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PERCEPTION DIGITAL HOLDINGS LIMITED

幻音數碼控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1822)

PROPOSED CAPITAL REDUCTION AND SUB-DIVISION

The Company proposes to implement the Capital Reduction involving the reduction of the paid-up capital of each of the issued Shares by cancelling paid-up capital of HK\$0.09 per share so that the nominal value of each issued Share will be reduced from HK\$0.10 to HK\$0.01. The credit arising from the Capital Reduction will be applied towards cancelling the accumulated deficit of the Company as at the effective date of the Capital Reduction (if any) with the balance (if any) to be transferred to the capital reduction reserve account of the Company or other reserve account of the Company which may be utilised by the Directors as a distributable reserve in accordance with the articles of association of the Company and all applicable laws.

Immediately following the Capital Reduction becoming effective, each authorised but unissued Share will also be sub-divided into ten (10) New Shares with a nominal value of HK\$0.01 each.

As at the date of this announcement, 933,750,000 Shares have been issued and are fully paid or credited as fully paid. Assuming that the paid-up capital of each of the 933,750,000 issued Shares will be reduced from HK\$0.10 to HK\$0.01 per Share by cancelling paid-up capital of HK\$0.09 per Share by way of a reduction of capital, so as to form ordinary shares with par value of HK\$0.01 each, the Company's existing issued share capital of HK\$93,375,000 will be reduced by HK\$84,037,500 to HK\$9,337,500.

A circular containing, among other matters, details of the Capital Reduction and Sub-division, together with a notice of EGM and the related proxy form, will be sent to the Shareholders on or before Wednesday, 21 August 2013.

PROPOSED CAPITAL REDUCTION AND SUB-DIVISION

As at the date of this announcement, the authorised share capital of the Company is HK\$200,000,000 divided into 2,000,000,000 Shares, of which 933,750,000 Shares have been issued and are fully paid or credited as fully paid. The Board proposes the Capital Reduction and Sub-division to be implemented in the following manner:

- (i) the paid-up capital of each of the issued Shares will be reduced from HK\$0.10 to HK\$0.01 per share by cancelling paid-up capital of HK\$0.09 per share by way of a reduction of capital, so as to form ordinary shares with par value of HK\$0.01 each;
- (ii) the credit arising from the Capital Reduction be applied towards cancelling the accumulated deficit of the Company as at the effective date of the Capital Reduction (if any) with the balance (if any) to be transferred to the capital reduction reserve account of the Company or other reserve account of the Company which may be utilised by the Directors as a distributable reserve in accordance with the articles of association of the Company and all applicable laws; and
- (iii) immediately following the Capital Reduction, each of the authorised but unissued ordinary shares with par value of HK\$0.10 each be subdivided into ten (10) unissued ordinary shares with par value of HK\$0.01 each, and such shares shall rank *pari passu* in all respects with each other and have rights and privileges and be subject to the restrictions contained in the memorandum and articles of association of the Company.

Assuming there will be no change in the issued share capital of the Company from the date of this announcement up to the date on which the Capital Reduction and Sub-division become effective, the share capital structure of the Company will be as follows:

	As at the date of this announcement	Immediately after the Capital Reduction and Sub-division becoming effective
Par value	HK\$0.10 per Share	HK\$0.01 per New Share
Amount of the authorized share capital	HK\$200,000,000	HK\$200,000,000
Number of authorized shares	2,000,000,000 Shares	20,000,000,000 New Shares
Amount of the issued share capital	HK\$93,375,000	HK\$9,337,500

The size of each board lot of the New Shares will remain the same as that of the Shares, being 15,000 shares per board lot. The New Shares will rank pari passu in all respects with each other.

As at the date of this announcement, 933,750,000 Shares have been issued and are fully paid or credited as fully paid. Assuming that the paid-up capital of each of the 933,750,000 issued Shares will be reduced from HK\$0.10 to HK\$0.01 per share by cancelling paid-up capital of HK\$0.09 per share by way of a reduction of capital, so as to form ordinary shares with par value of HK\$0.01 each, the Company's existing issued share capital of HK\$93,375,000 will be reduced by HK\$84,037,500 to HK\$9,337,500.

Assuming that all of the outstanding and vested Share Options, Options and Warrants will be exercised in full prior to the effective date of the Capital Reduction, an additional 89,042,856 Shares will be in issue and an additional credit of HK\$8,013,857.04 will arise from the Capital Reduction.

All such credit, if so arise, will be applied towards cancelling the accumulated deficit of the Company as at the effective date of the Capital Reduction (if any) with the balance (if any) to be transferred to the capital reduction reserve account of the Company or other reserve account of the Company which may be utilised by the Directors as a distributable reserve in accordance with the articles of association of the Company and all applicable laws.

Reasons for and Effects of the Capital Reduction and the Sub-division

The Board considers that the proposed Capital Reduction and Sub-division will enable the nominal value of the Shares of the Company to be reduced from HK\$0.10 each to HK\$0.01 each. The credit arising from the Capital Reduction will be applied towards cancelling the accumulated deficit of the Company as at the effective date of the Capital Reduction, thereby reducing the accumulated loss of the Group. The balance of credit (if any) will be transferred to the capital reduction reserve account of the Company or other reserve account of the Company which may be utilised by the Directors as a distributable reserve. Also, the Board considers that the Capital Reduction and the Sub-division will give greater flexibility to the Company to raise funds through the issue of New Shares in the future given that the Company is not permitted to issue new Shares below their nominal value. As such, the Directors are of the view that the Capital Reduction and Sub-division are in the interests of the Company and the Shareholders as a whole.

Save for applying the credit sum arising from the Capital Reduction towards cancelling the accumulated deficit of the Company and the expenses to be incurred in relation to the Capital Reduction and Sub-division, the Directors consider that the Capital Reduction and Sub-division will have no effect on the underlying assets, business operations, management or financial position of the Company or the proportional interests of the Shareholders in the Company.

The Board considers that it is in the best interest of the Company and its Shareholders as a whole to implement the Capital Reduction and Sub-division.

Conditions of the Capital Reduction and Sub-division

The Capital Reduction and Sub-division are conditional on the following conditions being fulfilled:

- (i) the Shareholders' approval by way of special resolution at the EGM of the Company to be convened to consider and, if thought fit, approve, among other things, the Capital Reduction and Sub-division;
- (ii) approval of the Capital Reduction by the Court;

- (iii) compliance with any conditions which the Court may impose in relation to the Capital Reduction;
- (iv) registration by the Registrar of Companies in the Cayman Islands of the order of the Court and the minute approved by the Court containing the particulars required under the Companies Law; and
- (v) the Listing Committee granting the listing of, and permission to deal in, the New Shares arising from the Capital Reduction and Sub-division.

The Capital Reduction and Sub-division will become effective when the conditions mentioned above are fulfilled. Upon the approval by the Shareholders of the Capital Reduction and Sub-division at the EGM, the legal advisors to the Company (as to the Cayman Islands Law) will apply to the Court for hearing dates to confirm the Capital Reduction and a preliminary timetable will be announced as soon as the Court hearing dates are confirmed.

Listing and Dealings

Application will be made to the Listing Committee of the Stock Exchange for the granting of the listing of, and permission to deal in, the New Shares arising from the Capital Reduction and Sub-division.

The New Shares will be identical in all respects and rank *pari passu* in all respects with each other as to all future dividends and distributions which are declared, made or paid. Subject to the granting of the listing of, and permission to deal in, the New Shares on the Stock Exchange, the New Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the New Shares on the Stock Exchange or such other date as 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.

Free exchange of Certificates for New Shares

As the Court hearing dates have yet to be fixed, the effective date of the Capital Reduction is not ascertainable at present. Should the Capital Reduction and Sub-division become effective, Shareholders may submit existing certificates for the Shares to the Registrar at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for exchange, at the expense of the Company, within one month from the effective date of the Capital Reduction, for certificates for the New Shares. Details of such free exchange of share certificates will be announced as soon as the effective date of the Capital Reduction and the Sub-division is ascertained.

All existing certificates of the Shares will continue to be evidence of entitlement to such Shares and be valid for delivery, transfer and settlement purpose.

GENERAL

An EGM will be convened and held for the Shareholders to consider and, if thought fit, approve, among other matters, the Capital Reduction and Sub-division. A circular containing, among other things, further details of the Capital Reduction and Sub-division, together with a notice convening the EGM and the related proxy form, will be despatched by the Company to the Shareholders on or before Wednesday, 21 August 2013.

As no Shareholders have a material interest in the Capital Reduction and Sub-division, no Shareholders will be required to abstain from voting on the resolutions to approve the Capital Reduction and Sub-division.

DEFINITIONS

“Board”	the board of the Directors
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Capital Reduction”	the reduction of the paid-up capital of each of the issued Shares by cancelling paid-up capital of HK\$0.09 per share so that the nominal value of each issued Share will be reduced from HK\$0.10 to HK\$0.01

“Company”	Perception Digital Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the issued shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 1822)
“Court”	The Grand Court of the Cayman Islands
“Director(s)”	director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened and held to consider and approve, among other things, the Capital Reduction and Sub-division
“Group”	the Company and its subsidiaries
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Committee”	has the meaning attributed to that term in the Listing Rules
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“New Shares”	ordinary share(s) with par value of HK\$0.01 each in the share capital of the Company immediately following the Capital Reduction and Sub-division becoming effective
“Option Agreement”	the option agreement dated 11 August 2011 entered into between the Company and Teleepoch Limited in relation to the Options, details of which are set out in the announcement of the Company dated 11 August 2011. As at the date of this announcement, 16,800,450 Options are vested

“Options”	the options granted under the Option Agreement
“PRC”	The People’s Republic of China
“Registrar”	Tricor Investor Services Limited, the Hong Kong Branch Share Registrar of the Company
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Share Options”	the outstanding options held by the Director, employees and consultants of the Group to subscribe for 2,211,156 new Shares pursuant to the Share Option Scheme
“Share Option Scheme”	the share option scheme of the Company adopted on 27 November 2009
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Sub-division”	the sub-division of each authorized but unissued Share into 10 New Shares
“Warrants”	the outstanding warrants issued by the Company entitling Capital Fame Technology Limited, to subscribe in cash in aggregate up to HK\$16,807,500 for 70,031,250 new Shares at a subscription price of HK\$0.24 (subject to adjustment, if any).

“HK\$” Hong Kong dollar, the lawful currency of Hong Kong

“%” or “per cent.” percentage or per centum

By order of the Board
Perception Digital Holdings Limited
Mr. Mung Wai Ming
Executive Director

Hong Kong, 8 August 2013

As at the date of this announcement, the Board comprises Mr. Mung Wai Ming, Ms. Liu Yee Nee and Mr. Lee Rabi as executive Directors; and Mr. William Keith Jacobsen, Ms. Zhou Jing and Mr. Ng Wai Hung as independent non-executive Directors.