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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)

PLACING OF NEW SHARES UNDER GENERAL MANDATE

PLACING AGENT



On 22 August 2013, after trading hours, the Company entered into the Placing Agreement with the Placing Agent pursuant to which the Placing Agent has conditionally agreed with the Company to endeavor on a best effort basis to place up to 186,750,000 Placing Shares to not less than six Placees who are Independent Third Parties at the Placing Price of HK\$0.172 per share.

The Placing Shares will be allotted and issued under the General Mandate granted to the Directors at the annual general meeting of the Company held on 31 May 2013. As at the date of this announcement, no Shares have been allotted and issued pursuant to the General Mandate. The 186,750,000 Placing Shares to be allotted and issued will utilize the General Mandate, representing 20% of the existing issued share capital of the Company as at the date of this announcement, and approximately 16.67% of the enlarged issued share capital of the Company immediately following the Placing. Since the Placing Shares will be allotted and issued under the General Mandate, no further Shareholders' approval is required.

Assuming all the Placing Shares were placed at the Placing Price, the gross proceeds and net proceeds from the Placing will be approximately HK\$32.1 million and HK\$31.0 million, respectively, of which approximately 50% will be used for general working capital, and 50% will be used for reduction of the Group's indebtedness.

Shareholders and potential investors should note that the Completion is subject to fulfilment of the conditions under the Placing Agreement. As the Placing may or may not proceed, Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.

THE PLACING AGREEMENT

Date

22 August 2013 (after trading hours)

Parties

Issuer: The Company

The Placing Agent: China Galaxy International Securities (Hong Kong) Co., Limited

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, the Placing Agent and its associates are Independent Third Parties.

The Placing

Pursuant to the Placing Agreement, the Placing Agent has conditionally agreed, subject to market conditions, to endeavor on a best effort basis to place up to 186,750,000 Placing Shares at the Placing Price to the Placees, representing 20% of the issued share capital of the Company as at the date of this announcement, and approximately 16.67% of the issued share capital of the Company as enlarged by the issue of the Placing Shares. The maximum aggregate nominal value of the Placing Shares will be HK\$18,675,000.

The Placees

The Placing Shares will be placed to not fewer than six Placees which will be professional, institutional or other investors, who and whose ultimate beneficial owners shall be Independent Third Parties. It is expected that none of the Placees and their ultimate beneficial owners shall become a substantial shareholder (as defined under the Listing Rules) of the Company upon taking up the Placing Shares.

Placing Price

The Placing Price is HK\$0.172 per Placing Share, which represents:

- i. a discount of approximately 15.7% to the closing price of HK\$0.204 per Share as quoted on the Stock Exchange on the date of the Placing Agreement; and
- ii. a discount of approximately 19.6% to the average closing price of HK\$0.214 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the date of the Placing Agreement.

The Placing Price was determined on an arm's length basis between the Company and the Placing Agent based on the market price of the Shares prior to and including the Last Trading Day, the financial conditions of the Company, the net assets value of the Group and the current and the expected market conditions. The Directors (including the independent non-executive Directors) consider that the Placing Price is fair and reasonable and is in the interests of the Company and the Shareholders as a whole.

Ranking of the Placing Shares

The Placing Shares will be issued fully paid up and ranking *pari passu* in all respects among themselves and with the existing Shares in issue, including the right to receive all dividends and distributions which may be declared, made or paid after the Closing Date and will be issued free and clear of all liens, encumbrances or other third party rights.

Condition of the Placing

The Completion of Placing is conditional upon:

- a) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Placing Shares (and such listing and permission not subsequently being revoked prior to the delivery of definitive share certificate(s) representing the Placing Shares); and
- b) the Placing Agreement not having been terminated in accordance with its terms.

The Company shall use its best endeavours to procure the satisfaction of the conditions of the Placing, but in the event any of the conditions is not fulfilled by 5:00 p.m. on 30 September 2013 (or such later date as may be agreed between the Company and the Placing Agent), the Placing Agreement and the obligations of the parties thereunder shall cease and terminate at that time.

General Mandate

A maximum of 186,750,000 Placing Shares will be allotted and issued under the General Mandate. Under the General Mandate, the Directors are allowed to allot and issue up to 186,750,000 Shares. Up to the date of this announcement, no Share has been allotted and issued pursuant to the General Mandate. Accordingly, the issue of the Placing Shares is not subject to any further approval by the Shareholders.

Completion

The Completion shall take place on the Closing Date or as soon as practicable thereafter or such other time and/or date as the Placing Agent and the Company may agree in writing, unless the Placing Agreement is terminated in accordance with the terms thereof.

APPLICATION FOR LISTING

Application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Placing Shares.

EFFECTS ON SHAREHOLDING STRUCTURE OF THE COMPANY

The shareholding structure of the Company as at the date of this announcement and immediately after the Completion (assuming the Placing Shares are placed in full and no other Shares are issued between the date of this announcement and the Completion) is as follows:

Holder	(i) As at the date of this announcement		(ii) Immediately after the Completion	
	<i>Number of Shares</i>	<i>%</i>	<i>Number of Shares</i>	<i>%</i>
Current Directors				
Keen Platinum Limited (<i>Note 1</i>)	65,441,500	7.01%	65,441,500	5.84%
Lee Rabi	270,000	0.03%	270,000	0.02%
Past Directors				
Swanland Management Limited ("Swanland") (<i>Note 2</i>)	188,388,510	20.17%	188,388,510	16.81%
Masteray Limited ("Masteray") (<i>Note 2</i>)	80,743,045	8.65%	80,743,045	7.21%
Ms. Loh, Jiah Yee Katherine ("Ms. Loh") (<i>Note 2</i>)	<u>4,717,500</u>	<u>0.51%</u>	<u>4,717,500</u>	<u>0.42%</u>

Holder	(i) As at the date of this announcement		(ii) Immediately after the Completion	
	<i>Number of Shares</i>	<i>%</i>	<i>Number of Shares</i>	<i>%</i>
Past Directors				
Dr. Jack Lau and his associates (<i>Note 2</i>)	273,849,055	29.33%	273,849,055	24.44%
Excel Direct Technology Limited (<i>Note 3</i>)	11,903,210	1.27%	11,903,210	1.06%
Rochdale Consultancy Limited ("Rochdale") (<i>Note 4</i>)	2,976,665	0.32%	2,976,665	0.27%
Substantial Shareholders				
Dr. Wu Po Him, Philip and his associates (<i>Note 5</i>)	142,081,575	15.22%	142,081,575	12.68%
Capital Fame Technology Limited	120,000,000	12.85%	120,000,000	10.71%
Public Placees	–	–	186,750,000	16.67%
Public Shareholders	<u>317,227,995</u>	<u>33.97%</u>	<u>317,227,995</u>	<u>28.31%</u>
Total	<u><u>933,750,000</u></u>	<u><u>100.00%</u></u>	<u><u>1,120,500,000</u></u>	<u><u>100.00%</u></u>

Notes:

- Keen Platinum Limited is wholly owned by Mr. Mung, Wai Ming, an executive Director.
- 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 Trust Limited. Ms. Loh is the founder of the said trust, and hence she is deemed to be interested in 273,849,055 Shares immediately after the Completion. Dr. Jack Lau, being the spouse of Ms. Loh, is deemed to be interested in all the Shares held by Ms. Loh. Dr. Jack Lau resigned as an Executive Director effective on 29 June 2013.
- Excel Direct Technology Limited is owned as to 50% by Prof. Tsui Chi Ying, who resigned from a non-executive Director effective on 19 July 2013.
- Rochdale is owned as to 50% by Prof. Cheng Shu Kwan, Roger, who resigned from a non-executive Director effective on 19 July 2013.
- Dr. Wu Po Him, Philip, a substantial shareholder of the Company, is the beneficial owner of 1,599,142 Shares and is interested in 140,482,433 Shares, through Manyi Holdings Limited, a company wholly-owned by him.

REASONS FOR THE PLACING AND USE OF PROCEEDS

The Group 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 result announcement of the Company for the six months ended 30 June 2013 and the annual report for the year ended 31 December 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 36.1% from approximately HK\$533.4 million in 2011 to approximately HK\$340.9 million in 2012 and decreased by approximately 44.2% from approximately HK\$169.0 million for the six months ended 30 June 2012 to approximately HK\$94.4 million for the six months ended 30 June 2013. The net loss of the Group increased significantly to approximately HK\$96.6 million in 2012 from approximately HK\$22.0 million in 2011 and decreased from approximately HK\$18.3 million for the six months ended 30 June 2012 to approximately HK\$17.3 million for the six months ended 30 June 2013.

Furthermore, in respect of certain short term bank borrowings of approximately HK\$44.8 million and HK\$9.6 million as at 31 December 2012 provided to certain subsidiaries of the Group by creditor banks, respectively, the Group was unable to maintain certain financial covenants as specified in the corresponding banking facility letter during the year ended 31 December 2012.

With a view to enlarge the capital base and strengthen the financial position of the Group, the Company believes that the Placing is in the best interests of the Group and the Shareholders as a whole.

The estimated net proceeds from the Placing will be approximately HK\$31.0 million. The Company intends to apply the net proceeds from the Placing as to (i) 50% for general working capital; and (ii) 50% for reduction of the Group's indebtedness. The net proceeds raised per Placing Share will be approximately HK\$0.166.

The terms of the Placing (including the Placing Price) were arrived at after arm's length negotiation between the Company and the Placing Agent with reference to the market price of the Shares prior to and including the Last Trading Day, the financial conditions of the Company, the net assets value of the Group and the current and the expected market conditions.

FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

In March 2013, the Company completed the open offer 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. Details of such open offer is as follows:

Number of offer shares:	311,250,000
Subscription price:	HK\$0.1286
Gross proceeds before expenses:	HK\$40.03 million
Intended use of proceeds:	(a) 30% for future funding requirement on research and development projects for electronic products; (b) 50% for general working capital; and (c) 20% for reduction of the Group's indebtedness
Actual use of proceeds:	(a) 20% for future funding requirement on research and development projects for electronic products; (b) 44% for general working capital; and (c) 20% for reduction of the Group's indebtedness

Shareholders and potential investors should note that the Completion is subject to fulfillment of the conditions under the Placing Agreement. As the Placing may or may not proceed, Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.

DEFINITIONS

“associate”	with the meaning ascribed thereto under the Listing Rules
“Board”	the board of the Directors
“Business Day”	any day (excluding Saturdays, Sundays and public holidays) on which banks generally are open for business in Hong Kong

“Closing Date”	the date falling two Business Days immediately after the date on which all the conditions set out in the Placing Agreement shall have been fulfilled, or such other date as the Company and the Placing Agent may agree in writing
“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)
“Completion”	completion of the Placing in accordance with the terms and conditions of the Placing Agreement
“Director(s)”	director(s) of the Company
“General Mandate”	the general mandate to allot, issue and deal with the Shares granted to the Directors pursuant to the resolutions passed at the annual general meeting of the Company on 31 May 2013
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party (ies)”	third party (parties) independent of and not connected with the Company and its connected persons
“Last Trading Day”	22 August 2013, being the last trading day on which the Company and the Placing Agent entered into the Placing Agreement
“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
“Placee(s)”	any professional, institutional or other investor(s) procured by the Placing Agent to subscribe for and purchase any of the Placing Shares pursuant to the Placing Agreement
“Placing”	the offer by way of private placing of the Placing Shares under the General Mandate to not less than six Placees on the terms and condition set out in the Placing Agreement

“Placing Agent”	China Galaxy International Securities (Hong Kong) Co., Limited, a licensed corporation to carry on Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) regulated activities under the SFO
“Placing Agreement”	the conditional placing agreement entered into between the Company and the Placing Agent on 22 August 2013 in relation to the Placing
“Placing Price”	HK\$0.172 per Placing Share
“Placing Share(s)”	an aggregate of up to 186,750,000 new Shares to be placed under the Placing
“PRC”	The People’s Republic of China
“SFO”	the 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
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder(s)”	has the meaning ascribed thereto under the Listing Rules
“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, Thursday, 22 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. Ng Wai Hung, Mr. William Keith Jacobsen and Ms. Zhou Jing as independent non-executive Directors.