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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)

SUBSCRIPTION OF SHARES IN THE TARGET

This announcement is made pursuant to Rule 13.09 of the Listing Rules and the Inside Information Provisions under Part XIVA of the SFO.

SUBSCRIPTION AGREEMENT

The Board is pleased to announce that on 15 October 2014 (after trading hours), Eastern Crystal, a wholly-owned subsidiary of the Company, the Target and the existing shareholders of the Target entered into the Subscription Agreement in respect of the Subscription. Pursuant to the Subscription Agreement, the Target has conditionally agreed to allot and issue, and Eastern Crystal has conditionally agreed to subscribe for, the Subscription Shares at the consideration of an aggregated of US\$5,000,000. The Target, through entering into certain Contractual Arrangements by its wholly-foreign owned enterprise to be established in the PRC, will have the right of control, economic interests and benefits in a PRC OpCo that is engaged in the business of online car rental services in the PRC.

Completion of the Subscription is subject to fulfillment of certain Closing Conditions as more particularly described in the paragraph headed “Closing Conditions” below.

As the Subscription may or may not complete, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

This announcement is made pursuant to Rule 13.09 of the Listing Rules and the Inside Information Provisions (as defined under the Listing Rules) under Part XIVA of the SFO.

Reference is made to the announcement of the Company dated 12 September 2014 in relation to the possible subscription of shares in the Target by the Company.

THE SUBSCRIPTION AGREEMENT

The Board is pleased to announce that on 15 October 2014 (after trading hours), Eastern Crystal, a wholly-owned subsidiary of the Company, the Target and the existing shareholders of the Target entered into the Subscription Agreement in respect of the Subscription. Major terms of the Subscription Agreement are as follows.

The Subscription

Pursuant to the Subscription Agreement, the Target has conditionally agreed to allot and issue, and Eastern Crystal has conditionally agreed to subscribe for, the Subscription Shares which shall be free from any encumbrance and together with all rights now or hereafter attaching thereto including the right to receive all dividends and distributions declared after the Completion Date.

Consideration

The consideration for the Subscription shall be an aggregate of US\$5,000,000 which shall be paid on the Completion Date in cash to the Target.

Closing Conditions

Completion is subject to the Closing Conditions being fulfilled and remaining satisfied as at the Completion which include, among other things, the following major conditions:

1. the passing of resolutions by the shareholders of the Target to approve the allotment and issuance of the Subscription Shares to Eastern Crystal;
2. the delivery to Eastern Crystal the closing legal opinions covering the relevant laws of Cayman Islands, Hong Kong as well as the PRC respectively (all in such form and substance to the satisfaction of Eastern Crystal);
3. no statute, regulation or decision having been proposed, enacted or taken by any governmental or official authority which would prohibit, restrict or materially delay the allotment and issue of the Subscription Shares or the operation of any member of the Target Group before the Completion;
4. the Restructuring Exercise having been consummated under the applicable laws, and such arrangement and implementation being legally valid and enforceable under the applicable laws and Eastern Crystal being satisfied with the form and substance of the Contractual Arrangements;

5. all requisite waivers, consents and approvals from any relevant governments or regulatory authorities or other relevant third parties in connection with the transactions contemplated by the Subscription Agreement having been obtained;
6. the existing shareholders of the Target having complied in all respects with the obligations specified in the Subscription Agreement which are required to be fulfilled prior to the Completion and otherwise having complied fully with all of the covenants and agreements required to be performed by them under the Subscription Agreement;
7. Eastern Crystal being reasonably satisfied with the results of the due diligence exercise (whether legal, accounting, financial, operational, sufficiency of technology and/or equipment for carrying on the business of the Target Group, the existing shareholders of the Target or other aspects that Eastern Crystal considers relevant) on the Target Group, the business and their related business assets, liabilities, activities, operations, prospects and other status which Eastern Crystal, its agents or professional advisers think necessary and appropriate to conduct;
8. Eastern Crystal being satisfied, from the date of the Subscription Agreement and at any time before the Completion, that the warranties given under the Subscription Agreement remain true, accurate, not misleading or in breach in any material respect and that no events have suggested that there were any breach of any warranties or other provisions of the Subscription Agreement by any of the Target Group Companies; and
9. Eastern Crystal being satisfied that, from the date of the Subscription Agreement to the Completion, there has not been any material adverse change in respect of any member of the Target Group.

Eastern Crystal may waive all or any of the Closing Conditions at any time by notice in writing to the existing shareholders of the Target prior to the Completion.

If any of the Closing Conditions are not fulfilled (or waived by Eastern Crystal) on or before the Long Stop Date, either the Subscription Agreement and everything herein contained shall, subject to the liability of any party thereunder to the others in respect of any breaches of the terms thereof be null and void and of no effect, or Eastern Crystal may, at its option, proceed with the Completion (without prejudice to its rights thereunder).

Completion

Completion will take place on the fifth business day after all the Closing Conditions have been fulfilled or waived in accordance with the Subscription Agreement.

Upon Completion, the Target will be owned as to approximately 9.09% by the Group (assuming there will be no other changes in shareholding in the Target).

It is contemplated under the Subscription Agreement that upon Completion, parties will enter into a shareholders agreement in relation to the Target.

Information of the Target

The Target is incorporated in the Cayman Islands with limited liability. The Target will implement the Restructuring Exercise whereby it will, directly or indirectly, establish a wholly-foreign owned enterprise in the PRC and such wholly-foreign owned enterprise will enter into certain Contractual Arrangements with the PRC OpCo. The PRC OpCo, a company established in the PRC, is engaged in the business of online car rental services in the PRC.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, each of the Target and its ultimate beneficial owners is an Independent Third Party.

REASONS FOR AND THE BENEFITS OF THE POSSIBLE SUBSCRIPTION

The Group is principally engaged in the research, design, development and sale of digital signal processing (“**DSP**”) based consumer electronics devices and platforms, including embedded firmware; the provision of solutions and services to customers for their DSP-based consumer electronic devices and platforms; and the trading of electronic components.

While the Group intends to continue the existing business operations, it is also the Group's plan to explore other business opportunities with a view to enhance its growth and future development by leveraging on the experience and network of the executive directors of the Company. The Subscription by Eastern Crystal represents the Group's initial step to implement such plan and to explore other business opportunities.

In view of the increasing demand for car rental services in the PRC, the Directors consider that the Subscription provides an opportunity for the Group to invest in the car rental services market in the PRC, so as to diversify the business and income stream of the Group.

GENERAL

The Subscription does not constitute a notifiable transaction of the Company under Chapter 14 of the Listing Rules as the applicable percentage ratios under Rule 14.07 of the Listing Rules are less than 5%.

As the Subscription may or may not complete, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

DEFINITIONS

In this announcement, unless otherwise defined, terms used herein shall have the following respective meanings:

“Board”	the board of Directors
“Closing Conditions”	the conditions precedent to the Completion under the Subscription Agreement
“Company”	Perception Digital Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the main board of the Stock Exchange
“Completion”	the completion of the Subscription on the Completion Date in accordance with the Subscription Agreement
“Completion Date”	the fifth business day after all the Closing Conditions have been fulfilled or waived in accordance with the Subscription Agreement or such other date and time as may be agreed between the Target and Eastern Crystal
“connected persons”	has the meaning ascribed to it under the Listing Rules
“Contractual Arrangements”	collectively, the exclusive business cooperation agreement, the call option agreement, the equity pledge agreement and the power of attorney, to be entered into among the wholly-foreign owned enterprise in the PRC, the PRC OpCo and the then registered shareholder of the PRC OpCo

“Directors”	directors of the Company
“Eastern Crystal”	Eastern Crystal Limited (東瑛有限公司), a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party”	independent third party who is not connected person of the Company (as defined in the Listing Rules) and is independent of the Company and connected persons of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	31 December 2014 or such later date as the parties to the Subscription Agreement may agree in writing
“PRC”	the People’s Republic of China and for the purpose of this announcement, excluding Hong Kong, Macao Special Administrative Region and Taiwan
“PRC OpCo”	先鋒智道(北京)科技有限公司 (unofficial English translation being Xianfeng Zhidao (Beijing) Technology Company Limited), a company established in the PRC with limited liability
“Restructuring Exercise”	the restructuring undergone or to be carried out by the Target Group (and which is expected to be consummated on or before the Long Stop Date) to rationalise the Target Group’s structure
“SFO”	Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong)
“Shareholder(s)”	holder(s) of the Share(s)
“Share(s)”	ordinary share(s) of HK\$0.01 each in the issued share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Subscription”	the subscription by Eastern Crystal (and the issue by the Target) of the Subscription Shares pursuant to the Subscription Agreement
“Subscription Agreement”	the subscription agreement dated 15 October 2014 entered into between the Target, Eastern Crystal and the existing shareholders of the Target in relation to the Subscription
“Subscription Shares”	111,111 new ordinary shares of US\$1 each in the capital of the Target
“Target”	Prime Elite Ventures Limited (傑盛創投有限公司), a company incorporated in the Cayman Islands with limited liability
“Target Group”	the Target and such subsidiaries and such other companies which will become the Target’s subsidiaries upon completion of the Restructuring Exercise and “Target Group Company” shall be construed accordingly
“US\$”	United States dollars, the lawful currency of the United States of America

On behalf of the Board
Perception Digital Holdings Limited
Deng Shufen
Chairman and executive Director

15 October 2014

As at the date of this announcement, the Board comprises the following Directors:

Executive Directors:

Ms. Deng Shufen
Mr. Dai Yumin
Ms. Liu Jiangyuan
Mr. Gui Bin

Non-executive Director:

Mr. Wang Yongbin

Independent non-executive Directors:

Mr. Fang Jun
Mr. Zhao Xianming
Mr. Wong Yiu Kit, Ernest