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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 is a voluntary announcement of Perception Digital Holdings Limited (the “Company” together with its subsidiaries, the “Group”).

### **Various Lawsuits issued by the Company’s Subsidiaries**

1. On 22 October 2012, PD Trading (Hong Kong) Limited, a wholly owned subsidiary of the Company, issued a writ of summons in the court of first instance of the high court of Hong Kong (the “Court”) against Teleepoch Limited (“Teleepoch”), a company whose business address is in Shenzhen, the People’s Republic of China (“PRC”), claiming the sum of HK\$9,206,800.98 being the aggregate amount of 11 dishonoured cheques issued by Teleepoch and interest thereon. As Teleepoch is a foreign company, the plaintiff has applied to and obtained permission from the Court to serve the writ of summons on Teleepoch outside of the jurisdiction of Hong Kong. As the case is still at its initial stage and the Company is not in a position to estimate when will the court hearing will commence.

The board of directors of the Company (the “Board”) considered that the dispute arose from the ordinary course of businesses of the Group and that there is a high chance in recovering from the defendant in full any judgment sum to be awarded by the Court in favour of the Group, hence, it is unlikely to have any material adverse impact on the business and financial position of the Group and is unlikely materially affect the price of the shares of the Company.

2. On 22 October 2012, Perception Digital Limited (“PDL”), a wholly owned subsidiary of the Company, issued a writ of summons in the Court against Wang Chuan, a PRC resident, claiming the sum of US\$360,000 being outstanding loan principal due with interest accrued and owing by Wang Chuan to PDL under a loan agreement dated 1 March 2012 entered into between PDL and Wang Chuan. As Wang Chuan is a PRC resident, the Plaintiff has applied to and obtained permission from the Court to serve the writ of summons on Wang Chuan outside of the jurisdiction of Hong Kong. As the case is still at its initial stage and the Company is not in a position to estimate when will the court hearing will commence.

The Board considered that there is a high chance in recovering in full from the defendant any judgment sum to be awarded by the Court in favour of the Group, hence, it is unlikely to have any material adverse impact on the business and financial position of the Group and is unlikely to materially affect the price of the shares of the Company.

3. On 26 November 2012, PDL, a wholly owned subsidiary of the Company, issued a writ of summons in the Court against Monsoon Multimedia Inc. (“Monsoon”) as the first defendant claiming (i) the sum of US\$4,126,399 being the aggregate amounts due and owing by Monsoon to PDL under, inter alia, (aa) a running account between PDL and Monsoon resulted in various trading activities as to USD81,457; (bb) a debt conversion agreement dated 1 June 2011 entered into between PDL and Monsoon, whereby Monsoon inter alia granted an option to PDL to convert debts owned by Monsoon to PDL into the common shares in Winfort Global Limited (“Winfort”), the parent company of Monsoon. Up to the date of writ of summons, PDL never exercised the option granted and Monsoon remained so indebted to PDL as to USD1,014,209.32; (cc) a distribution agreement entered into between PDL and Monsoon dated 7 December 2010 whereby PDL agreed inter alia to develop and distribute for Monsoon an electronic device and related client software marketed under the name of “Vulkano” under which Monsoon owed PDL an amount of USD537,689.69; (dd) a (loan) agreement entered into and signed by PDL, Monsoon and Wilfort, under which several loan advancements were made by PDL to Monsoon, resulting in a net sum of USD1,287,528 which was overdue and payable by Monsoon to PDL; (ee) a master service agreement entered into by Monsoon and PDL on 13 October 2010, PDL inter alia provided some services to Monsoon and a total sum of USD500,000 was overdue and payable by Monsoon to PDL; among the aforesaid transaction, PDL also claims from Monsoon an additional USD705,515 being interest on the outstanding balances; and (ii) a declaration that PDL be entitled to the immediate release of the source code, the patents and other intellectual property from an escrow agent to PDL under a tri-party escrow service agreement dated 22 December 2011 entered into among PDL, Monsoon and Iron Mountain Intellectual Property Management Inc. pursuant to clause 7(c)(dd) under the loan agreement which states that if the debts owed by Monsoon to PDL are over USD500,000, or if Monsoon fails to pay back the debts owed by Monsoon to PDL by 30 May 2012, then the source code, patents and other intellectual property put under the tri-party escrow service agreement shall be released to PDL unconditionally and free of charge, and that PDL shall own, and/or have the right to use, the source code, the said patents and other intellectual property freely or sell them to a bona fide buyer; and against Prabhat Jain as the second defendant, claiming the sum of USD4,126,399 under a personal guarantee dated 7 December 2011 executed by Prabhat Jain in favour of PDL guaranteeing the full and punctual payment when due, any amount of debts owed by Monsoon to PDL. As the proceedings are still at its initial stage, and as Monsoon is a foreign company and Prabhat Jain is not a Hong Kong resident, the plaintiff has applied to and obtained from the Court for permission to effect service of the writ of summons on the defendants out of the jurisdiction of Hong Kong and the Company is not in a position to estimate when will the court hearing date will commence.

The Board considers that there is a high chance of recovering in full from the defendants any judgment sum awarded by the Court in favour of the Group. Moreover, according to the valuation report prepared by an independent third party, the value of the collateral (that the plaintiff will have the right to use the source code, the patents and other intellectual property of the defendant freely or sell them to a bona fide buyer) is sufficient to cover the whole amount claimed under the writs of summons. This strengthens the Group's confidence in recovering in full the judgment sum. Hence, the Board is of the view that the litigation is unlikely to have any material adverse impact on the business and financial position of the Group and is unlikely to materially affect the price of the shares of the Company.

Should there be any further development in respect of the aforesaid matters, further announcement will be made by the Company as and when appropriate.

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

Hong Kong, 22 February 2013

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