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 2014

FINANCIAL HIGHLIGHTS

- The Group recorded a turnover of approximately HK$222.3 million (2013: HK$200.0 million) for the year ended 31 December 2014.
- The Group's net loss attributable to owners of the parent for the year ended 31 December 2014 amounted to approximately HK$49.6 million (2013: HK$65.2 million).
- The Board does not recommend the payment of any final dividend for the year ended 31 December 2014 (2013: 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 2014 together with the comparative figures for the corresponding period in 2013.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2014

	Notes	2014 HK$	2013 HK$
REVENUE	5	**222,255,924**	200,022,317
Cost of sales		**(205,345,437)**	(179,396,792)
Gross profit		**16,910,487**	20,625,525
Other income and gains	5	**8,008,214**	1,067,008
Research and development costs	7	**(2,618,224)**	(5,125,959)
Selling and distribution expenses		**(14,613,513)**	(12,729,657)
General and administrative expenses		**(25,413,974)**	(19,385,288)
Other expenses, net		**(26,033,043)**	(42,893,891)
Finance costs	6	**(118,608)**	(6,853,092)
Share of loss of a joint venture		**(2,154,466)**	–
LOSS BEFORE TAX	7	**(46,033,127)**	(65,295,354)
Income tax credit/(expense)	8	**(3,551,925)**	64,217
LOSS FOR THE YEAR		**(49,585,052)**	(65,231,137)
Attributable to:			
Owners of the parent		**(49,585,052)**	(65,231,137)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	9		
Basic and diluted		**HK(1.8) cent**	HK(4.8) cent

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2014

	2014	2013
	HK$	*HK$*
LOSS FOR THE YEAR	**(49,585,052)**	(65,231,137)
OTHER COMPREHENSIVE INCOME		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**80,397**	235,504
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	**(49,504,655)**	(64,995,633)
Attributable to:		
Owners of the parent	**(49,504,655)**	(64,995,633)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2014

	Notes	**2014**	2013
		HK$	*HK$*
NON-CURRENT ASSETS			
Property, plant and equipment		**32,684,920**	3,835,136
Goodwill		**72,383,420**	–
Investment in a joint venture		**7,845,534**	–
Deferred development costs		**2,498,264**	18,123,387
Long term deposits		**6,166,396**	172,228
Deferred tax assets		**–**	2,406,665
Total non-current assets		**121,578,534**	24,537,416
CURRENT ASSETS			
Inventories		**2,479,162**	4,188,240
Trade receivables	*10*	**212,973,874**	85,489,602
Prepayments, deposits and other receivables		**79,312,367**	8,599,496
Amount due from a joint venture		**5,842,767**	–
Available-for-sale investment		**1,260,000**	–
Pledged bank deposits		**–**	6,018,550
Cash and cash equivalents		**8,090,982**	26,139,149
Total current assets		**309,959,152**	130,435,037
CURRENT LIABILITIES			
Trade payables	*11*	**34,801,378**	85,274,587
Other payables and accruals		**78,488,115**	10,846,371
Interest-bearing other borrowings		**8,386,341**	31,330,795
Tax payable		**2,609,609**	868,537
Provision		**–**	672,700
Total current liabilities		**124,285,443**	128,992,990
NET CURRENT ASSETS		**185,673,709**	1,442,047
TOTAL ASSETS LESS CURRENT LIABILITIES		**307,252,243**	25,979,463
NON-CURRENT LIABILITIES			
Interest-bearing other borrowings		**5,311,104**	12,300,000
Net assets		**301,941,139**	13,679,463
EQUITY			
Equity attributable to owners of the parent			
Issued capital		**40,813,750**	112,050,000
Reserves		**261,127,389**	(98,370,537)
Total equity		**301,941,139**	13,679,463

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. The principal place of business of the Company in Hong Kong is located at Suites 3101-3105, 31/F, Dah Sing Financial Centre, 108 Gloucester Road, Wanchai, Hong Kong.

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

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 and accounting principles generally accepted in Hong Kong. These financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance relating to the preparation of financial statements, which for this financial year and the comparative period continue to be those of the predecessor Hong Kong Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangements for Part 9 of the Hong Kong Companies Ordinance (Cap. 622), "Accounts and Audit", which are set out in sections 76 to 87 of Schedule 11 to that ordinance. The financial statements have been prepared under the historical cost convention, except for an available-for-sale investment which has been measured at fair value. These financial statements are presented in Hong Kong dollars.

3.1 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised standards and new interpretation for the first time for the current year's financial statements.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011)	*Investment Entities*
Amendments to HKAS 32	*Offsetting Financial Assets and Financial Liabilities*
Amendments to HKAS 36	*Recoverable Amount Disclosures for Non-Financial Assets*
Amendments to HKAS 39	*Novation of Derivatives and Continuation of Hedge Accounting*
HK(IFRIC)-Int 21	*Levies*
Amendment to HKFRS 2 included in *Annual Improvements 2010-2012 Cycle*	*Definition of Vesting Condition*[1]
Amendment to HKFRS 3 included in *Annual Improvements 2010-2012 Cycle*	*Accounting for Contingent Consideration in a Business Combination*[1]
Amendment to HKFRS 13 included in *Annual Improvements 2010-2012 Cycle*	*Short-term Receivables and Payables*
Amendment to HKFRS 1 included in *Annual Improvements 2011-2013 Cycle*	*Meaning of Effective HKFRSs*

[1] Effective from 1 July 2014

The adoption of the above revised standards and interpretation has had no significant financial effect on the current year's financial statements.

3.2 NEW AND REVISED HKFRSs AND NEW DISCLOSURE REQUIREMENTS UNDER THE HONG KONG COMPANIES ORDINANCE NOT YET ADOPTED

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in the current year's financial statements.

HKFRS 9	*Financial Instruments*[4]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	*Investment Entities: Applying the Consolidation Exemption*[2]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[2]
Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*[2]
HKFRS 14	*Regulatory Deferral Accounts*[5]
HKFRS 15	*Revenue from Contracts with Customers*[3]
Amendments to HKAS 1	*Disclosure Initiative*[2]
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*[2]
Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants*[2]
Amendments to HKAS 19	*Defined Benefit Plans: Employee Contributions*[1]
Amendments to HKAS 27 (2011)	*Equity Method in Separate Financial Statements*[2]
Annual Improvements 2010-2012 Cycle	Amendments to a number of HKFRSs[1*]
Annual Improvements 2011-2013 Cycle	Amendments to a number of HKFRSs[1*]
Annual Improvements 2012-2014 Cycle	Amendments to a number of HKFRSs[2]

[1] Effective for annual periods beginning on or after 1 July 2014
[2] Effective for annual periods beginning on or after 1 January 2016
[3] Effective for annual periods beginning on or after 1 January 2017
[4] Effective for annual periods beginning on or after 1 January 2018
[5] Effective for an entity that first adopts HKFRSs for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Group

[*] Except for those amendments detailed in note 3.1 above.

The Group is in the process of making an assessment of the impact of the 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 the Group's results of operations and financial position.

In addition, the Hong Kong Companies Ordinance (Cap. 622) will affect the presentation and disclosure of certain information in the consolidated financial statements for the year ending 31 December 2015. The Group is in the process of making an assessment of the impact of these changes.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has three reportable operating segments as follows:

(a) Car rental segment – primarily engages in the provision of car rental services;

(b) Electronic components/materials segment – primarily engages in the trading of electronic components/materials; and

(c) Consumer electronic devices/platforms and related solutions/services segment – primarily engages in the research, design, development and sale of DSP-based consumer electronic devices/platforms, including embedded firmware, and the provision of solutions/services to customers for their DSP-based consumer electronic devices/platforms.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit/(loss) before tax. The adjusted profit/(loss) before tax is measured consistently with the Group's loss before tax except that unallocated interest income, unallocated other income and gains, unallocated finance costs as well as corporate and other unallocated expenses are excluded from such measurement.

Segment assets exclude deferred tax assets, cash and cash equivalents, available-for-sale investment and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude certain interest-bearing other borrowings, tax payable and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

	Car rental		Electronic components/ materials		Consumer electronic devices/platforms and related solutions/services		Total	
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013
	HK$	*HK$*	***HK$***	*HK$*	***HK$***	*HK$*	***HK$***	*HK$*
Segment revenue:								
Sales of goods	–	–	**193,475,798**	1,978,094	**11,590,373**	191,535,660	**205,066,171**	193,513,754
Rendering of services	–	–	–	–	**16,525,272**	6,508,563	**16,525,272**	6,508,563
Car rental income	**664,481**	–	–	–	–	–	**664,481**	–
	664,481	–	**193,475,798**	1,978,094	**28,115,645**	198,044,223	**222,255,924**	200,022,317
Segment results	**95,426**	–	**6,745,745**	(2,909,789)	**(37,527,861)**	(57,607,334)	**(30,686,690)**	(60,517,123)
Reconciliation:								
Unallocated interest income							**272,972**	213,154
Unallocated other income and gains							**6,432,614**	–
Corporate and other unallocated expenses							**(19,804,125)**	(1,899,054)
Unallocated finance costs							**(93,432)**	(3,092,331)
Share of loss of a joint venture							**(2,154,466)**	–
Loss before tax							**(46,033,127)**	(65,295,354)
Segment assets	**107,531,740**	–	**193,195,912**	297,191	**30,367,915**	126,115,499	**331,095,567**	126,412,690
Reconciliation:								
Corporate and other unallocated assets							**100,442,119**	28,559,763
Total assets							**431,537,686**	154,972,453
Segment liabilities	**88,231,869**	–	**11,429**	–	**36,739,853**	95,058,834	**124,983,151**	95,058,834
Reconciliation:								
Corporate and other unallocated liabilities							**4,613,396**	46,234,156
Total liabilities							**129,596,547**	141,292,990
Other segment information:								
Interest income	–	–	–	–	–	39,451	–	39,451
Finance costs	**25,176**	–	–	–	–	3,760,761	**25,176**	3,760,761
Impairment/write-off of items of property, plant and equipment	–	–	–	–	–	149,250	–	149,250
Impairment/write-off of deferred development costs	–	–	–	–	**4,883,863**	3,081,449	**4,883,863**	3,081,449
Impairment/write-off of trade receivables	–	–	–	–	**11,869,599**	18,495,805	**11,869,599**	18,495,805
Impairment/write-off of other receivables	–	–	–	–	**5,426,590**	20,184,795	**5,426,590**	20,184,795
Write-down of inventories to net realisable value, net	–	–	–	3,008,334	**1,871,685**	10,349,944	**1,871,685**	13,358,278
Depreciation	**263,014**	–	–	–	**2,262,258**	3,165,029	**2,525,272**	3,165,029
Amortisation of deferred development costs	–	–	–	–	**10,681,435**	19,096,012	**10,681,435**	19,096,012
Capital expenditure*	**27,369,319**	–	–	–	–	240,790	**27,369,319**	240,790

* Capital expenditure consists of additions to property, plant and equipment and including property, plant and equipment from the acquisition of a subsidiary.

Geographical information

The following tables present revenue from external customers for the years ended 31 December 2014 and 2013, and certain non-current assets information as at 31 December 2014 and 2013, 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 2014						
Revenue from external customers	173,044	8,924,261	205,532,768	6,009,410	1,616,441	222,255,924
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
As at 31 December 2014						
Non-current assets (excluding deferred tax assets)	–	–	104,976,585	16,601,949	–	121,578,534
Non-current assets (excluding financial instruments and deferred tax assets)	–	–	100,541,133	14,881,505	–	115,422,638
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

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, 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

Revenues of HK$132.4 million and HK$60.8 million for the year ended 31 December 2014 were derived from the electronic components/materials segment with two customers, which individually amounted to 10 per cent or more of the Group's total revenue for the current year. Revenue of HK$148.5 million for the year ended 31 December 2013 was derived from the consumer electronic devices/platforms and related solutions/services segment with one customer, which individually amounted to 10 per cent or more of the Group's total revenue for the prior year.

5. REVENUE, OTHER INCOME AND GAINS

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

An analysis of revenue, other income and gains is as follows:

	2014	2013
	HK$	*HK$*
Revenue		
Sale of goods	**205,066,171**	193,513,754
Rendering of services	**16,525,272**	6,508,563
Car rental income	**664,481**	–
	222,255,924	200,022,317
Other income and gains		
Bank interest income	**272,972**	252,605
Government subsidies	**5,040**	3,786
Gain on disposal of items of property, plant and equipment, net	**107,040**	–
Gross rental income from a sublease arrangement	**733,138**	577,826
Income in relation to certain procurement/credit arrangements	**4,549,078**	–
Waivers of interest on other borrowings	**1,883,536**	–
Others	**457,410**	232,791
	8,008,214	1,067,008

6. FINANCE COSTS

	2014	2013
	HK$	*HK$*
Interest on bank loans, overdrafts and other borrowings wholly repayable within five years	**25,176**	5,260,127
Bank charges	**93,432**	653,590
Other finance costs on trade receivables factored:		
Bank interest	**–**	636,643
Bank charges	**–**	302,732
	118,608	6,853,092

7. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging/(crediting):

	2014	2013
	HK$	*HK$*
Cost of inventories sold and services rendered	**205,345,437**	179,396,792
Depreciation	**3,351,508**	3,165,029
Research and development costs:		
Deferred expenditure amortised	**10,681,435**	19,096,012
Current year expenditure	**2,618,224**	5,125,959
	13,299,659	24,221,971
Impairment/write-off of items of property, plant and equipment	**–**	149,250
Impairment/write-off of deferred development costs	**4,883,863**	3,081,449
Impairment/write-off of trade receivables	**11,869,599**	18,495,805
Impairment/write-off of other receivables	**5,426,590**	20,184,795
Loss on early repayment of an other borrowing	**3,852,740**	895,449
Write-down of inventories to net realisable value, net	**1,871,685**	13,358,278
Loss/(gain) on disposal of items of property, plant and equipment, net	**(107,040)**	116,344
Gain on transfer arising from factoring of trade receivables	**—**	(29,201)

8. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong. No provision for Hong Kong profits tax was made for the prior year as the Group did not generate any assessable profits arising in Hong Kong during that year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	2014	2013
	HK$	*HK$*
Current – Hong Kong		
Charge for the year	**1,121,404**	–
Current – Elsewhere	**23,856**	–
Deferred	**2,406,665**	(64,217)
Total tax charge/(credit) for the year	**3,551,925**	(64,217)

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

The calculations of the basic and diluted loss per share are based on:

	2014	2013
	HK$	*HK$*
Loss		
Loss for the year attributable to ordinary equity holders of the parent	**(49,585,052)**	(65,231,137)

	Number of shares	
	2014	2013
Shares		
Weighted average number of ordinary shares in issue during the year	**2,816,780,831**	1,368,342,571

The calculation of the basic loss per share amounts is based on the loss for the year attributable to ordinary equity holders of the parent of HK$49,585,052 (2013: HK$65,231,137) and the weighted average number of ordinary shares of 2,816,780,831 (2013: 1,368,342,571) in issue during the year. The basic loss per share amounts for the years ended 31 December 2014 and 2013 have been adjusted to reflect the bonus element in offerings of shares of the Company during the respective reporting periods.

No adjustment has been made to the basic loss per share amounts presented for the years ended 31 December 2014 and 2013 in respect of a dilution as the impact of the warrants and share options outstanding during the respective reporting periods and/or subsequent to the end of the respective reporting periods as appropriate.

10. TRADE RECEIVABLES

	2014	2013
	HK$	*HK$*
Trade receivables	**257,308,005**	118,890,159
Impairment	**(44,334,131)**	(33,400,557)
	212,973,874	85,489,602

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:

	2014	2013
	HK$	*HK$*
Within 30 days	**86,010,534**	3,910,733
31 to 60 days	**61,306,096**	20,635,405
61 to 90 days	**51,551,781**	21,436,571
Over 90 days	**14,105,463**	39,506,893
	212,973,874	85,489,602

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:

	2014	2013
	HK$	*HK$*
Within 30 days	**426,012**	27,732,890
31 to 60 days	**265,909**	15,703,220
Over 60 days	**34,109,457**	41,838,477
	34,801,378	85,274,587

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Overview

To improve the worsening situations of traffic congestion and air pollution in Mainland China, a number of major cities (including Beijing, Shanghai, Guangzhou, Tianjin, Hangzhou, Guiyang and Shenzhen) have already implemented restrictive measures on the issuance of license plates to new vehicles, transfer of existing license plates between owners of different vehicles, and entry to cities by vehicles without local license plates. It is expected other major cities will also implement similar restrictions in the near future. With such restrictions, the costs of owning vehicles for transportation are rapidly rising. Alternately, renting cars not only offers the freedom of travelling from province to province, removes the risk of low residual values for privately owned cars and frees the drivers from the required arrangements for insurance and service maintenance, but also provides the flexibility of changing car models at any time as well as the ease in costs control. Car rental is gradually becoming popular and preferred by businesses and individuals, resulting in the rapid development of the car rental industry in Mainland China, which has emerged as a sunshine industry. Currently, the operation mode of car rental business in Mainland China encompasses mainly long-term leases, short-term rentals and car rentals over the platform. Long-term leases in general refer to businesses with rental periods longer than 90 days. The service mode can be further differentiated into self-drive or with provision of driver service. With the rigorous fight against corruption campaign going on in Mainland China and the promotion of asset-light strategy among enterprises, the business of long-term rental is rapidly growing with customers coming from government and business sectors. In general, short-term self-drive rentals are those with rental periods shorter than 90 days, the obvious choice for tourists whose travel frequency is rising dramatically. As for the internet car rental platform, it primarily provides an online terminal platform for car rental services.

Today, the car rental industry in Mainland China is at its initial stage of development. From an industry perspective, the development and extent of penetration of the car rental market in Mainland China is still far below that of other countries. In 2013, the top five car rental companies accounted for about 14% of the overall PRC market, whereas, the percentages of the top five companies in the USA, Germany and Brazil were 95%, 91% and 58% respectively. With respect to the composition of the industry, there are tens of thousands of car rental companies, but the market is extremely fragmented with the average number of cars per company fleet of less than 50. This indicates that the room for the industry's development and growth is very promising. According to the independent industry consultant Roland Berger, the size of Mainland China's car rental market grew significantly from approximately RMB9 billion in 2008 to approximately RMB34 billion in 2013, at a compound annual growth rate reaching 29%. Whereas, the total fleet of vehicles increased from approximately 100,000 in 2008 to approximately 369,000 in 2013, with a compound annual growth rate at a similar level of 30%.

The favorable policies introduced by the Central Government also contributed to the rapid growth of the industry. According to the "Notice on Promoting the Healthy Development of the Car Rental Industry" (關於促進汽車租賃業健康發展的通知) issued in 2011, the Ministry of Transport would strengthen the control on the car rental industry so as to ensure a normal and healthy development.

This policy can be interpreted as an indication that the Government will escalate support to the industry. Meanwhile, a series of car reform programs including the "Directives on the Full-fledged Reform in the Use of Official Vehicles"(關於全面推進公務用車制度改革的指導意見)and the "Central and State Government Official Vehicles Reform Program"(中央和國家機關公務用車制度改革方案)were released during the year by the Development and Reform Commission. These actions together with factors such as measures to reduce traffic congestions and promotion of asset-light strategies, should provide an impetus to the growth of Mainland China's car rental industry. Whether it is from the industry perspective in relation to China's economic trends or from the micro point of view of social foundation, the development of Mainland China's car rental industry has a bright future.

BUSINESS REVIEW

Car rental business

In an effort to capture market opportunities, the Group has carried out strategic restructuring during the year, looked for the most appropriate segments for development and successfully entered the car rental market. On 15 October 2014, the Group entered into a subscription agreement to invest in the internet car rental service business through the subscription of approximately 10% of equity interests in Prime Elite Ventures Limited ("Prime Elite") for US$5 million (approximately HK$39 million). "AA租車", an online car rental application of Prime Elite, was launched in 2013, is a nation-wide, mobile internet-based intelligent car rental platform, providing users with a brand new, personalised travel service which includes professional car rental service of readily available vehicles, including booking by appointment and vehicles for business use. With its headquarter in Beijing, "AA租車" service network covers a number of cities in the country, including Beijing, Guangzhou, Shenzhen, Shanghai, Dalian and Shijiazhuang. Through the integration of services provided by car rental companies and driver service companies, a comprehensive, seamless personal travel service is provided to customers. The Group is optimistic about the development of internet car rental service. The subscription in Prime Elite's equity interests indicates the Group's determination to enter the industry and its commitment to extending the car rental network to cover the whole country.

On 28 November 2014, the Group entered into a sale and purchase agreement to acquire 100% equity interest in Gigantic Wisdom Limited ("Gigantic") for a total consideration of RMB65 million (approximately HK$81 million). Gigantic owns 北京途安汽車租賃有限責任公司("Beijing Tu An"), which is engaged in the car rental services business. With its headquarter in Beijing, Beijing Tu An provides mainly long-term car rental service and has established a sound operation with an extensive business network. Quality car rental service is provided by Beijing Tu An offering a wide selection of different types, brands and classes of vehicles to suit the diverse needs of customers. The completion of the acquisition is expected to further strengthen the Group's capabilities in both hardware such as cars and equipment and software including staff and services with respect to long-term car rental service.

Electronic components/materials business

In view of the implementation of cost-saving measures which began in 2013 whereby the Group has streamlined certain operation flows, reduced manpower and tightened cost control policies, the Group has focused more on the trading of electronic components/materials which provides steady income while requiring relatively fewer resources to enhance the business performance of the Group. Revenue from the Group's trading of electronic components/materials segment increased significantly from approximately HK$2.0 million in 2013 to HK$193.5 million in the current year. The Group recorded gross profit and gross profit margin from this segment of approximately HK$8.3 million and 4.3%, respectively.

Consumer electronic devices/platforms and related solutions/services business

Revenue from the Group's consumer electronic devices/platforms and related solutions/services segment decrease by approximately 86% from approximately HK$198.0 million for the year ended 31 December 2013 to approximately HK$28.1 million for the year ended 31 December 2014. The significant decrease in revenue from this segment was mainly due to the cessation of business with one of our largest customers for traditional audio-visual products in December 2013. Accordingly, we implemented a shift in our product mix from sale of traditional audio-visual products, which are of relatively higher sales volumes but lower margins, to the golf swing analyzer ("3BaysGSA"), which is of lower sales volume but much higher margins. Despite the decrease in revenue and gross profit, our gross profit margin in this segment has increased from 11.9% in 2013 to 30.0% in the current year. We have also allocated more resources to the provision of project management services during the current year which contributed HK$16.5 million in revenue in the current year as compared to HK$6.5 million in 2013, representing an increase by approximately 154%.

FUTURE OUTLOOK

According to the independent industry consultant Roland Berger's projection, the size of Mainland China's car rental market is expected to expand further to approximately RMB65 billion with a total fleet size of approximately 779,000 in 2018, providing significant scope for development and expansion. With further optimization of the market economy and the continued investment into technological means such as e-commerce, Mainland China's car rental industry is entering a stage of rapid development.

The Group is actively evaluating the development of the car rental industry, and is considering engaging in areas of different growth potential, which includes car rental bookings from overseas, car rental services over the internet and even the establishment of our own brand. The Group believes these business opportunities offering outstanding growth potential can further expand its source of income and provide new business momentum to the Group. In 2015, the Group will continue to conduct market positioning studies and strategic deployment. The objective is to implement as soon as possible the operational plans for car rental business, which include asset optimization and full integration with respect to the acquired car rental business. With the extensive experience of the team, relevant strategies to enhance the existing brand and its management are being formulated according to the practical circumstances of the Company.

While relying on its sound financial structure and extensive experience in administration and management, the Group will remain open to new ideas and prudent in terms of the proper allocation of internal resources and careful assessment of operational risks. While considering the challenging future market environment, the Group will also seek additional opportunities in the car rental industry through acquisition and integration.

FINANCIAL REVIEW

Results of the Group

Revenue

The revenue of the Group increased by approximately 11.1% from approximately HK$200.0 million for the year ended 31 December 2013 to approximately HK$222.3 million for the year ended 31 December 2014. The increase was mainly attributable to the increase in sale of goods and the rendering of services by HK$11.6 million and HK$10.0 million respective as compared to the prior year.

Cost of sales

Cost of sales of the Group increased by approximately 14% from approximately HK$179.4 million for the year ended 31 December 2013 to approximately HK$205.3 million for the year ended 31 December 2014. The increase was mainly attributable to the increase in sales of electronic components/materials during the year.

Gross profit and margin

The Group recorded a gross profit of approximately HK$16.9 million for the year ended 31 December 2014, representing a decrease of approximately 18% as compared to the gross profit recorded in the prior year. However, the gross profit margin decreased by approximately 2.7 percentage points from 10.3% in the prior year to 7.6% in the current year under review. The decrease was resulted from the increase in sales of electronic components/materials, which had lower profit margin as compared to the sales of consumer electronic devices.

Other income and gains

Other income and gains of the Group increased by approximately 651%, from approximately HK$1.1 million for the year ended 31 December 2013 to approximately HK$8 million for the year ended 31 December 2014. The increase was mainly resulted from the income in relation to certain procurement and credit arrangements as well as waiver of interest on an other borrowing recognised during the current year.

Research and development costs

Research and development costs decreased by approximately 49% from approximately HK$5.1 million for the year ended 31 December 2013 to approximately HK$2.6 million for the year ended 31 December 2014, mainly due to the decrease in the number of research and development projects after the implementation of the cost-saving measures during the current year.

Selling and distribution expenses

Selling and distribution expenses increased by approximately 15% from approximately HK$12.7 million for the year ended 31 December 2013 to approximately HK$14.6 million for the year ended 31 December 2014, mainly due to the increased promotion and advertising efforts incurred for selling of goods as compared to the prior year.

General and administrative expenses

General and administrative expenses increased by approximately 31% from approximately HK$19.4 million for the year ended 31 December 2013 to approximately HK$25.4 million for the year ended 31 December 2014, mainly due to the increased legal and professional fees incurred as a result of the corporate exercises conducted during the current year.

Other expenses, net

Other expenses, net, decreased by approximately 39% from approximately HK$42.9 million for the year ended 31 December 2013 to approximately HK$26.0 million for the year ended 31 December 2014 mainly due to the reduction of impairment/write-off of trade and other receivables in the current year.

Finance costs

Finance costs decreased by approximately 99% from approximately HK$6.9 million for the year ended 31 December 2013 to approximately HK$0.1 million for the year ended 31 December 2014, mainly due to the full repayment of bank borrowings in the first half of 2014.

Income tax (credit)/expense

Income tax expense of approximately HK$3.6 million was incurred for the year ended 31 December 2014 as compared to an income tax credit of approximately HK$64,000 recognised for the year ended 31 December 2013 mainly due to the reversal of deferred tax asset and certain income tax arising from profit generated from the sale of goods in the current year.

Liquidity and financial resources

	2014	2013
	HK$	*HK$*
Current assets	**309,959,152**	130,435,037
Current liabilities	**124,285,443**	128,992,990
Current ratio	**2.49**	1.01

As at 31 December 2014, cash and cash equivalents of the Group amounted to approximately HK$8.1 million (2013: HK$26.1 million).

In view of the Group's current level of cash and cash equivalents, funds generated internally from our operations and from the Open Offer, Issue of Subscription Shares and the Placing, 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

	2014	2013
	HK$	*HK$*
Total interest-bearing other borrowings	**13,697,445**	43,630,795
Equity	**301,941,139**	13,679,463
	315,638,584	57,310,258
Gearing ratio	**4.3%**	76.1%

As at 31 December 2014, the gearing ratio is 4.3% (2013: 76.1%). As at 31 December 2014, the maturity profile of the interest-bearing other borrowings of the Group falling due within one year, and the second year, inclusive, amounted to approximately HK$8.4 million (2013: HK$31.3 million) and HK$5.3 million (2013: HK$12.3 million), respectively.

Capital structure

The capital of the Company comprises only ordinary shares. As at 31 December 2014, the total number of the ordinary shares of the Company was 4,081,375,000 shares. The total number of the ordinary shares of the Company had been changed during the year as follows:

	No. of ordinary shares
1 January 2014	1,120,500,000
Add: (I) Open Offer	1,344,600,000
Add: (II) Issue of Subscription Shares pursuant to the Subscription Agreement entered into on 26 April 2014	616,275,000
Add: (III) Placing	1,000,000,000
31 December 2014	4,081,375,000

(I) In January 2014 there was an issue of the 1,344,600,000 Offer Shares by way of Open Offer. The ordinary resolutions for all transactions contemplated under the Open Offer were duly passed by way of poll at the EGM held on 19 December 2013. Further details of the above Open Offer were set out in the announcements of the Company dated 19 December 2013 and 24 January 2014, and in the circular of the Company dated 3 December 2013.

(II) On 26 April 2014, the Company entered into a subscription agreement (the "**Subscription Agreement**") with Nat-Ace Pharmaceutical Ltd. ("Nat-Ace") pursuant to which the Company agreed to issue, and Nat-Ace agreed to subscribe for 616,275,000 shares of the Company in cash at a price of HK$0.168 per share (the "**Share Subscription**"). On the same date, Nat-Ace entered into a sale and purchase agreement (the "**Sale and Purchase Agreement**") with four of the then shareholders of the Company (the "**Vendors**") pursuant to which Nat-Ace agreed to purchase, and the Vendors agreed to sell an aggregate of 1,010,438,121 shares of the Company at a price of HK$0.168 (the "**Share Purchase**").

The ordinary resolutions for all transactions contemplated under the Subscription Agreement were duly passed by way of poll at the extraordinary general meeting held on 2 July 2014.

On 9 July 2014, the Company and Nat-Ace jointly announced that the conditions precedent to the completion of the Subscription Agreement and Sale and Purchase Agreement had been fulfilled and the completion of the Subscription Agreement and Sale and Purchase Agreement took place on 9 July 2014. As immediately after the Share Purchase and the Share Subscription, Nat-Ace and the parties acting in concert with it are interested in 1,626,713,121 Shares, representing approximately 52.79% of the entire issued share capital of the Company, CCB International Capital Limited had made an unconditional mandatory cash offer (the "**Cash Offer**") on behalf of Nat-Ace to acquire all the 1,454,661,879 Shares (the "Disinterested Shares") at an offer price of HK$0.168. An offer document containing, among other things, details of the terms of the Cash Offer was despatched to the shareholders of the Company on 16 July 2014. On the same date, the Company and Nat-Ace jointly announced that the appointment of (i) each of Ms. Deng Shufen, Mr. Dai Yumin, Ms. Liu Jiangyuan and Mr. Gui Bin as an executive director; (ii) Mr. Wang Yongbin as a non-executive director; and (iii) each of Mr. Fang Jun, Mr. Zhao Xianming and Mr. Wong Yiu Kit, Ernest as an independent non-executive director had been effective from 16 July 2014.

On 30 July 2014, the Company and Nat-Ace jointly announced that in accordance with Rule 8.4 of the Takeovers Code, the Company was required to despatch an offeree board circular (the "**Response Document**") containing, among other things, the letter from the Board, the recommendations from the Independent Board Committee to the holders of the Disinterested Shares and the holder of the Options in relation to the Cash Offer and the advice and recommendations from the independent financial adviser to the independent board committee, the holders of the Disinterested Shares and the holder of the Options within 14 days of the publication of the Offer Document, being on or before 30 July 2014. However, as additional time was required to compile and ascertain the relevant information to be included in the Response Document, it was expected that the date of despatch of the Response Document would be on or before 15 August 2014 and accordingly, the Cash Offer would remain open until the 14th day after the despatch of the Response Document or 29 August 2014, whichever was earlier.

The Response Document containing, among other things, the letter from the Board, the recommendations from the Independent Board Committee to the Independent Shareholders and the holder of the Options in relation to the Offers and the advice and recommendations from the Independent Financial Adviser to the Independent Board Committee, the Independent Shareholders and the holder of the Options in relation to the Offers, was despatched to the Shareholders and the holder of the Options on 15 August 2014 in accordance with the Takeovers Code.

On 29 August 2014, the Company and Nat-Ace jointly announced the close of the unconditional mandatory cash offer by CCB International Capital Limited for an on behalf of Nat-Ace to acquire all the issued shares in, and cancel all outstanding options of the Company (other than those already owned by or agreed to be acquired by Nat-Ace and parties acting in concert with it) (the "**Offers**"). Upon the close of the Offers, Nat-Ace had received valid acceptances in respect of a total of 634,760,768 shares, representing approximately 20.60% of the entire share capital of the Company (assuming the options are not exercised) on the same date, and no acceptances in respect of the options had been received by Nat-Ace. Accordingly, on the same date, Nat-Ace and parties acting in concert with it became interested in an aggregate of 2,261,473,889 shares, representing 73.39% of the entire issued share capital of the Company and of the voting rights which may be exercised at general meetings of the Company.

Further details of the above transactions were set out in the announcements of the Company dated 8 May 2014, 9 July 2014, 16 July 2014 and 30 July 2014, 15 August 2014 and 29 August 2014.

(III) On 15 September 2014 (after trading hours), the Company entered into a conditional placing agreement (the "Placing Agreement") with CCB International Capital (the "Placing Agent") whereby the Company conditionally agreed to place, through the Placing Agent, on a best effort basis, up to 1,000,000,000 placing shares to not less than six independent placees at a price of HK$0.175 per placing share. The maximum number of 1,000,000,000 placing shares were successfully placed, the gross proceeds from the placing was HK$175 million and the net proceeds from the placing (after deduction of relevant expenses of approximately HK$2.5 million) amounted to approximately HK$172.5 million which was intended to be used by the Group as follows:

(a) for the funding of business expansion (through pursuing suitable acquisition and/or investment opportunities including but not limited to the possible investment by the Group in the business of online car rental services in the PRC through the subscription of shares in a prospective target as disclosed in the Company's announcement dated 12 September 2014); and

(b) to the extent that the net proceeds as stated in (a) above are not applied for acquisition and/or investment purposes, for general working capital of the Group.

The net proceeds raised per placing share upon completion of the placing was approximately HK$0.173 Per placing share.

The Placing Agent would procure each Placee to undertake in writing, on or before the date of completion of the Placing, in favour of the Company that such placee would not, at any time between the date of the Placing Agreement and the date falling six (6) months after the date of completion of the placing, sell, transfer, sale or otherwise dispose of, or enter into any agreement for the sale, transfer or other disposal of any of the placing share allotted and issued to such placee or any interest therein, or agree to grant any option, warrant or other right carrying the right to acquire any of the placing share or enter into any swap, derivative or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any of the placing share.

The ordinary resolution for all transactions contemplated under the Placing Agreement was duly passed by way of poll at the extraordinary general meeting held on 7 November 2014.

Further details of the above transactions were set out in the announcements of the Company dated 15 September 2014 and 20 November 2014, and the circular of the Company dated 21 October 2014.

Significant investment

On 15 October 2014 (after trading hours), Eastern Crystal Limited ("Eastern Crystal"), a wholly-owned subsidiary of the Company, Prime Elite and the existing shareholders of Prime Elite entered into the subscription agreement (the "Subscription Agreement") in respect of the subscription of approximately 10% of the equity interest in Prime Elite. Pursuant to the Subscription Agreement, Prime Elite has conditionally agreed to allot and issue, and Eastern Crystal has conditionally agreed to subscribe for, 111,111 new ordinary shares of Prime Elite at the consideration of US$5 million (approximately HK$39 million). Prime Elite, through entering into certain contractual arrangements by its wholly-foreign owned enterprise to be established in the PRC, will have the right of control, economic interests and benefits in a company established in the PRC that is engaged in the business of online car rental services in the PRC.

Further details of the above transaction were set out in the announcement of the Company dated 15 October 2014.

Material acquisition

On 28 November 2014 (after trading hours), Easy Top Ace Limited ("Easy Top"), a wholly-owned subsidiary of the Company, and Nimble Ring Limited ("Nimble Ring") entered into a sale and purchase agreement ("SPA"), pursuant to which Easy Top conditionally agreed to purchase and Nimble Ring conditionally agreed to sell 100% equity interest of Gigantic, at the total consideration of RMB65 million (approximately HK$81 million).

As some of the applicable percentage ratio (as defined under the Listing Rules) under Chapter 14 of the Listing Rules in relation to the acquisition exceeds 5% but was less than 25%, the acquisition contemplated under the SPA constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules and therefore was subject to notification and announcement requirements but exempt from Shareholders' approval under Chapter 14 of the Listing Rules.

Further details of the above transaction were set out in the announcement of the Company dated 28 November 2014.

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$**") as their functional currency, their foreign currency transactions and the units' monetary assets and liabilities denominated in foreign currencies that were translated at the functional currency rates of exchange ruling as at 31 December 2014 were mainly denominated in Hong Kong dollars ("**HK$**"). 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 2014 and 2013, the Group did not have any significant contingent liabilities.

DIVIDENDS

The Board does not recommend the payment of any dividend for the year ended 31 December 2014 (2013: Nil).

ANNUAL GENERAL MEETING

It is proposed that the annual general meeting of the Company will be held on 26 June 2015 (the "AGM"). The notice of the AGM will be dispatched to the shareholders of the Company and available on the websites of the Company and the Stock Exchange in due course.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 24 June 2015 to 26 June 2015, 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 Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:00 p.m. on 23 June 2015.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2014, the Group employed a total of 53 (2013: 27) employees. Total staff costs, including Directors' emoluments, amounted to approximately HK$14.0 million for the year under review (2013: approximately HK$19.9 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 year under review.

COMPLIANCE WITH THE MODEL CODE SET OUT IN APPENDIX 10 TO 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 Rules (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 has complied with the code provisions set out in the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules throughout the year ended 31 December 2014.

AUDIT COMMITTEE

The Company established an audit committee on 27 November 2009. As at 31 December 2014, the audit committee comprises three independent non-executive Directors, namely Mr. Fang Jun, Mr. Zhao Xianming and Mr. Wong Yiu Kit, Ernest. The committee is chaired by Mr. Zhao Xianming. 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 2014 have been reviewed by the audit committee.

The audit committee of the Company has met the external auditors of the Company, Messrs. Ernst & Young, and reviewed the Group's results for the year ended 31 December 2014.

PUBLICATION OF 2014 FINAL RESULTS AND ANNUAL REPORT

This results announcement is published on the websites of the Company (www.perceptiondigital.com) and the Stock Exchange (www.hkex.com.hk). The 2014 annual report containing all the information required by the Listing Rules will be dispatched to the shareholders of the Company and available on the websites of the Company and the Stock Exchange in due course.

By order of the Board
Perception Digital Holdings Limited
Deng Shufen
Chairman and Executive Director

Hong Kong, 20 March 2015

As at the date of this announcement, the Board comprises the following Directors:

Executive Directors:
Ms Deng Shufen *(Chairman)*
Mr Dai Yumin
Ms Liu Jiangyuan
Mr Gui Bin

Non-executive Director:
Mr Wang Yongbin

Independent non-executive Directors:
Mr Fang Jun
Mr Zhao Xianming
Mr Wong Yiu Kit, Ernest