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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)

VOLUNTARY ANNOUNCEMENT

This announcement is made by Perception Digital Holdings Limited (the “**Company**”) on a voluntary basis. The purpose of this announcement is to keep the shareholders and potential investors of Perception Digital Holdings Limited updated about the operation of Perception Digital Holdings Limited.

The Chairman and Executive Director of the Company, Dr. Jack Lau outlines the Company’s recent business development and strategy, and talks about its company structure.

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

Hong Kong, 11 October 2011

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


Website: <http://www.perceptiondigital.com/>


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The following responses by Dr. Jack Lau, Chairman and Executive Director, to questions put by Corporate Focus () Limited are intended to outline the Company's recent business development and strategy, and talks about its company structure.

 **You describe yourself as a consumer electronics company providing embedded firmware and “end-to-end” turnkey solutions to customers for their Digital Signal Processing (“DSP”) life-style consumer electronic devices. What exactly does the company do? Are you an ODM or OEM company supplying to branded consumer electronic companies such as Apple or HTC?**

A The easiest way to think about us is that we are a technology and patent driven consumer electronics company which focuses on providing solutions for consumers to access the hippest and coolest digital content on any device that they already own. Whether it is at home or on a portable device. In short, we provide “Hip Electronics” to access cloud content.

Let me give you an example. Many consumers in Hong Kong own a smartphone or device, whether it be an android phone, an iPhone or iPad. These aren't just work devices; these are also devices to provide consumer entertainment. So we let people work and have fun on the go.

Our Vulkano is such a product. It allows consumers to access whatever content they have at home, which they have already paid for such as cable or even free to air TV, on whatever smart device they own. So through our Vulkano product you can be watching your favourite cable channel on your iPad while you are travelling to work on the MTR.

It is hip, it is cool. That's what we mean by providing “Hip Electronics” while accessing cloud content.

But it's wrong for you to suggest that we are an ODM or an OEM. We do not own factories. Just like Apple, Dell or Li and Fung, these companies design, and deliver product by arranging sourcing. We do the same. The skill is in perfecting a Supply Chain management model.

 **Apple has been a hugely successful company. In what ways you have you modelled your company after them? Are you the Chinese Apple?**

A Yes, we admire and respect Apple and we have absolutely modelled ourselves on them although we of course are a long way behind them! What is Apple? In our opinion, Apple is a leader in Supply Chain Management (logistics and sourcing), technology and design,

and brand. We are unashamedly following this road map. We have worked hard on our supply chain management, we believe our technology and designs are unique, especially for the China market and we are slowly targeting the China market. However we are careful not to get ahead of ourselves as we do have a strong relationship with our distributors and major customers who we supply and whom brand the products.

At this stage we are really more of a “powered by Perception Digital” type company. One day we will just be Perception Digital branded. Our venture into branding our own products is really limited to certain territories in China such as with Vulkano and a new innovative product called PDXtra TV (an affordable and easy way to use Cloud based computer for the average Chinese home).


 **How is cloud technology relevant to you?**

A We are all about Cloud. In fact almost all our newly created technologies are about accessing content on the cloud plus more. Android smart phones, Vulkano for TV and PDXtra TV are all designed for cloud based computing. Another focus of our company has been on the health sector. We have a very unique product we have designed for a major consumer electronics company called “HeartRate”. This allows consumers engaging in sport to check their heart rate through their bluetooth ear phone which allows future remote diagnosis. All while listening to their favourite music on their MP3 or iPhone.

 **How is your company structured?**


A We have drastically changed our company in order to diversify our revenue mix. In the past we were too dependent and focused purely on servicing a limited number of key customers. We called this the P team. We have diversified and this year, we have added 3 more teams: S, O, and A teams. S team focuses on using our technology and supply chain to form partnerships to enable next generation of products. Vulkano is a hugely successful example of this and this year alone we hope to sell 100,000 units. O stands for other innovative operator related technologies. The O team works with Operators. We are beginning to provide phones (orders received) to US Cellular and Public Mobile. The bluetooth headset is another contribution from the team. The A team is the Android team and other smart operating system related products. PDXtra TV was born within this group. We call this new organization “SOAP”.

So after years of developing our technology, we are now commercialising our patents and, we are hoping for glorious results. We are showcasing all our new products at the HKCEC at the 2011 Hong Kong Electronics Fair from Oct 13-16th. We anticipate industry recognition for our innovation and creativity.


 **Talk about your revenue mix. Last year it was around HKD500 million. You are coming into the peak period. Can you run us through your revenue and product mix and how does your company differ from last year?**

- A In the past we were too dependent on a limited number of key customers, which is the P team. We have now matured to the stage that the different product teams are able to leverage our technology and through the SOAP team focus on delivering different products and revenue streams. So for the current year, we now target the S, O and A teams contribute just under 50% of revenue with products such as Vulkano, Android products as well as PDXtra TV and the balance is targeted to be contributed from the P Team.

In addition we expect our sales channels through our distribution network to provide higher volume sell through. We are distributing through the like of Jebesen (which distributes Casio and Porsche) in Hong Kong, and are about to distribute through the internet as well as through a joint exercise with leading electronics retailers in China.

 **Can you talk us through the outlook for consumer products and growth in China? Do you expect a downturn? What about adoption rates in PMP, convergence, and what is the fastest area that consumers are focusing on?**


- A With increased urbanisation, faster adoption of technology and consumer tastes developing quickly, the trend of growth in China remains unabated. China is selling up to 50 million TVs per year. We don't expect any drop off regardless of the economic downturn in other parts of the world. TV is considered too an essential item in China. We are now enabling families to have advanced cloud computing and content viewing function for the average Chinese home. Can you imagine the potential for Vulkano and PDXtra TV in China? Even as we speak, we are launching PDXtra TV with big partners in China.

 **Will you ever create your own brand? If you are a self confessed fan of the Apple business model, does that extend to branding and retailing?**

- A As I mentioned before, we have made an initial foray into branding into China. 3Bays is our brand name for China. But there are risks associated with our own brand and setting up our own retail shops. We are mindful of the working capital required for inventory and we certainly aren't prepared to take financial risks. At this stage of our company evolution we prefer to limit our risk to technical innovation. We study well from such successful companies such as Apple and of course closer to home, Li and Fung

 **Why is supply chain management solution so important to you?**

- A This allows us to select the best manufacturing base, and be immune from Chinese labor law, and even currency fluctuation and requires the least capital.

 **You talk a lot about Apple. The late Steve Jobs was a visionary. Given the advent of portable media devices, cloud technology, where do you see convergence taking us into the future?**

- A In the foreseeable future, "Hip" Electronics will continue to leverage content on the cloud. Partial computation power can reside on the local devices with some sort of memories. But, because of the need for portability and for the latest content, connection to the cloud must be seamless and easy. We see a greater usage of novel user interface,

better visual and sound. We see faster cloud connectivity. And, the experience must be ubiquitous. And, from a business perspective, consumers come out to be the biggest winner. You are able to enjoy something easier, faster, and more up to date.

Watching content from your Cloud based TV, tablet, or having diagnosis of various sorts while you are on the go are all expected.



Your balance sheet as at 30 June 2011 has around approximately HKD86 million of net current assets. What is your requirement for future funding?

- A We are fully funded for our product development, working capital and our marketing needs and the combination of free cash flow with our existing credit lines sees us amply funded for the foreseeable future.

Appendix I: Our Business Coverage

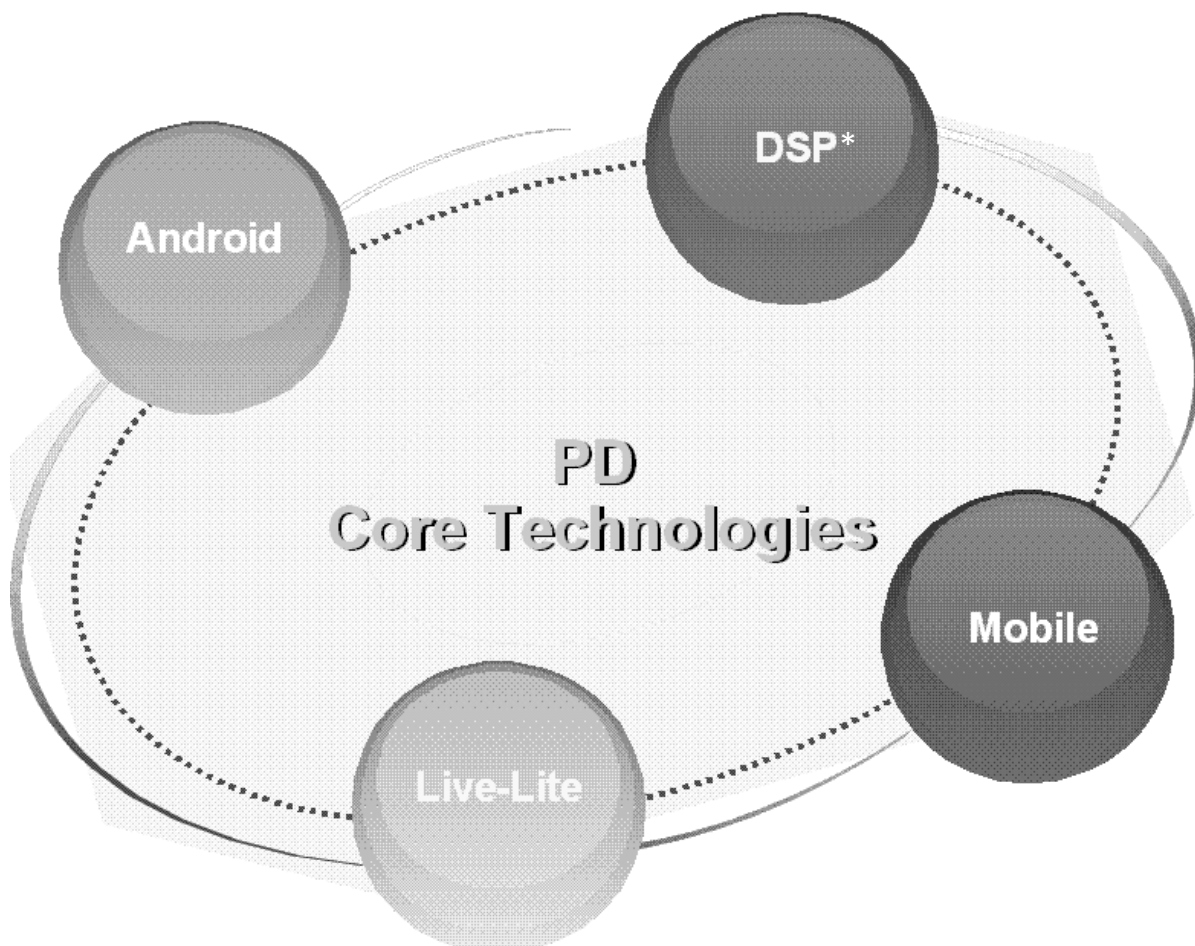
While there is no limit to products that can be evolved with our core technologies, we currently focus on the following groups of devices:

(1) Android OS based smartphones, Internet TV and all kinds of audio/visual equipments with Internet connectivity, and various mobile and Internet devices.

(2) Well-being and fitness devices (technology branded as Live-Lite™) featuring biometric measurement functions such as heart rate monitoring and pedometers functions, and enhanced usability functions such as global positioning, voice-out and training profiles;

(3) Personal portable entertainment devices, such as portable media player and digital mobile televisions.

We major in the following pillars of technologies.



*: Digital Signal Processing