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 2013

FINANCIAL HIGHLIGHTS

- The Group recorded a turnover of approximately HK$200.0 million (2012: HK$340.9 million) for the year ended 31 December 2013.
- The Group's net loss attributable to owners of the parent for the year ended 31 December 2013 amounted to approximately HK$65.2 million (2012: HK$96.6 million).
- The Board does not recommend the payment of any final dividend for the year ended 31 December 2013 (2012: 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 2013 together with the comparative figures for the corresponding period in 2012.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2013

	Notes	**2013**	2012
		HK$	*HK$*
REVENUE	*4*	**200,022,317**	340,869,541
Cost of sales		**(179,396,792)**	(315,323,262)
Gross profit		**20,625,525**	25,546,279
Other income	*5*	**1,067,008**	1,358,878
Research and development costs		**(5,125,959)**	(23,678,720)
Selling and distribution expenses		**(12,729,657)**	(16,188,543)
General and administrative expenses		**(19,385,288)**	(39,304,434)
Other expenses, net		**(42,893,891)**	(37,187,744)
Finance costs	*6*	**(6,853,092)**	(8,556,469)
LOSS BEFORE TAX	*7*	**(65,295,354)**	(98,010,753)
Income tax credit	*8*	**64,217**	1,364,311
LOSS FOR THE YEAR		**(65,231,137)**	(96,646,442)
Attributable to:			
Owners of the parent		**(65,231,137)**	(96,646,442)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*9*	***HK cents***	*HK cents*
			(Restated)
Basic and diluted		**(4.8)**	(10.5)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2013

	2013	2012
	HK$	*HK$*
LOSS FOR THE YEAR	**(65,231,137)**	(96,646,442)
OTHER COMPREHENSIVE INCOME		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**235,504**	321,520
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	**(64,995,633)**	(96,324,922)
Attributable to:		
Owners of the parent	**(64,995,633)**	(96,324,922)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2013

	Notes	**2013**	2012
		HK$	*HK$*
NON-CURRENT ASSETS			
Property, plant and equipment		**3,835,136**	7,507,826
Deferred development costs		**18,123,387**	34,140,404
Long term deposits		**172,228**	446,806
Deferred tax assets		**2,406,665**	2,406,665
Total non-current assets		**24,537,416**	44,501,701
CURRENT ASSETS			
Inventories		**4,188,240**	26,615,330
Trade receivables	*10*	**85,489,602**	78,928,766
Prepayments, deposits and other receivables		**8,599,496**	41,957,100
Tax recoverable		**–**	1,390,035
Pledged deposits		**6,018,550**	16,195,487
Cash and cash equivalents		**26,139,149**	43,155,687
Total current assets		**130,435,037**	208,242,405
CURRENT LIABILITIES			
Trade payables	*11*	**85,274,587**	84,403,598
Other payables and accruals		**10,846,371**	20,617,930
Interest-bearing bank and other borrowings		**31,330,795**	92,056,996
Tax payable		**868,537**	852,174
Provision		**672,700**	977,031
Total current liabilities		**128,992,990**	198,907,729
NET CURRENT ASSETS		**1,442,047**	9,334,676
TOTAL ASSETS LESS CURRENT LIABILITIES		**25,979,463**	53,836,377
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		**12,300,000**	44,979,236
Deferred tax liabilities		**–**	63,607
Total non-current liabilities		**12,300,000**	45,042,843
Net assets		**13,679,463**	8,793,534
EQUITY			
Equity attributable to owners of the parent			
Issued capital	*12*	**112,050,000**	62,250,000
Reserves		**(98,370,537)**	(53,456,466)
		13,679,463	8,793,534

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 Group was primarily involved in the research, design, development and sale of digital signal processing ("DSP") based consumer electronic devices/platforms, including embedded firmware; the provision of solutions/services to customers for their DSP-based consumer electronic devices/platforms; and the trading of electronic components.

2.1 BASIS OF PRESENTATION

The Group's consolidated financial statements report a net loss attributable to owners of the parent of approximately HK$65.2 million (2012: HK$96.6 million) for the year ended 31 December 2013 and consolidated net current assets of approximately HK$1.4 million (2012: HK$9.3 million) and net assets of approximately HK$13.7 million (2012: HK$8.8 million) as at 31 December 2013. The Group's net loss for the year included one-off non-cash provisions/charges in excess of HK$55 million. As at 31 December 2013, the Group had total cash and bank balances of approximately HK$32.2 million (including pledge deposits of approximately HK$6.0 million) and had no outstanding bank borrowing. The Group has been in compliance with any applicable financial covenants of its other borrowings.

In preparing these financial statements, the directors of the Company have given careful consideration to the current and anticipated future liquidity of the Group and the ability of the Group to attain profitable and cash positive operations in the foreseeable future.

Active cost-saving and value-adding measures to streamline/enhance the Group's existing operations and to focus on improving the financial resources of the Group have been implemented by the Group to substantially reduce its operating expenses and cash outflows in the current and coming years and to enable the Group to revitalise itself to take advantage of any growth opportunities in the near future (the "Cost-saving/Value-adding Measures").

In addition, subsequent to the end of the reporting period, in January 2014, the Company completed an open offer to issue 1,344,600,000 ordinary shares of the Company at a subscription price of HK$0.05 per offer share (the "Open Offer"). The Company received net proceeds of approximately HK$64.9 million from the Open Offer and part of which amounted to approximately HK$34.0 million has been used to repay short term other borrowing of the Group.

The directors of the Company are of the opinion that, in light of the measures/arrangements implemented to date, including, inter alia, the Cost-saving/Value-adding Measures and the Open Offer, the Group will have sufficient financial resources to satisfy its future working capital and other financing requirements for the foreseeable future and, therefore, be able to continue realising its assets and discharging its liabilities in the normal course of business. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

2.2 BASIS OF PREPARATION

These 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. These financial statements have been prepared under the historical cost convention and are presented in Hong Kong dollars.

3.1 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and 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 – Government Loans*
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*
HKFRS 10	*Consolidated Financial Statements*
HKFRS 11	*Joint Arrangements*
HKFRS 12	*Disclosure of Interests in Other Entities*
HKFRS 10, HKFRS 11 and HKFRS 12 Amendments	Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 – *Transition Guidance*
HKFRS 13	*Fair Value Measurement*
HKAS 1 Amendments	Amendments to HKAS 1 *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income*
HKAS 19 (2011)	*Employee Benefits*
HKAS 27 (2011)	*Separate Financial Statements*
HKAS 28 (2011)	*Investments in Associates and Joint Ventures*
HK(IFRIC)-Int 20	*Stripping Costs in the Production Phase of a Surface Mine*
Annual Improvements 2009-2011 Cycle	Amendments to a number of HKFRSs issued in June 2012

Other than as further explained below regarding the impact of HKFRS 13 and amendments to HKAS 1, the adoption of the new and revised HKFRSs has had no significant financial effect on these financial statements.

The principal effects of adopting these new and revised HKFRSs are as follows:

(a) HKFRS 13 provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The standard does not change the circumstances in which the Group is required to use fair value, but rather provides guidance on how fair value should be applied where its use is already required or permitted under other HKFRSs. HKFRS 13 is applied prospectively and the adoption has had no material impact on the Group's fair value measurements. As a result of the guidance in HKFRS 13, the policies for measuring fair value have been amended. Additional disclosures are required by HKFRS 13 for fair value measurements of financial instruments.

(b) The HKAS 1 Amendments change the grouping of items presented in other comprehensive income ("OCI"). Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) are presented separately from items which will never be reclassified (for example, the revaluation of land and buildings). The amendments have affected the presentation only and have had no impact on the financial position or performance of the Group. The consolidated statement of comprehensive income has reflected the changes. In addition, the Group has chosen to use the new title "statement of profit or loss" as introduced by the amendments in these financial statements.

3.2 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements:

HKFRS 9	*Financial Instruments*[4]
HKFRS 9, HKFRS 7 and HKAS 39 Amendments	*Hedge Accounting and amendments to HKFRS 9, HKFRS 7 and HKAS 39*[4]
HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendments	Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) – *Investment Entities*[1]
HKFRS 14	*Regulatory Deferral Accounts*[3]
HKAS 19 Amendments	Amendments to HKAS 19 *Employee Benefits – Defined Benefit Plans: Employee Contributions*[2]
HKAS 32 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*[1]
HKAS 36 Amendments	Amendments to HKAS 36 *Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets*[1]
HKAS 39 Amendments	Amendments to HKAS 39 *Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting*[1]
HK(IFRIC)-Int 21	*Levies*[1]

[1] *Effective for annual periods beginning on or after 1 January 2014*
[2] *Effective for annual periods beginning on or after 1 July 2014*
[3] *Effective for annual periods beginning on or after 1 January 2016*
[4] *No mandatory effective date yet determined but is available for adoption*

Apart from the above, the HKICPA has also issued *Annual Improvements to HKFRSs 2010 – 2012 Cycle* and *Annual Improvements to HKFRSs 2011-2013 Cycle* which set out a collection of amendments to HKFRSs in response to the International Accounting Standards Board's annual improvements process. Except for the amendment to HKFRS 1, in which no effective date has been specified and, accordingly, is effective upon its issuance in January 2014, these amendments are effective for annual periods beginning on or after 1 July 2014, although there are separate transitional provisions for each standard.

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application but is not yet in a position to state whether these new and revised HKFRSs would have a significant impact on its results of operations and financial position.

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:

	2013	2012
	HK$	*HK$*
Sale of goods	**193,513,754**	337,150,028
Rendering of services	**6,508,563**	3,560,973
Royalty income	**–**	158,540
	200,022,317	340,869,541

Operating Segment

The Group focuses primarily on the research, design, development and sale of DSP-based consumer electronic devices/platforms, including embedded firmware; the provision of solutions/services to customers for their DSP-based consumer electronic devices/platforms; and the 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 2013 and 2012, and certain non-current assets information as at 31 December 2013 and 2012, by geographical areas.

	European Union	United States of America	Mainland China	Hong Kong	Others	Total
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
Year ended 31 December 2013						
Revenue from external customers	97,314,968	44,880,321	16,670,866	15,952,279	25,203,883	200,022,317
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
As at 31 December 2013						
Non-current assets (excluding deferred tax assets)	–	–	8,172,125	13,958,626	–	22,130,751
Non-current assets (excluding financial instruments and deferred tax assets)	–	–	8,172,125	13,796,898	–	21,969,023
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

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 assets information by geographical areas is based on the locations of the assets.

Information about major customers

Revenue of HK$148.5 million was derived from transactions with one customer, which individually amounted to 10 per cent or more of the Group's total revenue for the current year. Revenues of HK$243.3 million and HK$37.1 million were derived from transactions with two customers, which individually amounted to 10 per cent or more of the Group's total revenue for the prior year.

5. OTHER INCOME

	2013	2012
	HK$	*HK$*
Bank interest income	**252,605**	144,400
Government subsidies	**3,786**	578,447
Others	**810,617**	636,031
	1,067,008	1,358,878

6. FINANCE COSTS

	2013	2012
	HK$	*HK$*
Interest on bank loans, overdrafts and other loans wholly repayable within five years*	**5,260,127**	4,799,555
Bank charges	**653,590**	1,284,874
Other finance costs on trade receivables factored:		
– Bank interest	**636,643**	1,720,383
– Bank charges	**302,732**	751,657
	6,853,092	8,556,469

* Reflecting a waiver of interest on an other borrowing of HK$499,726 (2012: Nil) for the year.

7. LOSS BEFORE TAX

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

	2013	2012
	HK$	*HK$*
Cost of inventories sold and services rendered	**179,396,792**	315,323,262
Depreciation	**3,165,029**	3,807,322
Research and development costs:		
Deferred expenditure amortised	**19,096,012**	17,359,145
Current year expenditure	**5,125,959**	23,678,720
	24,221,971	41,037,865
Impairment/write-off of items of property, plant and equipment	**149,250**	420,780
Impairment/write-off of deferred development costs	**3,081,449**	8,262,712
Impairment/write-off of trade receivables	**18,495,805**	9,750,614
Impairment/write-off of other receivables	**20,184,795**	7,509,945
Loss on early repayment of an other borrowing	**895,449**	–
Write-off of inventories	**–**	10,820,051
Write-down of inventories to net realisable value, net	**13,358,278**	5,223,259

8. INCOME TAX

No provision for Hong Kong profits tax has been made for the current and prior years as the Group did not generate any assessable profits 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.

	2013	2012
	HK$	*HK$*
Current – Elsewhere		
– Charge for the year	**–**	11,079
Deferred	**(64,217)**	(1,375,390)
Total tax credit for the year	**(64,217)**	(1,364,311)

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

The calculation of basic loss per share is based on:

	2013	2012
	HK$	*HK$*
Loss		
Loss for the year attributable to ordinary equity holders of the parent	**(65,231,137)**	(96,646,442)

	Number of shares	
	2013	2012
		(Restated)
Shares		
Weighted average number of shares in issue during the year	**1,368,342,571**	923,466,937

The calculation of basic loss per share amount is based on the loss for the year attributable to ordinary equity holders of the parent of HK$65,231,137 (2012: HK$96,646,442) and the weighted average number of ordinary shares of 1,368,342,571 (2012: 923,466,937, as restated) in issue during the year. The basic loss per share amounts for the years ended 31 December 2013 and 2012 have been adjusted to reflect the bonus element in certain open offers and placing of shares of the Company during the respective reporting periods and/or subsequent to the end of the respective reporting periods.

No adjustment has been made to the basic loss per share amounts presented for the years ended 31 December 2013 and 2012 in respect of a dilution as the impact of the warrants and share options outstanding during the respective reporting periods had no dilutive effect on the basic loss per share amounts presented.

10. TRADE RECEIVABLES

	2013	2012
	HK$	*HK$*
Trade receivables	**118,890,159**	94,320,607
Impairment	**(33,400,557)**	(15,391,841)
	85,489,602	78,928,766

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 or could be longer under certain circumstances. 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 invoice date and net of provisions, is as follows:

	2013	2012
	HK$	*HK$*
Within 30 days	**3,910,733**	16,656,806
31 to 60 days	**20,635,405**	11,704,386
61 to 90 days	**21,436,571**	3,762,419
Over 90 days	**39,506,893**	46,805,155
	85,489,602	78,928,766

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:

	2013	2012
	HK$	*HK$*
Within 30 days	**27,732,890**	60,086,449
31 to 60 days	**15,703,220**	4,455,626
Over 60 days	**41,838,477**	19,861,523
	85,274,587	84,403,598

12. SHARE CAPITAL

	Notes	*Number of ordinary shares*	*Issued capital HK$*
Shares			
At 1 January 2013		622,500,000	62,250,000
Issue of new shares in connection with an open offer of shares of the Company	*(i)*	311,250,000	31,125,000
Issue of new shares in connection with a placing of shares of the Company	*(ii)*	186,750,000	18,675,000
At 31 December 2013		1,120,500,000	112,050,000

Notes:

(i) On 27 February 2013, the Company issued a prospectus, pursuant to which, the Company proposed an open offer (the "Open Offer I") to issue not less than 311,250,000 ordinary shares of the Company to its existing shareholders on the basis of one offer share of the Company for every two shares at a subscription price of HK$0.1286 per offer share. As further detailed an announcement of the Company dated 19 March 2013, the Open Offer I became unconditional and a total of 311,250,000 offer shares were issued on 20 March 2013. The net proceeds from the Open Offer I amounted to approximately HK$38.1 million.

(ii) As further detailed in an announcement of the Company dated 22 August 2013 and an announcement for amendment dated 23 August 2013, the Company entered into a placing agreement with a placing agent, pursuant to which, the placing agent had conditionally agreed with the Company to endeavor on a best effort basis to place up to 186,750,000 placing shares of the Company at the placing price of HK$0.176 per placing share (the "Placing"). On 2 September 2013, the Company announced that the conditions of the Placing had been fulfilled and the completion of the Placing took place on the same day. An aggregate of 186,750,000 placing shares, had been successfully placed pursuant to the terms and conditions of the placing agreement. The net proceeds from the Placing amounted to approximately HK$31.7 million.

MANAGEMENT DISCUSSION AND ANALYSIS

GENERAL

The Group is principally engaged in the research, design, development and sale of DSP based consumer electronic devices/platforms, including embedded firmware; the provision of solutions/services to customers for their DSP-based consumer electronic devices/platforms; and the trading of electronic components.

BUSINESS REVIEW

During the year under review, revenue of the Group decreased by approximately 41.3% to approximately HK$200.0 million from HK$340.9 million as recorded in the year ended 31 December 2012. The decrease was mainly attributable to the decrease in sales of goods by 42.6% from approximately HK$337.2 million in last year to approximately HK$193.5 million during the year ended 31 December 2013, which was mainly because of the change in product mix in the current year where the Group has been focusing on the promotion and sale of our golf swing analyser ("3BaysGSA"), which was launched in the second half of 2012 with much higher profit margin than the traditional products of the Group.

The overall gross profit of the Group during the current year was approximately HK$20.6 million, which decreased by approximately 19.3% as compared to the gross profit in last year. However, the gross profit margin increased by approximately 2.8 percentage point from 7.5% to 10.3%. This was mainly contributed by the increase in sale of the 3BaysGSA, which commanded a higher profit margin than other products of the Group.

During the year ended 31 December 2013, the net loss of the Group narrowed down to approximately HK$65.2 million from HK$96.6 million as recorded in last year, mainly because of (i) the decrease in operating expenses by approximately 49.7% from approximately HK$87.7 million in last year to approximately HK$44.1 million in the current year after the implementation of certain cost-saving measures (the "Cost-Saving Measures"), including but not limited to (a) streamline the operation flows and focus on core product development; (b) centralised our employees in Hong Kong from two office premises to one office premises; and (c) tightening our cost control policies on various expenditures in 2013; and (ii) the increase in other expenses resulted from impairment of certain trade and other receivables amounted to approximately HK$38.7 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 96.7% (2012: 98.9%), Nil% (2012: 0.1%) and 3.3% (2012: 1.0%), respectively.

In terms of the financial position of the Group, the net assets of the Group had been eroded by the unfavourable economic environment in the past two years. During the year ended 31 December 2013, the Group has been actively exploring opportunities to enhance the capital base and financial position of the Group. By way of fund raising exercises, the Group successfully raised funds of over approximately HK$69.8 million from the Open Offer I and the Placing during the year ended 31 December 2013, and an amount of approximately HK$67.2 million from an open offer of shares of the Company the ("Open Offer II") subsequent to the end of the reporting period in January 2014. These funds have significantly strengthened the financial position and enhanced the liquidity of the Group.

PROSPECTS

With the Cost-Saving Measures and other value-adding measures implemented by the Group since the second half of 2012, the Group was able to minimise the operating expenses during the year ended 31 December 2013 as well as decrease the net loss for the year ended 31 December 2013. As mentioned above, the operating expenses of the Group decreased by 49.7% from HK$87.7 million to HK$44.1 million in the current year. The Group then successfully narrowed down the net loss for the year by 32.5% from approximately HK$96.6 million for the year ended 31 December 2012 to approximately HK$65.2 million for the year ended 31 December 2013.

During the year ended 31 December 2013, the Group had been focusing on promoting and marketing the 3BaysGSA, which embedded a 3 axial G-sensor and Gyroscope sensor to capture more than 10,000 data points per swing and shows the results, including the club head speed, tempo, face angle and review of swing arc immediately on an *Android OS* or *iOS* product through *Bluetooth* communications, so as to help the golfers to practise a constant and better swing. The 3BaysGSA was proven to be well accepted by the market and we received many positive feedbacks, especially from the golf coaches. Furthermore, other than worldwide sports outlets and online stores, the Group successfully launched the 3BaysGSA on the *Apple Stores* in the United States, Canada and Europe during the year ended 31 December 2013.

Looking forward, the Group will continue to enhance the functionalities of the 3BaysGSA and explore new sales channels worldwide. With the success of the 3BaysGSA, the Group will also allocate resources on developing other sports activity analysers by utilising its unique sensor technology. On the other hand, in order to enhance the popularity of the Group's products, the Group is also considering to build up and promote its own brand "3Bays" in the coming year. In view of the successful streamlining of business operations, focusing on core product development and the funds raised from the Open Offer II recently, which strongly enhanced the Group's capital base and financial position, the management believes the Group can cope with the upcoming challenges and 2014 will be a year of further improvement for the Group.

EVENTS AFTER REPORTING PERIOD

(1) On 20 August 2013, the Company issued a circular, pursuant to which, the Company proposed (i) a capital reduction to reduce each of the paid-up capital of the Company from HK$0.1 to HK$0.01 per share by cancelling paid-up capital of HK$0.09 per share (the "Capital Reduction") and the credit arising from the Capital Reduction be applied towards the cancelling the accumulated deficit of the Company; and (ii) a sub-division to sub-divide each of the authorised but unissued ordinary shares of the Company with a par value of HK$0.1 each into 10 unissued ordinary shares of the Company with a par value of HK$0.01 each (the "Sub-division"). Subsequent to the end of the reporting period, on 20 January 2014, the Company announced that all the conditions precedent for the implementation of the Capital Reduction and Sub-division had been fulfilled and the Capital Reduction and Sub-division became effective on 20 January 2014.

(2) Subsequent to the end of the reporting period, on 3 January 2014, the Company issued a prospectus pursuant to which, the Company proposed the Open Offer II to issue 1,344,600,000 ordinary shares of the Company (the "Offer Shares") to its existing shareholders on the basis of six offer shares for every five existing shares at a subscription price of HK$0.05 per offer share. The Open Offer II was conditional upon, among other things, the completion of Capital Reduction as mentioned above. Pursuant to an announcement of the Company dated 24 January 2014, the Open Offer became unconditional and the dealing of the offer shares was commenced on 28 January 2014. The Company raised net proceeds of approximately HK$64.9 million from the Open Offer II.

FINANCIAL REVIEW

Results of the Group

Turnover

The turnover of the Group for the year ended 31 December 2013 was approximately HK$200.0 million, represented a decrease of approximately 41.3% as compared to the year ended 31 December 2012. The decrease was mainly attributable to the decrease in sales of products by 42.6% as compared to last year.

Cost of sales

Cost of sales of the Group decreased by approximately 43.1% from approximately HK$315.3 million for the year ended 31 December 2012 to approximately HK$179.4 million for the year ended 31 December 2013.

Gross profit and margin

The Group recorded a gross profit of approximately HK$20.6 million for the year ended 31 December 2013, representing a decrease of approximately 19.3% as compared to the gross profit recorded in last year. However, the gross profit margin increased by approximately 2.8 percentage point from 7.5% in last year to 10.3% in the current year under review. The increase was resulted from the increase in sales of our 3BaysGSA launched in 2012, which had higher profit margin than the traditional products.

Other income

Other income of the Group decreased by 21.5%, from approximately HK$1.4 million for the year ended 31 December 2012 to approximately HK$1.1 million for the year ended 31 December 2013. The decrease was mainly resulted from the decrease in government subsidies obtained during the current year.

Research and development costs

Research and development costs decreased by 78.4% from approximately HK$23.7 million for the year ended 31 December 2012 to approximately HK$5.1 million for the year ended 31 December 2013, mainly due to the decrease in the number of research and development projects after the implementation of the Cost-Saving Measures during the year ended 31 December 2013.

Selling and distribution expenses

Selling and distribution expenses increased by 21.4% from approximately HK$16.2 million for the year ended 31 December 2012 to approximately HK$12.7 million for the year ended 31 December 2013, primarily resulting from the Cost-Saving Measures implemented in the year ended 31 December 2013.

General and administrative expenses

General and administrative expenses decreased by approximately 50.7% from approximately HK$39.3 million for the year ended 31 December 2012 to approximately HK$19.4 million for the year ended 31 December 2013, primarily as a result of the Cost-Saving Measures which were implemented during the year ended 31 December 2013.

Other expenses, net

Other expenses, net, for the year ended 31 December 2013 increased by approximately 15.3% to approximately HK$42.9 million as compared to approximately HK$37.2 million in the last financial year, which was mainly resulted from the increase in the impairment of trade and other receivables amounting to approximately HK$21.4 million, based on the expected amounts to be recovered.

Finance costs

Finance costs significantly decreased by approximately 19.9% from approximately HK$8.6 million for the year ended 31 December 2012 to approximately HK$6.9 million, which was mainly resulted from the full repayment of bank borrowings in the second half of 2013.

Income tax credit

No provision for Hong Kong profits tax has been made for the year ended 31 December 2013 as there was no assessable profits arising in Hong Kong generated by the Group during the current year. The deferred tax credit for the year represented a net decrease in taxable temporary differences.

Liquidity and financial resources

	2013	2012
	HK$	*HK$*
Current assets	**130,435,037**	208,242,405
Current liabilities	**128,992,990**	198,907,729
Current ratio	**1.01**	1.05

The current ratio of the Group as at 31 December 2013 is comparable to the ratio as at 31 December 2012. As at 31 December 2013, cash and cash equivalents of the Group amounted to approximately HK$26.1 million (2012: HK$43.2 million), and approximately HK$0.5 million (2012: HK$10.3 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 I, the Placing and the Open Offer II, the Board is confident that the Group will have sufficient financial resources to meet its debt repayment and financing needs for its operations for the foreseeable future.

Gearing ratio

	2013	2012
	HK$	*HK$*
Total bank and other borrowings	**43,630,795**	137,036,232
Equity	**13,679,463**	8,793,534
	57,310,258	145,829,766
Gearing ratio	**76.1%**	94.0%

The gearing ratio decreased from 94.0% as at 31 December 2012 to 76.1% as at 31 December 2013, primarily due to the full repayment of bank borrowings during the year.

As at 31 December 2013, the maturity profile of the bank and other borrowings of the Group falling due within one year, in the second year and in the third to fifth years, inclusive, amounted to approximately HK$31.3 million (2012: HK$92.1 million), HK$12.3 million (2012: HK$44.1 million) and Nil (2012: HK$0.8 million), respectively.

Capital structure

The capital of the Company comprises only ordinary shares. As at 31 December 2013, the total number of the ordinary shares of the Company was 1,120,500,000 shares. Subsequent to the issue of the 1,344,600,000 Offer Shares in January 2014, the total number of ordinary shares of the Company was increased to 2,465,100,000.

Significant investments

The Group did not have any significant external investment plans for the year ended 31 December 2013.

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 external investments or capital assets as at 31 December 2013.

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 United States dollar ("US$") as their functional currency, their foreign currency transactions and the units' monetary assets and liabilities denominated in foreign currencies that were translated at the functional currency rates of exchange ruling as at 31 December 2013 were mainly denominated in Hong Kong dollars ("HK$"). 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 2013 and 2012, 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 2013 (2012: Nil).

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 27 May 2014 to 29 May 2014, 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 (to be moved to Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong with effect from 31 March 2014) for registration not later than 4:00 p.m. on 26 May 2014.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2013, the Group employed a total of 27 (2013: 120) employees. Total staff costs, including Directors' emoluments, amounted to approximately HK$19.9 million for the year under review (2012: approximately HK$57.6 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.

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.

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 three independent non-executive Directors, namely Ms. Zhou Jing, Mr. William Keith Jacobsen and Mr. Ng Wai Hung. The committee is chaired by Ms. Zhou Jing. 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 2013 have been reviewed by the audit committee.

By order of the Board
Perception Digital Holdings Limited
Mr. Mung Wai Ming
Executive Director

Hong Kong, 28 March 2014

As at the date of this announcement, the executive Directors are Mr. Mung, Wai Ming, Ms. Liu, Yee Nee and Mr. Lee Rabi; and the independent non-executive Directors are Mr. Ng Wai Hung, Mr. William Keith Jacobsen and Ms. Zhou Jing.