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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)

TERMINATION OF EXISTING CONTINUING CONNECTED TRANSACTION

References are made to the announcements dated 26 January 2011 and 31 January 2011 in relation to the Tenancy Agreement entered into between PD, a wholly-owned subsidiary of the Company, Welleader as landlord in respect of the leasing of the Premise which will expire on 27 January 2014.

On 24 December 2012, PD entered into a Termination Agreement with Welleader, whereby PD and Welleader agreed to terminate the Tenancy Agreement with effect from 27 December 2012.

The transaction contemplated under the Termination Agreement constitutes a connected transaction for the Company under chapter 14A of the Listing Rules. As the applicable percentage ratios for the annual rent under the Tenancy Agreement is less than 5%, the transaction contemplated under the Termination Agreement is subject to reporting and announcement requirements under chapter 14A of the Listing Rules, but exempt from independent Shareholders' approval requirements.

References are made to the announcements dated 26 January 2011 and 31 January 2011 in relation to the Tenancy Agreement entered into between PD with Welleader as landlord in respect of the leasing of the Premise which will expire on 27 January 2014. In accordance with the Tenancy Agreement, the annual rent was amounted to HK\$1,320,000.

On 24 December 2012, PD entered into a Termination Agreement with Welleader whereby PD and Welleader agreed to terminate the Tenancy Agreement with effect from 27 December 2012. Pursuant to the Termination Agreement, neither party is required to pay any penalty or compensation to any other party in respect of the termination of the Tenancy Agreement.

THE TERMINATION AGREEMENT

Date: 24 December 2012

Parties: (1) PD; and
(2) Welleader

Welleader is a company wholly-owned by Ms. Loh, the spouse of Dr. Lau, an executive Director and the Chief Executive Officer. Ms. Loh is also one of the controlling shareholders of the Company holding 182,566,037 Shares, or approximately 29.33% of the total issued share capital of the Company, within the meaning of Part XV of the SFO. Hence, Welleader is an associate of Dr. Lau and is accordingly a connected person of the Company.

Pursuant to the Termination Agreement, the Tenancy Agreement is terminated with effect from 27 December 2012.

REASONS AND BENEFITS FOR ENTERING THE TERMINATION AGREEMENT

As the Company had streamlined the operating structure of the Group during the second half of 2012, most of the Group's workforce was consolidated to its office at Shenzhen. The management considers that it is more appropriate to relocate to a smaller office in Hong Kong. The directors believe that the Group can benefit from the saving of administrative costs and enhance efficiency.

In view of the above, the Directors (including the independent non-executive Directors) are of the view that the Termination Agreement is made under normal commercial terms and the transaction is fair and reasonable and is in the interests of the Company and the Shareholders as a whole.

The Board confirms that as Dr. Lau has material interests in the transactions contemplated under the Termination Agreement, he abstained from voting on the Board resolutions relating to the Termination Agreement.

INFORMATION ON THE GROUP AND WELLEADER

The Group (including PD) is engaged in research, design and development of digital signal processing (DSP) platform and the provision of embedded firmware and end-to-end turnkey solutions to customers for their DSP-based consumer electronic devices.

Welleader is an investment holding company and is the landlord of the Premise.

LISTING RULES IMPLICATIONS

Welleader is an investment holding company wholly-owned by Ms. Loh, the spouse of Dr. Lau, an executive Director and the Chief Executive Officer. Ms. Loh is also one of the controlling shareholders of the Company within the meaning of Part XV of the SFO. Hence, Welleader is an associate of Dr. Lau and is accordingly a connected person of the Company.

The transaction contemplated under the Termination Agreement constitutes a connected transaction for the Company under chapter 14A of the Listing Rules. As the applicable percentage ratios for the annual rent under the Tenancy Agreement is less than 5%, the

transaction contemplated under the Termination Agreement is subject to reporting and announcement requirements under chapter 14A of the Listing Rules, but exempt from independent Shareholders' approval requirements.

DEFINITIONS

In this announcement, unless the context requires otherwise, the following terms and expressions have the following meanings:–

“associate”	has the meaning ascribed to this term under the Listing Rules;
“Board”	the board of Directors;
“Chief Executive Officer”	the chief executive officer of the Company;
“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;
“connected person(s)”	has the meaning ascribed to this term under the Listing Rules;
“Director(s)”	the director(s) of the Company;
“Dr. Lau”	Dr. Lau, Jack, an executive Director and the Chief Executive Officer;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Group”	the Company and its subsidiaries;
“Hong Kong”	the Hong Kong Special Administrative Region of the People's Republic of China;
“Ms. Loh”	Ms. Loh, Jiah Yee Katherine, the spouse of Dr. Lau
“PD”	Perception Digital Limited, a company incorporated in Hong Kong and a wholly-owned subsidiary of the Company;
“Premise”	18 th floor of Fortis Tower, No. 77-79 Gloucester Road, Hong Kong with gross area of 3,550 sq. ft.;
“SFO”	the Securities and Futures Ordinance (Chapter 571 of Laws of Hong Kong)
“Share(s)”	share(s) of HK\$0.1 each in the share capital of the Company;

“Shareholders”	holder(s) of the Share(s);
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Tenancy Agreement”	the tenancy agreement dated 28 January 2011 entered into between PD and Welleader;
“Termination Agreement”	the termination agreement dated 24 December 2012 entered into between PD and Welleader;
“Welleader”	Welleader Group Limited, a company incorporated in the British Virgin Islands with its entire issued share capital owned by Ms. Loh;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“sq. ft.”	square feet; and
“%”	per cent.

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

Hong Kong, 24 December 2012

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.