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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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

**If you have sold or transferred** all your shares in Perception Digital Holdings Limited (the “**Company**”), you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee or to the bank, licensed securities dealer or other agent through whom the sale or the transfer was effected for transmission to the purchaser or transferee.

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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  
AND  
NOTICE OF EXTRAORDINARY GENERAL MEETING**

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A notice convening the extraordinary general meeting of the Company to be held at 3:00 p.m. on 12 September, 2013 at Meeting Room 04, 1st Floor, Core Building 1, No. 1 Science Park East Avenue, Hong Kong Science Park, Pak Shek Kok, New Territories, Hong Kong, is contained in this circular. Whether or not you are able to attend the extraordinary general meeting, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the branch share registrar of the Company in Hong Kong, Tricor Investor Services Limited, 26/F, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the extraordinary general meeting or any adjourned meeting (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting at the extraordinary general meeting or any adjourned meeting (as the case may be) should you so wish.

20 August 2013

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## DEFINITIONS

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*In this circular, the following expressions have the following meanings unless the context requires otherwise:*

“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
“Companies Law”	the Companies Law, Cap. 22 (Law 3 of 1961), as consolidated and revised of the Cayman Islands
“Company”	Perception Digital Holdings Limited 幻音數碼控股有限公司, 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 at 3:00 p.m. on 12 September 2013 at Meeting Room 04, 1st Floor, Core Building 1, No. 1 Science Park East Avenue, Hong Kong Science Park, Pak Shek Kok, New Territories, Hong Kong 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

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## DEFINITIONS

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“Latest Practicable Date”	15 August 2013, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein
“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 Latest Practicable Date, there were outstanding Options conferring rights on the holders thereof to subscribe for up to 67,472,775 new Shares, of which 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 Company’s Hong Kong branch share registrar
“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 Company’s share option scheme adopted on 27 November 2009
“Shareholder(s)”	holder(s) of the Share(s)

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## DEFINITIONS

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“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Sub-division”	the sub-division of each authorized but unissued Share into ten (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

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## EXPECTED TIMETABLE

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*Set out below is the expected timetable for the proposed Capital Reduction and Sub-division:*

Latest time for lodging forms of proxy for the EGM (not less than 48 hours) . . . . .	3:00 p.m. on 10 September 2013
Date and time of the EGM . . . . .	3:00 p.m. on 12 September 2013
Announcement of results of EGM . . . . .	12 September 2013

*The following events are conditional on the approval from the Court and therefore the dates are tentative:*

Expected date on which the Capital Reduction is confirmed by the Court . . . . .	13 January 2014
Expected date of registration of a copy of the court order confirming the Capital Reduction and the minute approved by the Court pursuant to the Companies Law . . . . .	20 January 2014 (after market close)
Expected effective date of the Capital Reduction and Sub-division. . . . .	20 January 2014 (after market close)
First day for free exchange of existing certificates for Shares for new certificates for New Shares (one business day after the effective date due to time difference between Hong Kong and Cayman Islands). . . . .	21 January 2014
Commencement of dealings in New Shares on the Stock Exchange (one business day after the effective date due to time difference between Hong Kong and Cayman Islands). . . . .	21 January 2014
Last day of free exchange of existing certificates for Shares for new certificates for New Shares. . . . .	27 February 2014

*Notes:*

- (1) All times in this timetable refer to Hong Kong time.
- (2) Dates or times specified in this circular for events in the timetable for (or otherwise in relation to) the Capital Reduction and Sub-division are indicative only and may be excluded or varied due to the timetable and availability of the Court, additional time required for compliance with the regulatory requirements in the Cayman Islands and/or with any requirements imposed by the Court or varied by the Company. Any change to the expected timetable for the Capital Reduction and Sub-division will be published as and when appropriate.

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## LETTER FROM THE BOARD

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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)**

*Executive Directors:*

Mr. Mung Wai Ming

Ms. Liu Yee Nee

Mr. Lee Rabi

*Independent non-executive Directors:*

Mr. William Keith Jacobsen

Ms. Zhou Jing

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

20 August 2013

*To the Shareholders*

Dear Sir or Madam,

### **PROPOSED CAPITAL REDUCTION AND SUB-DIVISION AND NOTICE OF EXTRAORDINARY GENERAL MEETING**

#### **INTRODUCTION**

Reference is made to the announcement of the Company dated 8 August 2013 that the Board proposes to effect Capital Reduction and Sub-division.

The purpose of this circular is to provide you with the information relating to the resolution to be proposed at the EGM for the proposed Capital Reduction and Sub-division and to give you the notice of EGM in order to enable you to make an informed decision on whether to vote for or against the resolution to be proposed.

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## LETTER FROM THE BOARD

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### PROPOSED CAPITAL REDUCTION AND SUB-DIVISION

As at the Latest Practicable Date, 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 Company's memorandum and articles of association.

Assuming there will be no change in the issued share capital of the Company from the Latest Practicable Date 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:

	<b>As at the Latest Practicable Date</b>	<b>Immediately after the Capital Reduction and Sub-division becoming effective</b>
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	20,000,000,000
	Shares	New Shares
Amount of the issued share capital	HK\$93,375,000	HK\$9,337,500



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## LETTER FROM THE BOARD

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

As at the Latest Practicable Date, 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 New 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.

Assuming that all the Options become vested and all outstanding Share Options, Options and Warrants will be exercised in full prior to the effective date of the Capital Reduction, an additional 139,715,181 Shares will be in issue and an additional credit of HK\$12,574,366.29 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 Company's articles of association 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 deficit of the Company. 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 (without order of the Court) 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.

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## LETTER FROM THE BOARD

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Save for applying the credit 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. As at the Latest Practicable Date, none of the conditions have been fulfilled. Upon the approval by the Shareholders of the Capital Reduction and Sub-division at the EGM, the Company's legal advisors as to Cayman Islands Law will apply to the Court for hearing dates to confirm the Capital Reduction and a further announcement will be made by the Company as soon as practicable after the Court hearing dates are confirmed.

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## LETTER FROM THE BOARD

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### **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**

Subject to the Capital Reduction and Sub-division becoming effective, Shareholders may, on or after 21 January 2014 and until 27 February 2014 (both dates inclusive), submit their existing certificates for the Shares in light blue colour to the Registrar at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong to exchange for certificates for the New Shares in pink colour at the expense of the Company. Thereafter, certificates for the Shares will be accepted for exchange only on payment of a fee of HK\$2.50 (or such higher amount as may from time to time be allowed by the Stock Exchange) by the Shareholders for each certificate issued or cancelled, whichever is higher.

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.

### **EGM**

There is set out on pages 12 to 14 of this circular a notice convening the EGM to be held at 3:00 p.m. on 12 September, 2013 at Meeting Room 04, 1st Floor, Core Building 1, No. 1 Science Park East Avenue, Hong Kong Science Park, Pak Shek Kok, New Territories, Hong Kong. At the EGM, special resolution will be put forward to the Shareholders to approve the proposed Capital Reduction and Sub-division. The resolution proposed to be approved at the EGM will be taken by way of poll and an announcement will be made after the EGM on the results of the EGM. 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 resolution to approve the Capital Reduction and Sub-division.

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## LETTER FROM THE BOARD

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A form of proxy for use at the EGM is enclosed with this circular. Whether or not you are able to attend the EGM, you are requested to complete the accompanying proxy form, in accordance with the instructions printed thereon and deposit the same at the Registrar at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the proxy form will not preclude you from attending and voting in person at the EGM or any adjourned thereof should you so wish.

The Company will make further announcements as and when appropriate on the results of the EGM and the effective dates of the Capital Reduction and Sub-division.

### GENERAL

None of the Directors, the controlling shareholder (as defined under the Listing Rules) of the Company and their respective associates were considered to have an interest in a business which competes or may compete with the business of the Group and there is no conflicts of interest which the Directors, the controlling shareholder (as defined under the Listing Rules) of the Company and their respective associates have or may have with the Group.

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 any other securities of the Company to be listed or dealt in on any other stock exchange.

### RESPONSIBILITY STATEMENT

This circular, 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 Group. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material aspects and not misleading or deceptive, and there are no other matters, the omission of which would make any statement herein or this circular misleading.

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## LETTER FROM THE BOARD

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### RECOMMENDATION

The Directors believe that the proposed Capital Reduction and Sub-division are in the best interests of the Company and the Shareholders as a whole, and therefore recommend the Shareholders to vote in favour of the resolution to be proposed at the EGM.

Yours faithfully

For and on behalf of the Board

**Perception Digital Holdings Limited**

**Mr. Mung Wai Ming**

*Executive Director*

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## NOTICE OF EGM

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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)**

**NOTICE IS HEREBY GIVEN** that an extraordinary general meeting of Perception Digital Holdings Limited (the “**Company**”) will be held at 3:00 p.m. on 12 September, 2013 at Meeting Room 04, 1st Floor, Core Building 1, No. 1 Science Park East Avenue, Hong Kong Science Park, Pak Shek Kok, New Territories, Hong Kong for the purposes of considering and, if thought fit, passing the following resolution with or without amendments as resolution of the Company:

#### **SPECIAL RESOLUTION**

1. “**THAT** subject to and conditional upon (i) the approval of the Capital Reduction (as defined below) by the Grand Court of the Cayman Islands (the “**Court**”); (ii) compliance with any conditions which the Court may impose in relation to the Capital Reduction (as defined below); (iii) the 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 (as revised) of the Cayman Islands in respect of the Capital Reduction (as defined below); and (iv) the Listing Committee of The Stock Exchange of Hong Kong Limited granting the listing of, and permission to deal in, the New Shares (as defined below) arising from the Capital Reduction and Sub-division (as defined below), with effect from the date on which these conditions are fulfilled (the “**Effective Date**”):
  - (a) the paid-up capital of each of the issued shares be reduced from HK\$0.10 to HK\$0.01 per issued share by cancelling paid-up capital of HK\$0.09 per share (the “**Capital Reduction**”) by way of a reduction of capital, so as to form ordinary shares with par value of HK\$0.01 each (the “**New Shares**”);
  - (b) the credit arising from the Capital Reduction be applied towards setting off or cancelling the accumulated deficit of the Company as at the Effective Date (if any) and the balance (if any) 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 of the Company as a distributable reserve in accordance with the articles of association of the Company and all applicable laws (the “**Application of Credit**”); and

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## NOTICE OF EGM

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- (c) immediately following the Capital Reduction, each of the authorised but unissued ordinary shares with par value of HK\$0.10 each be sub-divided into ten (10) unissued ordinary shares with par value of HK\$0.01 each (the “**Sub-division**”) and such shares shall rank pari passu in all respects with each other and have all such rights and privileges and be subject to the restrictions contained in the memorandum and articles of association of the Company,

and that the directors of the Company be and are hereby authorised to do all such acts, deeds and things and execute all documents they consider necessary or expedient to give effect to the aforesaid Capital Reduction, Application of Credit and Sub-division.”

Yours faithfully

For and on behalf of the Board

**Perception Digital Holdings Limited**

**Mr. Mung Wai Ming**

*Executive Director*

Hong Kong, 20 August 2013

*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

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## NOTICE OF EGM

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*Notes:*

1. A member entitled to attend and vote at the EGM is entitled to appoint one or more than one proxy to attend and, subject to the provisions of the articles of association of the Company, to vote on his behalf. A proxy need not be a member of the Company but must be present in person at the EGM to represent the member. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed.
2. A form of proxy for use at the EGM is enclosed. Whether or not you intend to attend the EGM in person, you are encouraged to complete and return the enclosed form of proxy in accordance with the instructions printed thereon. Completion and return of a form of proxy will not preclude a member from attending in person and voting at the EGM or any adjournment thereof, should he so wish.
3. In order to be valid, the form of proxy, together with a power of attorney or other authority, if any, under which it is signed, or a certified copy of such power or authority must be deposited at the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof.
4. In the case of joint holders of shares, any one of such holders may vote at the EGM, either personally or by proxy, in respect of such share as if he was solely entitled thereto, but if more than one of such joint holder are present at the EGM personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such shares shall alone be entitled to vote in respect thereof.

*As at the date of this notice, the board of Directors comprises (i) three executive Directors, namely Mr. Mung Wai Ming, Ms. Liu Yee Nee and Mr. Lee Rabi; and (ii) three independent non-executive Directors, namely Mr. Ng Wai Hung, Mr. William Keith Jacobsen and Ms. Zhou Jing.*