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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)**

## **SUPPLY CHAIN MANAGEMENT AGREEMENT AND GRANT OF OPTIONS UNDER GENERAL MANDATE**

The Board announces that on 11 August 2011, Perception Digital (BVI) entered into the Supply Chain Management Agreement with Teleepoch pursuant to which the Company will act as the exclusive supply chain partner of Teleepoch.

In consideration of Teleepoch entering into the Supply Chain Management Agreement, the Company entered into the Option Agreement with Teleepoch, pursuant to which the Company has conditionally granted the Options to Teleepoch, entitling Teleepoch to subscribe for up to 62,250,000 Option Shares, representing 10.0% of the existing issued share capital of the Company, at the Exercise Price exercisable during the Option Period. The Option Shares will be issued under the General Mandate granted to the Directors at the AGM.

An application will be made to the Stock Exchange for the listing of and permission to deal in the Option Shares.

### **INTRODUCTION**

The Board announces that on 11 August 2011, Perception Digital (BVI), a wholly-owned subsidiary of the Company, entered into the Supply Chain Management Agreement with Teleepoch pursuant to which Perception Digital (BVI), together with its subsidiaries, will act as the exclusive supply chain partner of Teleepoch. On the same date, pursuant to the Supply Chain Management Agreement, the Company conditionally granted the Options to Teleepoch.

### **THE SUPPLY CHAIN MANAGEMENT AGREEMENT**

On 11 August 2011, Perception Digital (BVI) entered into the Supply Chain Management Agreement with Teleepoch pursuant to which Perception Digital will act as the exclusive supply chain partner of Teleepoch for a term (the “**Effective Period**”) commencing from the date of the Supply Chain Management Agreement until 10 August 2014, unless otherwise terminated in accordance with the terms of the Supply Chain Management Agreement. The Effective Period may be extended for another three years by written consent of both parties.

During the Effective Period, Teleepoch shall procure a majority of Teleepoch Clients to sign sales agreements directly with or place sales orders directly to Perception Digital for the sale of Teleepoch Products, and subject to the consent of Teleepoch Clients, Teleepoch shall transfer or assign all sales order placed by Teleepoch Clients with Teleepoch to Perception Digital on the same terms and conditions. On the other hand, Perception Digital shall procure and purchase all of its requirements for Teleepoch Products or components of the Teleepoch Products requiring third party license exclusively from Teleepoch, as long as Teleepoch owns such third party license. Perception Digital shall manage the production and delivery of the products ordered. Teleepoch will also provide necessary technology and supply chain support to Perception Digital.

Pursuant to the Supply Chain Management Agreement and subject to certain limitations, Teleepoch has agreed not to compete with Perception Digital with respect to the business related to the Teleepoch Products during the term of the Supply Chain Management Agreement, and Perception Digital has agreed not to compete with Teleepoch's core business for a period of two years after the termination of the Supply Chain Management Agreement.

As performance incentives for Teleepoch to procure Teleepoch Clients to place sales orders with Perception Digital, Perception Digital agrees to award Teleepoch certain cash bonuses upon reaching certain targets with respect to net profit generated from sales orders placed by Teleepoch Clients to Perception Digital as a result of initiation or introduction by Teleepoch.

The transactions contemplated under the Supply Chain Management Agreement are of a revenue nature in the usual and ordinary course of business of the Company and therefore does not constitute a notifiable transaction for the Company under Chapter 14 of the Listing Rules.

## **THE OPTION AGREEMENT**

**Date :** 11 August 2011

**Parties:** the Company  
Teleepoch

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Teleepoch and its beneficial owners are Independent Third Parties.

### **The Up Front Option**

In consideration of Teleepoch entering into the Supply Chain Management Agreement, the Company conditionally granted to Teleepoch an option to subscribe 15,500,000 Option Shares at the Exercise Price. The Up Front Option shall become vested and may be exercised in whole or in part three months after the Effective Date during the Option Period.

## **The Performance Option**

In addition to the Up Front Option, the Company also conditionally granted to Teleepoch an option to subscribe for 0.285 Option Shares at the Exercise Price for every HK\$1.0 of net profit to the Company generated from sales orders placed by Teleepoch Clients (“**Performance Benchmark**”), subject to a maximum of 46,750,000 Option Shares. On each anniversary date during the term of the Supply Chain Management Agreement, a portion of the Performance Option shall be vested and become exercisable. The number of Option Shares which Teleepoch will be entitled to subscribe for pursuant to such vested portion of the Performance Option shall be determined by reference to the Performance Benchmark for the previous year. Subject to such vesting condition, the Performance Option may be exercised in whole or in part at any time during the Option Period.

## **Conditions precedent of the Option Agreement**

The grant of the Options shall be conditional upon the obtaining of all necessary approvals, consents and permission in relation to the grant of the Options.

### **Exercise Price:**

The Exercise Price of HK\$0.38 per Option Share represents:

- A premium of 7.04% to the closing price of HK\$0.355 per Share as quoted on the Stock Exchange on 11 August 2011, being the Effective Date; and
- a premium of 0.53% to the average closing price of HK\$0.378 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including 10 August 2011, being the date immediately preceding the Effective Date.

The Exercise Price is determined after arm’s length negotiations between the parties with reference to, among other things, the recent closing prices of the Shares and the duration of the exercise period. The 62,250,000 Option Shares, with an aggregate nominal value of HK\$6,225,000, represent 10.00% of the existing issued share capital of the Company and approximately 9.09% of the issued share capital of the Company as enlarged by the allotment and issue of the Option Shares.

Assuming that the Options are fully exercised, the maximum gross proceeds and net proceeds from the allotment and issue of all the Option Shares will both be approximately HK\$23,655,000, which is intended to be used by the Company as general working capital of the Group.

The Option Shares, when issued, will rank *pari passu* in all respects among themselves and with the then issued Shares, including the right to receive all future dividends and distributions which may be declared, made or paid by the Company on or after the respective dates of allotment and issue of the Option Shares.

## **Adjustment**

In the event there is consolidation or subdivision of the Shares, appropriate adjustments will be made to the Exercise Price and the number of shares of the Company subject to the Options.

## GENERAL MANDATE TO ISSUE THE OPTION SHARES

The allotment and issue of the Option Shares will not be subject to Shareholders' approval and the Option Shares will be allotted and issued under the General Mandate granted to the Directors at the AGM. The total number of issued Shares as at the date of the AGM was 622,500,000 Shares. Pursuant to the General Mandate, the total number of new Shares that the Company is authorised to issue is 124,500,000 Shares, representing 20% of the issued share capital of the Company as at the date of the AGM. Since the date of the AGM and up to the date of this announcement, no new Shares have been allotted and issued by the Company under the General Mandate.

## APPLICATION FOR LISTING

The Company will apply to the Listing Committee of the Stock Exchange for the grant of the listing of, and permission to deal in, the Option Shares.

## PREVIOUS FUND RAISING ACTIVITIES IN THE PRIOR 12 MONTHS

The Company has not conducted any equity fund raising exercise in the past 12-month period immediately before the date of this announcement.

## CHANGES ON SHAREHOLDING STRUCTURE OF THE COMPANY

Shareholders	As at the date of this announcement		Immediately upon full exercise of the Options (note 1)	
	<i>No. of Shares</i>	<i>%</i>	<i>No. of Shares</i>	<i>%</i>
Swanland Management Limited (note 2)	125,592,340	20.17	125,592,340	18.34
Masteray Limited (note 2)	53,828,697	8.65	53,828,697	7.86
Ms. Loh, Jiah Yee Katherine (note 2)	1,895,000	0.31	1,895,000	0.28
Manyi Holdings Limited (note 3)	140,482,433	22.57	140,482,433	20.52
Dr. Wu Po Him, Philip (note 3)	1,599,142	0.26	1,599,142	0.23
Excel Direct Technology Limited (note 4)	11,903,210	1.91	11,903,210	1.74
Rochdale Consultancy Limited (note 5)	2,976,655	0.48	2,976,655	0.44
Mr. Tao Hong Ming	300,000	0.04	300,000	0.04
Teleepoch	Nil	Nil	62,250,000	9.09
Other public shareholders	283,922,523	45.61	283,922,523	41.46
<b>Total</b>	<b>622,500,000</b>	<b>100.00</b>	<b>684,750,000</b>	<b>100.00</b>

#### Notes

1. *Assuming the Up Front Option and the Performance Option are fully exercised.*
2. *Masteray Limited (“Masteray”) is interested in 51% of the issued share capital in Swanland Management Limited (“Swanland”) and Masteray is owned as to 100% by Sea Progress Limited (“Sea Progress”), which, through a discretionary trust, is wholly-owned by Credit Suisse Trust Limited (“Credit Suisse”). Ms. Loh, Jiah Yee Katherine (“Ms. Loh”), the spouse of Dr. Lau, Jack (“Dr. Lau”), is the founder of a discretionary trust holding 179,421,037 Shares by Credit Suisse, and hence she is deemed to be interested in 181,316,037 Shares. Dr. Lau is deemed to be interested in all the Shares held by Ms. Loh.*
3. *Dr. Wu Po Him, Philip is the sole beneficial owner of Manyi Holdings Limited and hence is deemed to be interested in all the Shares held by Manyi Holdings Limited.*
4. *Excel Direct Technology Limited (“Excel Direct”) is owned as to 50% by Prof. Tsui. Hence, Prof. Tsui is deemed to be interested in the Shares held by Excel Direct by virtue of Excel Direct being controlled by Prof. Tsui.*
5. *Rochdale Consultancy Limited (“Rochdale”) is owned as to 50% by Prof. Cheng. Hence, Prof. Cheng is deemed to be interested in the Shares held by Rochdale by virtue of Rochdale being controlled by Prof. Cheng.*

### **INFORMATION ON TELEEPOCH**

To the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, Teleepoch is primarily engaged in the business of providing wireless communication solutions, including industrial design, hardware, software, products produce, testing and quality management.

### **REASONS FOR AND BENEFITS OF THE SUPPLY CHAIN MANAGEMENT AGREEMENT AND THE OPTION AGREEMENT**

Pursuant to the Supply Chain Management Agreement, the parties will share their technology, marketing, and manufacturing capabilities. In particular, Perception Digital shall contribute its Android platform technology, supply chain management experience, and consumer products channels; and Teleepoch shall contribute its mobile technology, mobile phone operation channels, and third party license related to mobile phone technology.

The Company believes that such cooperation with Teleepoch will enable the Company to enlarge its customer base, broaden its product portfolio and derive synergy from the technological and management expertise of the two companies. The Option Agreement is expected to strengthen the business relationship between the Company and Teleepoch and facilitate their successful cooperation under the Supply Chain Management Agreement.

The Directors believe that the terms of the Option Agreement are fair and reasonable and in the interests of the Company and its shareholders.

### **DEFINITIONS**

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|---------|---|
| “AGM”   | the annual general meeting of the Company held on 6 May 2011; |
| “Board” | the board of Directors;                                       |

“Company”	Perception Digital Holdings Limited, a company incorporated in the Cayman Islands, the shares of which are listed on the main board of the Stock Exchange;
“Director(s)”	the director(s) of the Company;
“Effective Date”	11 August 2011, being the date of which the Option Agreement was entered into by the Company and Teleepoch;
“Exercise Price”	HK\$0.38;
“General Mandate”	the general and unconditional mandate granted to the Directors pursuant to an ordinary resolution of the Company passed at the AGM to allot, issue and deal with up to 20% of the then issued share capital of the Company as at the date of the AGM;
“Group”	the Company and its subsidiaries;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“Independent Third Party(ies)”	an individual(s) or a company(ies) who or which is/are independent of and not connected with (within the meaning of the Listing Rules) the Directors, chief executive or substantial shareholders (within the meaning of the Listing Rules) of the Company, its subsidiaries or any of their respective associate;
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange (as amended from time to time);
“Option Agreement”	a conditional agreement dated 11 August 2011 entered into between the Company and Teleepoch for the grant of the Options;
“Option Period”	the period commencing from the Effective Date and expiring at midnight on the day falling five years after the Effective Date;
“Option Shares”	means Shares to be subscribed for by Teleepoch by exercising the Options;
“Options”	the Performance Option and the Up Front Option;
“Perception Digital”	Perception Digital (BVI) and its subsidiaries;
“Perception Digital (BVI)”	Perception Digital Technology (BVI) Ltd., a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of the Company;

“Performance Option”	the right to subscribe for a maximum of 46,750,000 Shares granted by the Company to Teleepoch pursuant to the Supply Chain Management Agreement determined with reference to the amount of net profit that the Group derived from Teleepoch Clients;
“Share(s)”	share(s) of HK\$0.10 each in the share capital of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Supply Chain Management Agreement”	the supply chain management agreement dated 11 August 2011 entered into between the Company and Teleepoch;
“Teleepoch”	Teleepoch Limited, a company incorporated in the Cayman Islands with limited liability and an Independent Third Party;
“Teleepoch Product(s)”	products in relation to the sales orders placed to the Company by Teleepoch Clients;
“Teleepoch Client(s)”	client(s) of Teleepoch during the past five years prior to the date of the Supply Chain Management Agreement and any and all clients placing orders to the Company through the initiation and introduction of Teleepoch during the term of the Supply Chain Management Agreement;
“Up Front Option”	the right to subscribe for a maximum of 15,500,000 Shares by the Company to Teleepoch pursuant to the Supply Chain Management Agreement that will be exercisable three months after the Effective Date;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“%”	per cent.

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

Hong Kong, 11 August 2011

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