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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2011

HIGHLIGHTS

- The Group recorded a turnover of approximately HK$215.5 million for the six months ended 30 June 2011 (2010: approximately HK$210.2 million).

- The net loss attributable to shareholders for the six months ended 30 June 2011 amounted to approximately HK$2.0 million as compared to net loss of approximately HK$2.8 million for the corresponding period in 2010.

- As at 30 June 2011, the Group has cash and cash equivalents and pledged deposits amounting to HK$59.5 million (31 December 2010: HK$48.7 million).

INTERIM RESULTS (UNAUDITED)

The board of Directors (the "Board") hereby presents the unaudited condensed consolidated financial results of the Group for the three months and six months ended 30 June 2011 together with the comparative unaudited figures for the corresponding period in 2010, as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2011

		Three months ended 30 June		**Six months ended 30 June**	
		2011	2010	**2011**	2010
	Notes	***HK$***	*HK$*	***HK$***	*HK$*
		(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
REVENUE	*3*	**129,928,486**	138,763,216	**215,516,877**	210,184,894
Cost of sales		**(112,750,417)**	(124,525,313)	**(186,735,195)**	(183,478,715)
Gross profit		**17,178,069**	14,237,903	**28,781,682**	26,706,179
Other income		**1,450,001**	82,672	**1,709,012**	271,399
Research and development costs		**(1,762,915)**	(4,926,784)	**(4,063,635)**	(9,818,777)
Selling and distribution costs		**(3,392,119)**	(2,164,436)	**(6,598,264)**	(5,262,761)
General and administrative expenses		**(10,981,372)**	(7,575,284)	**(19,395,695)**	(14,419,925)
Other expenses, net		**–**	(5,349)	**–**	(5,349)
Finance costs	*5*	**(1,341,794)**	(576,503)	**(2,107,810)**	(1,128,241)
PROFIT/(LOSS) BEFORE TAX	*6*	**1,149,870**	(927,781)	**(1,674,710)**	(3,657,475)
Income tax (charge)/credit	*7*	**(654,601)**	580,067	**(311,903)**	813,566
PROFIT/(LOSS) FOR THE PERIOD		**495,269**	(347,714)	**(1,986,613)**	(2,843,909)
Attributable to:					
Owners of the parent		**495,269**	(347,714)	**(1,986,613)**	(2,843,909)
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT					
– Basic and diluted	*8*	**0.08 cent**	(0.06) cent	**(0.32) cent**	(0.46) cent

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2011

	Three months ended 30 June		**Six months ended 30 June**	
	2011	2010	**2011**	2010
	HK$	*HK$*	***HK$***	*HK$*
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
PROFIT/(LOSS) FOR THE PERIOD	**495,269**	(347,714)	**(1,986,613)**	(2,843,909)
OTHER COMPREHENSIVE INCOME/ (EXPENSES):				
Exchange differences on translation	**164,761**	126	**380,428**	(22,657)
TOTAL COMPREHENSIVE INCOME/ (EXPENSES) FOR THE PERIOD	**660,030**	(347,588)	**(1,606,185)**	(2,866,566)
Attributable to:				
Owners of the parent	**660,030**	(347,588)	**(1,606,185)**	(2,866,566)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2011

	Notes	30 June 2011 HK$ (Unaudited)	31 December 2010 HK$ (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**7,054,534**	4,651,187
Deferred development costs		**30,789,939**	22,190,769
Deposits for purchase of items of property, plant and equipment		**411,959**	566,458
Deferred tax assets		**242,450**	139,734
Total non-current assets		**38,498,882**	27,548,148
CURRENT ASSETS			
Inventories		**33,436,852**	36,491,318
Trade and bills receivables	*10*	**104,107,447**	188,382,008
Prepayments, deposits and other receivables		**30,047,703**	14,520,493
Pledged deposit		**21,914,822**	9,183,376
Cash and cash equivalents		**37,574,452**	39,497,771
Total current assets		**227,081,276**	288,074,966
CURRENT LIABILITIES			
Trade payables	*11*	**78,800,420**	125,287,874
Other payables and accruals		**9,661,434**	10,010,218
Interest-bearing bank borrowings		**49,655,340**	47,616,385
Tax payable		**2,030,999**	2,030,352
Provision		**765,285**	891,142
Total current liabilities		**140,913,478**	185,835,971
NET CURRENT ASSETS		**86,167,798**	102,238,995
TOTAL ASSETS LESS CURRENT LIABILITIES		**124,666,680**	129,787,143
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowing		**6,589,047**	7,766,604
Deferred tax liabilities		**2,504,563**	2,424,120
Total non-current liabilities		**9,093,610**	10,190,724
Net assets		**115,573,070**	119,596,419
EQUITY			
Equity attributable to owners of the parent			
Issued capital	*12*	**62,250,000**	62,250,000
Reserves		**53,323,070**	57,346,419
		115,573,070	119,596,419

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2011

	Note	Issued capital HK$	Share premium account HK$	Capital reserve HK$	Share option reserve HK$	Exchange fluctuation reserve HK$	Accumulated losses HK$	Total Equity HK$
At 1 January 2010 (unaudited)		60,000,000	30,057,764	50,048,276	–	1,225,171	(59,078,310)	82,252,901
Total comprehensive expenses for the period		–	–	–	–	(22,657)	(2,843,909)	(2,866,566)
Issue of new shares in connection with the over-allotment of shares	*12*	2,250,000	13,950,000	–	–	–	–	16,200,000
Share issue costs	*12*	–	(517,457)	–	–	–	–	(517,457)
Equity-settled share option arrangement		–	–	–	515,556	–	–	515,556
Dividend declared		–	–	(3,112,500)	–	–	–	(3,112,500)
At 30 June 2010 (unaudited)		62,250,000	43,490,307	46,935,776	515,556	1,202,514	(61,922,219)	92,471,934
At 1 January 2011 (unaudited)		62,250,000	43,490,307	46,935,776	1,434,295	1,540,394	(36,054,353)	119,596,419
Total comprehensive expenses for the period		–	–	–	–	380,428	(1,986,613)	(1,606,185)
Equity-settled share option arrangement		–	–	–	689,198	–	6,138	695,336
Dividend declared		–	–	(3,112,500)	–	–	–	(3,112,500)
At 30 June 2011 (unaudited)		62,250,000	43,490,307	43,823,276	2,123,493	1,920,822	(38,034,828)	115,573,070

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2011

	Six months ended 30 June	
	2011	2010
	HK$	*HK$*
	(Unaudited)	(Unaudited)
Net cash inflow/(outflow) from operating activities	**19,123,228**	(4,515,343)
Net cash outflow from investing activities	**(16,957,008)**	(19,974,180)
Net cash inflow/(outflow) from financing activities	**(4,876,857)**	12,164,694
Net decrease in cash and cash equivalents	**(2,710,637)**	(12,324,829)
Cash and cash equivalents at 1 January	**39,497,771**	63,056,902
Effect of foreign exchange rate changes, net	**269,373**	(22,657)
Cash and cash equivalents at end of period	**37,056,507**	50,709,416
Analysis of balances of cash and cash equivalents		
Cash and bank balances	**37,574,452**	53,332,299
Bank overdrafts	**(517,945)**	(2,622,883)
	37,056,507	50,709,416

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENT

For the six months ended 30 June 2011

1. CORPORATE INFORMATION

Perception Digital Holdings Limited (the “Company”) is a limited liability company incorporated in the Cayman Islands on 11 September 2009. The address of Company’s registered office is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

During the six months ended 30 June 2011, the Company and its subsidiaries (collectively referred to as the “Group”) was primarily involved in the research, design and development of digital signal processing (“DSP”) platform and the provision of embedded firmware and “end-to-end” turnkey solutions to customers for their DSP-based consumer electronic devices.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The Group’s unaudited condensed consolidated interim 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 (the “HKICPA”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. The unaudited condensed consolidated interim financial statements have been prepared under the historical cost convention and are presented in Hong Kong dollars. The accounting policies adopted in preparing the unaudited condensed consolidated interim financial statements were consistent with those applied for the financial statements of the Group for the year ended 31 December 2010.

The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All income, expenses and unrealised gains and losses resulting from intercompany transactions and intercompany balances within the Group are eliminated on consolidation in full.

Issue of new and revised Hong Kong Financial Reporting Standards

HKFRS 1 Amendment	Amendment to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters*
HKAS 24 (Revised)	*Related Party Disclosures*
HKAS 32 Amendment	Amendment to HKAS 32 *Financial Instruments: Presentation – Classification of Rights Issues*
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int14 *Prepayments of a Minimum Funding Requirement*
HK(IFRIC)-Int 19	*Extinguishing Financial Liabilities with Equity Instruments*
Improvements to HKFRSs 2010	Amendments to a number of HKFRSs issued in May 2010

The Group has not early applied the following new standards, amendments or interpretations that have been issued but are not yet effective in these 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* [1]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Transfers of Financial Assets* [1]
HKFRS 9	*Financial Instruments* [3]
HKFRS 10	*Consolidated Financial Statements* [3]
HKFRS 11	*Joint Arrangements* [3]
HKFRS 12	*Disclosure of Interests in Other Entities* [3]
HKFRS 13	*Fair Value Measurement* [3]
HKAS 1 (Revised)	*Presentation of Financial Statements* [3]
HKAS 12 Amendments	Amendments to HKAS 12 *Income Taxes – Deferred Tax: Recovery of Underlying Assets* [2]
HKAS 19 (2011)	*Employee Benefits* [3]
HKAS 27 (2011)	*Separate Financial Statements* [3]
HKAS 28 (2011)	*Investments in Associates and Joint Ventures* [3]

[1] Effective for annual periods beginning on or after 1 July 2011

[2] Effective for annual periods beginning on or after 1 January 2012

[3] Effective for annual periods beginning on or after 1 January 2013

3. REVENUE

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 the royalty income received and receivable during the period.

The following table sets out a breakdown of our revenue:

	Six months ended 30 June	
	2011	2010
	HK$	*HK$*
	(Unaudited)	(Unaudited)
Sales of products	**199,584,098**	191,860,436
Royalty income	**2,759,236**	4,415,674
Rendering of services	**13,173,543**	13,908,784
	215,516,877	210,184,894

4. OPERATING SEGMENT INFORMATION

The Group focuses on the research, design and development of DSP platform and the provision of embedded firmware and "end-to-end" turnkey solutions to customers for their DSP-based consumer electronic devices. Information reported to the Group's chief operating decision maker, for the purpose of 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 table presents revenue from external customers for the periods ended 30 June 2011 and 2010 by geographical areas.

	Europe	United States of America	Mainland China	Hong Kong	Others	Total
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
Six months ended 30 June 2011						
Revenue from external customers (Unaudited)	56,753,922	6,857,819	8,898,116	108,358,631	34,648,389	215,516,877
Six months ended 30 June 2010						
Revenue from external customers (Unaudited)	106,648,544	7,932,648	4,763,417	82,366,862	8,473,423	210,184,894

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

5. FINANCE COSTS

	Six months ended 30 June	
	2011	2010
	HK$	*HK$*
	(Unaudited)	(Unaudited)
Interest on bank loans and overdrafts wholly repayable within five years	**1,402,079**	743,741
Bank charges	**705,731**	384,500
	2,107,810	1,128,241

6. LOSS BEFORE TAX

The Group's loss before tax is after charging:

	Six months ended 30 June	
	2011	2010
	HK$	*HK$*
	(Unaudited)	(Unaudited)
Depreciation	**1,570,644**	1,563,975
Research and development costs:		
– Deferred expenditure amortised	**2,779,002**	2,727,132

7. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the six months ended 30 June 2011. No provision for Hong Kong profits tax was made for the six months ended 30 June 2010 as the Group had available tax losses to offset the assessable profits arising in Hong Kong generated during that period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	Six months ended 30 June	
	2011	2010
	HK$	*HK$*
	(Unaudited)	(Unaudited)
Current – Hong Kong:		
– Charge for the period	**380,231**	–
Deferred	**(68,328)**	(813,566)
Total tax charge/(credit) for the period	**311,903**	(813,566)

The Group's subsidiary established and operating in the Shenzhen Special Economic Zone of the People's Republic of China (the "PRC") is subject to the PRC's State Council Circular on the Implementation of the Transitional Concession Policies for Corporate Income Tax (Guo Fa [2007] No. 39), which provides that enterprises previously entitled to concession policies of tax rate reductions shall have a grace period of five years to comply with the requirements of the new statutory tax rate, commencing on 1 January 2008 after the implementation of the new tax law. Enterprises entitled to a 15% corporate income tax rate on or before 31 December 2007 will be subject to tax rates of 18%, 20%, 22%, 24% and 25% in 2008, 2009, 2010, 2011 and 2012, respectively. In addition, the Group's subsidiary established in the PRC had obtained the status of National High-Tech Enterprise in 2009 and, accordingly, is entitled to a lower PRC corporate income tax rate of 15%.

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

The calculation of basic loss per share amounts is based on the loss for the period attributable to ordinary equity holders of the parent of HK$2.0 million (2010: HK$2.8 million), and the weighted average number of 622,500,000 ordinary shares in issue (2010: 617,693,370 ordinary shares).

No adjustment has been made to the basic loss per share amounts presented for the six months ended 30 June 2011 and 2010 in respect of a dilution, as the impact of the potential dilutive ordinary shares outstanding had an anti-dilutive effect on the basic loss per share amounts presented for the six months ended 30 June 2011 and 2010.

9. DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2011 (2010: Nil).

10. TRADE AND BILLS RECEIVABLES

An aged analysis of the trade and bills receivables as at the balance sheet date, based on payment due date and net of provisions, is as follows:

	30 June 2011	31 December 2010
	HK$	*HK$*
	(Unaudited)	(Audited)
Current	**79,044,942**	136,826,460
Less than 31 days	**2,387,993**	43,715,039
31 to 60 days	**2,762,189**	855,418
61 to 90 days	**927,992**	478,681
Over 90 days	**18,984,331**	6,506,410
	104,107,447	188,382,008

The credit period is generally 30 to 120 days.

11. TRADE PAYABLES

An aged analysis of the trade payables as at the balance sheet date, based on the invoice date, is as follows:

	30 June 2011	31 December 2010
	HK$	*HK$*
	(Unaudited)	(Audited)
Within 30 days	**47,422,629**	92,199,704
31 to 60 days	**20,028,160**	21,911,203
Over 60 days	**11,349,631**	11,176,967
	78,800,420	125,287,874

The credit period is generally 30 to 120 days.

12. SHARE CAPITAL

	Number of ordinary shares	**Issued capital**	**Share premium account**	**Total**
		HK$	*HK$*	*HK$*
At 1 January 2010 (unaudited)	600,000,000	60,000,000	30,057,764	90,057,764
Issue of new shares in connection with the Over-Allotment Option (Note)	22,500,000	2,250,000	13,950,000	16,200,000
Share issue costs	–	–	(517,457)	(517,457)
At 30 June 2010 and 30 June 2011 (unaudited)	622,500,000	62,250,000	43,490,307	105,740,307

Note:

On 8 January 2010, the Company announced that the over-allotment option (the "Over-Allotment Option") referred to in the prospectus of the Company dated 4 December 2009 (the "Prospectus") was fully exercised in respect of an aggregate of 22,500,000 shares of the Company. The listing of and dealing in the said 22,500,000 shares commenced on the Growth Enterprise Market ("GEM") of the Stock Exchange on 13 January 2010. The total number of the ordinary shares of the Group in issue was then increased from 600,000,000 shares to 622,500,000 shares.

MANAGEMENT DISCUSSION AND ANALYSIS

The Company hereby presents the interim results for the six months ended 30 June 2011 ("period under review").

BUSINESS REVIEW

During the six months ended 30 June 2011, revenue of the Group increased by approximately 2.5% to HK$215.5 million from HK$210.2 million as recorded in the corresponding period in the last fiscal year. The increase was mainly attributable to the increase in sales of products by 4.0% in the current period under review, which was related to the shipment of our newly launched Android based mobile phones with 4.3" display in the second quarter of 2011 and Vulkano, our first place shift multimedia streaming box (launched in late 2010). The gross profit of the Group for the period under review amounted to HK$28.8 million, which represented an increase of 7.8% as compared to the gross profit amounted to HK$26.7 million recorded in the six months ended 30 June 2010. The gross profit margin of the Group for the period under review was approximately 13.4%, an increase of 0.7 percentage point as compared to the profit margin during the six months ended 30 June 2010.

Loss before tax for the six months ended 30 June 2011 under review was significantly reduced by 54.2% to HK$1.7 million from HK$3.7 million incurred in the six months ended 30 June 2010, which was mainly because the results of the Group turned from a loss before tax of HK$0.9 million in the three months ended 30 June 2010 to a profit before tax of HK$1.1 million in the three months ended 30 June 2011. Owing to the change of the tax position of the Group from a tax credit of HK$813,566 in the six months ended 31 June 2010 to a tax expense of HK$311,903 in the current period under review, which was primarily due to the assessable profits generated from one of the subsidiaries of the Company in Hong Kong during the six months ended 30 June 2011, the net loss of the Group during the period under review was reduced by 30.1% to HK$2.0 million as compared to the net loss of HK$2.8 million incurred in the corresponding period in the last year.

In terms of revenue breakdown, during the period under review, our revenue from sales of goods, royalty fees and income from rendering of services contributed approximately 92.6% (2010: 91.3%), 1.3% (2010: 2.1%) and 6.1% (2010: 6.6%), respectively. During the six months ended 30 June 2011, upon the requests of customers, revenue from products delivered to Hong Kong increased by approximately 26.0 million to HK$108.4 million, being 50.3% (2010: 39.2%) of total revenue. In addition, revenue from products delivered to other countries in the South East Asia rise more than three fold from HK$8.5 million to HK$34.6 million during the period under review, which was mainly related to our Android-based mobile Internet devices launched in late 2010.

On 3 June 2011, the Company successfully transferred the listing of its shares from the GEM of the Stock Exchange to the Main Board.

FINANCIAL REVIEW

Results of the Group

Turnover

During the six months ended 30 June 2011, the Group recorded a revenue of HK$215.5 million, an increase of 2.5% as compared to HK$210.2 million recorded in the corresponding period in the last fiscal year. The increase was mainly contributed from higher sales of products from HK$191.9 million in the six months ended 30 June 2010 to HK$199.6 million in the current period.

During the period under review, the Group continued to allocate more resources to the provision of project development and management services, which commanded higher profit margin. During the current period, the service fee income of the Group amounted to HK$13.2 million, which is comparable to the service fee income recognised in the corresponding period of the last year.

Research and development costs

The research and development costs of the Group during the period under review decreased by approximately 58.6% to HK$4.1 million from HK$9.8 million during the corresponding period in the last fiscal year, which was primarily due to the increase in capitalisation of development costs for new products, which are expected to contribute considerable amounts of revenue to the Group in the coming years.

Selling and distribution costs

Selling and distribution costs of the Group rose by approximately 25.4% from HK$5.3 million during the six months ended 30 June 2010 to HK$6.6 million in the current period under review, mainly attributable to the increase in staff salaries as the sales and marketing team has been expanded for the promotion of our new products.

General and administrative expenses

During the six months ended 30 June 2011, the general and administrative expenses of the Group climbed by approximately 34.5% to HK$19.4 million from HK$14.4 million as recorded in the six months ended 30 June 2010. The increase was mainly due to the increase in staff salaries, office rental expense and share option expense in relation to the share options granted on 26 March 2010.

Finance costs

The finance costs during the six months ended 30 June 2011 amounted to HK$2.1 million, rising approximately 86.8% as compared to HK$1.1 million during the corresponding period of the last year. The increase was primarily due to the increase in bank borrowings during the six months ended 30 June 2011 for materials sourcing for our new products, such as Vulkano and Android mobile phones.

Income tax

The income tax of the Group turned from a tax credit of approximately HK$814,000 during the six months ended 30 June 2010 to a tax expense of approximately HK$312,000 during the six months ended 30 June 2011, which was due to the assessable income generated by one of the subsidiaries of the Company during the six months ended 30 June 2011.

Liquidity and financial resources

As at 30 June 2011, cash and cash equivalents of the Group amounted to approximately HK$37.6 million (31 December 2010: HK$39.5 million), and within which, about HK$0.2 million (31 December 2010: HK$1.0 million) is denominated in Renminbi.

As at 30 June 2011, the Group had bank borrowings amounting to HK$56.2 million (31 December 2010: HK$55.4 million) and among which, HK$6.6 million (31 December 2010: HK$7.8 million) is not repayable within one year. The bank borrowings carry interest rates ranging from 3.6% to 6.3%. Except for bank borrowings amounting to HK$29.6 million as at 30 June 2011 (31 December 2010: HK$23.1 million), which are denominated in the United States dollars, all the bank borrowings are denominated in Hong Kong dollars.

In view of the Group's current cash and bank balances, funds generated internally from our operations and the unutilised banking facilities available, the Board is confident that the Group will have sufficient resources to meet its debt repayment and finance needs for its operations.

Gearing ratio

	As at 30 June 2011 HK$ (Unaudited)	As at 31 December 2010 HK$ (Audited)
Total bank borrowings	**56,244,387**	55,382,989
Equity	**115,573,070**	119,596,419
	171,817,457	174,979,408
Gearing ratio (Total bank borrowings divided by the summation of total bank borrowings and equity)	**32.7%**	31.7%

As at 30 June 2011, the maturity profile of the bank borrowings of the Group falling due within one year, in the second year and the third to fifth years, inclusive, amounted to HK$49.7 million (31 December 2010: HK$46.4 million), HK$2.5 million (31 December 2010: HK$3.4 million) and HK$4.0 million (31 December 2010: HK$5.6 million).

Capital structure

The capital of the Group comprises only ordinary shares. As at 30 June 2011, the total number of the ordinary shares of the Group was 622,500,000 shares.

Significant investments

As at the end of the reporting period, the Group did not have any significant investment plans.

Material acquisitions and disposals

During the six months ended 30 June 2011, there was no material acquisition or disposal of subsidiaries and affiliated companies by the Group.

Charges on the Group's assets

As at 30 June 2011, none of the Group's assets was pledged to secure certain banking facilities granted to the Group (31 December 2010: Nil).

Foreign currency exposure

The foreign currency exposure of the Group primarily arise from revenue or income generated, cost or expenses incurred, and certain bank and other borrowings denominated in currencies other than the Group's operating units' functional currency. For the Group's operating units that have the United States dollar as their functional currency, their foreign currency transactions and the units' monetary assets and liabilities denominated in foreign currencies that were retranslated at the functional currency rates of exchange ruling as at 30 June 2011 were mainly denominated in Hong Kong dollars. As the United States dollar ("US$") is pegged to the Hong Kong dollar ("HK$") 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 to be low.

Contingent liabilities

As at the end of the reporting period, the Group did not have any significant contingent liabilities.

Commitments

(i) Operating lease arrangements

The Group leases its office premises and certain of its office equipment under operating lease arrangements with leases negotiated for terms ranging from one to five years. At the end of the reporting period, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	As at 30 June 2011	As at 31 December 2010
	HK$	*HK$*
	(Unaudited)	(Audited)
Within one year	**6,961,176**	574,112
In the second to fifth years, inclusive	**10,404,589**	125,620
	17,365,765	699,732

(ii) Capital commitments

The Group had the following capital commitments as at the balance sheet date:

	As at 30 June 2011 *HK$* **(Unaudited)**	As at 31 December 2010 *HK$* (Audited)
Contracted, but not provided for	**1,221,099**	718,522

OUTLOOK

Since the launch of our first place shift multimedia streaming box, Vulkano, in late 2010 and Android mobile phones with 4.3” display in early 2011, the Group has been allocating more resources in promoting the new products in various countries and regions of the world and has received positive feedback and a considerable volume of sales orders from customers. The Group expects this momentum to continue in the second half of 2011 and these new products to become one of the principal revenue streams in the year 2011. In Hong Kong, the Group has registered its own brand name “3Bays” for those new products and the Group has recently appointed Jebsen & Co Ltd., a world-wide trading and marketing service group, as its exclusive distributor to promote the Vulkano and Xtra TV, the Android based digital media receiver, in Hong Kong and Macau. The Xtra TV enables users to enjoy pictures, movies, videos and other internet services on their home televisions and is expected to be launched in the third quarter of 2011.

In addition, the Group is also focusing on development of its “Live-Lite” series. Subsequent to the launch of the headphones with an infra-red hear rate monitor embedded in the ear bud in 2010, the new Bluetooth headset, which also ultises this advanced technology enabling users to measure their heart beats by pressing just one button while they are using the Bluetooth headset at the same time, is under the final stage of development. The Group had entered into a distribution contract with an international brand customer in the United States in early 2011. With its world-wide sales network, the Group believes this product will become one of the main revenue streams in the foreseeable future. This product is expected to launched in the third quarter of 2011.

In order to broaden the Group's sales network in the PRC, the Group has set up a branch office at Chengdu in Southwestern China during the second quarter of 2011, with major functions of sales and marketing and research and development. To cope with the launch of Xtra TV in the PRC in the third quarter of 2011, the Group is carefully evaluating setting up more branches in the PRC to expand its sales channels and boost its competitive edge. The Group also plans to identify strategic business partner in the PRC specialised in Smartphone design to expand its product line and revenue stream.

With the successful transfer of the listing of the Company's shares from GEM to the Main Board, which enhances the profile of the Company and increase the trading liquidity of its shares, together with our strong research and development team, our strong resource of valuable patents, technology innovation and unique design capabilities and our unparalleled supply chain service, we are confident that the Group is well positioned for future growth in the years ahead.

DIVIDENDS

On 17 March 2011, the Board recommended the payment of a final dividend of HK0.5 cent per ordinary share for the year ended 31 December 2010 to shareholders whose names appeared in the register of members of the Company on 6 May 2011. The proposed final dividend was approved by the shareholders of the Company at the annual general meeting held on 6 May 2011.

The Board does not recommend the payment of any dividend for the six months ended 30 June 2011 (2010: Nil).

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2011, the Group employed a total of 265 employees. Total staff costs, including directors emoluments, amounted to approximately HK$27.8 million for the six months ended 30 June 2011. 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 bonuses, share options, medical insurance, provident fund contribution, education subsidy and training to its employees.

BUSINESS OBJECTIVES AND USE OF PROCEEDS

Comparison between business objectives with actual business progress

An analysis comparing the business objectives as stated in the Prospectus with the Group's actual business progress for the period from 1 January 2011 to 30 June 2011 is set out below:

Business objectives for the period from 1 January 2011 to 30 June 2011 as stated in the Prospectus	Actual business progress up to 30 June 2011
1. **Product and technology development**	
Continue to enhance and introduce additional features on the "Live-Lite" series such as fat analyzer, glucose, and blood pressure measurement; continue development of the algorithms for new applications under the "Live-Lite" series which cater for other sports; enhance the Web 2.0 base applications; and continue development of new features on open source-based multimedia Internet devices.	We are in the final stage of the development of the new Bluetooth headset with an infra-red heart rate monitor. This product is expected to be launched in third quarter of 2011. Our Android based digital media receiver, Xtra TV, is under final stage of development and is expected to be launched in the third quarter of 2011.
2. Broadening our market coverage and expansion of our sales network	
To develop sale channels in the PRC; participate in trade fairs and exhibitions in Hong Kong and overseas; and continue discussions with major consumer electronics and fitness equipment OEMs and fitness institutions.	The Group has set up a branch office in Chengdu in the second quarter of 2011 to expand its sales channels in the PRC. In view of the expected launch of Xtrav TV in the third quarter of 2011, the Group is carefully evaluating setting up other branches in the PRC during the coming year.

3. Enhancing our research and development capability

To continue hiring additional research and development professionals	During the six months ended 30 June 2011, we have hired an additional 35 research and development professionals and will continue to expand our research and development team.

Use of proceeds

During the period from 1 January 2011 to 30 June 2011, the net proceeds from the issue of new shares upon Listing had been applied as follows:

	Planned use of proceeds as stated in the Prospectus from 1 January 2011 to 30 June 2011	**Actual use of proceeds from 1 January 2011 to 30 June 2011**
Product and technology development	HK$3 million	Approximately HK$2.5 million
Broadening market coverage and expansion of our sales network	HK$3 million	Approximately HK$2.1 Million
Enhancement of research and development capability	HK$2 million	Approximately HK$1.3 million

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

As at 30 June 2011, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 of the Listing Rules adopted by the Company, were as follows:

Long position in the ordinary shares of the Company (the "Shares):

Name of Director	*Notes*	**Capacity/ Nature of interest**	**Number of Shares interested**	**Percentage of the Company's issued share capital**
Dr. Lau, Jack ("Dr. Lau")	*(a)*	Interest of spouse	181,316,037	29.13%
Mr. Tao Hong Ming ("Mr. Tao")		Beneficial owner	300,000	0.05%
		Share options	1,000,000	0.16%
			1,300,000	0.21%
Prof. Cheng, Shu Kwan Roger ("Prof. Cheng")	*(b)*	Interest of controlled corporation	2,976,655	0.48%
Prof. Tsui, Chi Ying ("Prof. Tsui")	*(c)*	Interest of controlled corporation	11,903,210	1.91%
			197,495,902	31.73%

Notes:

(a) Of the 181,316,037 Shares, 53,828,697 Shares are held by Masteray Limited ("Masteray"), 125,592,340 Shares are held by Swanland Management Limited ("Swanland") and 1,895,000 are held by Ms. Loh, Jiah Yee Katherine ("Ms. Loh"), the spouse of Dr. Lau. Masteray is owned as to 100% by Sea Progress Limited ("Sea Progress"), which, through a discretionary trust, is wholly-owned by Credit Suisse Trust Limited ("Credit Suisse"). Ms. Loh is the founder of a discretionary trust holding 179,421,037 Shares by Credit Suisse, and hence she is deemed to be interested in 181,316,037 Shares. Dr. Lau is deemed to be interested in all the Shares held by Ms. Loh.

(b) The 2,976,655 Shares are held by Rochdale Consultancy Limited ("Rochdale"), which is owned as to 50% by Prof. Cheng. Hence, Prof. Cheng is deemed to be interested in the Shares held by Rochdale by virtue of Rochdale being controlled by Prof. Cheng.

(c) The 11,903,210 Shares are held by Excel Direct Technology Limited ("Excel Direct"), which is owned as to 50% by Prof. Tsui. Hence, Prof. Tsui is deemed to be interested in the Shares held by Excel Direct by virtue of Excel Direct being controlled by Prof. Tsui.

Save as disclosed above, as at 30 June 2011, none of the Directors or chief executive of the Company or their respective associates had registered any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations as recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code adopted by the Company.

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

As at 30 June 2011, so far as is known to the Directors, the following persons (other than the Directors or chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company, being 5% or more of the total issued share capital of the Company, as recorded in the register required to be kept by the Company under section 336 of the SFO:

Long position in the Shares:

Name of Substantial Shareholders	*Notes*	**Capacity/ Nature of interest**	**Number of Shares interested**	**Percentage of the Company's issued share capital**
Swanland		Beneficial owner	125,592,340	20.17%
Masteray		Beneficial owner	53,828,697	8.65%
	(a)	Interest of controlled corporation	125,592,340	20.17%
			179,421,037	28.82%
Sea Progress	*(b)*	Beneficial owner	179,421,037	28.82%
Ms. Loh	*(c)*	Interest of controlled corporation	179,421,037	28.82%
		Beneficial owner	1,895,000	0.31%
			181,316,037	29.13%
Notable Success Investments Limited ("Notable Success")	*(d)*	Beneficial owner	54,196,943	8.71%
Successful Link Limited ("Successful Link")	*(d)*	Interest of controlled corporation	54,196,943	8.71%
Paulo Lam ("Mr. Lam")		Interest of controlled corporation	54,196,943	8.71%

Notes:

(a) Masteray is interested in 51% of the issued share capital in Swanland and hence is deemed to be interested in all the Shares held by Swanland.

(b) Masteray is owned as to 100% by Sea Progress, which, through a discretionary trust, is wholly-owned by Credit Suisse.

(c) Ms. Loh is the founder of a discretionary trust holding 179,421,037 Shares by Credit Suisse and hence is deemed to be interested in all the Shares held thereof.

(d) Notable Success is wholly-owned by Successful Link, which is in turn wholly-owned by Mr. Lam. Therefore, Successful Link is deemed to be interested in all the Shares held by Notable Success and Mr. Lam is deemed to be interested in all the Shares held by Successful Link through Notable Success.

Save as disclosed above, as at 30 June 2011, no person (other than the Directors whose interests are set out in the section "DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY" above) had registered an interest or a short position in the Shares or underlying shares of the Company that was required to be recorded in the register of the Company pursuant to section 336 of the SFO.

DIRECTORS' RIGHT TO ACQUIRE SECURITIES

Save as disclosed in the heading "DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY" above, at no time during the period was the Company, or any of its subsidiaries a party to any arrangements with enable a director or chief executive of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate and none of the directors or their spouses or their children under the age of 18 had any right to subscribe for the securities of the Company or had exercised any such rights.

SHARE OPTION SCHEME

As at 30 June 2011, share options to subscribe for an aggregate of 14,540,000 ordinary shares of the Company were granted to certain employees and consultants of the Group pursuant to the share option scheme of the Company adopted on 27 November 2009 (the "Scheme"). Details of the Scheme were disclosed in the 2010 annual report of the Company.

Details of the share options outstanding as at 30 June 2011 under the Scheme are as follows:

	Number of share options							
Name or category of participant	**At 1 Jan 2011**	**Granted during the period**	**Exercised during the period**	**Cancelled/ lapsed during the period**	**At 30 June 2011**	**Exercise Price *(HK$)***	**Date of grant**	**Exercise Period**
Director								
Mr. Tao	1,000,000		–	–	1,000,000	HK$0.7	26-3-2010	(a)
Continuous contract employees	12,280,000	–	–	340,000	11,940,000	HK$0.7	26-3-2010	(a)
Other participate						HK$0.7	26-3-2010	(a)
Consultants	1,600,000	–	–	–	1,600,000			
	14,880,000	–	–	340,000	14,540,000			

Notes:

(a) Of the 14,540,000 share options, 3,635,000 share options will be exercisable during the period from 26 March 2011 to 25 March 2012, 3,635,000 share options will be exercisable during the period from 26 March 2012 to 25 March 2013, and 7,270,000 share options will be exercisable during the period from 26 March 2013 to 25 March 2014.

(b) The closing price of the shares of the Company immediately before the date on which the share options were granted was HK$0.67 per share.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as its own code for dealing in securities of the Company by Directors. Having made specific enquiry of all Directors, the Company confirmed that all Directors have complied with the required standard as set out in the Model Code during the six months ended 30 June 2011.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the six months ended 30 June 2011.

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 in accordance with the Listing Rules. The audit committee comprises three independent non-executive Directors, namely, Dr. Lam Lee, Kiu Yue Alice Piera, Prof. Chin Tai Hong, Roland and Mr. Shu, Wa Tung Laurence. 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 unaudited financial statements of the Group for the six months ended 30 June 2011 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, 5 August 2011

As at the date of this announcement, the executive Directors are Dr. Lau, Jack and Mr. Tao Hong Ming; the non-executive Directors are Prof. Cheng, Roger Shu Kwan and Prof. Tsui, Chi Ying; and the independent non-executive Directors are Dr. Lam Lee, Kiu Yue Alice Piera, Prof. Chin, Tai Hong Roland and Mr. Shu, Wa Tung Laurence.