
THIS PROSPECTUS IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this prospectus or as to the action to be taken, you should consult your licensed securities dealer or other registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your Shares (as defined herein), you should at once hand the Prospectus Documents (as defined herein) to the purchaser(s) or the transferee(s) or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s). The Prospectus Documents should not, however, be distributed, forwarded to or transmitted to, into or from any jurisdiction where to do so might constitute a violation of local securities laws or regulations.

A copy of each of the Prospectus Documents, together with copies of the documents specified in the paragraph headed "Documents registered with the Registrar of Companies" in Appendix III to this prospectus, have been registered with the Registrar of Companies in Hong Kong as required by Section 342C of the Companies Ordinance (as defined herein). The Registrar of Companies in Hong Kong takes no responsibility as to the contents of any of these documents.

Subject to the granting of listing of, and permission to deal in, the Offer Shares (as defined herein) on the Stock Exchange (as defined herein), the Offer Shares will be accepted as eligible securities by HKSCC (as defined herein) for deposit, clearance and settlement in CCASS (as defined herein) with effect from the commencement date of dealings in the Offer Shares or such other date as may be determined by HKSCC.

Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. You should consult your licensed securities dealer, registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser for details of those settlement arrangements and how such arrangements may affect your rights and interests.

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

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)

PROPOSED OPEN OFFER ON THE BASIS OF ONE OFFER SHARE FOR EVERY TWO SHARES HELD ON THE RECORD DATE AND CHANGE OF BOARD LOT SIZE

Underwriters to the Open Offer

Capital Fame Technology Limited

Keen Platinum Limited

Terms used in this cover shall have the same meanings as defined in this prospectus.

The latest time for acceptance of and payment for the Offer Shares is 4:00 p.m. on Wednesday, 13 March 2013. The procedures for application and payment are set out on pages 17 to 18 of this prospectus.

The Underwriting Agreement contains provisions granting the Underwriters the right to terminate the Underwriters' obligations thereunder on the occurrence of certain events. These events are set out in the section headed "Termination of the Underwriting Agreement" on pages 9 and 10 of this Prospectus. **If the Underwriters terminate the Underwriting Agreement or if the conditions of the Underwriting Agreement are not fulfilled in accordance with the terms thereof, the Open Offer will not proceed.**

It should be noted that the Shares have been dealt with on an ex-entitlements basis commencing from Friday, 15 February 2013 and that dealings in the Shares may take place whilst the conditions to which the Underwriting Agreement is subject remain unfulfilled. Any Shareholder or other person dealing in the Shares up to the date on which all conditions to which the Open Offer is subject to are fulfilled (which is expected to be on Friday, 15 March 2013) will accordingly bear the risk that the Open Offer cannot become unconditional and may not proceed. Any Shareholder or other person contemplating selling or purchasing Shares, who is in any doubt about his/her/its position is recommended to consult his/her/its own professional advisers.

27 February 2013

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DEFINITIONS

In this prospectus, the following expressions have the meanings set out below unless the context requires otherwise:

“acting in concert”	has the meaning ascribed thereto under the Hong Kong Code on Takeovers and Mergers
“Announcement”	the announcement of the Company dated 30 January 2013 relating to the Open Offer and change in board lot size
“Application Form”	the form of application for use by the Qualifying Shareholders to apply for the Offer Shares in the agreed form
“associate(s)”	has the meaning ascribed thereto under Rule 1.01 and as extended under Rule 14A.11 of the Listing Rules
“Board”	the board of the Directors
“Business Day”	a day on which licensed banks in Hong Kong are generally open for business, other than a Saturday or a Sunday or a day on which a black rainstorm warning or tropical cyclone warning signal number 8 or above is issued in Hong Kong at any time between 9:00 a.m. and 12:00 noon and is not cancelled at or before 12:00 noon
“BVI”	the British Virgin Islands
“Capital Fame”	Capital Fame Technology Limited, a company incorporated in the BVI with limited liability, being one of the Underwriters
“Capital Fame Undertaking”	the irrevocable undertakings dated 30 January 2013 given by Capital Fame in favour of the Company and Keen Platinum as more particularly set out in the paragraph headed “Capital Fame Undertaking” under the section headed “Letter from the Board” of this prospectus

DEFINITIONS

“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Companies Ordinance”	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong)
“Company”	Perception Digital Holdings Limited (Stock code: 1822), a company incorporated in the Cayman Islands with limited liability and the issued shares of which are listed on the main board of the Stock Exchange
“connected person(s)”	has the meaning ascribed thereto under Rule 1.01 and as extended under Rule 14A.11 of the Listing Rules
“Director(s)”	director(s) of the Company
“Dr. Lau”	Dr. Jack Lau, an executive Director and the chairman of the Company
“Excluded Shareholder(s)”	Overseas Shareholder(s) whom the Directors consider it necessary or expedient not to offer the Offer Shares to such Shareholder(s) on account either of legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place
“Group”	the Company and its subsidiaries
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Keen Platinum”	Keen Platinum Limited, a company incorporated in the BVI with limited liability, being one of the Underwriters

DEFINITIONS

“Last Trading Day”	30 January 2013, being the last full trading day of the Shares on the Stock Exchange before the release of the Announcement
“Latest Practicable Date”	25 February 2013, being the latest practicable date prior to the printing of this prospectus for the purpose of ascertaining certain information contained herein
“Latest Time for Acceptance”	4:00 p.m. on Wednesday, 13 March 2013 (or such later time or date as may be agreed between the Company and the Underwriters), being the latest time for acceptance of, and payment for, the Offer Shares as described in this prospectus
“Latest Time for Termination”	4:00 p.m. on Friday, 15 March 2013 (or such later time or date as may be agreed between the Company and the Underwriters), being the latest time to terminate the Underwriting Agreement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Masteray”	Masteray Limited, a company incorporated in the BVI with limited liability
“Ms. Loh”	Ms. Loh Jiah Yee, Katherine, the spouse of Dr. Lau
“Offer Share(s)”	the new Share(s) proposed to be issued and allotted under the Open Offer, being 311,250,000 Shares
“Open Offer”	the proposed issue of the Offer Shares at the Subscription Price on the basis of one (1) Offer Share for every two (2) Shares held on the Record Date to the Qualifying Shareholders upon the terms and the conditions as described in this prospectus
“Options”	the options granted under the Option Agreement

DEFINITIONS

“Option Agreement”	the option agreement dated 11 August 2011 entered into between the Company and Teleepoch in relation to the Options, details of which are set out in the announcement of the Company dated 11 August 2011
“Overseas Shareholder(s)”	the Shareholder(s) with registered addresses on the register of members of the Company which are outside Hong Kong on the Record Date
“PRC”	the People's Republic of China, which for the purpose of this prospectus excludes Hong Kong, Macau Special Administrative Region of the People's Republic of China and Taiwan
“Prospectus Documents”	this prospectus and the Application Form
“Prospectus Posting Date”	Wednesday, 27 February 2013 or such other date as may be agreed between the Company and the Underwriters for the despatch of the Prospectus Documents
“Qualifying Shareholder(s)”	the Shareholder(s) other than the Excluded Shareholders whose name(s) appear(s) on the register of members of the Company on the Record Date
“Record Date”	Friday, 22 February 2013 or such other date as may be agreed between the Company and the Underwriters for the determination of the entitlements under the Open Offer
“Registrar”	Tricor Investor Services Limited, 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, the Hong Kong Branch Share Registrar of the Company
“SFO”	Securities and Futures Ordinance (chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Share Options”	the outstanding options to subscribe for 4,500,000 new Shares granted to the employees and consultants of the Group pursuant to the Share Option Scheme

DEFINITIONS

“Share Option Scheme”	the share option scheme of the Company adopted on 27 November 2009
“Shareholder(s)”	holder(s) of Share(s)
“Shareholders Undertakings”	the irrevocable undertakings dated 30 January 2013 given by each of the Undertaking Shareholders in favour of the Company and the Underwriters as more particularly set out in the paragraph headed “Shareholders Undertakings” under the section headed “Letter from the Board” of this prospectus
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	the subscription price of HK\$0.1286 per Offer Share under the Open Offer
“substantial shareholder(s)”	has the meaning ascribed thereto under the Listing Rules
“Swanland”	Swanland Management Limited, a company incorporated in the BVI with limited liability
“Teleepoch”	Teleepoch Limited, a company incorporated in the Cayman Islands with limited liability
“Undertaking Shareholders”	Swanland, Masteray and Ms. Loh
“Underwriters”	Capital Fame and Keen Platinum
“Underwriting Agreement”	the agreement dated 30 January 2013, entered into by the Company, the Underwriters and the Undertaking Shareholders in relation to the Open Offer
“Underwritten Shares”	all Offer Shares which are not the subject of the Shareholders Undertakings, being 219,966,982 Offer Shares
“USA”	the United States of America

DEFINITIONS

“Warrants”	the outstanding warrants issued by the Company entitling the holder thereof to subscribe in cash in aggregate up to HK\$16,807,500 for 62,250,000 new Shares at a subscription price of HK\$0.27 (subject to adjustment, if any), details of which are set out in the announcement of the Company dated 18 October 2012
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“sq.ft”	square feet
“US\$”	United States dollars, the lawful currency of the USA
“%”	per cent

EXPECTED TIMETABLE

The expected timetable for the Open Offer and change of the board lot size is set out below:

2013

Record Date	Friday, 22 February
Register of members of the Company re-opens	Monday, 25 February
Despatch of the Prospectus Documents	Wednesday, 27 February
Latest time for acceptance of, and payment for the Offer Shares	By 4:00 p.m. on Wednesday, 13 March
Latest time for the Open Offer to become unconditional	By 4:00 p.m. on Friday, 15 March
Announcement of results of the Open Offer	Tuesday, 19 March
Despatch of refund cheques if the Open Offer is terminated	Wednesday, 20 March
Despatch of certificates for Offer Shares on or before	Wednesday, 20 March
Commencement of dealings in Offer Shares	Thursday, 21 March
Effective date of change of the board lot size from 5,000 Shares to 15,000 Shares	Thursday, 21 March
Designated broker starts to stand in the market to provide matching services	Thursday, 21 March
Last day for the designated broker to stand in the market to provide matching services	Monday, 15 April

All times and dates in this prospectus refer to Hong Kong local times and dates. Dates or deadlines specified in expected timetable above are indicative only and may be extended or varied by the Company. The above expected timetable is subject to change, and any such change will be published or notified to Shareholders in a separate announcement as and when appropriate.

EXPECTED TIMETABLE

EFFECT OF BAD WEATHER ON THE LATEST TIME FOR ACCEPTANCE OF AND PAYMENT FOR THE OFFER SHARES

The latest time for acceptance of and payment for the Offer Shares will not take place at the time stated above if there is a tropical cyclone warning signal no. 8 or above, or a “black” rainstorm warning:

- (i) in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on Wednesday, 13 March 2013. Instead the latest time for acceptance of and payment for the Offer Shares will be extended to 5:00 p.m. on the same Business Day; or
- (ii) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on Wednesday, 13 March 2013. Instead the latest time for acceptance of and payment for the Offer Shares will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warnings in force at any time between 9:00 a.m. and 4:00 p.m.

If the latest time for acceptance of and payment for the Offer Shares does not take place on 4:00 p.m. on Wednesday, 13 March 2013, the dates mentioned in the section may be affected. The Company will notify the Shareholders by way of announcement on any change to the expected timetable as soon as practicable.

TERMINATION OF THE UNDERWRITING AGREEMENT

TERMINATION OF THE UNDERWRITING AGREEMENT

If at any time on or before the Latest Time for Termination:

- (i) the Underwriters shall become aware of the fact that, or shall have reasonable cause to believe that any of the warranties in the Underwriting Agreement was untrue, inaccurate, misleading or breached, and in each case the same is (in the reasonable opinion of the Underwriters) material in the context of the Open Offer; or
- (ii) there shall be:
 - (a) any new law or regulation is enacted, or there is any change in existing laws or regulations or any change in the interpretation or application thereof by any court or other competent authority, whether in Hong Kong or elsewhere;
 - (b) any change in local, national or international financial, political, industrial or economic conditions;
 - (c) any change of an exceptional nature in local, national or international equity securities or currency markets;
 - (d) any local, national or international outbreak or escalation of hostilities, insurrection or armed conflict;
 - (e) any moratorium, suspension or material restriction on trading in securities generally on the Stock Exchange;
 - (f) any suspension in the trading of the Shares on the Stock Exchange for a continuous period of ten trading days (as defined in the Listing Rules) other than relating to the Open Offer;
 - (g) any change or development involving a prospective change in taxation or exchange controls in Hong Kong or elsewhere

TERMINATION OF THE UNDERWRITING AGREEMENT

which is or are, in the reasonable opinion of the Underwriters:–

1. likely to have a material adverse effect on the business, financial position or prospects of the Group taken as a whole; or
2. likely to have a material adverse effect on the success of the Open Offer or the level of Offer Shares to be taken up; or
3. so material as to make it inappropriate, inadvisable or inexpedient to proceed further with the Open Offer,

then the Underwriters may, by notice in writing given to the Company on or before the Latest Time for Termination, rescind the Underwriting Agreement and thereupon all obligations of the Underwriters thereunder shall cease and determine and no party shall have any claim against any other party in respect of any matter or thing arising out of or in connection with the Underwriting Agreement (save for any antecedent breaches thereof) and the Open Offer shall not proceed.

LETTER FROM THE BOARD

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)

Executive Director:

Dr. Jack Lau *(Chairman and Executive Director)*

Non-executive Directors

Prof. Cheng Shu Kwan, Roger

Prof. Tsui Chi Ying

Independent non-executive Directors:

Dr. Lam Lee Kiu Yue, Alice Piera

Prof. Chin Tai Hong, Roland

Mr. Shu Wa Tung, Laurence

Mr. William Keith Jacobsen

Mr. Ng Wai Hung

Registered office:

Cricket Square, Hutchins Drive,

P.O. Box 2681, Grand Cayman,

KY1-1111, Cayman Islands

*Head office and principal place of
business in Hong Kong:*

Unit 311, 3rd Floor

Core Building 1

No.1 Science Park East Avenue

Hong Kong Science Park

Pak Shek Kok

New Territories, Hong Kong

27 February 2013

*To the Qualifying Shareholders and, for information only,
the Excluded Shareholders and the holder(s) of the Share Options,
the Options and the Warrants*

Dear Sir or Madam,

**PROPOSED OPEN OFFER
ON THE BASIS OF
ONE OFFER SHARE FOR EVERY TWO SHARES
HELD ON THE RECORD DATE
AND
CHANGE OF BOARD LOT SIZE**

INTRODUCTION

On 30 January 2013, the Board announced, among other things, the proposed Open Offer. As stated in the Announcement, the Board proposed to raise not less than approximately HK\$40.03 million but not more than approximately HK\$41.36 million, before expenses, by issuing not less than 311,250,000 Offer Shares but not more than 321,625,000 Offer Shares at the Subscription Price of HK\$0.1286 per Offer Share.

LETTER FROM THE BOARD

The Open Offer is only available to the Qualifying Shareholders on the basis of one (1) Offer Share for every two (2) Shares in issue and held on the Record Date and payable in full on acceptance.

The purpose of this prospectus is to provide you with, among other things, details on the Open Offer including information on dealings in and applications for the Offer Shares, the information on change of board lot size, financial information and other general information of the Group.

PROPOSED OPEN OFFER

The terms of the proposed Open Offer are set out below.

Issue statistics

Basis of the Open Offer:	One (1) Offer Share for every two (2) Shares held on the Record Date
Number of Shares in issue as at the Latest Practicable Date:	622,500,000 Shares
Number of Offer Shares:	311,250,000 Offer Shares
Aggregate nominal value of the Offer Shares:	HK\$31,125,000
Subscription Price:	HK\$0.1286 per Offer Share

The net Subscription Price per Offer Share is approximately HK\$0.123.

LETTER FROM THE BOARD

Enlarged issued share capital of the Company upon completion of the Open Offer: 933,750,000 Shares

Fund raised before expenses: Approximately HK\$40.03 million

As at the Latest Practicable Date, there were outstanding Share Options conferring rights on the holders thereof to subscribe for 4,500,000 new Shares which are vested and exercisable at HK\$0.7 per Share (subject to adjustment, if any) during an exercise period from 26 March 2012 to 25 March 2014.

As at the Latest Practicable Date, there were outstanding Options conferring rights on the holders thereof to subscribe for up to 62,250,000 new Shares, of which 15,500,000 Options are vested and exercisable at HK\$0.38 per Share (subject to adjustment, if any) during an exercise period from 11 November 2011 to 10 August 2016 and 46,750,000 Options are yet to be vested and exercisable pursuant to the terms of the Option Agreement.

As at the Latest Practicable Date, Capital Fame, one of the Underwriters, was the holder of outstanding Warrants conferring rights on the holders thereof to subscribe in cash in aggregate up to HK\$16,807,500 for 62,250,000 new Shares at a subscription price of HK\$0.27 (subject to adjustment, if any). Capital Fame has given an irrevocable undertaking in favour of the Company and Keen Platinum not to exercise any Warrants to subscribe for new Shares between the date of the Underwriting Agreement up to and including the Record Date; and not to dispose of any Warrants held by it between the date of the Underwriting Agreement up to and including the Record Date.

An aggregate of 311,250,000 Offer Shares to be allotted and issued pursuant to the terms of the Open Offer represents (i) 50.00% of the existing issued share capital of the Company; and (ii) approximately 33.33% of the issued share capital of the Company as enlarged by the allotment and issue of the Offer Shares immediately after completion of the Open Offer.

LETTER FROM THE BOARD

As at the Latest Practicable Date, save for the outstanding Share Options, Options and Warrants as mentioned above, the Company had no other outstanding convertible securities, options or warrants in issue which confer any right to subscribe for, convert or exchange into Shares and rights over Shares. No Shares have been allotted or issued between the date of the Underwriting Agreement and up to, and including, the Record Date (other than pursuant to the outstanding and vested of the Share Options and Options).

Qualifying Shareholders

The Open Offer is only available to the Qualifying Shareholders. To qualify for the Open Offer, a Shareholder must be registered as a member of the Company on the Record Date and not be an Excluded Shareholder.

The Company will send the Prospectus Documents, including this prospectus and the Application Form, to the Qualifying Shareholders only. The Company will send copies of this prospectus to the Excluded Shareholder and respective holder(s) of the Share Options, the Options and the Warrants for their information only but will not send any Application Form to them.

In order to be registered as members of the Company on the Record Date, Shareholders must have lodged any transfers of the Shares (with the relevant share certificate(s)) with the Registrar at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong on or before 4:30 p.m. on Monday, 18 February 2013. The last day of dealings in the Shares on a cum-entitlement basis was Thursday, 14 February 2013. Dealing in the Shares on an ex-entitlement basis commenced from Friday, 15 February 2013.

Qualifying Shareholders who take up their pro-rata entitlement in full will not suffer any dilution to their interests in the Company. If a Qualifying Shareholder does not take up any of his/her/its entitlement under the Open Offer, his/her/its proportionate shareholding in the Company will be diluted.

The invitation to subscribe for the Offer Shares to be made to the Qualifying Shareholders will not be transferable.

Closure of register of members

The register of members of the Company was closed from Tuesday, 19 February 2013 to Friday, 22 February 2013, both dates inclusive, to determine the eligibility of the Shareholders to the Open Offer. No transfers of Shares was registered during this period.

LETTER FROM THE BOARD

Subscription Price

The Subscription Price of HK\$0.1286 per Offer Share is payable in full on application. The Subscription Price represents:

- (i) a discount of approximately 37.27% to the closing price of HK\$0.205 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 33.98% to the average closing price of HK\$0.1948 per Share for the five consecutive trading days up to and including the Last Trading Day;
- (iii) a discount of approximately 33.98% to the average closing price of HK\$0.1948 per Share for the ten consecutive trading days up to and including the Last Trading Day;
- (iv) a discount of approximately 28.36% to the theoretical ex-entitlement price of approximately HK\$0.1795 per Share (based on the closing price of HK\$0.205 per Share as quoted on the Stock Exchange on the Last Trading Day);
- (v) a discount of approximately 0.69% to the unaudited consolidated net asset value attributable to equity holders of the Company per Share as at 30 June 2012 of approximately HK\$0.1295; and
- (vi) a discount of approximately 6.81% to the closing price of HK\$0.138 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

The Subscription Price was determined by the Directors with reference to the market price of the Shares prior to and including the Last Trading Day, the financial conditions of the Company and the current and the expected market conditions. Each Qualifying Shareholder will be entitled to subscribe for the Offer Shares at the same Subscription Price in proportion to his/her/its shareholding held on the Record Date. The Directors (including the independent non-executive Directors) consider that the terms of the Open Offer, including the Subscription Price, are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Status of the Offer Shares

When allotted and issued, the Offer Shares will rank *pari passu* in all respects with the existing Shares in issue. Holders of the Offer Shares will be entitled to receive all future dividends and distributions which are declared, made or paid after the date of allotment and issue of the Offer Shares.

LETTER FROM THE BOARD

Fractional entitlement to the Offer Shares

Entitlement to the Offer Shares will be rounded down to the nearest whole number. Fractional entitlements of the Offer Shares will not be allotted and will be aggregated and taken up by the Underwriters in accordance to the terms and conditions of the Underwriting Agreement.

Share certificates of the Offer Shares

Subject to the fulfilment of the conditions of the Open Offer, share certificates for all Offer Shares are expected to be posted to those who have accepted and (where applicable) applied for, and paid for, the Offer Shares by ordinary post at their own risk on or before Wednesday, 20 March 2013. Dealings in the Offer Shares are expected to commence on or about Thursday, 21 March 2013. The Shares will be traded in board lots of 15,000 Shares each.

Rights of Excluded Shareholders

This prospectus is not intended to be registered or filed under the applicable securities legislation of any jurisdiction other than Hong Kong. If there are any Overseas Shareholders at the close of business on the Record Date, such Overseas Shareholders may or may not be eligible to take part in the Open Offer.

Based on the register of members of the Company on the Record Date, the Company had one Overseas Shareholder whose address is in the USA holding 784,228 Shares.

The Directors have, in compliance with Rule 13.36(2)(a) of the Listing Rules, made enquiries regarding the feasibility of extending the Open Offer to the Overseas Shareholder taking into consideration the applicable securities legislation of the USA or the requirements of the relevant regulatory body or stock exchange in the USA for the issue of Open Offer to the Overseas Shareholder.

The Directors have been advised that all offers and sales of securities in the USA must be registered with the Securities and Exchange Commission (“SEC”) in the USA under the Securities Act of 1933, as amended “the Securities Act” and the relevant state securities regulator(s) under applicable state securities laws unless exemptions from the registration requirements of the Securities Act and applicable state securities laws are available. In order to structure the Open Offer to fall within the relevant exemption, the Company would have to make certain filings with the California State Securities regulator. The Directors consider that it would be onerous for the Company to comply with all the legal requirements in the USA to extend the Open Offer to such Overseas Shareholder. The Company will send this prospectus to this Excluded Shareholder for his information only.

LETTER FROM THE BOARD

No application for excess Offer Shares

There is no arrangement for application for the Offer Shares by Qualifying Shareholders in excess of their entitlements. Considering that each Qualifying Shareholder will be given an equal and fair opportunity to participate in the Company's future development by subscribing for his/her/its proportionate entitlement under the Open Offer, if application for excess Offer Shares is arranged, the Company will be required to put in additional effort and costs to administer the excess application procedures, which is not cost-effective from the viewpoint of the Company. Any Offer Shares not taken up by the Qualifying Shareholders will be taken up by the Underwriters pursuant to the terms and conditions of the Underwriting Agreement.

PROCEDURES FOR ACCEPTANCE OF AND PAYMENT FOR THE OFFER SHARES

An Application Form is enclosed with this Prospectus which entitles a Qualifying Shareholder to apply for the number of Offer Shares available to the Qualifying Shareholder on an assured basis subject to payment in full on acceptance by no later than 4:00 p.m. on Wednesday, 13 March 2013. Qualifying Shareholders should note that they may apply for the number of Offer Shares equal to or less than the number set out in the Application Form. If you are a Qualifying Shareholder and you wish to apply for any number of Offer Shares in your assured allotment of Offer Shares to which you are entitled as specified in the enclosed Application Form, you must complete, sign and lodge the Application Form in accordance with the instructions printed thereon, together with a remittance for the full amount payable on acceptance in respect of such number of Offer Shares you have applied for with the Registrar at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong by no later than 4:00 p.m. on Wednesday, 13 March 2013. All remittances must be made in Hong Kong dollars. Cheque(s) must be drawn on an account with, or banker's cashier order(s) must be issued by, a licensed bank in Hong Kong and made payable to "PERCEPTION DIGITAL HOLDINGS LIMITED – OPEN OFFER ACCOUNT" and crossed "ACCOUNT PAYEE ONLY".

It should be noted that unless the duly completed and signed Application Form, together with the appropriate remittance, have been lodged with the Registrar by not later than 4:00 p.m. on Wednesday, 13 March 2013, that assured entitlement and all rights thereunder will be deemed to have been declined and will be cancelled.

The Application Form contains full information regarding the procedures to be followed if you wish to apply for a number of Offer Shares different from your assured entitlement.

LETTER FROM THE BOARD

All cheques or banker's cashier orders will be presented for payment upon receipt and all interests earned on such monies (if any) will be retained for the benefit of the Company. Any application in respect of which the cheque or banker's cashier order is dishonoured on first presentation or at the option of the Company, subsequent presentation is liable to be rejected, and in that event the assured entitlement and all rights thereunder will be deemed to have been declined and will be cancelled.

If the conditions of the Open Offer are not fulfilled and/or the Underwriting Agreement is terminated in accordance with its terms by the Latest Time for Termination, the application monies will be refunded, without interests, by sending a cheque made out to the applicant (or in the case of joint applicants, to the first named applicant) and crossed "ACCOUNT PAYEE ONLY", through ordinary post at the risk of the applicant(s) to the address specified in the register of members of the Company as soon as practicable and in any event on or before Wednesday, 20 March 2013.

The Application Form is for use only by the person(s) named therein and is not transferable. No receipt will be issued in respect of any application monies received.

Application for listing of the Offer Shares on the Stock Exchange

The Company has made application to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Offer Shares.

Subject to the granting of the listing of, and permission to deal in, the Offer Shares on the Stock Exchange, the Offer Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the respective commencement dates of dealings in the Offer Shares on the Stock Exchange or such other dates as may be determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Shareholders should seek advice from their licensed securities dealer or other professional adviser for details of those settlement arrangements and how such arrangements will affect their rights and interests.

Dealings in the Offer Shares, which are registered in the register of members of the Company in Hong Kong will be subject to the payment of stamp duty in Hong Kong.

LETTER FROM THE BOARD

UNDERWRITING AGREEMENT

Date:	30 January 2013
Issuer:	the Company
Underwriters:	(i) Capital Fame; and (ii) Keen Platinum
Undertaking Shareholders:	(i) Swanland; (ii) Masteray; and (iii) Ms. Loh
Number of Underwritten Shares:	All Offer Shares which are not subject to the Shareholders Undertakings, being 219,966,982 Offer Shares
Commission:	3% of the aggregate Subscription Price in respect of the number of the Underwritten Shares, which was determined after arm's length negotiation between the Company and the Underwriters, and the Directors are of the view that the commission is fair and reasonable

Pursuant to the Underwriting Agreement and subject to the terms of the condition thereof, (i) Capital Fame shall have priority over Keen Platinum to subscribe for the Underwritten Shares up to a maximum number of 120,000,000 Underwritten Shares; (ii) Keen Platinum shall subscribe for the remaining Underwritten Shares after Capital Fame's priority to subscribe the Underwritten Shares; and (iii) the rights and obligations of the Underwriters to subscribe the Underwritten Shares shall be several and not jointly.

Assuming no acceptance by the Qualifying Shareholders other than the Undertaking Shareholders under the Open Offer, Capital Fame and Keen Platinum shall subscribe for 120,000,000 and 99,966,982 Offer Shares respectively, representing approximately 12.85% and 10.71% of the issued share capital of the Company as enlarged by the allotment and issue of the Offer Shares immediately after completion of the Open Offer.

LETTER FROM THE BOARD

Capital Fame, a company incorporated in the BVI with limited liability and wholly-owned by Mr. Chan Yuen Ming, is an investment holding company and Keen Platinum, a company incorporated in the BVI with limited liability and wholly-owned by Mr. Mung Wai Ming, is an investment holding company. Capital Fame is the holder of the outstanding Warrants issued by the Company entitling it to subscribe in cash in aggregate up to HK\$16,807,500 for 62,250,000 new Shares at a subscription price of HK\$0.27 (subject to adjustment, if any) and it has irrevocably undertaken to the Company and Keen Platinum that (i) it will not exercise any Warrants to subscribe for new Shares between the date of the Underwriting Agreement up to and including the Record Date; and (ii) it will not dispose of any Warrants held by it between the date of the Underwriting Agreement up to and including the Record Date.

Save as the aforesaid, to the best of the Directors' knowledge, information and belief, each of Capital Fame, Keen Platinum and their respective ultimate beneficial owners and associates is (i) a third party independent of the Company; (ii) not a party acting in concert with any substantial shareholders of the Company; (iii) independent of and not associated nor in any way acting in concert with the Company and the other Underwriter. As advised by Capital Fame and Keen Platinum, it is not in the ordinary or usual course of business of each of Capital Fame and Keen Platinum to enter into this type of underwriting arrangement.

Shareholders Undertakings

As at the date of the Underwriting Agreement, (i) Swanland was interested in 125,592,340 Shares, representing approximately 20.17% of the existing issued share capital of the Company; (ii) Masteray was wholly-owned by Sea Progress Limited, which is wholly-owned by Credit Suisse Trust Limited (“**Credit Suisse**”) through a discretionary trust, and Masteray was interested in 51.00% of the issued share capital of Swanland and 53,828,697 Shares, representing approximately 8.65% of the existing issued share capital of the Company; and (iii) Ms. Loh, the spouse of Dr. Lau, was interested in 3,145,000 Shares, representing approximately 0.51% of the existing issued share capital of the Company.

Each of the Undertaking Shareholders has irrevocably undertaken to each of the Company and the Underwriters that (i) it or she will accept or procure its or her associates to accept all the Offer Shares to be provisionally allotted to it and its associates or she and her associates pursuant to the Open Offer in respect of the Shares held by it and its associates or she and her associates as at the Record Date; and (ii) it or she will not dispose of any Shares held by it or she between the date hereof up to and including the Record Date.

Save for the Shareholders Undertakings, as at the Latest Practicable Date, the Board had not received any information from any substantial shareholders of their intentions to take up the Offer Shares to be allotted to them.

LETTER FROM THE BOARD

Capital Fame Undertaking

As at the date of the Underwriting Agreement, Capital Fame held the Warrants which entitle it to subscribe in cash in aggregate up to HK\$16,807,500 for 62,250,000 new Shares at a subscription price of HK\$0.27 (subject to adjustment, if any).

Pursuant to the Underwriting Agreement, Capital Fame has irrevocably undertaken to the Company and Keen Platinum that (i) it will not exercise any Warrants to subscribe for new Shares between the date of the Underwriting Agreement up to and including the Record Date; and (ii) it will not dispose of any Warrants held by it between the date of the Underwriting Agreement up to and including the Record Date.

Conditions of the Open Offer

The Open Offer is conditional upon:

- (i) the delivery to the Stock Exchange and the registration with the Registrar of Companies in Hong Kong respectively one copy of each of the Prospectus Documents duly certified by two Directors (or by their agents duly authorised in writing) as having been approved by resolution of the Board (and all other documents required to be attached thereto) not later than the date of despatch of the Prospectus Documents and in compliance with the Listing Rules and the Companies Ordinance;
- (ii) the posting of the Prospectus Documents to the Qualifying Shareholders on or before the second Business Day after the Record Date;
- (iii) the Listing Committee of the Stock Exchange granting or agreeing to grant (subject to allotment), and not having revoked, listing of, and permission to deal in, the Offer Shares; and
- (iv) the Underwriting Agreement not being terminated in accordance with the section headed "Termination of the Underwriting Agreement" on pages 9 and 10 of this prospectus.

On 22 February 2013, the parties to the Underwriting Agreement agreed by written consent that the Prospectus Posting Date will be on or before the fourth Business Day after the Record Date.

LETTER FROM THE BOARD

Termination of the Underwriting Agreement

If at any time on or before the Latest Time for Acceptance:

- (i) the Underwriters shall become aware of the fact that, or shall have reasonable cause to believe that any of the warranties in the Underwriting Agreement was untrue, inaccurate, misleading or breached, and in each case the same is (in the reasonable opinion of the Underwriters) material in the context of the Open Offer; or
- (ii) there shall be:
 - (a) any new law or regulation is enacted, or there is any change in existing laws or regulations or any change in the interpretation or application thereof by any court or other competent authority, whether in Hong Kong or elsewhere;
 - (b) any change in local, national or international financial, political, industrial or economic conditions;
 - (c) any change of an exceptional nature in local, national or international equity securities or currency markets;
 - (d) any local, national or international outbreak or escalation of hostilities, insurrection or armed conflict;
 - (e) any moratorium, suspension or material restriction on trading in securities generally on the Stock Exchange;
 - (f) any suspension in the trading of the Shares on the Stock Exchange for a continuous period of ten trading days (as defined in the Listing Rules) other than relating to the Open Offer;
 - (g) any change or development involving a prospective change in taxation or exchange controls in Hong Kong or elsewhere

LETTER FROM THE BOARD

which is or are, in the reasonable opinion of the Underwriters:–

1. likely to have a material adverse effect on the business, financial position or prospects of the Group taken as a whole; or
2. likely to have a material adverse effect on the success of the Open Offer or the level of Offer Shares to be taken up; or
3. so material as to make it inappropriate, inadvisable or inexpedient to proceed further with the Open Offer,

then the Underwriters may, by notice in writing given to the Company on or before the Latest Time for Acceptance, rescind the Underwriting Agreement and thereupon all obligations of the Underwriters thereunder shall cease and determine and no party shall have any claim against any other party in respect of any matter or thing arising out of or in connection with the Underwriting Agreement (save for any antecedent breaches thereof) and the Open Offer shall not proceed.

WARNING OF THE RISK OF DEALING IN THE SHARES

If the Underwriting Agreement is terminated by the Underwriters on or before the Latest Time for Acceptance or does not become unconditional, the Open Offer will not proceed. The Open Offer is subject to the satisfaction of certain conditions as described under the paragraph headed “Conditions of the Open Offer” above.

In particular, it is subject to the Underwriters not exercising the right to terminate the Underwriting Agreement (see the paragraph headed “Termination of the Underwriting Agreement” above) on or before the Latest Time for Acceptance. Accordingly, the Open Offer may or may not become unconditional and may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealings in the Shares.

LETTER FROM THE BOARD

CHANGE IN THE SHAREHOLDING STRUCTURE OF THE COMPANY

Set out below is a summary of the shareholding structure of the Company as at the Latest Practicable Date, immediately after the completion of the Open Offer assuming no acceptance by the Qualifying Shareholders other than the Undertaking Shareholders under the Open Offer and immediately after the completion of the Open Offer assuming full acceptance by the Qualifying Shareholders under the Open Offer assuming there is no other charge in the shareholdings structure of the Company since the Latest Practicable Date. For illustration purpose, it is assumed that there are no Excluded Shareholders under the Open Offer.

	As at the Latest Practicable Date		Immediately after the completion of the Open Offer assuming no acceptance by the Qualifying Shareholders other than the Undertaking Shareholders under the Open Offer		Immediately after the completion of the Open Offer assuming full acceptance by the Qualifying Shareholders under the Open Offer	
	Approximate number of Shares	Approximate %	Approximate number of Shares	Approximate %	Approximate number of Shares	Approximate %
<i>Directors:</i>						
Swanland (Note 1)	125,592,340	20.17	188,388,510	20.17	188,388,510	20.17
Masteray (Note 1)	53,828,697	8.65	80,743,045	8.65	80,743,045	8.65
Ms. Loh (Note 1)	3,145,000	0.51	4,717,500	0.51	4,717,500	0.51
Dr. Lau and his associates (Note 1)	182,566,037	29.33	273,849,055	29.33	273,849,055	29.33
Excel Direct Technology Limited (“Excel Direct”) (Note 2)	11,903,210	1.91	11,903,210	1.27	17,854,815	1.91
Rochdale Consultancy Limited (“Rochdale”) (Note 3)	2,976,665	0.48	2,976,665	0.32	4,464,997	0.48
<i>Substantial Shareholders:</i>						
Dr. Wu Po Him, Philip and his associate (Note 4)	142,081,464	22.82	142,081,464	15.22	213,122,196	22.82
Capital Fame	–	–	120,000,000	12.85	–	–
Keen Platinum	–	–	99,966,982	10.71	–	–
Public Shareholders	282,972,624	45.46	282,972,624	30.30	424,458,937	45.46
Total	622,500,000	100.00	933,750,000	100.00	933,750,000	100.00

LETTER FROM THE BOARD

Notes:

1. Swanland is owned as to 51% by Masteray and therefore Masteray is deemed to be interested in all the Shares held by Swanland. Masteray is wholly-owned by Sea Progress Limited, which, through a discretionary trust, is wholly-owned by Credit Suisse. Ms. Loh is the founder of the said trust, and hence she is deemed to be interested in 182,566,037 Shares. Dr. Lau, being the spouse of Ms. Loh, is deemed to be interested in all the Shares held by Ms. Loh.
2. Excel Direct is owned as to 50% by Prof. Tsui Chi Ying, a non-executive Director.
3. Rochdale is owned as to 50% by Prof. Cheng Shu Kwan, Roger, a non-executive Director.
4. Dr. Wu Po Him, Philip, a substantial shareholder of the Company, is the beneficial owner of 1,599,142 Shares and is interested in 140,482,322 Shares, through Manyi Holdings Limited, a company wholly-owned by him.

CHANGE IN BOARD LOT SIZE

The Shares are currently traded in board lots of 5,000 Shares each and the market value of each board lot is HK\$1,025 (based on the closing price of HK\$0.205 per Share as quoted on the Stock Exchange on the Last Trading Date). In order to increase the value of each board lot of the Shares so that the value of each board lot of the Shares will not be less than HK\$2,000, as well as to reduce transaction and registration costs incurred by the Shareholders and investors of the Company, the Board proposes to change the board lot size for trading of the Shares from 5,000 Shares to 15,000 Shares with effect from Thursday, 21 March 2013. Based on the theoretical ex-entitlement price of the Shares of HK\$0.1349 with reference to the closing price of HK\$0.138 per Share on the Latest Practicable Date, the new estimated board lot value would be approximately HK\$2,023. The change in board lot size will not result in any change in the relative rights of the Shareholders. The Board is of the opinion that the change in board lot size is in the interests of the Company and its Shareholders as a whole.

To alleviate the difficulties in trading odd lots of the Shares arising from the change in board lot size of the Shares, the Company has appointed South China Securities Limited as an agent to provide matching services to the Shareholders who wish to top up or sell their holdings of odd lots of the Shares during the period from Thursday, 21 March 2013 to Monday, 15 April 2013 (both days inclusive). Holders of the Shares in odd lots represented by the existing share certificates for the Shares who wish to take advantage of this facility either to dispose of their odd lots of the Shares or to top up their odd lots to a full new board lot may directly or through their broker contact Ms. Michelle Lee of South China Securities Limited at 28/F., Bank of China Tower, No. 1 Garden Road, Central, Hong Kong (telephone: (852) 3196-6237 and facsimile: (852) 3101-9200) during such period. Holders of the Shares in odd lots should note that successful matching of the sale and purchase of odd lots of the Shares is not guaranteed. The Shareholders are recommended to consult their professional advisers if they are in doubt about the above facility.

LETTER FROM THE BOARD

REASONS FOR THE OPEN OFFER AND USE OF PROCEEDS

The Company is principally engaged in the provision of embedded firmware and turnkey solutions for consumer electronics devices, with services such as concept consultation, technology feasibility study, embedded firmware design and development, industrial design, intellectual property research, manufacturing and packaging, logistic management and after sales support.

As disclosed in the interim report of the Company for the six months ended 30 June 2012, the Group's business has been facing successive challenges due to the prolonged instability of the global economic condition. The revenue of the Group was decreased by approximately 21.6% from approximately HK\$215.5 million to approximately HK\$169.0 million for six months ended 30 June 2012 and the Group recorded a net loss of approximately HK\$18.3 million for the six months ended 30 June 2012 as compared to a net loss of approximately HK\$2.0 million for the corresponding period in 2011. Furthermore, as disclosed in the announcement of the Company dated 18 October 2012, the Company as borrower and Capital Fame as lender entered into a loan agreement in relation to the grant of loan facility of up to an aggregate principal amount of HK\$50 million by Capital Fame to the Company. As at the Latest Practicable Date, the Company had drawn down HK\$50 million in full which has been used as general working capital of the Group.

After considering alternative fund raising methods such as rights issues, the Directors believe that it would be in the best interests of the Group and the Shareholders as a whole to enlarge the capital base and strengthen the financial position of the Group through the Open Offer. The Directors have considered, among other things, that rights issue, if compared to open offer, will increase administrative costs and expenses of the Company in arranging for trading of the nil-paid rights and the requiring less time for completion. The Open Offer, on the other hand, will not only strengthen the financial positions of the Company, but also provides an equal opportunity to all the Qualifying Shareholders to participate in this fund raising activity. The Open offer would allow the Qualifying Shareholders, who decide to take up in full their provisional allotment of Offer Shares, to participate in and share the growth of the Company without diluting their shareholdings. In addition, the Open Offer is available to all the Qualifying Shareholders, each of them can enjoy the discount offered by the Subscription Price.

The estimated net proceeds from the Open Offer will be approximately HK\$38.13 million. The Company intends to apply the net proceeds from the Open Offer as to (i) 30% for future funding requirements on research and development projects for electronic products; (ii) 50% for general working capital; and (iii) 20% for reduction of the Group's indebtedness.

LETTER FROM THE BOARD

The terms of the Open Offer (including the Subscription Price) were arrived at after arm's length negotiation between the Company and the Underwriters with reference to the market price of the Shares prior to and including the Last Trading Day, the financial conditions of the Company and the current and the expected market conditions, existing number of issued Shares and the funds expected to be raised by the Open Offer. The Directors (including the independent non-executive Directors) consider that under the Open Offer, each Shareholder is entitled to subscribe for the Offer Shares at the same price in proportion to his/her/its existing shareholding in the Company and that the discount of the Subscription Price will encourage the Shareholders to participate in the Open Offer.

FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The Company is principally engaged in the provision of embedded firmware and turnkey solutions for consumer electronics devices, with services such as concept consultation, technology feasibility study, embedded firmware design and development, industrial design, intellectual property research, manufacturing and packaging, logistic management and after sales support.

The Group's business has been facing successive challenges due to the prolonged instability of the global economic condition. As disclosed in the announcements of the Company dated 16 January 2013 and 21 January 2013, it is expected the Group may record an increased loss for the year ended 31 December 2012 as compared to the loss recorded for the year ended 31 December 2011.

In order to improve the profitability of the Group, the Group has adopted some cost saving measures since mid 2012. In addition, the Group has been actively expanding its sales network as well as focusing on the research and development of new products. In the previous year, the Group had launched some sport electronic devices and received positive responses from its customers and therefore the Group will continue to conduct the research and development on sport electronic devices.

Despite the intensification of the European economic crisis in 2012, the Directors believe that the demand for consumer electronic devices will grow in the long run in view of the growing popularity of portable electronic devices and are optimistic about the business of the Group in the coming years.

LETTER FROM THE BOARD

FUND RAISING EXERCISE OF THE COMPANY DURING THE PAST 12 MONTHS

Date of announcement	Event	Net proceeds	Intended use of proceeds	Actual use of Proceeds
18 October 2012	Issue of the Warrants at the consideration of HK\$1.00	HK\$1.00 and approximately HK\$16.8 million upon the exercise of the Warrants	Reduction of the indebtedness of the Group and general working capital of the Company	No Warrants are exercised as at the Latest Practicable Date

Save as aforesaid, the Company did not conduct any fund raising activity in the past 12 months immediately preceding the Latest Practicable Date.

LISTING RULES IMPLICATIONS

The Open Offer is not subject to Shareholders' approval under the Listing Rules.

ADJUSTMENTS TO THE SHARE OPTIONS, OPTIONS AND THE WARRANTS

Adjustments to the exercise prices and/or number of Shares issuable in respect of the Share Options, the Options and the Warrants may be required under the relevant terms of the Share Option Scheme, the terms and conditions of the Option Agreement and the instrument of the Warrants. Further details of such adjustments, if required, will be disclosed in further announcement(s).

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

1. FINANCIAL INFORMATION OF THE GROUP

Financial information of the Group for the years ended 31 December 2009, 31 December 2010 and 31 December 2011 and the six months ended 30 June 2012, including the notes thereto, have been published in the annual reports of the Company for the years ended 31 December 2009 (pages 32 to 92), 31 December 2010 (pages 41 to 114) and 31 December 2011 (pages 40 to 111) and the interim report of the Company for the six months ended 30 June 2012 (pages 1 to 12) respectively, which are incorporated by reference into this prospectus. The said annual reports and interim report of the Company are available on the Company's website at www.perceptiondigital.com and the website of the Stock Exchange at www.hkexnews.hk.

2. INDEBTEDNESS STATEMENT**Borrowings**

As at the close of business on 31 December 2012, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this Prospectus, the Group had total bank and other borrowings amounted to approximately HK\$137.0 million, of which (i) bank borrowings of the Group of approximately HK\$87.8 million were secured by the pledge of certain of the Group's time deposits amounting to approximately HK\$16.2 million; and (ii) bank borrowings of the Group of approximately HK\$5.6 million and other borrowing of the Group of approximately HK\$43.6 million were unsecured.

Disclaimer

Save as disclosed above and apart from intra-group liabilities and normal trade payables, the Group did not have any loan capital issued and outstanding or agreed to be issued, or any outstanding debt securities, bank overdrafts, other borrowings or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, finance lease or hire purchase commitments, guarantees or other material contingent liabilities as at the close of business on 31 December 2012.

The Directors are not aware of any material adverse changes in the Group's indebtedness position and contingent liabilities since 31 December 2012.

3. WORKING CAPITAL STATEMENT

In respect of certain short term borrowings of approximately HK\$44.8 million as at 31 December 2012 provided to certain subsidiaries of the Company by a creditor bank, during the year ended 31 December 2012, the Group was unable to maintain the Group's gearing ratio and net tangible worth at a certain level (the "Financial Covenants") as specified in the corresponding banking facility letter. On 10 December 2012, the creditor bank granted a waiver letter to those subsidiaries to waive the Financial Covenants (the "Waiver") for the six month period ended 30 June 2012 and all the terms and conditions in the existing banking facility letter shall remain unchanged and provided always that the banking facilities shall remain subject to review at any time by the creditor bank and in any event by the next banking facility review time in 2013. After considering the latest financial position of the Group, the fact that the Group has made all previously scheduled repayments to that creditor bank on time and based on the communication with that creditor bank confirming that the Waiver is valid until the next banking facility review time in 2013, the Directors consider that the risk for the respective bank borrowings being called by the creditor bank resulting from the breach of the Financial Covenants in the foreseeable future is low.

Based on the above, the Directors, after due and careful enquiry, in the absence of unforeseen circumstances, taking into account the financial resources presently available to the Group, including the Group's presently available banking facilities and internally generated funds, and the estimated net proceeds from the Open Offer, are of the opinion that the Group has sufficient working capital for its present working capital requirements, that is, for at least the next 12 months from the date of this prospectus.

4. MATERIAL ADVERSE CHANGE

As disclosed in (i) the interim report of the Company for the six months ended 30 June 2012 dated 31 August 2012, the net loss of the Group for the six months ended 30 June 2012 had further increased; and (ii) the announcements of the Company dated 16 January 2013 and 21 January 2013, it is expected that the Group may record an increased loss for the year ended 31 December 2012 as compared to the loss recorded for the year ended 31 December 2011, which was mainly caused by (a) the overall decrease in gross profit margin of the Group as affected by the intensification of the European economic crisis during 2012; (b) potential impairment on receivables from certain customers arising from disputes with those customers; and (c) an estimated impairment of the Group's inventory of approximately HK\$10.7 million in connected with certain raw materials previously stored in a subcontracted warehouse, which were found to be lost during the stock taking process.

As at the Latest Practicable Date, save as disclosed above, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2011, being the date to which the latest published audited consolidated financial statements of the Group were made up.

For illustrative purpose only, set out below is the unaudited pro forma adjusted consolidated net tangible assets of the Group (the “Unaudited Pro Forma Financial Information”) as if Open Offer had been completed on 30 June 2012. Although reasonable care has been exercised in preparing the Unaudited Pro Forma Financial Information, Shareholders who read the information below should bear in mind that these figures are inherently subject to adjustments and, because of its hypothetical nature, may not give a true picture of the Group’s financial position had the open offer been completed as at 30 June 2012 or any future dates.

UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP ATTRIBUTABLE TO OWNERS OF THE COMPANY

The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company set out below has been prepared in accordance with paragraph 29 of Chapter 4 of the Listing Rules to illustrate the effect of the proposed Open Offer on the unaudited consolidated net tangible assets of the Group as if the Open Offer had been completed on 30 June 2012.

The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group attributable to owners of the Company immediately after completion of the Open Offer.

The following unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company has been prepared based on the unaudited consolidated net tangible assets of the Group attributable to owners of the Company as at 30 June 2012, with adjustment described below.

	Unaudited consolidated net tangible assets of the Group attributable to owners of the Company as at 30 June 2012 <i>HK\$'000</i> <i>(Note 1)</i>	Estimated net proceeds from the Open Offer <i>HK\$'000</i> <i>(Note 2)</i>	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company immediately after completion of the Open Offer <i>HK\$'000</i>	Unaudited consolidated net tangible assets per Share attributable to owners of the Company as at 30 June 2012 <i>HK\$</i> <i>(Note 3)</i>	Unaudited pro forma adjusted consolidated net tangible assets per Share attributable to owners of the Company immediately after completion of the Open Offer <i>HK\$</i> <i>(Note 4)</i>
Based on 311,250,000 Offer Shares at a Subscription Price of HK\$0.1286 per Offer Share	37,836	38,127	75,963	0.06	0.08

Notes:

- 1 The unaudited consolidated net tangible assets of the Group attributable to owners of the Company as at 30 June 2012 is calculated based on the unaudited consolidated net assets of the Group attributable to owners of the Company as at 30 June 2012 of approximately HK\$80,630,000, adjusted by deducting the deferred development costs of the Group as at 30 June 2012 of approximately HK\$42,794,000, both are extracted from the published interim report of the Company for the six months ended 30 June 2012.
- 2 The estimated net proceeds from the Open Offer of approximately HK\$38,127,000 is calculated based on 311,250,000 Offer Shares assuming to be issued on the completion of the Open Offer (based on 622,500,000 Shares in issue as at 30 June 2012 and assuming no Share Options or Options would be exercised) at the Subscription Price of HK\$0.1286 per Offer Share and after deduction of estimated related expenses of approximately HK\$1,900,000.
- 3 The number of Shares used for the calculation of the unaudited consolidated net tangible assets per Share attributable to owners of the Company as at 30 June 2012 is 622,500,000, being the number of Shares in issue as at 30 June 2012.
- 4 The unaudited pro forma adjusted consolidated net tangible assets per Share attributable to owners of the Company immediately after completion of the Open Offer is calculated based on 933,750,000 Shares which comprise 622,500,000 Shares in issue as at 30 June 2012 and 311,250,000 Offer Shares assuming to be issued on the completion of the Open Offer (based on 622,500,000 Shares in issue as at 30 June 2012 and assuming no Share Options or Options would be exercised) as if the Open Offer had been completed on 30 June 2012.
- 5 No adjustment has been made to reflect any trading results or other transactions of the Group entered into subsequent to 30 June 2012.

**B. REPORT ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF
THE GROUP**

The following is the text of a report received from the reporting accountants of the Company, Ernst & Young, Certified Public Accountants, Hong Kong, in respect of the unaudited pro forma financial information of the Group for the purpose of incorporation in this prospectus.



22/F CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

27 February 2013

The Directors

Perception Digital Holdings Limited
Unit 311, 3rd Floor, Core Building 1
No. 1 Science Park East Avenue
Hong Kong Science Park
Pak Shek Kok
New Territories
Hong Kong

Dear Sirs

We report on the unaudited pro forma adjusted consolidated net tangible assets (the “**Unaudited Pro Forma Financial Information**”) of Perception Digital Holdings Limited (the “**Company**”) and its subsidiaries (hereinafter collectively referred to as the “**Group**”), which has been prepared by the directors of the Company (the “**Directors**”) for illustrative purposes only, to provide information about how the proposed open offer of shares of the Company might have affected the financial information presented, for inclusion in Appendix II to the prospectus of the Company dated 27 February 2013 (the “**Prospectus**”). The basis of preparation of the Unaudited Pro Forma Financial Information is set out in Appendix II to the Prospectus.

Respective Responsibilities of the Directors and the Reporting Accountants

It is the responsibility solely of the Directors to prepare the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”).

It is our responsibility to form an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of Opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 “Accountants’ Reports on Pro Forma Financial Information in Investment Circulars” issued by the HKICPA. Our work consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments, and discussing the Unaudited Pro Forma Financial Information with the Directors. This engagement did not involve independent examination of any of the underlying financial information.

Our work did not constitute an audit or a review made in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA, and accordingly, we do not express any such audit or review assurance on the Unaudited Pro Forma Financial Information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Unaudited Pro Forma Financial Information has been properly compiled by the Directors on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

The Unaudited Pro Forma Financial Information is for illustrative purposes only, based on the judgements and assumptions of the Directors, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of the financial position of the Group as at 30 June 2012 or any future dates.

Opinion

In our opinion:

- (a) the Unaudited Pro Forma Financial Information has been properly compiled by the Directors on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully
Ernst & Young
Certified Public Accountants
Hong Kong

1. RESPONSIBILITY STATEMENT

This prospectus, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein misleading.

2. SHARE CAPITAL

The authorised and issued share capital of the Company as at the Latest Practicable Date and immediately upon completion of the Open Offer (assuming no further issue of Shares from the Latest Practicable Date up to completion of the Open Offer) was and will be as follows:

As at the Latest Practicable Date

<i>Authorised:</i>		<i>HK\$</i>
<u>2,000,000,000</u>	Shares	<u>200,000,000</u>

<i>Issued and fully paid:</i>		<i>HK\$</i>
<u>622,500,000</u>	Shares	<u>62,250,000</u>

Immediately after completion of the Open Offer

<i>Authorised:</i>		<i>HK\$</i>
<u>2,000,000,000</u>	Shares	<u>200,000,000</u>

<i>Issued and fully paid:</i>		<i>HK\$</i>
622,500,000	Shares in issue as at the Latest Practicable Date	62,250,000
<u>311,250,000</u>	Offer Shares to be allotted and issued under the Open Offer	<u>31,125,000</u>
<u>933,750,000</u>	Shares in issue immediately after completion of Open Offer	<u>93,375,000</u>

All of the Offer Shares to be issued will rank pari passu in all respects with each other, including, in particular, as to dividends, voting rights and capital, and with all the Shares in issue as at the date of allotment and issue of the Offer Shares. The Offer Shares to be issued will be listed on the Stock Exchange.

No part of the share capital or any other securities of the Company is listed or dealt in on any stock exchange other than the Stock Exchange and no application is being made or is currently proposed or sought for the Shares or Offer Shares or any other securities of the Company to be listed or dealt in on any other stock exchange.

As at the Latest Practicable Date, there were (i) outstanding Share Options conferring rights on the holders thereof to subscribe for 4,500,000 new Shares which are vested and exercisable at HK\$0.7 per Share (subject to adjustment, if any) during an exercise period from 26 March 2012 to 25 March 2014; (ii) outstanding Options conferring rights on the holders thereof to subscribe for up to 62,250,000 new Shares, of which 15,500,000 Options are vested and exercisable at HK\$0.38 per Share (subject to adjustment, if any) during an exercise period from 11 November 2011 to 10 August 2016 and 46,750,000 Options are yet to be vested and exercisable pursuant to the terms of the Option Agreement; and (iii) outstanding Warrants conferring rights on the holders thereof to subscribe in cash in aggregate up to HK\$16,807,500 for 62,250,000 new Shares at a subscription price of HK\$0.27 (subject to adjustment, if any). Save for the outstanding Share Options, Options and Warrants as mentioned above, as at the Latest Practicable Date, the Company had no other outstanding convertible securities, options or warrants in issue which confer any right to subscribe for, convert or exchange into Shares and rights over Shares.

3. DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at the Latest Practicable Date, the interests of the Directors and chief executives in the shares, underlying shares or debentures of the Company or any of our associated corporations (within the meaning of Part XV of the SFO), which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies as contained in Appendix 10 to the Listing Rules, were as follows:

Long position:

Name of Director	Notes	Capacity/Nature of interest	Number of Shares interested	Percentage of the Company's issued share capital
Dr. Lau	(a)	Interest of spouse	182,566,037	29.33%
Prof. Cheng, Shu Kwan Roger ("Prof. Cheng")	(b)	Interest of controlled corporation	2,976,665	0.48%
Prof. Tsui, Chi Ying ("Prof. Tsui")	(c)	Interest of controlled corporation	11,903,210	1.91%

Notes:

- (a) Of the 182,566,037 Shares, 53,828,697 Shares are held by Masteray, 125,592,340 Shares are held by Swanland and 3,145,000 are held by Ms. Loh, the spouse of Dr. Lau. Masteray is owned as to 100% by Sea Progress Limited ("Sea Progress"), which, through a discretionary trust, is wholly-owned by Credit Suisse. Ms. Loh is the founder of a discretionary trust holding 179,421,037 Shares by Credit Suisse, and hence she is deemed to be interested in 182,566,037 Shares. Dr. Lau is deemed to be interested in all the Shares held by Ms. Loh.

- (b) The 2,976,655 Shares are held by Rochdale, which 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.

- (c) The 11,903,210 Shares are held by Excel Direct, which 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.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executives of the Company had any beneficial or deemed interests or short positions in the Shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies as contained in Appendix 10 to the Listing Rules.

4. INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS

So far as is known to the Directors and the chief executive of the Company, as at the Latest Practicable Date, the following persons, other than a Director or chief executive of the Company, had an interest or short position in the shares, underlying shares or debentures of the Company which would fall to be disclosed to the Company under provisions of Division 2 and 3 of Part XV of the SFO, or were directly or indirectly interested in ten per cent or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group:

Long Position:

Name of Substantial Shareholders	Notes	Capacity/Nature of interest	Number of Shares interested	Percentage of the Company's issued share capital
Swanland		Beneficial owner	125,592,340	20.17%
Masteray	(a)	Interest of controlled corporation	125,592,340	20.17%
		Beneficial owner	53,828,697	8.65%
Sea Progress Limited ("Sea Progress")	(b)	Beneficial owner	179,421,037	28.82%
Ms. Loh	(c)	Interest of controlled corporation	179,421,037	28.82%
		Beneficial owner	3,145,000	0.51%
Manyi Holdings Limited ("Manyi")		Beneficial owner	140,482,322	22.57%
Dr. Wu Po Him, Philip ("Dr. Wu")	(d)	Interest of controlled corporation	140,482,322	22.57%
		Beneficial owner	1,599,142	0.25%
Notable Success Investments Limited ("Notable Success")	(e)	Beneficial owner	54,196,943	8.71%

Name of Substantial Shareholders	Notes	Capacity/Nature of interest	Number of Shares interested	Percentage of the Company's issued share capital
Successful Link Limited ("Successful Link")	(e)	Interest of controlled corporation	54,196,943	8.71%
Paulo Lam ("Mr. Lam")	(e)	Interest of controlled corporation	54,196,943	8.71%
Capital Fame	(f)	Beneficial owner	182,250,000	29.28%
Mr. Chan Yuen Ming ("Mr. Chan")	(f)	Interest of controlled corporation	182,250,000	29.28%
Keen Platinum	(g)	Beneficial owner	110,341,982	17.72%
Mung Wai Ming ("Mr. Mung")	(g)	Interest of controlled corporation	110,341,982	17.72%

As at the Latest Practicable Date, none of the Director is a director or employee of the companies who are the substantial shareholders of the Company.

Notes:

- (a) Masteray is interested in 51% of the issued share capital in Swanland and hence is deemed to be interested in all the Shares held by Swanland.
- (b) Masteray is owned as to 100% by Sea Progress, which, through a discretionary trust, is wholly-owned by Credit Suisse.
- (c) Ms. Loh is the founder of a discretionary trust holding 179,421,037 Shares by Credit Suisse and hence is deemed to be interested in all the Shares held thereof.
- (d) Dr. Wu is the sole beneficial owner of Manyi and hence is deemed to be interested in all the Shares held by Manyi.
- (e) Notable Success is wholly-owned by Successful Link, which is in turn wholly-owned by Mr. Lam. Therefore, Successful Link is deemed to be interested in all the Shares held by Notable Success and Mr. Lam is deemed to be interested in all the Shares held by Successful Link through Notable Success.
- (f) Capital Fame is the holder of the Warrants and is interested in 120,000,000 of the Underwritten Shares, Mr. Chan is the sole beneficial owner of Capital Fame and hence is deemed to be interested in all the Shares that Capital Fame is interested in.
- (g) Keen Platinum is interested in a maximum of 110,341,982 of the Underwritten Shares, Mr. Mung is the sole beneficial owner of Keen Platinum and hence is deemed to be interested in all the Shares that Keen Platinum is interested in.

5. DIRECTORS' INTERESTS IN CONTRACTS AND ASSETS

On 28 January 2011, Perception Digital Limited (“PDL”), an indirect wholly-owned subsidiary of the Company, entered into (i) a tenancy agreement (“Tenancy Agreement”) with Welleader Group Limited (“Welleader”), a company wholly-owned by Ms. Loh, the spouse of director Dr. Lau, an executive director and the Chief Executive Officer of the Company, as the landlord for the leasing of an office premises located at 18th Floor of Fortis Tower, No. 77-79 Gloucester Road, Hong Kong with gross floor area of 3,550 sq. ft at the annual rent of HK\$1,320,000; and (ii) a sublease agreement (“Sublease Agreement”) with Comose Holdings Limited (“Comose”), a company owned as to 60% by Dr. Wu, a former independent non-executive director of the Company, as the lessor and Welleader as the sublessor for the leasing of an office premises located at 21st Floor of Fortis Tower, No. 77-79 Gloucester Road, Hong Kong with gross floor area of 6,350 sq. ft at the annual rent of HK\$2,400,000. The aforementioned office premises are used by the Company and certain of its subsidiaries for office use. The sublease under the Sublease Agreement was terminated with effect from 20 August 2012 no penalty or compensation by a termination agreement dated 20 August 2012 entered into between PDL and Welleader and the lease under the Tenancy Agreement was terminated with effect from 27 December 2012 with no penalty or compensation by a termination agreement dated 24 December 2012 entered into between PDL and Welleader.

As at the Latest Practicable Date, save as disclosed above, none of the Directors had any direct or indirect interest in any assets which have been, since 31 December 2011 (being the date up to which the latest published audited accounts of the Group were made up), (i) acquired or disposed of by; or (ii) lease to; or (iii) proposed to be acquired or disposed of by; or (iv) proposed to be leased to, any member of the Group.

As at the Latest Practicable Date, there was no contract or arrangement subsisting in which any Director was materially interested and which was significant in relation to the business of the Group.

6. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with any member of the Group which does not expire or is not terminable by such member of the Group within one year without payment of compensation (other than statutory compensation).

7. LITIGATION

Set out below are the various lawsuits issued by the subsidiaries of the Company as disclosed in the announcement of the Company dated 22 February 2013:

- (i) 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, a company whose business address is in Shenzhen, the 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, the Company is not in a position to estimate when the court hearing will commence.
- (ii) On 22 October 2012, 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 the Wang Chuan outside of the jurisdiction of Hong Kong. As the case is still at its initial stage, the Company is not in a position to estimate when the court hearing will commence.
- (iii) 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 US\$81,457; (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 US\$1,014,209.32; (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 for an amount of US\$537,689.69; (dd) a (loan) agreement entered into and signed by PDL, Monsoon and Wilfort, under which several loan advancement were made by PDL to Monsoon, resulting in a net sum of US\$1,287,528 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 US\$500,000 was overdue and payable by Monsoon to PDL; among the aforesaid transaction, PDL also claims from Monsoon an additional US\$705,515 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 US\$500,000, 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 US\$4,126,399 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 initial stage and Monsoon is a foreign company and Prabhat Jain is not a Hong Kong resident, the plaintiff has applied to and obtained from the Court the 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 the court hearing will commence.

As at the Latest Practicable Date, save as disclosed above, neither the Company nor any of its subsidiaries was engaged in any material litigation or claims and, so far as the Directors were aware, no material litigation or claims were pending or threatened by or against any companies of the Group.

8. EXPERT AND CONSENT

The following are the qualifications of the expert who has given opinion and advice, contained in this prospectus:

Name	Qualifications
Ernst & Young	Certified Public Accountants

As at the Latest Practicable Date, Ernst & Young has given and has not withdrawn its written consent to the issue of this prospectus with the inclusion therein of its report and references to its name in the form and context in which they appear in this prospectus.

As at the Latest Practicable Date, Ernst & Young (i) was not interested, either directly or indirectly, in any assets which have been acquired or disposed of by or leased to any member of the Group or were proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2011, being the date to which the latest published audited consolidated financial statements of the Group were made up; and (ii) did not have any shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

9. EXPENSES

The expenses in connection with the Open Offer, including financial advisory fees, underwriting commission, printing, registration, translation, legal and accountancy charges are estimated to be approximately HK\$1.9 million, which are payable by the Company.

10. MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business) have been entered into by the members of the Group within the two years immediately preceding the Latest Practicable Date:

- (i) the Underwriting Agreement;
- (ii) a loan agreement dated 18 October 2012 and entered into between the Company and Capital in relation to a loan facility of HK\$50,000,000 granted by Capital Fame to the Company for a term of five years at an interest rate of 6% per annum;
- (iii) a warrant subscription agreement dated 18 October 2012 and entered into between the Company and Capital Fame in relation with the issue by the Company and the subscription by Capital Fame of warrants at the aggregate consideration of HK\$1.00 which carry the rights to subscribe for warrant shares at the exercise price up to HK\$16,807,500 within a period of 5 years; and
- (iv) the Option Agreement.

11. CORPORATE INFORMATION OF THE COMPANY AND PARTIES INVOLVED IN THE OPEN OFFER

Board of Directors	Executive Director	Address:
	Dr. Jack Lau	Flat 1601, 16/F, Block 1, May Tower, 5 May Road, Mid-Levels, Hong Kong
	Non-executive Directors	
	Pro. Cheng Shu Kwan, Roger	Rm. 620, Hall IX, The Hong Kong University of Science and Technology, Clear Water Bay, Hong Kong
	Prof. Tsui Chi Ying	Flat 1B, Tower 15, Senior Staff Quarter, Hong Kong University of Science and Technology, Clear Water Bay, Hong Kong
	Independent non-executive Directors	
	Dr. Lam Lee Kiu Yue, Alice Piera	3C. Grough Hill Path, The Peak, Hong Kong
	Prof. Chin Tai Hong, Roland	12C, Block 3, Pine Court, 23 Sha Wan Drive, Pokfulam, Hong Kong
	Mr. Shu Wa Tung, Laurence	No. 186, Santa Villa, 158 Xu Ying Road, Xu Jing, Qing Pu District, Shanghai, China
	Mr. William Keith Jacobsen	Flat 35C, Tower 6, Larvotto, 8 Ap Lei Chau Praya Road, Hong Kong
Mr. Ng Wai Hung	Flat B, 32/F, King Yu Court, No. 43 and 45 Tin Hau Temple Road, Hong Kong	
	Address:	
Authorised representatives	Dr. Jack Lau	Flat 1601, 16/F, Block 1, May Tower, 5 May Road, Mid-Levels, Hong Kong
	Mr. Rabi Lee	Flat B, 5/F, Block 21, Baguio Villa, 555 Victoria Road, Hong Kong

Registered office	Cricket Square, Hutchins Drive P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands
Head office and principal place of business in Hong Kong	Unit 311, 3rd Floor Core Building 1 No.1 Science Park East Avenue Hong Kong Science Park Pak Shek Kok New Territories, Hong Kong
Principal share registrar and transfer office in the Cayman Islands	Royal Bank of Canada Trust Company (Cayman) Limited 4th Floor, Royal Bank House 24 Shedden Road, George Town Grand Cayman KY1-1110 Cayman Islands
Branch share registrar and transfer office in Hong Kong	Tricor Investor Services Limited 26th Floor, Tesbury Centre 28 Queen's Road East Wanchai, Hong Kong
Auditors	Ernst & Young Certified Public Accountants 22nd Floor, CITIC Tower 1 Tim Mei Avenue Central, Hong Kong
Principal bankers	Hang Seng Bank Limited 83 Des Voeux Road, Central, Hong Kong Shanghai Commercial Bank Limited 405 Castle Peak Road, Tsuen Wan New Territories, Hong Kong
Website	www.perceptiondigital.com
Legal advisers to the Company in relation to the Open Offer	As to Hong Kong law: Tso Au Yim & Yeung 5th Floor, Ka Wah Bank Centre 232 Des Voeux Road Central Hong Kong

12. BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT**Executive Director**

Dr. Lau, aged 45, is one of the founders of the Group. He is the chairman and chief executive officer of the Company. He was appointed as an executive Director on 11 September 2009. Dr. Lau is currently an adjunct associate professor at the Hong Kong University of Science and Technology (the “HKUST”). He received his bachelor’s and master’s degrees from the University of California, Berkeley in electrical engineering and computer sciences. He obtained his Ph.D. degree from the HKUST in electrical and electronic engineering and became the first doctoral graduate of the HKUST. Afterwards, he pursued his research interest at the Stanford University from 1995 to 1996 and returned to the HKUST in 1996. Dr. Lau currently holds more than 10 registered patents. He has published at various leading institute of electrical and electronic engineers (“IEEE”) journals and conferences. He was awarded the Top Ten Outstanding Young Person (十大傑出青年) by Hong Kong Junior Chamber in 2000; the Young Industrialist Award of Hong Kong (香港青年工業家獎) by the Hong Kong Young Industrialists Council in 2005; and the World Outstanding Young Chinese Entrepreneur (世界傑出青年華商) by the World Federation of Chinese Entrepreneurs Organization, Ernst & Young Entrepreneur Of The Year China by Ernst & Young in 2009 and Directors of the Year Awards by The Hong Kong Institute of Directors. Dr. Lau is currently a director of SemiLEDs Corporation (stock code: LEDS), a company listed on Nasdaq Stock Market.

Non-executive Director

Prof. Cheng Shu Kwan, Roger, aged 48, is one of the founders of the Group. He was appointed as a non-executive Director on 18 September 2009. He is currently a professor in the electronic and computer engineering department of the HKUST. He was an assistant professor in the electrical and computer engineering department of University of Colorado at Boulder from 1991 to 1995, before he joined the HKUST in June 1995. Prof. Cheng received his bachelor’s degree in science from Drexel University, Philadelphia, Pennsylvania, in 1987, and his Ph.D. degree from Princeton University, Princeton, New Jersey, in 1991, both in electrical engineering. Prof. Cheng had served as editors for many journals including IEEE Transactions on Wireless Communications and as a consultant for industrial projects sponsored by various communication system and IC companies in Hong Kong, US and China.

Prof. Tsui Chi Ying, aged 53, was one of the founders of the Group and appointed as an executive Director on 18 September 2009. He was re-designated as a non-executive Director on 10 March 2010. He received his bachelor's degree in electrical engineering from the University of Hong Kong (the "HKU") in 1982 and Doctorate degree in Computer Engineering from the University of Southern California in 1994. He joined the electrical and electronic engineering department of the HKUST in 1994 and is currently a professor in the department. Prof. Tsui has received various awards including Best Paper awards from IEEE Transactions on VLSI Systems, IEEE International Symposium on Circuits and Systems and IEEE International Symposium on Low Power Electronics and Design. He has served on the technical program committees of many international conferences and symposiums, including Design Automation Conference, International Symposium on Low Power Electronics and Design, Asia and South Pacific Design Automation Conference and the IEEE, VLSI Symposium.

Independent non-executive Directors

Dr. Lam Lee Kiu Yue, Alice Piera, aged 73, was appointed as an independent non-executive Director on 18 September 2009. Dr. Lam has over 18 years of experience in banking and finance. She joined Hang Seng Bank Limited (stock code: 11) in 1978 and was appointed as a director in 1989, the general manager from 1990 to 1993, the managing director and deputy chief executive from 1994 to 1996. From 1999 to 2007, Dr. Lam worked as the Chairman of the University Grants Committee. She was an independent non-executive director of iMerchants Limited (stock code: 8009) from March 2000 to July 2005 and the vice-chairman of the Chinese University of Hong Kong from 1997 to 1998. She graduated from the HKU in 1963 with a Bachelor of Arts degree. She attended the Solicitors' Professional Course and attained a Solicitors' Practising Certificate in 1978. In 1992, Dr. Lam was awarded an honorary Doctor of Laws degree by the Chinese University of Hong Kong. In 2003, Dr. Lam was honored to be awarded the Gold Bauhinia Star by the Hong Kong government in recognition of her service to the Hong Kong community. In 2011, Dr. Lam was awarded an honorary Doctor of Laws degree by the Lingnan University and an honorary Doctor of Social Science degree by the Open University of Hong Kong.

Prof. Chin Tai Hong, Roland, aged 59, was appointed as an independent non-executive Director on 2 October 2010. Prof. Chin studied electrical engineering at the University of Missouri, Columbia (B.S. 1975; Ph.D. 1979). He subsequently worked at the NASA Goddard Space Flight Center in Maryland for two years prior to joining the Department of Electrical and Computer Engineering at the University of Wisconsin, Madison from 1981 to 1995 (Assistant Professor 1981; Associate Professor 1984; Full Professor 1989). Since he joined HKUST in 1992, he has served as Head of Department (1996 – 2001), Vice-President for Academic Affairs and Deputy President (2006 – 2010), and Vice-President for Research and Development (2003 – 2006). From 2001 to 2003, he was also the Vice-President for Information Technology of Applied Science and Technology Research Institute. He joined HKU in July 2010 as Deputy Vice-Chancellor and Provost, and Chair Professor of Computer Science.

Prof. Chin has served on numerous public bodies including the Hong Kong Examinations and Assessment Authority, Employees Retraining Board, Quality Education Fund, Hong Kong Association for Computer Education, Hospital Authority, Applied Research Council, Innovation and Technology Commission, Cyberport Board and Education Bureau. He was the Chairman of the Research Grants Council from 2005 to 2012, and also a Member of the University Grants Committee from 2004 to 2012. He is currently Chairman of the Board of HKEdCity and the Science Museum Advisory Panel of LCSD, HKSAR Government. He is also a Trustee of the Croucher Foundation, a Board Member of Hong Kong Applied Science and Technology Research Institute (ASTRI), and a Member of the Steering Committee on Innovation & Technology and the Commission on Strategic Development of the HKSAR Government.

Mr. Shu, Wa Tung Laurence, aged 40, was appointed as an independent non-executive Director on 18 September 2009. He is currently an independent non-executive Director of Greater China Holdings Limited (stock code: 431) and HL Technology Group Limited (stock code: 1087). Mr. Shu graduated from Deakin University in Australia in 1994 with a Bachelor's degree in Business majoring in Accounting. He is a Certified Public Accountant of the HKICPA and a Certified Practising Accountant of CPA Australia. He has over 15 years of experience in audit, corporate finance and corporate advisory services. He joined Deloitte Touche Tohmatsu ("Deloitte") in 1994 and later became a manager of the Reorganization Services Group and joined Deloitte & Touche Corporate Finance Limited (a corporate finance service company of Deloitte) as a manager from 2001 to 2002. From 2002 to 2005, Mr. Shu was an associate director of Goldbond Capital (Asia) Limited. From May 2005 to July 2008, he served as the chief financial officer and the company secretary of Texhong Textile Group Limited (stock code: 2678) overseeing the company's financial management function. From July 2008 to June 2010, Mr. Shu served as the chief financial officer of Rongsheng Heavy Industries Holdings Limited (熔盛重工控股有限公司). He is currently the chief financial officer of Petro-King International Company Limited (百勤國際有限公司), overseeing the company's financial management function.

Mr. William Keith Jacobsen, aged 46, was appointed as an independent non-executive Director on 7 January 2013. He is the managing director of a licensed corporation to advise on corporate finance matters. Mr. Jacobsen has more than 20 years of experience in corporate finance and business development. Mr. Jacobsen is an executive director of Auto Italia Holdings Limited (formerly known as Wo Kee Hong (Holdings) Limited, stock code: 720) and is also an independent non-executive director of Hycomm Wireless Limited (stock code: 499), abc Multiactive Limited (stock code: 8131), China Financial Leasing Group Limited (stock code: 2312) and Sustainable Forest Holdings Limited (stock code: 723). He was also an independent non-executive director of King Stone Energy Group Limited (stock code: 663) for the period from 26 September 2008 to 30 September 2011.

Mr. Ng Wai Hung, aged 49, was appointed as an independent non-executive Director on 7 January 2013. He is a practising solicitor and a partner in Iu, Lai & Li, a Hong Kong firm of solicitors. Mr. Ng practises in the areas of securities law, corporate law and commercial law in Hong Kong. Mr. Ng is also an independent non-executive director of six companies listed on the Stock Exchange, namely Fortune Sun (China) Holdings Limited (stock code: 352), Gome Electrical Appliances Holding Limited (stock code: 493), Hycomm Wireless Limited (stock code: 499), Trigiant Group Limited (stock code: 1300), Sustainable Forest Holdings Limited (stock code: 723) and Tech Pro Technology Development Limited (stock code: 3823). Mr. Ng was also an independent non-executive director of Yun Sky Chemical (International) Holdings Limited (currently known as King Stone Energy Group Limited, stock code: 663), KTP Holdings Limited (currently known as Ares Asia Limited, stock code: 645) and Tomorrow International Holdings Limited (currently known as Talent Property Group Limited (stock code: 760) and resigned in February 2010, February 2011 and January 2012, respectively.

13. DOCUMENTS REGISTERED WITH THE REGISTRAR OF COMPANIES

A copy of each of the Prospectus Documents and the consent letter referred to in the paragraph headed “Expert and consent” in this appendix, have been registered with the Registrar of Companies in Hong Kong pursuant to Section 342C of the Companies Ordinance.

14. LEGAL EFFECT

The Prospectus Documents and all acceptance of any offer or application contained in such documents are governed by and shall be construed in accordance with the laws of Hong Kong. Where an application is made in pursuance of any such documents, the relevant document(s) shall have the effect of rendering all person concerned bound by the provisions (other than the penal provisions) of Sections 44A and 44B of the Companies Ordinance.

15. MISCELLANEOUS

- (i) The registered office of the Company is situated at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and the head office and principal place of business of the Company is situated at Unit 311, 3rd Floor, Core Building 1, No.1 Science Park East Avenue, Hong Kong Science Park, Pak Shek Kok, New Territories, Hong Kong.
- (ii) The Hong Kong branch share registrar and transfer office of the Company is Tricor Investor Services Limited, having its office situated at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.
- (iii) Mr. Rabi Lee, the company secretary of the Company, is a member of the Hong Kong Institute of Certified Public Accountants.
- (iv) The English text of the Prospectors Documents shall prevail over their respective Chinese texts in the case of inconsistency.

16. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the principal place of business of the Company at Unit 311, 3rd Floor, Core Building 1, No.1 Science Park East Avenue, Hong Kong Science Park, Pak Shek Kok, New Territories, Hong Kong during normal business hours on any weekday other than public holidays, up to and including Wednesday, 13 March 2013:

- (i) the memorandum and articles of association of the Company;
- (ii) the annual reports of the Company for the years ended 31 December 2010 and 2011 and the interim report of the Company for the six months ended 30 June 2012;
- (iii) the unaudited pro forma statement of consolidated net tangible assets of the Group, the text of which is set out in Appendix II to this prospectus;
- (iv) the letter from Ernst & Young on the unaudited pro forma statement of consolidated net tangible assets of the Group, the text of which is set out in Appendix II to this prospectus;
- (v) the written consent referred to in the paragraph headed "Expert and consent" to this appendix;
- (vi) the material contracts referred to in the paragraph headed "Material Contracts" to this appendix; and
- (vii) this prospectus.