,712**	2,696,891
Impairment of trade receivables	**9,750,614**	4,484,428
Impairment of other receivable	**7,509,945**	–
Write-off of inventories	**10,820,051**	–
Write-down of inventories to net realisable value, net	**5,223,259**	1,116,464

8. INCOME TAX

No provision for current Hong Kong profits tax has been made for the current and prior years as the Group did not generate any assessable profits arising in Hong Kong during the current and prior years. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	2012 *HK$*	2011 *HK$*
Group:		
Current – Hong Kong		
– Overprovision in prior years	**–**	(1,070)
Current – Elsewhere		
– Charge for the year	**11,079**	220,823
– Overprovision in prior years	**–**	(274,544)
	11,079	(54,791)
Deferred	**(1,375,390)**	(3,342,303)
Total tax credit for the year	**(1,364,311)**	(3,397,094)

9. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of basic loss per share is based on:

	2012	2011
	HK$	*HK$*
Loss		
Loss attributable to the ordinary equity holders of the parent	**(96,646,442)**	(21,988,871)

	Number of shares	
	2012	2011
Shares		
Weighted average number of ordinary shares in issue during the year	**622,500,000**	622,500,000

The calculation of basic loss per share amounts is based on the loss for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares in issue during the year.

The diluted loss per share amounts for the current and prior years equal to the basic loss per share amounts. No adjustment has been made to the basic loss per share amounts presented for the years ended 31 December 2012 and 2011 in respect of a dilution as the share options and warrants of the Company had no dilutive effect on the basic loss per share amounts presented.

10. TRADE RECEIVABLES

	Group	
	2012	2011
	HK$	*HK$*
Trade receivables	**94,320,607**	159,385,524
Impairment	**(15,391,841)**	(5,641,227)
	78,928,766	153,744,297

The Group's trading terms with its customers are mainly on credit. The credit period is generally 30 to 90 days or 90 days after month-end statement, extending to a longer period for certain customers. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management.

An aged analysis of the trade receivables as at the end of the reporting period, based on the payment due date and net of provisions, is as follows:

	Group	
	2012	2011
	HK$	*HK$*
Current	**26,646,712**	102,359,108
Less than 31 days	**4,724,068**	41,890,416
31 to 60 days	**888,059**	2,332,505
61 to 90 days	**544,045**	1,875,488
Over 90 days	**46,125,882**	5,286,780
	78,928,766	153,744,297

11. TRADE PAYABLES

An aged analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	Group	
	2012	2011
	HK$	*HK$*
Within 30 days	**60,086,449**	87,452,320
31 to 60 days	**4,455,626**	40,032,027
Over 60 days	**19,861,523**	40,411,909
	84,403,598	167,896,256

MANAGEMENT DISCUSSION AND ANALYSIS

GENERAL

The Group is principally engaged in the provision of embedded firmware and turnkey solutions for consumer electronics devices, with services such as concept consultation, technology feasibility study, embedded firmware design and development, industrial design, intellectual property research, manufacturing and packaging, logistic management and after sales support.

BUSINESS REVIEW

During the year under review, revenue of the Group decreased by approximately 36.1% to HK$340.9 million from HK$533.4 million as recorded in the year ended 31 December 2011. The decrease was mainly attributable to (i) the decrease in sales of products by 34.6% from HK$515.3 million in last year to HK$337.2 million during the year ended 31 December 2012; and (ii) the decrease in service income from rendering of project development and management services by HK$11.4 million, or 76.2%, from HK$15.0 million in the year ended 31 December 2011 to HK$3.6 million in the current year, which was mainly because customers were more conservative in researching and developing new products after the prolonged instability of the global economic condition.

The overall gross profit of the Group during the current year was severely encumbered by the continuing impact from the European debt crisis during the current year, which led to a decrease by approximately 45.0% to HK$25.5 million from HK$46.4 million as recorded in last year. This was mainly resulted from the decline in service income from the provision of project development and management services, which commanded higher profit margin. However, the impact on the gross profit margin resulted from the decrease in service income was partly compensated by the new product (golf swing analyzer) launched by the Group in the second half of 2012, which also commanded a higher profit margin than other products of the Group, which led to a net decrease in the overall gross profit margin of the Group by 1.2% for the year ended 31 December 2012 as compared to last year.

The net loss of the Group increased significantly to HK$96.6 million during the year ended 31 December 2012 from HK$22.0 million as recorded in last year mainly because of (i) the decrease in gross profit as abovementioned; (ii) the increase in other operating expenses resulted from (a) the write-off of inventories of HK$10.8 million (as mentioned below); (b) the impairment of deferred development costs on certain products amounted to HK$8.3 million, which cannot be recovered by the future economic benefits generated by those products; (c) impairment of certain trade and other receivables amounted to HK$17.3 million.

In terms of revenue breakdown, during the current year under review, our revenue from sales of goods, royalty fees and income from rendering of services contributed approximately 98.9% (2011: 96.6%), 0.1% (2011: 0.6%) and 1.0% (2011: 2.8%), respectively. During the year, upon the requests from customers for coping with their marketing strategies, products delivered to Hong Kong significantly decreased by HK$141.2 million to approximately HK$67.3 million in current year under review.

EVENT AFTER THE REPORTING PERIOD

Subsequent to the end of the reporting period on 27 February 2013, the Group issued a prospectus ("Prospectus") pursuant to which the Company proposed an open offer ("Open Offer") to issue not less than 311,250,000 shares of the Company ("Offer Shares") to the existing shareholders on the basis of one Offer Share for every two shares at a subscription price of HK$0.1286 per Offer Share. Pursuant to the announcement of the Company dated 19 March 2013 (the "Announcement"), the Open Offer became unconditional and a total of 311,250,000 Offer Shares were issued on 20 March 2013. The dealing of the Offer Shares was commenced on The Stock Exchange of Hong Kong Limited on 21 March 2013. Further details of the Open Offer were disclosed in the Prospectus and the Announcement. The Company received net proceeds of approximately HK$38.1 million from the Open Offer.

PROSPECTS

The year 2012 is full of challenges for the global economy. The unfavourable business environment caused by the European sovereign debt crisis continues to affect the global consumer electronic market. Since the beginning of 2012, the Group has been facing high pressure on price reduction as imposed by the downturn market. In addition, customers had become more conservative in investing in research and development projects, which led to our significant decrease in project development service income during the year ended 31 December 2012.

Nevertheless, by leveraging the Group's advantage on its intellectual supply chain service in the PRC, the Group will continue to meticulously deploy the sales network in the target markets and look for more development projects. In particular, with the successful launch of our Golf Swing Analyzer ("3Bays GSA") in 2012, the Group is currently focusing to develop sales channels in the United States, the PRC, Japan and Singapore. Since the launch of the 3Bays GSA, the Group has gained positive feedback and supports from many professional golf coaches and players, which encourages the Group to put further effort in enhancing the product. The Group is also planning to apply similar technology in developing analytical equipment in other sport areas in 2013.

Notwithstanding the fact that the Group is exploring new customers for new products and deploying new revenue stream, the Group is also aware of the uncertainty in the global economic recovery and therefore the Group had adopted several cost saving measures since July 2012 to strengthen the liquidity of the Group. The cost saving measures included but not limited to (i) streamline the operation flows and focus on core product development, which reduced our work force by approximately 60%; (ii) centralised our employees in Hong Kong from two office premises to one office premise; and (iii) tightening the cost control policies on various expenditures such as travelling allowances and utility expenses. Looking forward to 2013, the Group believes that after implementing the above cost saving measures and continuing to explore new markets for our products, we can cope with the upcoming challenges and grasp opportunities that come along when the market recovers. With the support of our strong research and development expertise, the Group will continue its endeavours to create higher value and return for its shareholders.

FINANCIAL REVIEW

Results of the Group

Turnover

The turnover of the Group for the year ended 31 December 2012 was approximately HK$340.9 million, represented a decrease of approximately 36.1% as compared to the year ended 31 December 2011. The decrease was mainly attributable to the decrease in sales of products by 34.6% as compared to last year.

Cost of sales

Cost of sales of the Group decreased by approximately 35.2% from HK$487.0 million for the year ended 31 December 2011 to HK$315.3 million for the year ended 31 December 2012.

Gross profit and margin

The gross profit of the Group for the year ended 31 December 2012 was decreased by 45.0%, from approximately HK$46.4 million to HK$25.5 million. The significant decrease in gross profit was mainly resulted from the decline in service income from the provision of project development and management services and the sale of the traditional portable electronic devices as resulted from the market downturn in Europe during the current year. With the new golf swing analyzer launched in the second half of 2012, which had higher profit margin than the traditional products, the overall gross margin for the year ended 31 December 2012 only decreased by 1.2% as compared to last year.

Other income and gain

Other income and gain of the Group decreased by 84.5%, from approximately HK$8.7 million for the year ended 31 December 2011 to approximately HK$1.4 million for the year ended 31 December 2012. The significant balance for the prior year was mainly because of the interest income recognised on certain account receivables as a compensation for the extension of repayment period. There was no such income recognised during the current year.

Research and development costs

Research and development costs increased by 184.5% from HK$8.3 million for the year ended 31 December 2011 to HK$23.7 million for the year ended 31 December 2012, mainly due to the increase in research and development costs incurred for the development of new models of smart phones in 2012.

Selling and distribution expenses

Selling and distribution expenses increased by 16.3% from HK$13.9 million for the year ended 31 December 2011 to HK$16.2 million for the year ended 31 December 2012, primarily resulting from the increase in sales commission and agency fees for promoting new products in the year 2012.

General and administrative expenses

General and administrative expenses decreased by approximately 13.6% from HK$45.5 million for the year ended 31 December 2011 to HK$39.3 million for the year ended 31 December 2012, primarily as a result of the cost saving measures which were implemented in several stages during the second half of 2012.

Other expenses, net

Other expenses, net for the year ended 31 December 2012 mainly represented (i) the impairment of deferred development costs amounting to HK$8.3 million in relation to certain project costs capitalised in the years prior to the year ended 31 December 2012 where the future economic benefits to be generated from those projects are not expected to be significant; (ii) a write-off of certain raw materials amounted to HK$10.8 million previously stored in a subcontracted warehouse which were found to be lost during the annual stock take process; and (iii) the impairment of certain trade and other receivables amounting to HK$17.3 million, where the Group is of the opinion that the probability to recover those receivables is remote.

Finance costs

Finance costs increased by HK$3.2 million, or approximately 57.4%, from HK$5.4 million for the year ended 31 December 2011 to HK$8.6 million, which was mainly due to the increase in utilisation of the Group's banking facilities and factoring facilities to fund the Group's operations.

Income tax credit

Income tax credit decreased by HK$2.0 million from approximately HK$3.4 million in the year ended 31 December 2011 to HK$1.4 million during the year ended 31 December 2012, which was mainly resulted from the recognition of the deferred tax assets with reference to the tax losses incurred by one of the subsidiaries of the Company during the current year to the extent of the taxable temporary differences which was recognised as deferred tax liabilities in the prior years.

Liquidity and financial resources

	2012	2011
	HK$	*HK$*
Current assets	**208,242,405**	325,669,572
Current liabilities	**198,907,729**	267,938,542
Current ratio	**1.05**	1.22

The current ratio of the Group decreased from 1.22 as at 31 December 2011 to 1.05 as at 31 December 2012 mainly resulting from the write-off of inventories, write-down of inventories to net realisable value and impairment of the trade and other receivables during the current year. As at 31 December 2012, cash and cash equivalents of the Group amounted to approximately HK$43.2 million (2011: HK$40.4 million), and approximately HK$10.3 million (2011: HK$0.2 million) of which are denominated in Renminbi.

In view of the Group's current level of cash and cash equivalents, funds generated internally from our operations and from the Open Offer and the unutilised banking facilities available, the Board is confident that the Group will have sufficient resources to meet its debt repayment and finance need for its operations for the foreseeable future.

Gearing ratio

	2012	2011
	HK$	*HK$*
Total bank and other borrowings	**137,036,232**	77,576,045
Equity	**8,793,534**	98,617,387
	145,829,766	176,193,432
Gearing ratio	**94.0%**	44.0%

The gearing ratio increased from 44.0% as at 31 December 2011 to 94.0% as at 31 December 2012 primarily due to the decrease in equity resulted from the net loss incurred during the year.

As at 31 December 2012, the maturity profile of the bank and other borrowings of the Group falling due within one year or on demand, in the second year and in the third to fifth years, inclusive, amounted to approximately HK$92.1 million (2011: HK$70.2 million), HK$44.1 million (2011: HK$3.3 million) and HK$0.8 million (2011: HK$4.1 million), respectively.

Capital structure

The capital of the Company comprises only ordinary shares. As at 31 December 2012, the total number of the ordinary shares of the Company issued and outstanding was 622,500,000 shares. Subsequent to the issue of the 311,250,000 Offer Shares on 20 March 2013, the total number of ordinary shares of the Company was increased to 933,750,000.

Significant investments

The Group did not have any significant investment plans for the year ended 31 December 2012.

Material acquisitions or disposals

During the reporting period, there was no material acquisition or disposal of subsidiaries and affiliated companies by the Group.

Future plans for material investments or capital assets

The Group had no specific plans for material investments or capital assets as at 31 December 2012.

Foreign currency exposure

The foreign currency exposure of the Group primarily arises from revenue or income generated, cost and expenses incurred, and certain bank and other borrowings denominated in currencies other than the functional currency of the Group's operating units. For the Group's operating units that have the United States dollars ("US$") as their functional currency, their foreign currency transactions and the units' monetary assets and liabilities denominated in foreign currencies that were translated at the functional currency rates of exchange ruling as at 31 December 2012 were mainly denominated in Hong Kong dollars ("HK$"). As the HK$ is pegged to the US$ within a narrow band, the Group does not expect any significant movements in the US$/HK$ exchange rate. Accordingly, we consider the Group's foreign currency risk exposure is not significant.

Contingent liabilities

As at 31 December 2012 and 2011, the Group did not have any significant contingent liabilities.

DIVIDENDS

The Board does not recommend the payment of any final dividend for the year ended 31 December 2012 (2011: Nil).

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 29 May 2013 to 31 May 2013, both days inclusive, during which period no transfers of shares shall be effected. In order to qualify for attending the forthcoming annual general meeting, all transfer of shares, accompanied by the relevant share certificates and transfer forms, must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:00 p.m. on 28 May 2013.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2012, the Group employed a total of 120 employees (2011: 298). Total staff costs, including Directors' emoluments, amounted to approximately HK$57.6 million for the year under review (2011: approximately HK$62.0 million).

The Group's remuneration policies were determined with reference to the performance, qualification and experience of individual employee, as well as the results of the Group and the market conditions. The Group provided discretionary bonus, medical insurance, provident fund, education subsidy and training to its employees. The Company adopted a share option scheme on 27 November 2009, under which the Company can grant options to, among others, employees of the Group to subscribe for shares of the Company with a view to rewarding them for their past contributions to the Group and motivating them to optimize their future contributions to the Group.

CHANGE OF PRINCIPAL BUSINESS ADDRESS

The principal place of business of the Company in Hong Kong had been changed to Unit 311, 3rd Floor, Core Building 1, No. 1 Science Park East Avenue, Hong Kong Science Park, Pak Shek Kok, New Territories, Hong Kong with effect from 15 January 2013.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the period under review.

COMPLIANCE WITH THE MODEL CODE SET OUT IN APPENDIX 10 OF THE LISTING RULES

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rule (the "Model Code"). The Company periodically issues notices to the Directors reminding them of the general prohibition on dealing in the Company's listed securities during the blackout periods before the publication of announcements of results. The Company has confirmed, having made specific enquiry of the Directors, all the Directors have complied with the Model Code throughout the period under review.

CORPORATE GOVERNANCE

The Company complied with the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules (the "CG Code") throughout the period under review, except for the following deviations:

The code provision A.2.1 stipulates that the roles of the chairman of the Board (the "Chairman") and the chief executive officer (the "CEO") should be separate and should not be performed by the same individual.

Dr. Jack Lau was the Chairman and the CEO during the period under review, responsible for the management of the Board and the operations of the Group. The Board considered that Dr. Jack Lau has thorough understanding and expertise regarding the business operations of the Group and thus enabling him to make appropriate decisions on a timely manner which are in the interests of the shareholders of the Company as a whole. Considering the present size of the Company and the scope of business of the Group, there is no imminent need to separate the roles of the Chairman and the CEO. However, the Board will continue to review the effectiveness of the corporate governance structure of the Group in order to assess whether separation of the roles of the Chairman and the CEO is necessary.

AUDIT COMMITTEE

The Company established an audit committee on 27 November 2009 with written terms of reference in compliance with Rules 3.21 to 3.22 of the Listing Rules. The audit committee comprises four independent non-executive Directors, namely Prof. Chin, Tai Hong Roland, Mr. Shu, Wa Tung Laurence, Mr. Ng Wai Hung and Mr. William Keith Jacobsen. The committee is chaired by Mr. Shu, Wa Tung Laurence. The primary duties of the audit committee are to supervise the internal control policies, the financial reporting systems and procedures of the Company, to review the financial statements and reports of the Group, and to review the terms of engagement and scope of audit work of the external auditors. The audited financial statements of the Group for the year ended 31 December 2012 have been reviewed by the audit committee.

By order of the Board
Perception Digital Holdings Limited
Dr. Jack Lau
Chairman and Executive Director

Hong Kong, 25 March 2013

As at the date of this announcement, the executive Director is Dr. Lau, Jack; the non-executive Directors are Prof. Cheng, Roger Shu Kwan and Prof. Tsui, Chi Ying; and the independent non-executive Directors are Prof. Chin, Tai Hong Roland, Mr. Shu, Wa Tung Laurence, Mr. Ng Wai Hung and Mr. William Keith Jacobsen.