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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 stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

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(s) or the transferee(s) or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or the transferee(s).

This circular is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for securities of the Company.

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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)

CONNECTED TRANSACTION PLACING OF NEW SHARES WITH GRANT OF OPTIONS UNDER SPECIFIC MANDATE

Financial Adviser to the Company

Opus Capital Limited
創富融資有限公司

Independent Financial Adviser to the Independent Board Committee and Independent Shareholders


ASTRUM
Astrum Capital Management Limited
阿仕特朗資本管理有限公司

A letter from the independent board committee of the Company is set out on page 31 of this circular. A letter from Astrum containing its advice to the independent board committee and the independent shareholders of the Company is set out from pages 32 to 70 of this circular.

A notice convening an extraordinary general meeting of the Company to be held at Suites 3101-3105, 31st Floor, Dah Sing Financial Centre, 108 Gloucester Road, Wanchai, Hong Kong on 18 May 2015 at 11:00 a.m. is set out from pages 88 to 90 of this circular. A form of proxy for use at the extraordinary general meeting is enclosed. Whether or not you are able to attend and vote at the extraordinary general meeting in person, you are requested to complete and return the accompanying form of proxy to the Company’s branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong in accordance with the instructions printed thereon 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 adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the extraordinary general meeting or any adjournment thereof should you so wish.

28 April 2015

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DEFINITIONS

In this circular, the following expressions shall have the following meanings unless the context indicates otherwise:

“2012 Warrants”	the rights to subscribe in cash in aggregate up to HK\$16,807,500 at an adjusted subscription price HK\$0.12 per Share (subject to adjustments) pursuant to the Company’s warrant subscription agreement dated 18 October 2012 as at the Latest Practicable Date
“2012 Warrants Specific Mandate”	the specific mandate to be sought at the EGM for the Directors to issue and allot up to a maximum of 15,000,000 new Shares as a result of the adjustments to the 2012 Warrants
“Astrum” or “Independent Financial Adviser”	Astrum Capital Management Limited, a licensed corporation to carry on Type 1 (dealing in securities), Type 2 (dealing in future contracts), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO and the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Connected Placing
“acting in concert”	has the same meaning as ascribed to it under the Takeovers Code
“Announcement”	the announcement of the Company dated 26 March 2015 in relation to the Connected Placing
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Business Day”	a day (excluding Saturday, Sunday or public holidays) on which banks are generally open for business in Hong Kong
“BVI”	British Virgin Islands
“Company”	Perception Digital Holdings Limited (stock code: 1822), a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Stock Exchange

DEFINITIONS

“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Connected Placing”	the placing of up to 1,500,000,000 Placing Shares and the further grant of Options carrying rights to subscribe for up to 800,000,000 Option Shares to Sino Merchant pursuant to the terms and conditions of the Placing Agreement
“Development and Reform Commission”	the National Development and Reform Commission of the government of the PRC
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened and held on 18 May 2015 at 11:00 a.m. to consider, and if thought fit, approve the Placing Agreement and the transactions contemplated thereunder, the Specific Mandate and the 2012 Warrants Specific Mandate
“Exercise Period”	from the Initial Issue Date and ending on the last day on the twenty-fourth (24th) month from the Initial Issue Date (both days inclusive)
“Exercise Price”	HK\$0.26 per Option Share (subject to adjustments)
“Experts” or each “Expert”	Astrum and Roma Appraisals
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency in Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent committee of the Board, comprising all the independent non-executive Directors, namely Mr. Fang Jun, Mr. Zhao Xianming and Mr. Wong Yiu Kit, Ernest, has been established to advise the Independent Shareholders on the Connected Placing
“Independent Shareholder(s)”	Shareholders other than those who are required to abstain from voting under the Listing Rules or other applicable laws and regulations

DEFINITIONS

“Independent Third Party”	third party independent of the Group and its connected persons
“Initial Issue Date”	the date on which the Option is first issued, being the same date as the Placing Completion Date
“Latest Practicable Date”	24 April 2015, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information referred to in this circular
“Last Trading Day”	26 March 2015, being the last trading day for the Shares prior to the publication of the Announcement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as the same may be amended and supplemented or otherwise modified from time to time
“Mainland China”	the People’s Republic of China (excluding Hong Kong and Macau Special Administrative Region of the PRC and Taiwan)
“Ministry of Transport”	the Ministry of Transport of the PRC
“Option(s)”	options carrying rights to subscribe for up to 800,000,000 Option Shares to be granted by the Company to the Placee on the Placing Completion Date subject to the Option Conditions
“Option Condition(s)”	the terms and conditions to each Option
“Option Share(s)”	up to 800,000,000 new Shares to be allotted and issued by the Company following the exercise of the Options
“Placee”	Sino Merchant
“Placing Agent”	Sheng Yuan Securities Limited, a licensed corporation to carry on Type 1 (dealing in securities), Type 2 (dealing in futures contracts) and Type 4 (advising on securities) regulated activities under the SFO

DEFINITIONS

“Placing Agreement”	the placing agreement dated 26 March 2015 entered into between the Company and the Placing Agent
“Placing Completion Date”	the fifth Business Day after the date upon which the last condition precedent to the Placing Agreement has been fulfilled or such other date as may be agreed between the Company and the Placing Agent
“Placing Price”	HK\$0.26 per Placing Share
“Placing Share(s)”	up to 1,500,000,000 new Shares to be allotted and issued by the Company pursuant to the Placing Agreement
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Roma Appraisals” or “Independent Valuer”	Roma Appraisals Limited, an independent valuer appointed by the Company for the valuation of the Options
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of a par value of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Sino Merchant”	Sino Merchant Car Rental Limited (華商租車有限公司), formerly known as Nat-Ace Pharmaceutical Ltd., an investment holding company incorporated in the BVI on 2 January 2008 with limited liability and held by Ms. Deng Shufen, Ms. Liu Jiangyuan and Mr. Gui Bin as to 60%, 20% and 20% respectively, and a controlling Shareholder of the Company as at the date of this circular
“Specific Mandate”	the specific mandate to be sought at the EGM for the Directors to issue and allot the Placing Shares and the Option Shares and for completion of the Connected Placing within 4 weeks after the EGM

DEFINITIONS

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Takeovers Code”	the Codes on Takeovers and Mergers and Share Buy-backs issued by the Securities and Futures Commission
“US\$”	United States dollars
“%”	per cent.

In the event of any inconsistency, the English text of this circular shall prevail over the Chinese text.

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 Directors:

Ms. Deng Shufen (*Chairman*)

Mr. Dai Yumin

Ms. Liu Jianguan

Mr. Gui Bin

Non-executive Director:

Mr. Wang Yongbin

Independent non-executive Directors:

Mr. Fang Jun

Mr. Zhao Xianming

Mr. Wong Yiu Kit, Ernest

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:*

Suites 3101-3105, 31st Floor

Dah Sing Financial Centre

108 Gloucester Road

Wanchai, Hong Kong

28 April 2015

To the Shareholders,

Dear Sir or Madam,

**CONNECTED TRANSACTION
PLACING OF NEW SHARES WITH GRANT OF OPTIONS
UNDER SPECIFIC MANDATE**

INTRODUCTION

Reference is made to the Announcement regarding the Connected Placing.

On 26 March 2015 (after trading hours of the Stock Exchange), the Company entered into the Placing Agreement with the Placing Agent pursuant to which the Company agreed to place through the Placing Agent for cash, on a best effort basis, up to 1,500,000,000 Placing Shares to the Placee at the Placing Price of HK\$0.26 per Placing Share. On the Placing Completion Date, in respect of the issue of the Placing Shares to the Placee, the Company shall grant the Options at an aggregate nominal consideration of HK\$1

LETTER FROM THE BOARD

payable by the Placee to subscribe for additional Shares on the terms set out in the Option Conditions. Each Option will carry the right to subscribe for the relevant Option Shares at the Exercise Price of HK\$0.26 per Option Share (subject to adjustments). Assuming that the entire number of 1,500,000,000 Placing Shares are issued, the Company will grant to the Placee the Options which will carry the rights to subscribe for 800,000,000 Option Shares issuable upon exercise of the Options.

The purpose of this circular is to provide you with information in respect of, among other things, (i) further details of the Connected Placing; (ii) a letter of advice from the Independent Board Committee to the Independent Shareholders in relation to the Connected Placing; (iii) a letter of advice from Astrum to the Independent Board Committee and the Independent Shareholders in relation to the Connected Placing; (iv) the valuation report in respect of the Options prepared by the Independent Valuer; and (v) a notice of EGM.

THE PLACING AGREEMENT

Date

26 March 2015

Issuer

The Company

Placing Agent

Sheng Yuan Securities Limited

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Placing Agent and its associates and their respective ultimate beneficial owners are independent of and not connected with the Company and its connected persons.

Pursuant to the Placing Agreement, the Placing Agent has agreed to act as the placing agent for the conditional placing of up to 1,500,000,000 Placing Shares at the Placing Price of HK\$0.26 per Placing Share on a best effort basis.

LETTER FROM THE BOARD

The Placee

On 26 March 2015, Sino Merchant, being a controlling Shareholder and thus a connected person of the Company, has agreed to subscribe for 1,500,000,000 Placing Shares, subject only to the Placing Agreement becoming unconditional in accordance with the terms thereof. Based on the 1,500,000,000 Placing Shares to be subscribed by Sino Merchant on the Placing Completion Date, the Company shall, at an aggregate nominal consideration of HK\$1 payable by Sino Merchant, grant to Sino Merchant the Options which will carry rights to subscribe for 800,000,000 Option Shares at the Exercise Price of HK\$0.26 per Option Share (subject to adjustments) upon exercise of such Options by Sino Merchant. The issuance of the Options is conditional upon the completion of the Connected Placing.

The Placee, together with any parties acting in concert with it, if any, are not, and shall not immediately after completion of the Connected Placing be required to make a mandatory general offer under the Takeovers Code. Following the issue of the Placing Shares, the Company's minimum public float of the Shares as required under the Listing Rules can be maintained.

As at the Latest Practicable Date, the Placing Agent confirmed that it will be placing 1,500,000,000 Placing Shares at the Placing Price of HK\$0.26 per Placing Share to the Placee and such number will remain unchanged on the Placing Completion Date. Accordingly the Company shall, at an aggregate nominal consideration of HK\$1 payable by Sino Merchant, grant to Sino Merchant the Options which will carry rights to subscribe for 800,000,000 Option Shares at the Exercise Price.

Please refer to the paragraph headed "Principal terms of the Options" of this letter below for detailed terms of the Options.

Number of the Placing Shares and the Option Shares

The 1,500,000,000 Placing Shares represent:

- (i) approximately 36.75% of the existing issued share capital of the Company as at the Latest Practicable Date;
- (ii) approximately 26.88% of the issued share capital of the Company as enlarged by the issue and allotment of the Placing Shares; and
- (iii) approximately 23.51% of the issued share capital of the Company as enlarged by the issue and allotment of the Placing Shares and the Option Shares (assuming that the Options are exercised in full).

LETTER FROM THE BOARD

The 800,000,000 Option Shares represent:

- (i) approximately 19.60% of the existing issued share capital of the Company as at the Latest Practicable Date;
- (ii) approximately 14.33% of the issued share capital of the Company as enlarged by the issue and allotment of the Placing Shares; and
- (iii) approximately 12.54% of the issued share capital of the Company as enlarged by the issue and allotment of the Placing Shares and the Option Shares (assuming that the Options are exercised in full).

As at the Latest Practicable Date, the Company had the following outstanding equity securities instruments which remain to be issued:

- (i) 140,062,500 Shares pursuant to the 2012 Warrants; and
- (ii) 101,519,537 Shares pursuant to the Company's supply chain management agreement dated 11 August 2011 (the "**2011 Options**").

Taking into account the 2012 Warrants, the proposed adjustments to the 2012 Warrants and the 2011 Options, the proposed issue of the Options by the Company complies with the requirements under Rule 15.02 of the Listing Rules.

All Placing Shares and Option Shares will be issued and allotted under the Specific Mandate. An application will be made by the Company to the Listing Committee of the Stock Exchange for the grant of the listing of, and permission to deal in, the Placing Shares and the Option Shares. The Options will not be listed on the Stock Exchange and any other stock exchange.

Placing Price

The Placing Price of HK\$0.26 per Placing Share represents:

- (i) a discount of approximately 14.75% over the closing price of HK\$0.305 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 16.93% to the average closing price of approximately HK\$0.313 per Share as quoted on the Stock Exchange for the five consecutive trading days immediately prior to and including the Last Trading Day;

LETTER FROM THE BOARD

- (iii) a discount of approximately 17.33% to the average closing price of approximately HK\$0.3145 per Share as quoted on the Stock Exchange for the ten consecutive trading days immediately prior to and including the Last Trading Day;
- (iv) a premium of approximately 251.35% over the audited consolidated net asset value as at 31 December 2014 per Share attributable to the Shareholders of approximately HK\$0.074; and
- (v) a discount of approximately 46.39% over the closing price of HK\$0.485 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

The net Placing Price, after taking into account the placing commission and the estimated expenses of the Connected Placing, is approximately HK\$0.257 per Placing Share.

The Placing Price of HK\$0.26 per Placing Share was arrived at after arm's length negotiations between the Company and the Placing Agent with reference to the market condition and the prevailing market price of the Shares. The Directors consider the Placing Price to be fair and reasonable.

The Directors noted that the Placing Price represents a discount of approximately 46.39% over the closing price of HK\$0.485 per Share as quoted on the Stock Exchange on the Latest Practicable Date. The Placing Price was determined on the date of the signing of the Placing Agreement. The Placing Price represents a greater discount over the closing price on the Latest Practicable Date as compared to that of the Last Trading Day. The greater discount is due to the volatility of Share price and the general favorable market condition. Accordingly, as the price difference using the price on the Latest Practicable Date is due to the current favorable market condition which is beyond the Board's control, the Directors consider such price difference to be fair and reasonable.

An independent valuation of the Options was conducted by Roma Appraisals. Taking into account of the valuation of the Options of approximately HK\$66.45 million, the adjusted Placing Price will be HK\$0.216 (which is equal to the Placing Price less the quotient, a value that represents the valuation of the Options divided by the total number of Placing Shares).

Placing Commission

The Company considers that it would be in the best interest of the Independent Shareholders of the Company to engage the Placing Agent to execute the Connected Placing as the Placing Agent could serve as a firewall to protect the interest of Independent Shareholders of the Company and avoid any potential conflicts of interests between the Placee and the Company.

LETTER FROM THE BOARD

The Placing Agent shall receive a placing commission of 0.8% of the aggregate amount equal to the Placing Price multiplied by the actual number of the Placing Shares being placed. The placing commission was determined after arm's length negotiations between the Company and the Placing Agent with reference to the market rate and the reduced effort required by the Placing Agent to continue to solicit placees in view of the proposed subscription by the Placee. The Placing Agent has made a significant concession on the placing commission which would normally be within the range of 2% to 3% for a company listed on the main board of the Stock Exchange. Accordingly, the Directors are of the view that such placing commission is fair and reasonable.

Ranking of the Placing Shares

The Placing Shares will rank, upon issue, pari passu in all respects with the Shares in issue on the date of issue and allotment of the Placing Shares.

Conditions of the Placing Agreement

Completion of the Placing Agreement is conditional upon:

- (i) the Listing Committee of the Stock Exchange granting to the Company the listing of, and permission to deal in, the Placing Shares and the Option Shares;
- (ii) the Stock Exchange approving the Options in accordance with Chapter 15 of the Listing Rules;
- (iii) all necessary consents, approvals, authorisations and/or waivers having been obtained by the Company to effect the execution, completion and performance of the obligations and other terms of the Placing Agreement (including but not limited to the issue and allotment of the Placing Shares to the Placee), if applicable; and
- (iv) the approval of the Independent Shareholders having been obtained in respect of (a) the issue and allotment of the Placing Shares; and (b) the grant of the Options, in accordance with the Listing Rules.

As at the Latest Practicable Date, none of the above conditions had been fulfilled.

In the event of the conditions referred to above not having been fulfilled before 25 September 2015 (or such later date as may be agreed by the Company and the Placing Agent), all rights, obligations and liabilities of the parties under the Placing Agreement shall cease and determine and none of the parties to the Placing Agreement shall have any claim against any other in relation to the Connected Placing.

LETTER FROM THE BOARD

Completion

Completion of the Placing Agreement shall take place on the Placing Completion Date. The Company expects that completion of the Connected Placing will take place within 4 weeks after the EGM. The Company proposes to seek the grant of the Specific Mandate from the Shareholders at the EGM for completion of the Connected Placing within 4 weeks after the EGM.

Termination

If at any time prior to 9:30 a.m. on the Placing Completion Date,

- (i) there develops, occurs or comes into force:
 - a) any event, development or change (whether or not local, national or international or forming part of a series of events, developments or changes occurring or continuing before, on and/or after the date hereof) and including an event or change in relation to or a development of an existing state of affairs of a political, military, industrial, financial, economic, fiscal, regulatory or other nature, resulting in a change in, or which may result in a change in, political, economic, fiscal, financial, regulatory or stock market conditions; or
 - b) the imposition of any moratorium, suspension or restriction on trading in securities generally on the Stock Exchange occurring due to exceptional financial circumstances or otherwise; or
 - c) any change in conditions of local, national or international securities markets occurs; or
 - d) any new law or regulation or change in existing laws or regulations or any change in the interpretation or application thereof by any court or other competent authority in Hong Kong or any other jurisdiction relevant to the Group; or
 - e) a change or development occurs involving a prospective change of taxation or exchange control (or the implementation of exchange control) in Hong Kong or elsewhere; or
 - f) any litigation or claim being instigated against any member of the Group which would have a material adverse effect on the Group; or
 - g) any suspension in the trading of Shares on the Stock Exchange for a continuous period of five Business Days; or

LETTER FROM THE BOARD

(ii) any breach of any of the representations and warranties set out in the Placing Agreement comes to the knowledge of the Placing Agent or any event occurs or any matter arises on or after the date of the Placing Agreement and prior to the Placing Completion Date which if it had occurred or arisen before the date of the Placing Agreement would have rendered any of such representations and warranties untrue or incorrect in any material respect or there has been a material breach by the Company of any other provision of the Placing Agreement; or

(iii) there is any change in the financial or business or trading position of the Company,

the Placing Agent may after consultation with the Company terminate the Placing Agreement by notice in writing to the Company without any liability to the Company.

The proposed subscription by the Placee of the Placing Shares is conditional upon, among other things, the proposed grant of Options to the Placee. Since completion of the Placing Agreement is subject to fulfilment of the conditions as set out in the Placing Agreement (including but not limited to all necessary approvals having been obtained in respect of the issue and allotment of the Placing Shares and the grant of Options) and the Placing Agent is entitled to terminate the Placing Agreement under the above circumstances, the Connected Placing may or may not proceed. Shareholders and potential investors of the Company are reminded to exercise caution when dealing in the Shares.

Principal terms of the Options

Option premium and the Exercise Price

The Options shall be granted to the Placee at a nominal consideration of HK\$1 payable by the Placee. The Options will carry the rights to subscribe for 800,000,000 Option Shares at the Exercise Price of HK\$0.26 (subject to adjustments).

The Exercise Price is equivalent to the Placing Price. A comparison between the Exercise Price and the prevailing market prices of the Shares and the audited consolidated net asset value per Share attributable to the Shareholders has been set forth in the paragraph headed “Placing Price” of this letter.

The Exercise Price was arrived at after arm’s length negotiations between the Company and the Placing Agent with reference to the market condition and the prevailing market price of the Shares. The Directors consider the Exercise Price to be fair and reasonable.

LETTER FROM THE BOARD

Adjustments to the Exercise Price

The Exercise Price shall from time to time be adjusted upon occurrence of the following events:

- (i) an alteration to the nominal value of the Shares as a result of consolidation, subdivision or reclassification;
- (ii) the Company issuing any Shares credited as fully paid to the Shareholders by way of capitalisation of profits or reserves (including any share premium account);
- (iii) the Company paying or making any capital distribution to the Shareholders (except where the Exercise Price is adjusted under (ii) above);
- (iv) the Company (a) issuing Shares to all or substantially all Shareholders as a class by way of rights or an open offer, or (b) issuing or granting to all or substantially all Shareholders as a class, by way of rights or an open offer, of options, warrants or other rights to subscribe for or purchase any Shares, in each case at less than 90% of the current market price per Share on the last trading day preceding the date of the announcement of the terms of such issue or grant;
- (v) the Company issuing any securities (other than Shares or options, warrants or other rights to subscribe for or purchase Shares) to all or substantially all Shareholders as a class, by way of rights or an open offer, or the issuing or granting by the Company to all or substantially all Shareholders as a class by way of rights or an open offer, of any options, warrants or other rights to subscribe for or purchase or otherwise acquire, any securities;
- (vi) the Company (a) issuing any Shares or any securities convertible to or exchangeable for any Shares (otherwise than as mentioned in (iv) and (v) above, and other than Shares issued on the exercise of any Option and Shares issued upon exercise of any option granted by the Company pursuant to a share option scheme) or (b) issuing or granting any options, warrants, other rights to subscribe or purchase Shares (otherwise than as mentioned in (iv) and (v) above, and other than the options granted by the Company pursuant to a share option scheme), in each case at a price per Share which is less than 90% of the current market price per Share on the last trading day preceding the date of the announcement of the terms of such issue or grant; and

LETTER FROM THE BOARD

(vii) events leading to (a) the rights of conversion, exchange, purchase or subscription attaching to any options, rights or warrants to subscribe for or purchase Shares or any securities convertible into or exchangeable for Shares or the rights carried by such securities to subscribe for or purchase Shares are modified (other than pursuant to, and as provided in, the existing terms and conditions of such options, rights, warrants or securities); or (b) the Company determining that an adjustment should be made to the Exercise Price as a result of one or more events or circumstances not referred to in any other provisions of this anti-dilution adjustment provision which in either case have or would have an effect on the position of the holders of the Options as a class compared with the position of the holders of all the securities (and options, rights and warrants relating thereto) of the Company, taken as a class, which is analogous to any of the events referred to in (i) to (vi) above.

The Company will engage an independent reputable accounting firm or merchant bank or other reputable financial institution to review the calculation for all adjustment clauses, in particular adjustment clause (vii), and determine what adjustment (if any) to the Exercise Price is fair and reasonable to take account thereof, in order to safeguard the interest of the Company's Shareholders.

Number of the Option Shares

Options carrying rights to subscribe for up to 800,000,000 Option Shares.

Initial Issue Date

Same date as the Placing Completion Date.

Exercise Period

The Options are exercisable by the Placee commencing on the Initial Issue Date and ending on the last day of the twenty-fourth (24th) month from the Initial Issue Date (both days inclusive). The Options shall be issued on the Initial Issue Date and vest immediately, subject to the Placing Agreement becoming unconditional.

The Options may be exercised, in whole or in part, by the holder of the Options at any time during the Exercise Period at the Exercise Price.

The unexercised part of the Options shall lapse and have no force or effect on the day immediately after the expiry of the Exercise Period.

LETTER FROM THE BOARD

Ranking of the Option Shares

The Option Shares to be issued upon exercise of the Options will rank, upon issue, pari passu in all respects with the Shares in issue on the date of issue and allotment of the Option Shares.

Transferability of the Options

No Option is transferable. Holders of the Options shall not cause or permit anything to be done, to dispose of, pledge, mortgage, charge, create (or cause to be created) any lien, option, right of pre-emption or other encumbrance or third party right upon, or otherwise deal with, the Options at any time.

Restriction on exercise of the Options

The Company shall not accept any notice for the exercise of the Options and shall not issue any Option Shares thereof if: (a) immediately following such issue, holders of the Options, their respective associates and the parties acting in concert with any of them shall be required to make a mandatory general offer under the Takeovers Code; and (b) following such issue, the Company's minimum public float of the Shares as required under the Listing Rules cannot be maintained.

Completion of issuance

Completion of the subscription of the relevant Option Shares shall take place at noon on the seventh (7th) Business Day immediately following the day of service of the Option notice at the principal place of business of the Company or at such other place, time and/or date as may be agreed in writing between by the Company and the relevant holder(s) of Options.

Rights of holders of the Options on the wind-up of the Company

In the event a notice is given by the Company to the Shareholders to convene a Shareholders' meeting for the purposes of considering, and if thought fit approving, a resolution to voluntarily wind-up the Company, the Company shall forthwith give notice thereof to each holder of Options and thereupon, every holder of Options shall be entitled (but not obliged), by irrevocable surrender of its Option certificate to the Company (such surrender to occur not later than five (5) Business Days prior to the proposed Shareholders' meeting referred to above) with the Option notice duly completed, together with payment of the Exercise Price, to exercise the Options represented by such Option certificate, and

LETTER FROM THE BOARD

the Company shall as soon as possible and in any event no later than the day immediately prior to the date of the proposed Shareholders' meeting allot such number of Option Shares to the holder(s) of Options which fall to be issued to the extent specified in the Option notice. The Company shall give notice to all holder(s) of Options of the passing of such resolution within seven (7) days after the passing thereof. Subject to the foregoing, if the Company is wound up, all Options which have not been exercised at the date of the passing of such resolution shall lapse and each Option certificate will cease to be valid for any purpose.

INDEPENDENT VALUATION OF THE OPTIONS

The Company has engaged Roma Appraisals as the independent valuer to perform a valuation on the Options. The value of the Options which was estimated by Roma Appraisals is approximately HK\$66.45 million as at 26 March 2015.

The fair value of each Option based on the valuation report was determined to be approximately HK\$0.083 based on the closing price of HK\$0.305 per Share on 26 March 2015.

Please refer to Appendix II to this circular for the valuation report of the Options issued by Roma Appraisals which includes the valuation methodology and the key assumptions adopted by Roma Appraisals in preparing such valuation report.

The Directors noted that there is a difference of approximately HK\$66.45 million between the consideration of the Option of HK\$1 ("**Option Consideration**") and the valuation amount.

The factors considered by the Directors in setting the Option Consideration of HK\$1 are as follows:

- (i) the grant of the Options at a nominal consideration of HK\$1 is a part and parcel term of the Placing Agreement to attract the Placee to participate in the Connected Placing, which shall provide the funding for the Group to satisfy its business needs;
- (ii) the Directors considered that the grant of the Options has no negative cashflow impact on the Group but a positive cashflow if the Options are exercised;
- (iii) the theoretical value of the Options arrived at by Roma Appraisals is subject to many key assumptions, which are subject to uncertainties such as expected volatility of the Shares, dividend yield and risk free rate that are open to many interpretations; and

LETTER FROM THE BOARD

- (iv) taking into account of the valuation of the Options of approximately HK\$66.45 million, the adjusted Placing Price will be HK\$0.216 (which is equal to the Placing Price less the quotient, a value that represents the valuation of the Options divided by the total number of Placing Shares), representing:
- a) a discount of approximately 29.28% to the closing price of HK\$0.305 per Share as quoted on the Stock Exchange at the Last Trading Day;
 - b) a discount of approximately 31.09% to the average closing price of HK\$0.313 per Share as quoted on the Stock Exchange for the five consecutive trading days immediately prior to and including the Last Trading Day; and
 - c) a discount of approximately 55.46% to the closing price of HK\$0.485 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

The Directors consider that the discounts of 29.28%, 31.09% and 55.46% are fair and reasonable in view of the difficulty in securing places for the Connected Placing and the need to raise financing in a timely manner to implement the Group's business plan.

The Option Consideration is determined after taking into account of the Placing Price with reference to the market condition and the prevailing market price of the Shares, as well as the intention of the Company to secure the Connected Placing with the Placee. Hence, the Directors considered that the terms of the Placing Agreement are fair and reasonable to the Company and the Shareholders as a whole.

The Directors noted that the adjusted Placing Price represents a discount of approximately 55.46% over the closing price of HK\$0.485 per Share as quoted on the Stock Exchange on the Latest Practicable Date. The adjusted Placing Price represents a greater discount over the closing price on the Latest Practicable Date as compared to that of the Last Trading Day. The greater discount is due to the volatility of Share price and the general favorable market condition. Accordingly, as the price difference using the price on the Latest Practicable Date is due to the current favorable market condition which is beyond the Board's control, the Directors consider such price difference to be fair and reasonable.

The Directors have considered that despite the discount of the Option Consideration to the valuation of the Options based on the closing price of the Shares on the Last Trading Day, it is fair and reasonable to issue the Options on the terms as set out in the Placing Agreement mainly because:

- (i) the issue of the Options will not cause immediate dilution on the shareholding of the Shareholders;

LETTER FROM THE BOARD

- (ii) the Options (upon exercise of the rights attaching thereto) will further enhance the capital and Shareholder base of the Company; and
- (iii) the Options are non-interest bearing and the Company can apply the proceeds of up to approximately HK\$208 million upon the exercise of the Options as general working capital to strengthen the Company's liquidity position and capital base.

EFFECTS ON SHAREHOLDING STRUCTURE

The shareholding structures of the Company as at the Latest Practicable Date and immediately after (i) completion of the Placing Agreement (assuming that none of the Options are exercised); and (ii) completion of the Placing Agreement and the exercise in full of the Options are set out below:

Name of Shareholders	As at the Latest Practicable Date		Immediately after completion of the Placing Agreement (assuming none of the Options are exercised)		Immediately after completion of the Placing Agreement and the exercise in full of the Options	
	No. of Shares	%	No. of Shares	%	No. of Shares	%
Sino Merchant (Note 1)	2,261,473,889	55.41	3,761,473,889	67.39	4,561,473,889	71.48
Public Shareholders	1,819,901,111	44.59	1,819,901,111	32.61	1,819,901,111	28.52
Total	4,081,375,000	100.00	5,581,375,000	100.00	6,381,375,000	100.00

Note:

- Sino Merchant is a company incorporated in the BVI and its issued share capital is owned as to 60% by Ms. Deng Shufen, the chairman and executive Director of the Company, 20% by Ms. Liu Jiangyuan and 20% by Mr. Gui Bin, both being executive Directors of the Company. Ms. Deng Shufen is deemed, or taken to be, interested in all of the Shares in which Sino Merchant is interested by virtue of Part XV of the SFO. As Mr. Dai Yumin (an executive Director of the Company) is the spouse of Ms. Deng Shufen, he is deemed, or taken to be, interested in the Shares which Ms. Deng Shufen is deemed, or taken to be interested in, for the purposes of Part XV of the SFO.

LETTER FROM THE BOARD

REASONS FOR THE CONNECTED PLACING AND USE OF PROCEEDS

Assuming that all of the 1,500,000,000 Placing Shares are placed under the Connected Placing, the gross proceeds and estimated net proceeds (after deduction of relevant expenses in the estimated amount of HK\$5 million) from the placing of the Placing Shares are approximately HK\$390 million and HK\$385 million, respectively. The Board intends to apply such net proceeds obtained from the Connected Placing for financing the existing business which is primarily in the provision for car rental services; the trading of electronic components/materials; and the research, design, development and sale of digital signal processing (“DSP”) based consumer electronic devices/platforms, including embedded firmware, and the provision of solutions/services to customers for their DSP-based consumer electronic devices/platforms. Approximately 65% of the net proceeds (HK\$250.25 million) will be used to expand the car rental business; approximately 25% of the net proceeds (HK\$96.25 million) will be used to further expand the trading of electronic components/materials business; and the remaining 10% of the net proceeds (HK\$38.50 million) will be used for the Group’s general working capital. To the extent that the proceeds intended for car rental business expansion are not applied, they will be used for the trading of electronic components/materials business and/or general working capital of the Group.

Car Rental Business

Overview

To improve the worsening situations of traffic congestion and air pollution in the PRC, a number of major cities (including Beijing, Shanghai, Guangzhou, Tianjin, Hangzhou, Guiyang and Shenzhen) have already implemented restrictive measures on the issuance of license plates to new vehicles, transfer of existing license plates between owners of different vehicles, and entry to cities by vehicles without local license plates. It is expected that other major cities will also implement similar restrictions in the near future. With such restrictions, the costs of owning vehicles for transportation are rapidly rising. Alternatively, the car rental business not only offers the freedom of travelling from province to province, removes the risk of low residual values for privately owned cars and frees the drivers from the required arrangements for insurance and service maintenance, but is also a cost control measure. Accordingly, car rental business is gradually becoming popular and preferred by businesses and individuals, resulting in the rapid development of the car rental industry in Mainland China.

LETTER FROM THE BOARD

Today, the car rental industry in Mainland China is at its initial stage of development. From an industry perspective, the development and extent of penetration of the car rental market in Mainland China is still far below that of other countries. In 2013, the top five car rental companies accounted for about 14% of the overall Mainland China market, whereas, the percentages of the top five companies in the United States of America, Germany and Brazil were 95%, 91% and 58%, respectively. With respect to the composition of the industry, there are around thousands of car rental companies, but the market is extremely fragmented with the average number of cars per company fleet of less than 50. This indicates that the room for the industry's development and growth is very promising.

Moreover, the favorable policies introduced by the PRC government also contributed to the rapid growth of the industry. According to the "Notice on Promoting the Healthy Development of the Car Rental Industry" (關於促進汽車租賃業健康發展的通知) issued in 2011, the Ministry of Transport would strengthen the control in the car rental industry so as to ensure a normal and healthy development. This policy can be interpreted as an indication that the PRC government will escalate support to the industry. Meanwhile, a series of car reform programs including the "Directives on the Full-fledged Reform in the Use of Official Vehicles" (關於全面推進公務用車制度改革的指導意見) and the "Central and State Government Official Vehicles Reform Program" (中央和國家機關公務用車制度改革方案) were released during 2014 by the Development and Reform Commission. These actions together with factors, such as measures to reduce traffic congestions and promotion of asset-light strategies, should provide an impetus to the growth of Mainland China's car rental industry.

An independent report by Roland Berger also points out that the car rental business is very capital-intensive and the rate of expansion of the business is linked to a company's financial resources and its ability to leverage capital. Accordingly, it is imperative for the Company to raise fund to implement its business expansion plan, as it would enable the Company to seize market opportunities as and when they arise.

Recent acquisitions by the Group

In an effort to capture market opportunities, the Group has carried out strategic restructuring in 2014, looked for the most appropriate segments for development and successfully entered the car rental market. This was achieved by the Group's investment in the following companies:

- (i) on 15 October 2014, the Group entered into a subscription agreement to subscribe for approximately 10% equity interest in Prime Elite Ventures Limited ("**Prime Elite**") for US\$5 million (approximately HK\$39 million). Prime Elite launched

LETTER FROM THE BOARD

an online car rental application, “AA 租車”, in 2013. The application is a nation-wide, mobile internet-based intelligent car rental platform, to provide users with a brand new, personalised travel service which includes professional car rental service of readily available vehicles, including booking by appointment and vehicles for business use. “AA 租車” service network covers a number of cities in the country, including Beijing, Guangzhou, Shenzhen, Shanghai, Dalian and Shijiazhuang.

The subscription in Prime Elite’s equity interests signifies the Group’s determination to enter the car rental industry and its commitment to extend the car rental network to cover the whole country; and

- (ii) on 28 November 2014, the Group entered into a sale and purchase agreement to acquire 100% equity interest in Gigantic Wisdom Limited (“**Gigantic**”) for a total consideration of RMB65 million (approximately HK\$81 million). Gigantic owns 北京途安汽車租賃有限責任公司 (“**Beijing Tu An**”), which is engaged in the car rental services business. With its headquarters located in Beijing, Beijing Tu An provides mainly long-term car rental service and has established a sound operation with an extensive business network.

The acquisition has further strengthened the Group’s capabilities in the car rental business, by having rental cars as well as online car rental application for users to explore opportunities for rental cars. Prime Elite and Beijing Tu An also have a joint collaboration where Beijing Tu An will allocate a certain number of cars specifically for the use of Prime Elite’s customers.

It is the business strategy of the Group to extend its car rental services network throughout the major cities in the Mainland China, either via acquisition of existing local car rental services companies or establishing its own car rental companies locally, depending on various operating factors such as local jurisdiction, demand and investment opportunities. The Group intends to apply approximately HK\$200 million to implement this business strategy.

Moreover, the Group currently has 45 vehicle purchasing rights on hand and expects to obtain an additional 20 vehicle purchasing rights in the current year to further expand Beijing Tu An’s operations. In view of the full utilization rate of Beijing Tu An’s existing fleet size and its positive operating results, it is the intention of the Group to further invest approximately HK\$50 million in Beijing Tu An’s operations, of which 65% will be used for expanding its fleet size and operations and 35% will be allocated for reducing its debt level and costs of financing, thereby enabling increasing returns to the Shareholders.

LETTER FROM THE BOARD

The Group is currently in preliminary discussions with three acquisition targets. However, as at the date of this circular, no definitive agreements have been signed yet. It is the intention of the Group to acquire a controlling stake in the companies with which it is having preliminary discussion, among which two acquisition targets are in the first-tier cities and the other acquisition target is in a major city in the southern part of Mainland China. The investment size of these acquisition targets ranges from HK\$50 million to HK\$70 million. The actual investment size of the acquisition targets depends on the percentage of interest acquired and the arm's length negotiations between the Company and the vendors. The Company will make further announcement(s) in compliance with the Listing Rules, as and when appropriate.

Based on the above, the Group intends to apply approximately HK\$250 million in aggregate to expand its car rental business.

Electronic Components/Materials Business

During 2014, the Group expanded the trading of electronic components/materials business segment through leveraging from the experience and network of the executive Directors. As the trading of electronic components/materials business provides steady income source and enhances the business performance, the Group intends to allocate additional resources to further expand this business segment. As in normal trading business, the Group will provide customers with a 90-day credit term for product purchase whilst suppliers of the Group usually offer a shorter credit period to the Group when purchasing the products. The Company is seeing growth potential in the trading of electronic components/materials business (which is part of the existing business of the Company unrelated to car rental business). Typically, each trade transaction conducted by the Group ranges from approximately HK\$30 million to HK\$60 million. As such, the expansion of the trading business would require additional capital investment. Accordingly, the Group intends to apply approximately HK\$96 million to expand its trading of electronic components/materials business.

General Working Capital

In view of the business expansion plan, the Group is expected to require additional working capital to facilitate its daily operations. Accordingly, the Group intends to apply approximately HK\$39 million to strengthen its working capital to cater for the Group's expansion plans.

LETTER FROM THE BOARD

Moreover, assuming full exercise of the Options carrying rights to subscribe for up to 800,000,000 Option Shares at the Exercise Price of HK\$0.26 per Option Share (subject to adjustments), the gross proceeds from the exercise of the Options are approximately HK\$208 million. The Board intends to apply such gross proceeds as general working capital of the Group.

The immediate funding needs of the Group are expected to be obtained from the net proceeds through the Connected Placing. Proceeds raised from the exercise of the Option Shares (“**Additional Proceeds**”) would be used as general working capital to strengthen the Company’s liquidity position and capital base. Whilst the Additional Proceeds to be raised from the exercise of the Options may not be immediately available, the Company considers that this will not affect its general working capital requirements.

The Directors are of the view that the Connected Placing is in the interests of the Company and the Shareholders as a whole and the terms of the Placing Agreement are fair and reasonable so far as the Independent Shareholders are concerned.

The Company constantly evaluates its investment strategies to provide the best possible return on investment to its Shareholders based on limited resources. This includes increasing investment in areas which the management believes provide a better relevant growth potential and decreasing investment in areas which the management believes provide a relatively lower yield.

During the past year, the Group has been expanding its existing business, being the electronic components/materials business as management sees growth potential in the trading of the electronic components/materials business and is looking to further invest additional capital to expand this business segment. On the other hand, the consumer electronic devices/platforms and related solutions/services business has consistently suffered loss and based on the annual results for the year ended 31 December 2014, that business segment suffered a net loss of approximately HK\$37.5 million. As such, the management is constantly evaluating its options including ways to improve the performance of this business segment and/or to seek any possible divestment of this business.

As at the Latest Practicable Date, the Company has engaged in formal discussion with a potential purchaser, who is an Independent Third Party, to dispose of certain subsidiaries of the Group which are primarily engaged in the consumer electronic devices/platforms and related solutions/services business. To the best of the Directors’ knowledge, the disposal, if materialize, will constitute a discloseable transaction for the Company. The Company will make further announcement in compliance with the Listing Rules as and when appropriate.

LETTER FROM THE BOARD

INFORMATION OF THE PLACEE

The Placee was incorporated in the BVI. The principal business of the Placee is investment holding. As at the Latest Practicable Date, its sole investment consists of 55.41% equity interest in the Company.

FINANCING ALTERNATIVES CONSIDERED BY THE GROUP

The Directors have considered other fund raising alternatives apart from the Connected Placing, including both debt financing and equity financing.

In relation to debt financing, the Company has approached a number of banks with a view to securing possible banking facilities. However, due to the Group's existing loss-making position and that the car rental business is still at an early development stage without proven track record, debt financing is considered to be currently impracticable for the Group.

As for other equity financing such as rights issue and open offer, the Company has approached two firms and financial institutions with a view to procuring commercial underwriting for such exercises. However, in view that (i) greater discount is normally accorded to the issue price in a rights issue/open offer exercise to attract existing Shareholders to subscribe for such issues, as compared to a placing, thus possibly resulting in a lesser amount of proceeds raised; (ii) the implementation time for rights issue/open offer is longer compared to the time required for a placing as it involves an offer period, which the Board considered not to be in a timely manner; (iii) higher cost involved, such as underwriting commission, in a rights issue/open offer exercise as compared to the Connected Placing; and (iv) the Company did not receive any positive reply from the two firms and financial institutions approached, therefore, although an open offer and a rights issue would allow Shareholders to maintain their pro-rata shareholdings in the Company, the Board considered such fund raising methods to be currently impracticable for the Group.

REASONS FOR THIS FUNDING ARRANGEMENT

The Company considers that the grant of Options may not immediately bring in additional capital for the Company. Nevertheless, any proceeds arising from the exercise of the Options would be applied to strengthen the Group's liquidity position and capital base and further enable the Company to implement its business plan. The proposed grant of Options to the Placee is conditional, among other things, on the subscription by the Placee of the Placing Shares.

LETTER FROM THE BOARD

The Company commenced discussions with the Placing Agent on 23 March 2015 regarding a potential fund raising. During the intervening period leading up to the entering into the Placing Agreement with the Placing Agent, the Placing Agent has approached and tested the interests of potential investors (both independent investors and existing investors of the Company). However, the Placing Agent received scarce interest from independent investors to subscribe into the proposed placing under equivalent terms as the Connected Placing.

As such, in order for the Company to secure the proceeds from the Placing Shares, the Company considers it reasonable to grant the Placée the Options to subscribe for the additional Option Shares at the same price as the Placing Price, which is HK\$0.26 per Option Share.

SPECIFIC MANDATE

In contemplation of the proposed allotment and issue of the Placing Shares and the Option Shares, the Company proposes to seek the grant of the Specific Mandate from the Shareholders at the EGM for completion of the Connected Placing within 4 weeks after the EGM.

FUND RAISING ACTIVITIES OF THE COMPANY IN THE LAST TWELVE MONTHS

Date of the announcement	Fund raising activity	Net proceeds raised	Intended use of the net proceeds	Actual use of the net proceeds as at the Latest Practicable Date
8 May 2014	Subscription of Shares completed on 9 July 2014 (details of which are set out in the circular of the Company dated 16 June 2014)	Approximately HK\$98.5 million	(i) to explore new business opportunities for the Group; and (ii) to improve the working capital of the Group	(i) approximately HK\$93.6 million was applied by the Group to develop new business opportunities in its trading business; and (ii) approximately HK\$4.9 million was applied by the Group as working capital.

LETTER FROM THE BOARD

Date of the announcement	Fund raising activity	Net proceeds raised	Intended use of the net proceeds	Actual use of the net proceeds as at the Latest Practicable Date
15 September 2014	Placing of new Shares completed on 20 November 2014 (details of which are set out in the circular of the Company dated 22 October 2014)	Approximately HK\$172.5 million	(i) approximately HK\$90 million to invest in car rental business; (ii) approximately HK\$80 million to expand the Group's trading business; and (iii) remaining portion and to the extent that the net proceeds available are not applied for acquisition and/or investment purposes, to be used for the Group's trading business and/or general working capital	(i) approximately HK\$81 million was applied by the Group for acquiring 100% equity interest in Gigantic for a total consideration of RMB65 million; (ii) approximately HK\$9 million was applied by the Group as part payment in acquiring approximately 10% equity interest in Prime Elite where the total consideration was approximately US\$5 million (approximately HK\$39 million); and (iii) approximately HK\$80 million was applied by the Group to develop its trading business.

LETTER FROM THE BOARD

Save as disclosed above, as at the Latest Practicable Date, the Company had not conducted any equity fund raising exercises in the past twelve months immediately preceding the Latest Practicable Date.

ADJUSTMENTS TO THE 2012 WARRANTS

As at the Latest Practicable Date, the Company's 2012 Warrants confer rights upon the holders thereof to subscribe in cash in aggregate up to HK\$16,807,500 at an adjusted subscription price of HK\$0.12 per Share. The Connected Placing, if it becomes unconditional, will cause adjustments to the subscription price and/or the number of Shares to be issued under the 2012 Warrants pursuant to the terms of issue thereof. The Company will engage an auditor to confirm the adjustments and inform the holder(s) of the 2012 Warrants of such adjustments accordingly by written notice.

2012 WARRANTS SPECIFIC MANDATE

As the Connected Placing will cause adjustments to the 2012 Warrants which may result in additional new Shares to be issued, the Company proposes to seek the grant of 2012 Warrants Specific Mandate from the Shareholders at the EGM, which will grant the approval for up to a maximum of 15,000,000 new Shares to be issued as a result of the adjustments to the 2012 Warrants.

IMPLICATIONS UNDER THE LISTING RULES

As at the Latest Practicable Date, the Placee is the controlling Shareholder of the Company which is interested in approximately 55.41% of the Shares in issue. As such, the Placee is a connected person of the Company under the Listing Rules.

The Placing Shares and the Option Shares will be issued under the Specific Mandate to be obtained from the Shareholders and therefore, the Placing Agreement and the transactions contemplated thereunder are subject to the Shareholders' approval. In addition, the Connected Placing constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules and is subject to the announcement, circular and independent shareholders' approval requirements under the Listing Rules.

Ms. Deng Shufen (the chairman and executive Director of the Company who has a 60% equity interest in the Placee) and Mr. Dai Yumin (being the spouse of Ms. Deng Shufen and an executive Director of the Company) have abstained from voting in the Board meeting in which the Placing Agreement and the transactions contemplated thereunder were approved.

LETTER FROM THE BOARD

An EGM will be convened and held for the purpose of considering, and if thought fit, approving the Placing Agreement and the transactions contemplated thereunder, and the Specific Mandate.

To the best of the Directors' knowledge, information and belief having made all reasonable enquires, none of the Shareholders, other than the Placee and its associates, have any material interest in the Placing Agreement and the transactions contemplated thereunder. Accordingly, only the Placee and its associates are required to abstain from voting at the EGM in respect of the resolution(s) approving the Placing Agreement and the transactions contemplated thereunder, and the Specific Mandate.

The Independent Board Committee has been established to advise the Independent Shareholders on the Connected Placing. Astrum has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

EGM

A notice convening the EGM to be held at Suites 3101-3105, 31st Floor, Dah Sing Financial Centre, 108 Gloucester Road, Wanchai, Hong Kong on 18 May 2015 at 11:00 a.m. is set out from pages 88 to 90 of this circular. A form of proxy for use at the EGM is enclosed. Whether or not you are able to attend and vote at the EGM in person, you are requested to complete and return the accompanying form of proxy to the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong in accordance with the instructions printed thereon 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 form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

The register of members of the Company will be closed from 14 May 2015 to 18 May 2015, both days inclusive, for determining the Shareholders who are entitled to attend and vote at the EGM, during which period no transfer of Shares will be effected. In order to qualify for attending and voting at the EGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:00 p.m. on 13 May 2015.

LETTER FROM THE BOARD

RECOMMENDATION

The Directors are of the opinion that the Connected Placing and the terms of the Placing Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Therefore, the Directors recommend the Shareholders to vote in favour of the proposed resolution(s) approving the Placing Agreement and transactions contemplated thereunder, and the Specific Mandate at the EGM.

GENERAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular.

Yours faithfully,
By order of the Board
Perception Digital Holdings Limited
Deng Shufen
Chairman and Executive Director

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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)

28 April 2015

To the Independent Shareholders

Dear Sir or Madam,

**CONNECTED TRANSACTION
PLACING OF NEW SHARES WITH GRANT OF OPTIONS
UNDER SPECIFIC MANDATE**

We refer to the circular of the Company dated 28 April 2015 (the “**Circular**”), of which this letter forms part. Unless the context otherwise requires, capitalised terms used in this letter will have the same meanings as defined in the Circular.

We have been appointed as members of the Independent Board Committee to consider the Connected Placing and to advise you as to whether, in our opinion, the terms of the Placing Agreement are fair and reasonable so far as the Independent Shareholders are concerned. Astrum has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

We also wish to draw your attention to (i) the letter from the Board; (ii) the letter from Astrum; and (iii) the additional information set out in the appendices to the Circular.

Having considered the terms of the Placing Agreement and the transactions contemplated thereunder, and having taken into account the opinion of Astrum and, in particular, the factors, reasons and recommendations as set out in the letter from Astrum from pages 32 to 70 of the Circular, we consider that the terms of the Placing Agreement and the transactions contemplated thereunder are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned, and the Connected Placing is in the interests of the Independent Shareholders and the Company as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the relevant resolution(s) which will be proposed at the EGM to approve the Connected Placing.

Yours faithfully,

For and on behalf of

The Independent Board Committee of

Perception Digital Holdings Limited

Fang Jun

Zhao Xianming

Wong Yiu Kit, Ernest

Independent non-executive Directors

LETTER FROM ASTRUM

Set out below is the text of a letter received from Astrum, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Connected Placing for the purpose of inclusion in this circular.



11/F, 122 QRC,
Nos. 122-126 Queen's Road Central, Hong Kong

28 April 2015

To the Independent Board Committee and
the Independent Shareholders of
Perception Digital Holdings Limited

Dear Sirs,

CONNECTED TRANSACTION PLACING OF NEW SHARES WITH GRANT OF OPTIONS UNDER SPECIFIC MANDATE

INTRODUCTION

We refer to our engagement as the independent financial adviser to make recommendations to the independent board committee (the “**Independent Board Committee**”) and the independent shareholders (the “**Independent Shareholders**”) of Perception Digital Holdings Limited (the “**Company**”) in relation to the Connected Placing. Details of the Connected Placing are disclosed in the announcement of the Company dated 26 March 2015 (the “**Announcement**”) and in the letter from the board (the “**Letter from the Board**”) set out on pages 6 to 30 of the circular of the Company dated 28 April 2015 (the “**Circular**”) to its shareholders, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

On 26 March 2015 (after trading hours of the Stock Exchange), the Company entered into the Placing Agreement with the Placing Agent pursuant to which the Company agreed to place through the Placing Agent for cash, on a best effort basis, up to 1,500,000,000

LETTER FROM ASTRUM

Placing Shares to the Placee at the Placing Price of HK\$0.26 per Placing Share. On the Placing Completion Date, in respect of the issue of the Placing Shares to the Placee, the Company shall grant the Options at an aggregate nominal consideration of HK\$1 payable by the Placee to subscribe for additional Shares on the terms set out in the Option Conditions. Each Option will carry right to subscribe for the relevant Option Shares at the initial Exercise Price of HK\$0.26 per Option Share (subject to adjustments). Assuming that the entire number of 1,500,000,000 Placing Shares are issued, the Company will grant to the Placee the Options which will carry the rights to subscribe for 800,000,000 Option Shares issuable upon exercise of the Options.

On even date, the Placee, being a controlling Shareholder and thus a connected person of the Company, has agreed to subscribe for 1,500,000,000 Placing Shares for cash at the Placing Price, subject only to the Placing Agreement becoming unconditional in accordance with the terms thereof. Based on the 1,500,000,000 Placing Shares to be subscribed for by the Placee on the Placing Completion Date, the Company shall, at an aggregate nominal consideration of HK\$1 payable by the Placee, grant to the Placee the Options which will carry rights to subscribe for 800,000,000 Option Shares at the initial Exercise Price of HK\$0.26 per Option Share (subject to adjustments) upon exercise of such Options by the Placee. The issuance of the Options is conditional upon completion of the Connected Placing.

As at the Latest Practicable Date, the Placee was the controlling Shareholder which was interested in approximately 55.41% of the Shares in issue. As such, the Placee is a connected person of the Company under the Listing Rules.

The Placing Shares and the Option Shares will be issued under the Specific Mandate to be obtained from the Shareholders and therefore, the Placing Agreement and the transactions contemplated thereunder are subject to the Shareholders' approval. In addition, the Connected Placing constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules and is subject to the announcement, circular and independent shareholders' approval requirements under the Listing Rules.

Ms. Deng Shufen (the executive Director and the chairman of the Company who has a 60% equity interest in the Placee, "**Ms. Deng**") and Mr. Dai Yumin (being the spouse of Ms. Deng and an executive Director) have abstained from voting in the board meeting in which the Placing Agreement and the transactions contemplated thereunder were approved.

To the best of the Directors' knowledge, information and belief having made all reasonable enquires, none of the Shareholders, other than the Placee and its associates, have any material interest in the Placing Agreement and the transactions contemplated thereunder.

LETTER FROM ASTRUM

Accordingly, only the Placee and its associates are required to abstain from voting at the EGM in respect of the resolution(s) approving the Placing Agreement and the transactions contemplated thereunder, and the Specific Mandate.

An Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Fang Jun, Mr. Zhao Xianming and Mr. Wong Yiu Kit, Ernest, has been formed to advise the Independent Shareholders whether or not (i) the terms of the Placing Agreement are on normal commercial terms, and fair and reasonable as far as the Independent Shareholders are concerned; and (ii) the Connected Placing is in the interests of the Company and the Shareholders as a whole, and to make recommendations to the Independent Shareholders in respect thereof. We, Astrum Capital Management Limited, have been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

BASIS OF OUR OPINION

In formulating our opinion and recommendations, we have reviewed, inter alia, the Announcement, the Circular, the Placing Agreement, the valuation report (the “**Valuation Report**”) prepared by Roma Appraisals, which is an independent valuer, in relation to the valuation of the Options as set out in Appendix II to the Circular, the annual report of the Company for the year ended 31 December 2013 (the “**2013 Annual Report**”) and the annual report of the Company for the year ended 31 December 2014 (the “**2014 Annual Report**”). We have reviewed the opinion and valuation relevant to the Options provided by Roma Appraisals, including reviewing the terms of engagement (having particular regard to the scope of work, whether the scope of work is appropriate to the opinion required to be given and any limitations on the scope of work which might adversely affect on the degree of assurance given by the Valuation Report, opinion or statement). Based on the foregoing, we consider that we have taken all reasonable steps, which are applicable to the Placing Agreement (including the Options), as referred to and required under Rule 13.80(2)(b) of the Listing Rules (including its annexed notes) in forming our opinion. We consider that we have taken sufficient and necessary steps to form a reasonable basis and an informed view for our recommendation which are in compliance with Rule 13.80 of the Listing Rules. We have also reviewed certain information provided by the management of the Company (the “**Management**”) relating to the operations, financial conditions and prospects of the Group. We have (i) considered such other information, analyses and market data which we deemed relevant; and (ii) conducted verbal discussions with the Management regarding the Connected Placing, the businesses, financial position and future outlook of the Group. We have assumed that such information and statements, and any representation made to us, are true, accurate and complete in all material respects as of the date hereof and we have relied upon them in formulating our opinion.

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All Directors collectively and individually accept full responsibility for the purpose of giving information with regard to the Company in the Announcement and the Circular and, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in the Announcement and the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters not contained in the Announcement and the Circular, the omission of which would make any statement herein or in the Announcement and the Circular misleading. We consider that we have performed all necessary steps to enable us to reach an informed view regarding the Connected Placing and to justify our reliance on the information provided so as to provide a reasonable basis of our opinion. We have no reasons to suspect that any material information has been withheld by the Directors or the Management, or is misleading, untrue or inaccurate. We have not, however, for the purpose of this exercise, conducted any independent detailed investigation or audit into the businesses or affairs or future prospects of the Group. Our opinion is necessarily based on financial, economic, market and other conditions in effect, and the information made available to us, as at the Latest Practicable Date. This letter is issued to provide the information for the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the Connected Placing. Except for the inclusion in the Circular, this letter is not to be quoted or referred to, in whole or in part, nor shall it be used for any other purposes, without our prior written consent.

For illustrative purpose, conversions of Renminbi (“RMB”) to HK\$ in this letter are based on the approximate exchange rate of RMB1 to HK\$1.2659.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our advice with regard to the Connected Placing, we have taken into consideration the following factors and reasons:

1. Information of the Group

A. Business of the Group

According to the 2014 Annual Report, the Group is principally engaged in the provision of car rental services, the trading of electronic components/materials, and the research, design, development and sale of digital signal processing (“DSP”) based consumer electronic devices/ platforms, including embedded firmware, and the provision of solutions/services to customers for their DSP-based consumer electronic devices/ platforms.

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B. Financial information of the Group

Set forth below are the audited consolidated financial information of the Group for the three years ended 31 December 2012, 31 December 2013 and 31 December 2014 (“FY2012”, “FY2013” and “FY2014”, respectively) as extracted from the 2013 Annual Report and the 2014 Annual Report:

Table 1: Financial information of the Group

	FY2012 (audited) <i>HK\$'000</i>	FY2013 (audited) <i>HK\$'000</i>	FY2014 (audited) <i>HK\$'000</i>
Revenue	340,870	200,022	222,256
— Sale of goods	337,150	193,514	205,066
— Rendering of services	3,561	6,509	16,525
— Royalty income	159	—	—
— Car rental income	—	—	664
Gross profit	25,546	20,626	16,910
(Loss) before tax	(98,011)	(65,295)	(46,033)
(Loss) attributable to owners of the parent	(96,646)	(65,231)	(49,585)
	As at 31 December 2012 (audited) <i>HK\$'000</i>	As at 31 December 2013 (audited) <i>HK\$'000</i>	As at 31 December 2014 (audited) <i>HK\$'000</i>
Cash and cash equivalents	43,156	26,139	8,091
Current assets	208,242	130,435	309,959
Current (liabilities)	(198,908)	(128,993)	(124,285)
Net current assets	9,335	1,442	185,674
Total assets	252,744	154,972	431,538
Total (liabilities)	(243,951)	(141,293)	(129,597)
Equity attributable to owners of the parent	8,794	13,679	301,941
Gearing ratio (<i>Note</i>)	94.0%	76.1%	4.3%

Note: Gearing ratio is calculated based on the Group’s total bank and other borrowings to the sum of Shareholders’ equity and the Group’s total bank and other borrowings.

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(i) *For the year ended 31 December 2013 (i.e. FY2013)*

In FY2013, revenue of the Group decreased by approximately 41.3% to approximately HK\$200.0 million from approximately HK\$340.9 million as recorded in FY2012. The decrease was mainly attributable to the decrease in sales of goods by 42.6% from approximately HK\$337.2 million in FY2012 to approximately HK\$193.5 million in FY2013, which was mainly because of the change in product mix in FY2013 where the Group has been focusing on the promotion and sale of the golf swing analyser (“**3BaysGSA**”), which was launched in the second half of 2012 with much higher profit margin than the traditional products of the Group. The overall gross profit of the Group in FY2013 was approximately HK\$20.6 million, representing a decrease of approximately 19.3% as compared to the gross profit in FY2012. However, the gross profit margin increased by approximately 2.8 percentage points from approximately 7.5% to approximately 10.3%. Such improvement was mainly contributed by the increase in sale of the 3BaysGSA, which commanded a higher profit margin than other products of the Group.

The Group’s loss in FY2013 narrowed down to approximately HK\$65.2 million from approximately HK\$96.6 million as recorded in FY2012. Such improvement was mainly due to (i) the decrease in operating expenses by approximately 49.7% from approximately HK\$87.7 million in FY2012 to approximately HK\$44.1 million in FY2013 after the implementation of certain cost-saving measures, including but not limited to (a) streamlining the operation flows and focusing on core product development; (b) centralizing the Group’s employees in Hong Kong from two office premises to one office premise; and (c) tightening the Group’s cost control policies on various expenditures in FY2013; and (ii) the decrease in research and development costs by approximately 78.4% from approximately HK\$23.7 million in FY2012 to approximately HK\$5.1 million in FY2013.

As at 31 December 2013, the Group’s cash and cash equivalents, net current assets and equity attributable to owners of the parent were approximately HK\$26.1 million, approximately HK\$1.4 million and approximately HK\$13.7 million, respectively.

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(ii) *For the year ended 31 December 2014 (i.e. FY2014)*

In FY2014, the revenue of the Group amounted to approximately HK\$222.3 million, representing a year-on-year growth of approximately 11.1% as compared to approximately HK\$200.0 million in FY2013. Such increase was principally attributable to the increase in sale of goods and the rendering of services (in respect of electronic devices/platforms and related solutions/services) by HK\$11.6 million and HK\$10.0 million, respectively, as compared to FY2013. The Group recorded a gross profit of approximately HK\$16.9 million in FY2014, representing a decrease of approximately 18.0% as compared to that recorded in FY2013. Whilst, the gross profit margin decreased by approximately 2.7 percentage points from approximately 10.3% in FY2013 to approximately 7.6% in FY2014. Such decrease was resulted from the increase in sales of electronic components/materials, which had lower profit margin as compared to the sales of consumer electronic devices.

In FY2014, the Group recorded a loss of approximately HK\$49.6 million, representing a decrease of approximately 24.0% as compared to that in FY2013. Such improvement was mainly attributable to (i) the decrease in other expenses, net, from approximately HK\$42.9 million in FY2013 to approximately 26.0 million in FY2014 due to the reduction of impairment/write-off of trade and other receivables in FY2014; and (ii) the decrease in finance cost from approximately HK\$6.9 million in FY2013 to approximately HK\$0.1 million, and partially off-set by the increase in general and administrative expenses of approximately HK\$6.0 million, which was mainly due to the increased legal and professional fees incurred as a result of the corporate exercises conducted in FY2014.

During FY2014, the Group has been actively exploring opportunities to enhance the capital base and financial position of the Group. Through three fund raising exercises conducted in FY2014, the Group successfully raised funds of approximately HK\$335.9 million and the financial position of the Group has substantially improved in FY2014. As at 31 December 2014, the Group's net current assets and equity attributable to owners of the parent were approximately HK\$185.7 million and approximately HK\$301.9 million, respectively. However, the Group's cash and cash equivalents decreased from approximately HK\$26.1 million as at 31 December 2013 to approximately HK\$8.1 million as at 31 December 2014. According to the Management, the Group deployed substantial cash resources in the trading business in the fourth quarter of FY2014 which resulted in a sharp decrease in cash balance as at 31 December 2014.

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2. Information of the Placee

The Placee was incorporated in BVI on 2 January 2008 with limited liability and held by Ms. Deng, Ms. Liu Jiangyuan (“**Ms. Liu**”) and Mr. Gui Bin (“**Mr. Gui**”) as to 60%, 20% and 20%, respectively. The Placee is an investment holding company. As at the Latest Practicable Date, the sole investment of the Placee consisted of approximately 55.41% equity interest in the Company.

Ms. Deng, aged 50, is an executive Director and the chairman of the Company. She has served as the general manager and the vice chairman of the board of directors of Huashang Group Company Limited (華商集團有限公司) since 1993 and the deputy general manager of 中國木材(集團)有限公司(unofficially transliterated as China Wood (Group) Company Limited) since 2006. Ms. Deng was also appointed as the general manager of the legal department of 中國租賃有限公司(unofficially transliterated as China Leasing Company Limited) in 2003 and the vice chairman of the board of directors of 江西聚業資產管理有限公司(unofficially transliterated as Jiangxi Juye Asset Management Company Limited) in 2006. She graduated from Jiangxi University (later reorganised as Nanchang University) with a bachelor degree of law.

Ms. Liu, aged 34, is an executive Director. She has served as a director of 安徽先鋒航空融資租賃有限公司(unofficially transliterated as Anhui Pioneer Aviation Finance Leasing Company Limited) since 2012. Ms. Liu also assumed various positions such as the senior manager of investment department of 聯合創業擔保集團有限公司(unofficially transliterated as United Entrepreneurship Guarantee Group Company Limited), the executive director of 晨新資產管理有限公司(unofficially transliterated as Chenxin Asset Management Company Limited), the assistant to the president of China Aviation Finance Limited (中國航空金融有限公司), the managing director of 大連先鋒聯合投資諮詢有限公司(unofficially transliterated as Dalian Pioneer United Investment Consulting Company Limited) and the administration and human resource manager of 大連先鋒商務服務有限公司(unofficially transliterated as Dalian Pioneer Commercial Service Company Limited). She graduated from Dalian University of Foreign Language with a bachelor degree of English.

Mr. Gui, aged 50, is an executive Director. He is currently the chairman of board of directors of 深圳市金坤達投資有限公司(unofficially transliterated as Shenzhen Jinkunda Investment Company Limited) and 深圳市亨泰瑞實業有限公司(unofficially transliterated as Shenzhen Hengtairui Industrial Company Limited). He is also the legal representative of 雲南永平金泰礦業有限公司(unofficially transliterated as Yunnan Yongping Jintai Mining Company Limited) and 江西金泰實業總公司(unofficially transliterated as Jiangxi Jintai Industrial Company Limited).

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3. Background of, reasons for and benefits of the Connected Placing

A. *Recent development of the Group*

In 2014, the Company underwent a change of control. On 26 April 2014, the Company and the Placee entered into a subscription agreement pursuant to which the Company agreed to issue, and the Placee agreed to subscribe for, 616,275,000 Shares at a subscription price of HK\$0.168 per Shares. On the same day, the Placee entered into a sale and purchase agreement with the then four Shareholders pursuant to which the Placee agreed to purchase, and such Shareholders agreed to sell, 1,010,438,121 Shares at an offer price of HK\$0.168 per Share. For further details, please refer to the circular of the Company dated 16 June 2014. Upon completion of the aforementioned subscription agreement and the sale and purchase agreement on 9 July 2014, the Placee and the parties acting in concert with it (as defined under the Takeovers Code) were interested in 1,626,713,121 Shares, representing approximately 52.79% of the then entire issued share capital of the Company, and became the largest controlling Shareholder of the Company. Accordingly, CCB International Capital Limited, on behalf of the Placee and pursuant to Rule 26.1 of the Takeovers Code, made an unconditional mandatory cash offer (the “**Offer**”) to acquire all the Shares in issue, other than the Shares which were owned or agreed to be acquired by the Placee and the parties acting in concert with it and to cancel the outstanding options granted by the Company pursuant to the option agreement dated 11 August 2011. Details of the Offer were disclosed in the offer document issued by the Placee dated 16 July 2014 (the “**Offer Document**”) and the response document issued by the Company dated 15 August 2014. Upon closing of the Offer on 29 August 2014, the Placee and the parties acting in concert with it were interested in an aggregate of 2,261,473,889 Shares, representing approximately 73.39% of the then issued share capital of the Company.

As mentioned in the Offer Document, the Placee intended to continue the current business operation of the Group after completion of the Offer. The Placee would conduct a review on the business operations and financial position of the Group for the purpose of formulating business plans and strategies for the future business development of the Group. Subject to the results of the review, the Placee might explore other business opportunities for the Company such as acquisitions or investments in assets and/or businesses or cooperation with business partners of the Placee with a view to enhance its growth and future development. After due and careful research and study, the Group determined to diversify its business and tap into the car rental market in

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light of the increasing demand for car rental services in the PRC. In the fourth quarter of 2014, the Group successfully entered into the car rental market in the PRC through the following two transactions:

- (i) On 15 October 2014, the Group entered into a subscription agreement to invest in the internet car rental service business through the subscription (the “**Subscription**”) of approximately 10% of equity interests in Prime Elite Ventures Limited (“**Prime Elite**”) for US\$5 million (equivalent to approximately HK\$39 million). “AA 租車”, an online car rental application of Prime Elite launched in 2013, is a nation-wide, mobile internet-based intelligent car rental platform, providing users with a brand new, personalized travel service which includes professional car rental service of readily available vehicles, including booking by appointment and vehicles for business use. With its headquarter in Beijing, “AA 租車” service network covers a number of cities in the country, including Beijing, Guangzhou, Shenzhen, Shanghai, Dalian and Shijiazhuang. Through the integration of services provided by car rental companies and driver service companies, a comprehensive, seamless personal travel service is provided to customers. For further details of the Subscription, please refer to the announcement of the Company dated 15 October 2014; and

- (ii) On 28 November 2014, the Group entered into a sale and purchase agreement to acquire 100% equity interest in Gigantic Wisdom Limited (“**Gigantic**”) for a total consideration of RMB65 million (equivalent to approximately HK\$81 million). Gigantic indirectly owned the entire equity interest in 北京途安汽車租賃有限責任公司 (unofficially transliterated as Beijing Tu An Car Rental Services Limited, “**Beijing Tu An**”), which is engaged in the car rental services business. With its headquarter in Beijing, Beijing Tu An provides mainly long-term car rental service and has established a sound operation with an extensive business network. Quality car rental service is provided by Beijing Tu An offering a wide selection of different types, brands and classes of vehicles to suit the diverse needs of customers. For further details of the acquisition of the entire equity interest in Gigantic (the “**Acquisition**”), please refer to the announcement of the Company dated 28 November 2014.

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The Directors considered that the Subscription and the Acquisition represent a good opportunity of the Group to invest in the car rental services market in the PRC, so as to diversify the existing business and income stream of the Group. According to the 2014 Annual Report, revenue generated from the car rental business segment in FY2014 amounted to approximately HK\$664,000, representing approximately 0.3% of the Group's total revenue in FY2014. In view of the fact that that the financial results of Gigantic was consolidated in the financial results of the Group subsequent to completion of the Acquisition in December 2014, the Directors consider that the minimal contribution of the car rental business to the Group's revenue in FY2014 was expected and acceptable. According to the 2014 Annual Report, the Group is actively evaluating the development of the car rental industry, and is considering engaging in areas of different growth potential, which include car rental bookings from overseas, car rental services over the internet and even the establishment of its own brand. The Group believes these business opportunities offering outstanding growth potential can further expand its source of income and provide new business momentum to the Group.

B. Industry overview of the car rental business

We noted from the Letter from the Board that (i) a number of major cities (including Beijing, Shanghai, Guangzhou, Tianjin, Hangzhou, Guiyang and Shenzhen) have already implemented restrictive measures on the issuance of license plates to new vehicles, transfer of existing license plates between owners of different vehicles, and entry to cities by vehicles without local license plates, so as to improve the worsening situations of traffic congestion and air pollution in the PRC; (ii) the PRC government has recently introduced certain favorable policies/guidance to the car rental market, including but not limited to the “Notice on Promoting the Healthy Development of the Car Rental Industry” (關於促進汽車租賃業健康發展的通知), the “Directives on the Full-fledged Reform in the Use of Official Vehicles” (關於全面推進公務用車制度改革的指導意見) and the “Central and State Government Official Vehicles Reform Program” (中央和國家機關公務用車制度改革方案); (iii) the car rental industry in Mainland China is at its initial stage of development, where the development and extent of penetration of the car rental market in Mainland China is still far below that of other countries; and (iv) the car rental market in Mainland China is extremely fragmented with the average number of cars per company fleet of less than 50. Based on the foregoing, we consider that the car rental market in Mainland China is optimistic.

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C. Recent fund raising exercises of the Group

In order to meet the capital requirement for the development and expansion of the Group's businesses (including but not limited to the car rental business), the Group has been actively exploring opportunities to enhance the capital base and financial position of the Group in 2014. The following table summarises the fund raising activities conducted and completed by the Company in 2014:

Table 2: Fund raising activities of the Company in 2014

Date of announcement	Fund raising activity	Net proceeds raised	Intended use of the net proceeds	Actual use of the net proceeds
14 November 2013	Open offer completed on 24 January 2014 (details of which are set out in the prospectus of the Company dated 3 January 2014 and the announcement of the Company dated 24 January 2014)	Approximately HK\$64.9 million	50% for general working capital of the Group; and 50% for reduction of the Group's indebtedness	50% of the net proceeds was used to reduce the Group's indebtedness; and the remaining 50% of the net proceeds was used for general working capital of the Group (which were in line with the intended use of such net proceeds as previously disclosed by the Company)
8 May 2014	Subscription of Shares completed on 9 July 2014 (details of which are set out in the circular of the Company dated 16 June 2014)	Approximately HK\$98.5 million	(i) to explore new business opportunities for the Group; and (ii) to improve the working capital of the Group	(i) approximately HK\$93.6 million was applied by the Group to develop new business opportunities in its trading business; and (ii) approximately HK\$4.9 million was applied by the Group as working capital

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Date of announcement	Fund raising activity	Net proceeds raised	Intended use of the net proceeds	Actual use of the net proceeds
15 September 2014	Placing of new shares completed on 20 November 2014 (details of which are set out in the circular of the Company dated 22 October 2014)	Approximately HK\$172.5 million	(i) approximately HK\$90 million to invest in car rental business; (ii) approximately HK\$80 million to expand the Group's trading business; and (iii) remaining portion and to the extent that the net proceeds available are not applied for acquisition and/or investment purposes, to be used for the Group's trading business and/or general working capital	(i) approximately HK\$81 million was applied by the Group for acquiring 100% equity interest in Gigantic for a total consideration of RMB65 million (ii) approximately HK\$9 million was applied by the Group as part payment in acquiring approximately 10% equity interest in Prime Elite where the total consideration was approximately US\$5 million (approximately HK\$39 million) (iii) approximately HK\$80 million was applied by the Group to develop its trading business

By way of the aforementioned fund raising exercises, the Group successfully raised funds of approximately HK\$335.9 million, which has been fully utilized as intended as disclosed above. According to the 2014 Annual Report, the Group's cash and cash equivalents as at 31 December 2014 amounted to approximately HK\$8.1 million. The Management anticipated that the Group might not have sufficient fund for implementation of its expansion plan of the car rental business. Having considered the facts that (i) it is the Group's business strategy to extend its car rental services network throughout the major cities in Mainland China, either via acquisition of existing local car rental services companies or establishing its own car rental companies locally, depending on various operating factors such as local jurisdiction, demand and investment opportunities; (ii) car rental business is capital-intensive in nature due to the ownership of vehicles; (iii) the rate of expansion of the car rental business is linked to the Group's financial resources and its ability to leverage

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capital; (iv) the Group's cash and cash equivalents as at 31 December 2014 diminished to a low level of approximately HK\$8.1 million; and (v) the Group recorded a continual loss for the past three years ended 31 December 2014, the Management considers that the Group is of imperative need to raise further funds to meet the capital requirement for the implementation of the Group's development and expansion plan. Otherwise, the development of the Group might be hindered.

D. The Connected Placing

Accordingly, on 26 March 2015 (after trading hours), the Company entered into the Placing Agreement with the Placing Agent pursuant to which the Company agreed to place through the Placing Agent for cash, on a best effort basis, an aggregate of up to 1,500,000,000 Placing Shares to the Placee at the Placing Price of HK\$0.26 per Placing Share. On the Placing Completion Date (in respect of the issue and allotment of the Placing Shares to the Placee), the Company shall grant the Options at an aggregate nominal consideration of HK\$1 payable by the Placee to subscribe for additional Shares on the terms set out in the Option Conditions. Each Option will carry rights to subscribe for the relevant Option Shares at the initial Exercise Price of HK\$0.26 per Option Share (subject to adjustments). Assuming that the entire number of 1,500,000,000 Placing Shares are issued, the Company will grant to the Placee the Options which will carry the rights to subscribe for 800,000,000 Option Shares issuable upon exercise of the Options. On even date, the Placee has agreed to subscribe for 1,500,000,000 Placing Shares for cash at the Placing Price, subject only to the Placing Agreement becoming unconditional in accordance with the terms thereof. Based on the 1,500,000,000 Placing Shares to be subscribed for by the Placee on the Placing Completion Date, the Company shall, at an aggregate nominal consideration of HK\$1 payable by the Placee, grant to the Placee the Options which will carry rights to subscribe for 800,000,000 Option Shares at the initial Exercise Price of HK\$0.26 per Option Share (subject to adjustments) upon exercise of such Options by the Connected Placee. The issuance of the Options is conditional upon completion of the Connected Placing. The Directors consider that the Connected Placing will bring in additional capital for the Company to fund and implement its business expansion plan and place the Group at a better position to grasp any business opportunities with high growth potential as and when they arise and create enduring value and sustainable business development for the Shareholders.

We have enquired the Management about the reasons for the Connected Placing instead of placing of Shares to independent investors. The Management advised us that before entering into of the Placing Agreement with the Placing

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Agent, the Placing Agent has approached and tested with the interests of potential investors (both independent investors and the existing investors of the Company). However, the Placing Agent received scarce interest from independent investors to subscribe for the proposed placing under equivalent terms as the proposed Connected Placing. In view of the imperative need of sizable funds to support the Group's development and in order to attract investors to subscribe for the Placing Shares, the Company determined to grant investors the Options at an aggregate nominal consideration of HK\$1. The Management considers that the grant of the Options is a part and parcel term of the Placing Agreement to attract investors to participate in the Connected Placing, which will provide a considerable amount of capital to the Group for the development and expansion of the Group's business. Despite the addition of the Options to the Connected Placing, the Placing Agent could only conclude the placing exercise with Sino Merchant, being the existing controlling Shareholder.

Furthermore, as mentioned in the paragraph headed "2. Information of the Placee" above, all of the ultimate beneficial owners of the Placee, namely Ms. Deng, Ms. Liu and Mr. Gui (collectively, the "**Ultimate Placees**") are executive Directors who play pivotal roles in the management and operation of the Group. Under the management of the Ultimate Placees, the Group successfully tapped into the car rental business through the Subscription and the Acquisition as disclosed above. The Management considers that the Connected Placing can serve as an incentive and enticement to motivate the Ultimate Placees to be more committed to the furtherance of the development of the Group's business. In addition, upon completion of the Placing Agreement, the shareholding of the Placee will increase significantly from approximately 55.41% to approximately 67.39% where interests of the Placee and the financial performance of the Group are further aligned. The increase in shareholding of the Placee demonstrates the Ultimate Placees' commitment and confidence on the long-term prosperity of the Group which may bring positive influence to the Group's image and, in turn, strengthen the confidence of the existing Shareholders and potential investors on the Group's prospect.

In addition, we have discussed with the Management and were advised that they had considered various financing alternatives including the arrangement of bank loans, open offer and rights issue. In light of (i) the current financial performance of the Group, in particular, the continual loss-making position for the past three financial years ended 31 December 2014; (ii) the relatively small asset base of the Group; (iii) the current negative operating cash flow position of the Group; and (iv) the initial expansion to the car rental business

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with minimal track record, the Management believes that it is difficult for the Group to obtain a considerable amount of bank borrowing at a reasonable financing cost. Furthermore, bank borrowing will inevitably increase interest burden and deteriorate the gearing level of the Group. In respect of equity financing (such as open offer and rights issue), the Management are of the view that (i) it may be difficult for the Group to secure underwriter for open offer or rights issue without offering deep discount to the issue price to attract the Shareholders' subscription in light of the Group's current unfavorable financial performance; (ii) the success of equity financing is highly dependent on the then market condition and sentiment; (iii) the Company had conducted an open offer in early 2014, and the Shareholders may not be interested in participating in another equity financing within a short period of time; (iv) time taken for completion of open offer or rights issue is considerably longer as compared to the Connected Placing; and (v) cost for documentation works, administrative and professional fees for open offer or rights issue is relatively higher as compared to the Connected Placing. Indeed, the Company has approached a number of firms and financial institutions with a view to procure commercial underwriter for open offer or rights issue. However, the Company did not receive any positive response. In light of the above, and in view that the Connected Placing will enlarge and strengthen the capital base of the Group and minimize the out-of-pocket expenses relating to such fund raising exercise, we concur with the Management's view that the entering into of the Placing Agreement is the most cost-effective and appropriate means of financing available to the Group.

E. Use of proceeds

As stated in the Letter from the Board, assuming that all of the 1,500,000,000 Placing Shares are placed under the Connected Placing, the gross proceeds and the estimated net proceeds (after deduction of the relevant expenses) from the placing of the Placing Shares are approximately HK\$390 million and approximately HK\$385 million, respectively. The net proceeds from the Connected Placing is expected to be used as to (i) approximately HK\$250.25 million (or 65% of the net proceeds) for expanding the Group's car rental business; (ii) approximately HK\$96.25 million (or 25% of the net proceeds) for further expanding the Group's trading of electronic components/materials business; and (ii) the remaining HK\$38.50 million (or 10% of the net proceeds) for the Group's general working capital. To the extent that the proceeds intended for car rental business expansion are not applied, they will be used for the Group's trading of electronic components/ materials business and/or

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general working capital of the Group. Furthermore, assuming full exercise of the Options carrying rights to subscribe for 800,000,000 Option Shares at the initial Exercise Price of HK\$0.26 per Option Share (subject to adjustments), the gross proceeds from the exercise of the Options are approximately HK\$208 million. The Board intends to apply such gross proceeds as the general working capital of the Group.

As disclosed in the Letter from the Board, it is the business strategy of the Group to extend its car rental services network throughout the major cities in Mainland China, either via acquisition of existing local car rental services companies or establishing its own car rental companies locally, depending on various operating factors such as local jurisdiction, demand and investment opportunities. The Group is currently in preliminary discussions with three acquisition targets. However, as at the Latest Practicable Date, no definitive agreements have been signed yet. It is the intention of the Group to acquire a controlling stake in the companies with which it is having preliminary discussion, among which two acquisition targets are in the first-tier cities and the other acquisition target is in a major city in the southern part of Mainland China. The investment size of these acquisition targets ranges from HK\$50 million to HK\$70 million. The actual investment size of the acquisition targets depends on the percentage of interest acquired and the arm's length negotiation between the Company and the vendors. The Board intends to apply approximately HK\$200 million to implement the business strategy as stated above. Having considered that (i) car rental business is capital-intensive in nature and that the establishment of car rental companies would require substantial investment in the fleet; (ii) the Group is currently in preliminary discussions with three acquisition targets; (iii) it is the intention of the Group to acquire a controlling stake in the companies with which it is having preliminary discussion, among which two acquisition targets are in the first-tier cities and the other acquisition target is in a major city in the southern part of Mainland China; (iv) the investment size of the acquisition targets ranges from HK\$50 million to HK\$70 million; and (v) the consideration of the historical acquisitions (e.g. the Subscription and the Acquisition) as a reference of the consideration of the future acquisition, we are of the view that the allocation of approximately HK\$200 million from the net proceeds of the Connected Placing to the expansion of the Group's car rental business by way of acquisition of existing local car rental services companies or establishing its own car rental companies locally is justifiable.

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Moreover, in view of the full utilization rate of Beijing Tu An's existing fleet size and its positive operating results, it is the intention of the Group to further invest approximately HK\$50 million in Beijing Tu An's operations of which 65% (approximately HK\$32.5 million) will be used for expanding its fleet size and operations and 35% (approximately HK\$17.5 million) will be allocated for reducing its debt level and costs of financing, thereby enabling increasing returns to the Shareholders. As mentioned in the Letter from the Board, the Group currently has 45 vehicle purchasing rights on hand and expects to obtain 20 additional vehicle purchasing rights in the current year to further expand Beijing Tu An's operations. In this regard, we have obtained from the Management 45 certificates issued by 北京市小客車指標調控管理辦公室 (unofficially transliterated as Beijing Car Registration Lottery Office) in relation to the permission of car registration and held by Beijing Tu An. We further understood from the Management that the estimation of obtaining 20 additional vehicle purchasing rights in the current year is based on the Management's prior experience. We also noted from the 2014 Annual Report that the interest-bearing borrowings of Gigantic and its subsidiaries (including Beijing Tu An) amounted to approximately HK\$14.4 million as at 19 December 2014 (being the date of completion of the Acquisition). Based on the management account of Beijing Tu An, we noted that the debt level of Beijing Tu An as of 31 March 2015 surpassed the allocated amount of approximately HK\$17.5 million. In view of the above, we consider that the allocation of approximately HK\$50 million from the net proceeds of the Connected Placing in the operation of Beijing Tu An is justifiable.

In addition to car rental business, the Group intends to, leverage from the experience and network of the executive Directors, devote additional resources to further expand the Group's trading business. As in normal trading business, the Group will provide customers with a 90-day credit term for products purchase whilst the suppliers of the Group usually offer a shorter credit period to the Group when purchasing the products. According to the Management, the Group recorded promising results in the trading of electronic components/materials business with revenue increased from approximately HK\$2.0 million in FY2013 to approximately HK\$193.5 million in FY2014. The Company is seeing growth potential in the trading of electronic components/materials business (which is part of the existing business of the Company unrelated to car rental business). Typically, each trade transaction conducted by the Group ranges from approximately HK\$30 million to HK\$60 million. Having considered that (i) a substantial amount of liquid capital is required for the trading of electronic components/materials business as the Group will

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provide customers with a 90-day credit term for products purchase whilst the suppliers of the Group usually offer a shorter credit period to the Group when purchasing the products; (ii) the Placee had stated its intention in the Offer Document that it would continue the then business operation of the Group after completion of the Offer pursuant to the Offer Document; and (iii) the Group recorded promising results in the trading of electronic components/materials business in FY2014, we concur with the view of the Board that part of the proceeds from the Connected Placing to be utilised in the trading business is necessary.

F. Conclusion

Notwithstanding that the Connected Transaction will have dilution effect on the shareholding of the existing Shareholders as discussed below, after taking into consideration (i) the Group is actively evaluating the development of the car rental industry, and is considering engaging in areas of different growth potential, which includes car rental bookings from overseas, car rental services over the internet and even the establishment of its own brand; (ii) the Group's cash and cash equivalents as at 31 December 2014 diminished to a low level of approximately HK\$8.1 million; (iii) the Group is of imperative need to raise further funds to meet the capital requirement for the implementation of the Group's development and expansion plan; (iv) the Connected Placing will bring in additional capital for the Company to fund and implement its business expansion plan and place the Group at a better position to grasp any business opportunities with high growth potential as and when they arise and create enduring value and sustainable business development for the Shareholders; (v) the Connected Placing can serve as an incentive and enticement to motivate the Ultimate Placees to be more committed to the furtherance of the development of the Group's business; (vi) the Connected Placing may bring a positive influence to the Group's image and, in turn, strengthen the confidence of the existing Shareholders and potential investors on the Group's prospect; and (vii) the terms of the Placing Agreement are fair and reasonable so far as the Independent Shareholders are concerned (please refer to the paragraph headed "4. Principal terms of the Placing Agreement" below for our relevant analysis), we are of the view that the Connected Placing is in the interests of the Company and the Shareholders as a whole.

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4. Principal terms of the Placing Agreement

The major terms of the Placing Agreement are set out as below:

A. Placing Shares

The 1,500,000,000 Placing Shares represents (i) approximately 36.75% of the existing issued share capital of the Company as at the Latest Practicable Date; (ii) approximately 26.88% of the issued share capital of the Company as enlarged by the issue and allotment of the Placing Shares; and (iii) approximately 23.51% of the issued share capital of the Company as enlarged by the issue and allotment of the Placing Shares and the Option Shares (assuming that the Options are exercised in full).

The Placing Shares will be issued and allotted under the Specific Mandate.

B. Placing Price

The Placing Price of HK\$0.26 per Placing Share represents:

- (i) a discount of approximately 14.75% to the closing price of HK\$0.305 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 16.93% to the average closing price of approximately HK\$0.313 per Share as quoted on the Stock Exchange for the five consecutive trading days immediately prior to and including the Last Trading Day;
- (iii) a discount of approximately 17.33% to the average closing price of approximately HK\$0.3145 per Share as quoted on the Stock Exchange for the ten consecutive trading days immediately prior to and including the Last Trading Day;
- (iv) a premium of approximately 251.35% over the audited consolidated net asset value as at 31 December 2014 per Share attributable to the Shareholders of approximately HK\$0.074; and
- (v) a discount of approximately 46.39% over the closing price of HK\$0.485 per Share as quoted on the Stock Exchange as at the Latest Practicable Date.

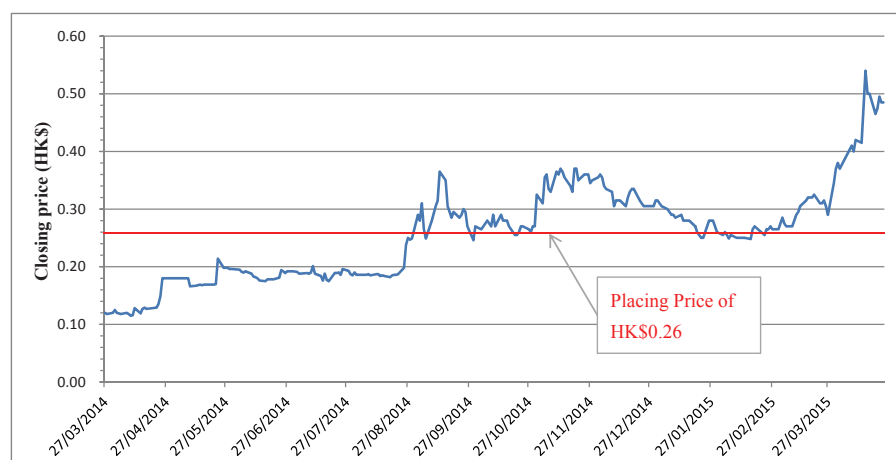
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According to the Letter from the Board, the Placing Price of HK\$0.26 per Placing Share was arrived at after arm's length negotiations between the Company and the Placing Agent with reference to the market condition and the prevailing market price of the Shares.

(i) *Review on historical trading price*

To assess the fairness and reasonableness of the Placing Price, we have compared the Placing Price with the historical trading price of the Shares. The chart below illustrates the daily closing price of the Shares as quoted on the Stock Exchange versus the Placing Price for the period commencing from 27 March 2014, being the twelve-month period prior to the date of the Placing Agreement, and up to and including the Latest Practicable Date (the “**Review Period**”):

Chart 1: Closing price of Shares during the Review Period



Source: the website of the Stock Exchange (www.hkex.com.hk)

Note: Trading of Shares was suspended during the period commencing from 25 April 2014 to 8 May 2014.

During the Review Period, the lowest and highest closing price of the Shares as quoted on the Stock Exchange were HK\$0.115 per Share recorded on 9 April 2014 and HK\$0.540 per Share recorded on 15 April 2015, respectively. The Placing Price represents a premium of approximately 0.83% over the average closing price of the Shares during the Review Period of approximately HK\$0.258 per Share.

The closing price of the Shares were HK\$0.305 and HK\$0.485 per Share on the Last Trading Day and the Latest Practicable Date, respectively.

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(ii) *Review on historical trading volume*

Further to the historical trading price, we have also reviewed the trading volume of the Shares during the Review Period as illustrated in the table below:

Table 3: Monthly trading volume of Shares during the Review Period

Month/Period	Total trading volume (No. of Shares)	Number of trading days	Average daily trading volume of the Shares (No. of Shares)	Total number of Shares in issue as at the end of each month/ period (No. of Shares)	Average daily trading volume as a percentage of the total number of Shares in issue (%)
March 2014 (from 27 March 2014)	2,585,500	3	861,833	2,465,100,000	0.035
April 2014	204,483,000	17	12,028,412	2,465,100,000	0.488
May 2014	846,705,622	16	52,919,101	2,465,100,000	2.147
June 2014	401,278,464	20	20,063,923	2,465,100,000	0.814
July 2014	332,006,908	22	15,091,223	2,465,100,000	0.612
August 2014	532,389,397	21	25,351,876	3,081,375,000	0.823
September 2014	817,628,964	21	38,934,713	3,081,375,000	1.264
October 2014	150,201,000	21	7,152,429	3,081,375,000	0.232
November 2014	320,883,000	20	16,044,150	3,081,375,000	0.521
December 2014	120,962,500	21	5,760,119	4,081,375,000	0.141
January 2015	61,543,500	21	2,930,643	4,081,375,000	0.072
February 2015	19,890,000	18	1,105,000	4,081,375,000	0.027
March 2015	262,269,000	22	11,921,318	4,081,375,000	0.292
April 2015 (up to the Latest Practicable Date)	423,795,900	15	28,253,060	4,081,375,000	0.692

Source: the website of the Stock Exchange (www.hkex.com.hk)

Note: Trading of Shares was suspended from 25 April 2014 to 8 May 2014.

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We noted that the average number of Shares traded per trading day in each month in the Review Period ranged from approximately 861,833 Shares to approximately 52,919,101 Shares. The average daily trading volume of the Shares during the Review Period amounted to approximately 17,428,770 Shares, representing approximately 0.427% of the issued share capital of the Company as at the Latest Practicable Date.

(iii) Comparable analysis

We noted that the Company has entered into a placing agreement (the “**2014 Placing Agreement**”) with a placing agent on 15 September 2014 pursuant to which the Company agreed to place through the placing agent for cash, on a best effort basis, an aggregate of up to 1,000,000,000 placing shares to not less than six placees who and (where a corporation) whose ultimate beneficial owner(s) are independent of and not connected with the Company and its connected persons at the placing price of HK0.175 per Share (the “**2014 Placing Price**”). The 2014 Placing Price represents (i) a discount of approximately 50.0% to the closing price of HK\$0.350 per Share as quoted on the Stock Exchange on 15 September 2014, being the date of the 2014 Placing Agreement; and (ii) a discount of approximately 45.80% to the average closing price of HK\$0.323 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including 15 September 2014. Completion of the 2014 Placing Agreement took place on 20 November 2014. For further details of the 2014 Placing Agreement, please refer to the circular of the Company dated 22 October 2014 and the announcement of the Company dated 20 November 2014.

Having considered the facts that (i) the entering into of the 2014 Placing Agreement and the transactions contemplated thereunder were approved by the then Shareholders at the extraordinary general meeting of the Company held on 7 November 2014; (ii) the discount rate represented by the Placing Price to the closing price of Share on the Last Trading Day of approximately 14.75% is substantially lower than the discount rate represented by the 2014 Placing Price to the closing price of Share on 15 September 2014 (being the date of the 2014 Placing Agreement) of approximately 50.0%; and (iii) the discount rate represented by the Placing Price to the average closing price of Share for the five consecutive trading days immediately prior to and including the Last

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Trading Day of approximately 16.93% is substantially lower than the discount rate represented by the 2014 Placing Price to the average closing price of Share for the last five consecutive trading days up to and including 15 September 2014 (being the date of the 2014 Placing Agreement) of approximately 45.80%, we consider that the Placing Price is fair and reasonable.

In an attempt to provide further analysis on the Placing Price, we have identified all placing and subscriptions of new shares under specific mandate entered into and announced by companies listed on the Stock Exchange during the three-month period immediately before the date of the Placing Agreement (i.e. commencing from 27 December 2014 and up to 26 March 2015) with fund raising size of HK\$100 million to HK\$1,000 million. To the best of our knowledge and as far as we are aware of, we identified an exhaustive list of 11 transactions which met the said criteria and were not subsequently terminated prior to the Latest Practicable Date (the “**Comparable Issues**”). As the capital market changes rapidly, we consider that the Comparable Issues reflect the latest market conditions and sentiments of placing and subscription of new shares under specific mandate. As such, we believe that the Comparable Issues are fair and indicative in reflecting the current market conditions although not all the placing/subscription shares under the Comparable Issues are issued to connected persons of the respective issuers. However, Shareholders should note that the businesses, operations and prospects of the Company are not the same as the relevant issuers of the Comparable Issues and we have not conducted any in-depth investigation into such respect. The following table sets forth the relevant details of the Comparable Issues:

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Table 4: Details of the Comparable Issues

Date of announcement	Company name	Stock code	Fund raising size (HK\$ million)	Premium/ (discount) of placing/ subscription price over/ the share price as at the last trading day prior to the release of the announcement ("Premium/ (Discount) – Last Day")	Premium/ (discount) of placing/ subscription price over/ the average share price for the last five consecutive trading days prior to the relevant last trading day ("Premium/ (Discount) – Five Days")	Premium/ (discount) of placing/ subscription price over/ to the consolidated net asset value per share	Placing commission rate
23/3/2015	Simsen International Corporation Limited	993	468.00	(83.92%)	(83.73%)	79.74%	N/A (Note 4)
12/3/2015	Polyard Petroleum International Group Limited	8011	126.75	2.63%	4.84%	414.50%	N/A (Note 4)
10/03/2015	China Properties Investment Holdings Limited	736	250.00	(15.25%)	(18.83%)	(69.64%)	1.00%
2/3/2015	China Zhongsheng Resources Holdings Limited	2623	150.53	(15.60%)	(0.52%)	67.57%	N/A (Note 4)
27/02/2015	Bestway International Holdings Limited	718	235.20	(51.30%)	(42.97%)	(13.80%)	2.50% (Note 2)
27/02/2015	New Ray Medicine International Holding Limited	8180	104.13	(16.67%)	(15.34%)	135.06%	3.50%
24/02/2015	Harmonic Strait Financial Holdings Limited	33	400.00	(13.79%)	(14.97%)	N/A (Note 1)	1.00%

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Date of announcement	Company name	Stock code	Fund raising size (HK\$ million)	Premium/ (discount) of placing/ subscription price over/ to the average share price for the last five consecutive trading days prior to the release of the announcement ("Premium/ (Discount) – Last Day")	Premium/ (discount) of placing/ subscription price over/ to the average share price for the last five consecutive trading days prior to the relevant last trading day ("Premium/ (Discount) – Five Days")	Premium/ (discount) of placing/ subscription price over/ to the consolidated net asset value per share	Placing commission rate
29/01/2015	Good Fellow Resources Holdings Limited	109	658.50	(31.41%)	(20.76%)	54.52%	1.50%
28/1/2015	Realord Group Holdings Limited	1196	504.00	(52.38%)	(42.40%)	248.54%	N/A (Note 4)
21/01/2015	WLS Holdings Limited	8021	162.00	(42.31%)	(41.06%)	3.43%	1.00%
11/01/2015	Wing Tai Investment Holdings Limited	876	100.00	(21.57%)	(19.68%)	773.75%	N/A (Note 3)
			Maximum:	2.63%	4.84%	773.75%	3.50%
			Minimum:	(83.92%)	(83.73%)	(69.64%)	1.00%
			Median:	(21.57%)	(19.68%)	73.65%	1.25%
			Average:	(31.05%)	(26.86%)	169.37%	1.75%
	Placing Agreement		390.00	(14.75%)	(16.93%)	251.35%	0.8%

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Notes:

1. Harmonic Strait Financial Holdings Limited (stock code: 33) recorded net liabilities as at 31 December 2014.
2. According to the announcement of Bestway International Holdings Limited dated 27 February 2015, the placing agent of such placing exercise is a connected person of Bestway International Holdings Limited.
3. Such information was not mentioned in the announcement of Wing Tai Investment Holdings Limited (stock code: 876) dated 11 January 2015.
4. These are subscription exercises of new shares of the respective issuers, and thus no placing commission rate is available.

As illustrated in Table 4 above, the Premium/(Discount) – Last Day represented by the placing/subscription prices of the Comparable Issues ranged from a discount of approximately 83.92% to a premium of approximately 2.63%, with an average of a discount of approximately 31.05%. The Premium/(Discount) – Last Day represented by the Placing Price falls within the range of the Premium/(Discount) – Last Day represented by the placing/ subscription prices of the Comparable Issues.

The Premium/(Discount) – Five Days represented by the placing/ subscription prices of the Comparable Issues ranged from a discount of approximately 83.73% to a premium of approximately 4.84%, with an average of a discount of approximately 26.86%. The Premium/(Discount) – Five Days represented by the Placing Price also falls within the range of the Premium/(Discount) – Five Days represented by the placing/ subscription prices of the Comparable Issues.

Furthermore, as shown in Table 4 above, the placing/ subscription price of the Comparable Issues ranged from a discount of approximately 69.64% to a premium of approximately 773.75% to/over the respective consolidated net asset value per share (the “NAV Range”) with a median of a premium of approximately 73.65% and an average of a premium of approximately 169.37%. The Placing Price represents a premium of approximately 251.35% over the audited net asset value per Share of the Company as at 31 December 2014, which falls within the NAV Range.

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(iv) *Conclusion*

Having considered the above, particularly the facts that:

- (a) the Placing Price represents a premium of approximately 0.83% over the average closing price of the Share during the Review Period of approximately HK\$0.258 per Share;
- (b) the discount rate represented by the Placing Price to the closing price of Share on the Last Trading Day of approximately 14.75% is substantially lower than the discount rate represented by the 2014 Placing Price to the closing price of Share on 15 September 2014 (being the date of the 2014 Placing Agreement) of approximately 50.0%;
- (c) the discount rate represented by the Placing Price to the average closing price of Share for the five consecutive trading days immediately prior to and including the Last Trading Day of approximately 16.93% is substantially lower than the discount rate represented by the 2014 Placing Price to the average closing price of Share for the last five consecutive trading days up to and including 15 September 2014 (being the date of the 2014 Placing Agreement) of approximately 45.80%;
- (d) the Premium/(Discount) – Last Day represented by the Placing Price falls within the range of the Premium/(Discount) – Last Day represented by the placing/subscription prices of the Comparable Issues;
- (e) the Premium/(Discount) – Five Days represented by the Placing Price also falls within the range of the Premium/(Discount) – Five Days represented by the placing/subscription prices of the Comparable Issues; and
- (f) the Placing Price represents a premium of approximately 251.35% over the audited net asset value per Share of the Company as at 31 December 2014, which falls within the NAV Range,

we are of the view that the Placing Price is fair and reasonable so far as the Independent Shareholders are concerned.

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C. Commission

According to the Placing Agreement, the Placing Agent shall receive a placing commission of 0.8% (the “**Commission Rate**”) of the aggregate amount equal to the Placing Price multiplied by the actual number of the Placing Shares being placed.

As illustrated in Table 4 above, the placing commission rates of the Comparable Issues ranged from 1.0% to 3.5%, with a median of 1.25% and an average of approximately 1.75%. Given that the Commission Rate of 0.8% is lower than the lowest commission rate among the Comparable Issues, we consider that the Commission Rate is fair and reasonable so far as the Independent Shareholders are concerned.

D. Principal terms of the Options

The principal terms of the Options are set out as follows:

(i) Option premium

According to the Placing Agreement, the Options shall be granted to the Placee at a nominal consideration of HK\$1 (the “**Option Consideration**”) payable by the Placee. The Option Consideration is determined after taking into account of the Placing Price with reference to the market condition and the prevailing market price of the Shares, as well as the intention of the Company to secure the Connected Placing with the Placee.

As mentioned in the Letter from the Board, the Company has engaged the Independent Valuer to perform a valuation on the fair value of the Options. We have enquired the Independent Valuer as to its qualifications, expertise and independence to the Group and also reviewed the terms of engagement and its scope of work. Based on the investigation and analysis stated in the Valuation Report in Appendix II to the circular, the valuation method employed and key assumptions appended therein, the fair value of the Options, as at 26 March 2015 (the “**Date of Valuation**”), was reasonably stated as HK\$66,454,400, or HK\$0.083068 per Option.

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In order to assess the fairness and reasonableness of the methodology used in arriving at the said valuation, we have reviewed the Valuation Report and have discussed with the Independent Valuer regarding the basis of choosing the valuation methodology. The Independent Valuer had considered different valuation methods including the Black-Scholes option pricing model and binominal option pricing model. While binomial option pricing model is commonly adopted for American options which are exercisable at any time before the maturity and the Black-Scholes option pricing model is commonly adopted for European options which are exercisable only at maturity, it was concluded that the most appropriate valuation method for the Options is the binomial option pricing model as it provides a generalizable numerical method for valuation of options.

However, the Independent Valuer advised us that the fair value of the Options arrived at by binomial option pricing model is a theoretical value subject to many key assumptions which encounter uncertainties such as expected volatility of the Shares, dividend yield and risk free rate that are open to many interpretations.

We have also reviewed, and discussed the same with the Independent Valuer, the key assumptions, the source of parameters and the calculation of the valuation of the Options. In determining the key assumptions and parameters, we note that the Independent Valuer has taken into account (i) the specific terms and structure of the Options as well as the trading conditions and liquidity for the instrument; (ii) the dilution effect associated with the subscription of the Placing Shares and exercise of the Options; (iii) the expected volatility calculated with reference to the historical stock prices of the Company (excluding those with unusual trading volume movements) over the expected option period of 2.003 years commencing from the Date of Valuation, as sourced from Bloomberg; (iv) the risk free rate with reference to the yields of Hong Kong government bonds and treasury bills as extracted from Bloomberg; and (v) the expected dividend yield estimated by Bloomberg regarding the historical dividend payout of the Company. In respect of the expected volatility, we have enquired the Independent Valuer the basis of choosing two-year historical stock prices of the Company. The Independent Valuer is of the opinion, and we concur on the same, that (i) it is a general market practice to estimate the expected volatility by considering the historical volatility of the share price over the most recent period commensurate with the term of the Options; (ii) the Company's intention of developing car rental business has already

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been reflected in the stock price as at the Date of Valuation given the Company announced on 12 September 2014 the possible subscription of equity interest in a company with the business of car rental services; and (iii) the historical volatility of the share price of the Company from 12 September 2014 to the Date of Valuation has no material difference as compared to the one calculated by two-year period.

The Independent Valuer considered that, to the best of their knowledge, all data set forth in the Valuation Report are reasonable and accurately determined. During the course of our discussions with the Independent Valuer, we have not identified any major factors which would lead us to cast doubt on the fairness and reasonableness of the methodology, key assumptions and parameters used in arriving at the valuation. We consider that the binomial option pricing method adopted by the Independent Valuer is in line with the market practice of valuing options and is hence reasonable.

It is noted that the Option Consideration of HK\$1 is substantially lower than the fair value of the Options arrived at by the Independent Valuer. Notwithstanding the above, taking into account the fact that the grant of the Options is a part and parcel term of the Placing Agreement to attract the Placee to participate in the Connected Placing, we consider it more indicative to assess the aggregate consideration payable by the Placee for the subscription of the Placing Share and the Options, rather than to solely assess the Option Consideration. In this regard, we have attempted to calculate the hypothetical adjusted Placing Price (the “**Hypothetical Adjusted Placing Price**”) after taking into consideration of the fair value of the Options. The hypothetical adjusted Placing Price is approximately HK\$0.216, which was calculated based on the following formula:

$$\text{Hypothetical Adjusted Placing Price} = \frac{A - B}{C}$$

whereas,

A = the aggregate Placing Price of the Placing Shares (i.e. HK\$390,000,000)

B = the fair value of the Options (i.e. HK\$66,454,400)

C = the number of the Placing Shares (i.e. 1,500,000,000)

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The Hypothetical Adjusted Placing Price of HK\$0.216 per Placing Share represents (i) a discount of approximately 29.18% to the closing price of HK\$0.305 per Share as quoted on the Stock Exchange on the Last Trading Day, which falls within the range of the Premium/(Discount) – Last Day represented by the placing/subscription prices of the Comparable Issues; (ii) a discount of approximately 30.99% to the average closing price of approximately HK\$0.313 per Share as quoted on the Stock Exchange for the five consecutive trading days immediately prior to and including the Last Trading Day, which falls within the range of the Premium/(Discount) – Five Days represented by the placing/subscription prices of the Comparable Issues; and (iii) a discount of approximately 55.46% to the closing price of HK\$0.485 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

Notwithstanding that the Option Consideration of HK\$1 is substantially lower than the fair value of the Options, in light of the facts that (i) the grant of the Options has no negative cashflow impact on the Group; (ii) the fair value of the Options was arrived at by the Independent Valuer using binomial option pricing model, which are subject to many key assumptions which encounter uncertainties including the expected volatility of the Stock, dividend yield and risk free rate, and any change in the variables so adopted may materially affect the estimation of the fair value of the Options; (iii) the grant of the Options is a part and parcel term of the Placing Agreement to attract the Placee to participate in the Connected Placing; (iv) the Premium/(Discount) – Last Day as implied by the Hypothetical Adjusted Placing Price falls within the range of the Premium/(Discount) – Last Day represented by the placing/subscription prices of the Comparable Issues; (v) the Premium/(Discount) – Five Days as implied by the Hypothetical Adjusted Placing Price falls within the range of the Premium/(Discount) – Five Days represented by the placing/subscription prices of the Comparable Issues; (vi) the discount rate represented by the Hypothetical Adjusted Placing Price to the closing price of Share on the Last Trading Day of approximately 29.18% is substantially lower than the discount rate represented by the 2014 Placing Price to the closing price of Share on 15 September 2014 (being the date of the 2014 Placing Agreement) of approximately 50.0%; and (vii) the discount rate represented by the Hypothetical Adjusted Placing Price to the average closing price of Share for the five consecutive trading days immediately prior to and including the Last Trading Day of approximately 30.99% is substantially lower than

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the discount rate represented by the 2014 Placing Price to the average closing price of Share for the last five consecutive trading days up to and including 15 September 2014 (being the date of the 2014 Placing Agreement) of approximately 45.80%, we consider that the Option Consideration is commercially justifiable.

(ii) *Exercise Price*

The Options will carry the right to subscribe for 800,000,000 Option Shares at the initial Exercise Price of HK\$0.26 (subject to adjustment). According to the Letter from the Board, the Exercise Price was arrived at after arm's length negotiations between the Company and the Placing Agent with reference to the market condition and the prevailing market price of the Shares.

Having considered that (i) the initial Exercise Price is equivalent to the Placing Price; (ii) the Placing Price is considered to be fair and reasonable in light of the facts that (a) the Placing Price represents a premium of approximately 0.83% over the average closing price of the Share during the Review Period of approximately HK\$0.258 per Share; (b) the Premium/(Discount) – Last Day represented by the Placing Price falls within the range of the Premium/(Discount) – Last Day represented by the placing prices of the Comparable Issues; (c) the Premium/(Discount) – Five Days represented by the Placing Price also falls within the range of the Premium/(Discount) – Five Days represented by the placing prices of the Comparable Issues; and (d) the Placing Price represents a premium of approximately 251.35% over the audited net asset value per Share of the Company as at 31 December 2014, which falls within the NAV Range (please refer to our analysis in the subparagraph headed “B. Placing Price” under the paragraph headed “4. Principal terms of the Placing Agreement” above); and (iii) the exercise of the Options is subject to the minimum public float requirement under the Listing Rules and the mandatory offer obligation under Rule 26 of the Takeovers Code, we consider that the initial Exercise Price is fair and reasonable so far as the Independent Shareholders are concerned.

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(iii) Adjustment to the Exercise Price

We noted that the Exercise Price shall from time to time be subject to adjustments (the “**Adjustments**”) upon occurrence of the following events:

- (a) an alteration to the nominal value of the Shares as a result of consolidation, subdivision or reclassification;
- (b) the Company issuing any Shares credited as fully paid to the Shareholders by way of capitalisation of profits or reserves (including any share premium account);
- (c) the Company paying or making any capital distribution to the Shareholders (except where the Exercise Price is adjusted under (ii) above);
- (d) the Company (a) issuing Shares to all or substantially all Shareholders as a class by way of rights or an open offer, or (b) issuing or granting to all or substantially all Shareholders as a class, by way of rights or an open offer, of options, warrants or other rights to subscribe for or purchase any Shares, in each case at less than 90% of the current market price per Share on the last trading day preceding the date of the announcement of the terms of such issue or grant;
- (e) the Company issuing any securities (other than Shares or options, warrants or other rights to subscribe for or purchase Shares) to all or substantially all Shareholders as a class, by way of rights or an open offer, or the issuing or granting by the Company to all or substantially all Shareholders as a class by way of rights or an open offer, of any options, warrants or other rights to subscribe for or purchase or otherwise acquire, any securities;
- (f) the Company (a) issuing any Shares or any securities convertible to or exchangeable for any Shares (otherwise than as mentioned in (iv) and (v) above, and other than Shares issued on the exercise of any Option and Shares issued upon exercise of any option granted by the Company pursuant to a share option scheme) or (b) issuing or granting any options, warrants, other rights to subscribe or purchase Shares (otherwise than as mentioned in (iv) and (v)

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above, and other than the options granted by the Company pursuant to a share option scheme), in each case at a price per Share which is less than 90% of the current market price per Share on the last trading day preceding the date of announcement of the terms of such issue or grant;

- (g) events leading to (a) the rights of conversion, exchange, purchase or subscription attaching to any options, rights or warrants to subscribe for or purchase Shares or any securities convertible into or exchangeable for Shares or the rights carried by such securities to subscribe for or purchase Shares are modified (other than pursuant to, and as provided in, the existing terms and conditions of such options, rights, warrants or securities); or (b) the Company determining that an adjustment should be made to the Exercise Price as a result of one or more events or circumstances not referred to in any other provisions of this anti-dilution adjustment provision which in either case have or would have an effect on the position of the holders of the Options as a class compared with the position of the holders of all the securities (and options, rights and warrants relating thereto) of the Company, taken as a class, which is analogous to any of the events referred to in (i) to (vi) above.

Based on our research of information published on the website of the Stock Exchange, we noted that similar anti-dilution adjustment mechanisms are commonly included in the share option schemes issued by other companies listed on the Stock Exchange and, having reviewed such adjustment mechanisms, we consider that the Adjustments are under normal market practice.

(iv) Conclusion

In view of the above, we are of the view that the terms of the Options are fair and reasonable.

E. Conclusion

Taking into account the above, we are of the view that the terms of the Placing Agreement are fair and reasonable so far as the Independent Shareholders are concerned.

LETTER FROM ASTRUM

5. Potential dilution effect on shareholding in the Company

The following table sets forth the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) immediately after completion of the Placing Agreement (assuming that none of the Options are exercised); and (iii) immediately after completion of the Placing Agreement and the exercise in full of the Options:

Table 4: Shareholding structure of the Company

	As at the Latest Practicable Date		Immediately after completion of the Placing Agreement (assuming that none of the Options are exercised)		Immediately after completion of the Placing Agreement and the exercise in full of the Options	
	<i>No. of Shares</i>	<i>%</i>	<i>No. of Shares</i>	<i>%</i>	<i>No. of Shares</i>	<i>%</i>
Sino Merchant (<i>Note 1</i>)	2,261,473,889	55.41	3,761,473,889	67.39	4,561,473,889	71.48
Public Shareholders	1,819,901,111	44.59	1,819,901,111	32.61	1,819,901,111	28.52
	<u>4,081,375,000</u>	<u>100.00</u>	<u>5,581,375,000</u>	<u>100.00</u>	<u>6,381,375,000</u>	<u>100.00</u>

Note: Sino Merchant is a company incorporated in the BVI and its issued share capital is owned as to 60% by Ms. Deng, the executive Director and the chairman of the Company, 20% by Ms. Liu and 20% by Mr. Gui (both Ms. Liu and Mr. Gui are the executive Directors), respectively. Ms. Deng is deemed, or taken to be, interested in all the Shares in which Sino Merchant is interested by virtue of Part XV of the SFO. As Mr. Dai Yumin (an executive Director) is the spouse of Ms. Deng, he is deemed, or taken to be, interested in the Shares which Ms. Deng is deemed, or taken to be interested in, for the purposes of Part XV of the SFO.

As shown in Table 4 above, the shareholding of the existing public Shareholders will be diluted from approximately 44.59% of the issued share capital of the Company as at the Latest Practicable Date to approximately 32.61% immediately after completion of the Placing Agreement (assuming that none of the Options are exercised), and further to approximately 28.52% immediately after completion of the Placing Agreement and the exercise in full of the Options.

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Having considered (i) the benefits of the Connected Placing as detailed in the section headed “3. Background of, reasons for and benefits of the Connected Placing” above, including but not limited to (a) the Group is of imperative need to raise further funds to meet the capital requirement for the implementation of the Group’s development and expansion plan; (b) the Connected Placing will bring in additional capital for the Company to fund and implement its business expansion plan and place the Group at a better position to grasp any business opportunities with high growth potential as and when they arise and create enduring value and sustainable business development for the Shareholders; and (c) the Connected Placing can serve as an incentive and enticement to motivate the Ultimate Placees to be more committed to the furtherance of the development of the Group’s business; (ii) the terms of the Placing Agreement are fair and reasonable so far as the Independent Shareholders are concerned (please refer to the paragraph headed “4. Principal terms of the Placing Agreement” below for our relevant analysis); and (iii) the exercise of the Options is subject to the minimum public float requirement under the Listing Rules and the mandatory offer obligation under Rule 26 of the Takeovers Code, we are of the view that such dilution effect is acceptable and commercially justifiable.

6. Possible financial effects of the Connected Placing

A. Effect on net asset value

According to the 2014 Annual Report, the net assets of the Group as at 31 December 2014 was approximately HK\$301.9 million. Upon completion of the Placing Agreement, the net assets of the Group will increase by the net proceeds from the issue of the Placing Shares of approximately HK\$385 million. In the event that the Placee exercises the Options in full, the Group’s net assets will further increase by the net proceeds of the issue of the Option Shares of approximately HK\$208 million. As such, the Connected Placing is expected to have a positive impact on the financial position of the Group.

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B. Effect on liquidity

It is expected that the liquidity position of the Group will enhance by (i) the net proceeds from the issue of the Placing Shares of approximately HK\$385 million upon completion of the Placing Agreement; and (ii) the net proceeds from the issue of the Option Shares of approximately HK\$208 million upon the exercise of the Options in full. Accordingly, the Connected Placing is expected to have a positive impact on the current ratio of the Group.

C. Effect on cash flow

According to the 2014 Annual Report, the cash and cash equivalents of the Group as at 31 December 2014 amounted to approximately HK\$8.1 million. It is expected that the cash level of the Group will increase by (i) the net proceeds from the issue of the Placing Shares of approximately HK\$385 million upon completion of the Placing Agreement; and (ii) the net proceeds from the issue of the Option Shares of approximately HK\$208 million upon the exercise of the Options in full. Accordingly, the Connected Placing is expected to have a positive impact on the cash flow position of the Group.

D. Effect on gearing ratio

Upon completion of the Placing Agreement and the exercise of the Options in full, the Group's total liabilities will remain unchanged while the Group's total assets will increase by (i) the net proceeds from the issue of the Placing Shares of approximately HK\$385 million; and (ii) the net proceeds from the issue of the Option Shares of approximately HK\$208 million. Therefore, it is expected that the gearing ratio of the Group will improve.

It should be noted that the aforementioned analyses are for illustrative purpose only and do not purport to represent how the financial position of the Group will be upon completion of the Placing Agreement and the exercise of the Options.

LETTER FROM ASTRUM

OPINION

Having taken into account the above principal factors and reasons, we are of the view that although the Connected Placing is not in the ordinary and usual course of business of the Group, the terms of the Placing Agreement are on normal commercial terms, and fair and reasonable as far as the Independent Shareholders are concerned, and the Connected Placing is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise, and ourselves recommend, the Independent Shareholders to vote in favor of the relevant resolution at the EGM to approve the Connected Placing.

Yours faithfully,
For and on behalf of
Astrum Capital Management Limited
Hidulf Kwan **Rebecca Mak**
Executive Director *Associate Director*

Note: Mr. Hidulf Kwan has been a responsible officer of Type 6 (advising on corporate finance) regulated activity under SFO since 2006 and has participated in and completed various independent financial advisory transactions.

Ms. Rebecca Mak has been a responsible officer of Type 6 (advising on corporate finance) regulated activity under SFO since 2012 and has participated in and completed various independent financial advisory transactions.

1. 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 Company. 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 respects and not misleading or deceptive, and there no other matters the omission of which would make any statement herein or this circular misleading.

2. SHARE CAPITAL

The authorised and issued share capital of the Company as at the Latest Practicable Date and immediately following the completion of the allotment and issue of the Placing Shares and the Option Shares (assuming exercise in full of the Options) were and are expected to be as follows:

<i>Authorised:</i>	<i>HK\$</i>
<u>20,000,000,000</u> Shares	<u>200,000,000</u>
	<i>Issued and fully paid:</i>
4,081,375,000 Shares as at the Latest Practicable Date	40,813,750
1,500,000,000 Allotment and issue of the Placing Shares	15,000,000
800,000,000 Allotment and issue of the Option Shares upon exercise in full of the Options	8,000,000
	<i>Total (for illustrative purpose)</i>
<u>6,381,375,000</u> Shares	<u>63,813,750</u>

3. DISCLOSURE OF INTERESTS BY DIRECTORS

As at the Latest Practicable Date, the interests or short positions of each Director and chief executive of the Company in the Shares, debentures or underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required 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 he or she was taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register maintained by the Company referred to therein, or which were required, pursuant to Appendix 10 of the Listing Rules relating to securities transactions by Directors, to be notified to the Company and the Stock Exchange, were as follows:

Long Positions

Interests in the Shares and underlying shares of the Company

Name of Directors	Capacity	Aggregate long position in the Shares and underlying shares (immediately after completion of the Connected Placing and the exercise in full of the Options)	Approximate percentage of the Company's issued share capital (immediately after completion of the Connected Placing and the exercise in full of the Options)
Deng Shufen (<i>Note 1</i>)	Interest of controlled corporation (<i>Note 1</i>)	4,561,473,889	71.48%
Dai Yumin (<i>Note 2</i>)	Interest of Spouse (<i>Note 2</i>)	4,561,473,889	71.48%

Notes:

1. Sino Merchant is owned as to 60% by Ms. Deng Shufen, the chairman and executive Director of the Company, 20% by Ms. Liu Jiangyuan and 20% by Mr. Gui Bin, both being executive Directors of the Company. Ms. Deng Shufen is deemed, or taken to be, interested in all the Shares in which Sino Merchant is interested by virtue of Part XV of the SFO.
2. As Mr. Dai Yumin (an executive Director of the Company) is the spouse of Ms. Deng Shufen, he is deemed, or taken to be, interested in the Shares which Ms. Deng Shufen is deemed, or taken to be interested in, for the purposes of Part XV of the SFO.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and chief executive of the Company or their respective associates (within the meaning of the SFO) had any interests and short positions in the Shares, debentures or underlying shares of the Company or any of its associated corporations (within

the meaning of Part XV of the SFO), which were required 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 he or she was taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register maintained by the Company referred to therein, or which were required, pursuant to Appendix 10 of the Listing Rules relating to securities transactions by Directors, to be notified to the Company and the Stock Exchange.

4. DISCLOSURE OF INTERESTS BY SUBSTANTIAL SHAREHOLDERS

So far as is known to any Director or chief executive of the Company, as at the Latest Practicable Date, the following persons (not being Directors or chief executive of the Company) had, or were deemed to have, interests or short positions in the Shares, debentures or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register maintained by the Company pursuant to Section 336 of the SFO were as follows:

Long positions

Interests in the Shares and underlying shares of the Company

Name of Shareholder	Capacity	Aggregate long position in the Shares and underlying shares (immediately after completion of the Connected Placing and the exercise in full of the Options)	Approximate percentage of the Company's issued share capital (immediately after completion of the Connected Placing and the exercise in full of the Options)
Sino Merchant	Beneficial owner (Note 1 above)	4,561,473,889	71.48%

Save as disclosed above, as at the Latest Practicable Date, the Directors and chief executive of the Company were not aware of any other person (other than the Directors and the chief executive of the Company) who had, or was deemed to have, interests or short positions in the Shares, debentures or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register maintained by the Company pursuant to Section 336 of the SFO.

As at the Latest Practicable Date, except for Ms. Deng Shufen, who was also the sole director of Sino Merchant, none of the Directors or proposed Directors was a director or employee of a company which had an interest or short position in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

5. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, each of the Directors has entered into a service agreement with the Company dated 16 July 2014 for a term of three (3) years commencing on 16 July 2014. Either the relevant Director or the Company may terminate the agreement by giving the other party not less than three months' notice in writing.

Save as disclosed above, none of the Directors have entered into any service agreement with any other member of the Group nor have there been any other service agreements proposed to be entered into by any of the Directors which does not expire or is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

6. DIRECTORS' INTERESTS IN THE GROUP'S ASSETS OR CONTRACTS OR ARRANGEMENTS SIGNIFICANT TO THE GROUP

As at the Latest Practicable Date, none of the Directors had any interests, either directly or indirectly, in any assets which have been, since 31 December 2014 (being the date to which the latest published audited financial statements of the Company were made up), acquired or disposed of or leased to any members of the Group, or are proposed to be acquired or disposed of or leased to any members of the Group.

As at the Latest Practicable Date, save for the Placing Agreement, none of the Directors were materially interested in any contracts or arrangements, subsisting at the Latest Practicable Date, which are significant to the business of the Group.

7. DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at the Latest Practicable Date, none of the Directors and their close associates (as defined in the Listing Rules) was considered to have interests in any business, apart from the Group's businesses, which competes or is likely to compete or have any other conflict of interest, directly or indirectly, with the businesses in which the Group is engaged in.

8. EXPERT AND CONSENT

The following are the qualifications of the Experts who have given opinion and/or advice, which is contained in this circular:

Name	Qualification
Astrum Capital Management Limited	a licensed corporation under the SFO to carry on Type 1 (dealing in securities), Type 2 (dealing in future contracts), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities
Roma Appraisals Limited	independent valuer

The Experts have given and have not withdrawn their written consents to the issue of this circular with the inclusion therein of their letters and/or references to their names, in the form and context in which they appear.

As at the Latest Practicable Date, neither of the Experts had any shareholding in any member of the Group or had the right to subscribe for or to nominate persons to subscribe for shares in any member of the Group.

As at the Latest Practicable Date, neither of the Experts had any interests, either directly or indirectly, in any assets which have been, since 31 December 2014 (being the date to which the latest published audited financial statements of the Company were made up), acquired or disposed of or leased to any members of the Group, or are proposed to be acquired or disposed of or leased to any members of the Group.

9. MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2014, the date to which the latest published audited financial statements of the Company were made up.

10. GENERAL

- (i) The head office and principal place of business of the Company in Hong Kong is situated at Suites 3101-3105, 31st Floor, Dah Sing Financial Centre, 108 Gloucester Road, Wanchai, Hong Kong.
- (ii) The registered office of the Company is situated at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.
- (iii) The English text of this circular prevails over its Chinese translation in the case of discrepancy.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the principal place of business of the Company in Hong Kong at Suites 3101-3105, 31st Floor, Dah Sing Financial Centre, 108 Gloucester Road, Wanchai, Hong Kong during normal business hours on any Business Day from, the date of this circular up to and including the date of the EGM:

- (i) the memorandum and articles of association of the Company;
- (ii) the Placing Agreement;
- (iii) a letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out on page 31 of this circular;
- (iv) a valuation report of the Options prepared by the Independent Valuer, the text of which is set out from pages 78 to 87 of this circular;
- (v) a letter from Astrum to the Independent Board Committee and the Independent Shareholders, the text of which is set out from pages 32 to 70 of this circular;

- (vi) the written consent from Astrum as referred to under the paragraph headed “Expert and consent” in this appendix;
- (vii) the written consent from Roma Appraisals as referred to under the paragraph headed “Expert and consent” in this appendix;
- (viii) the service contracts of the Directors referred to under the paragraph headed “Directors’ Service Contracts” in this appendix; and
- (ix) this circular.

28 April 2015

Perception Digital Holdings Limited

Suites 3101-3105, 31/F Dah Sing Financial Centre,
108 Gloucester Road,
Wanchai, Hong Kong,

Case Ref: AK/FI2636/MAR15

Dear Sir/Madam,

Re: Valuation of Fair Value of the Options to be Granted by Perception Digital Holdings Limited

In accordance with the instructions from Perception Digital Holdings Limited (hereinafter referred to as the “**Company**”), we have carried out a valuation of the fair value of the options carrying rights to subscribe for up to a total of 800,000,000 option shares (hereinafter referred to as the “**Options**”) to be granted by the Company on 26 March 2015. We are pleased to report that we have made relevant enquiries and obtained other information which we considered relevant for the purpose of providing you with our opinion of the fair value of the Options as at 26 March 2015 (hereinafter referred to as the “**Date of Valuation**”).

This report states the purpose of valuation, scope of work, terms and conditions of the Options, basis of valuation, valuation methodology, assumptions and sources of information, limiting conditions, remarks and presents our opinion of value.

1. PURPOSE OF VALUATION

This report is prepared solely for the use of the directors and management of the Company for public documentation purpose and included in the Company’s circular only. This report is not to be used for any purpose other than that mentioned above, including issue to third parties, without our prior approval of use, form, context in which it is released.

Roma Appraisals Limited assumes no responsibility whatsoever to any person other than the Company in respect of, or arising out of, the contents of this report. If others choose to rely in any way on the contents of this report they do so entirely at their own risk.

2. SCOPE OF WORK

Our valuation conclusion is based on the assumptions stated herein and information provided by the management of the Company and/or its representative(s) (together referred to as the “**Management**”).

In preparing this report, we have had discussions with the Management in relation to the terms and conditions of the Options (hereinafter referred to as the “**Terms and Conditions**”) and other relevant information concerning the Options. As part of our analysis, we have reviewed such financial information and other pertinent data concerning the Options provided to us by the Management and have considered such information and data as accurate and reasonable.

We have no reason to believe that any material facts have been withheld from us. However, we do not warrant that our investigations have revealed all of the matters which an audit or a more extensive examination might disclose.

3. TERMS AND CONDITIONS OF THE OPTIONS

The Company will place through Sheng Yuan Securities Limited (hereinafter referred to as the “**Placing Agent**”), on a best-effort basis, an aggregate of up to 1,500,000,000 new shares (hereinafter referred to as the “**Placing Shares**”) to Sino Merchant Car Rental Limited (hereinafter referred to as the “**Placee**”) at the placing price of HK\$0.26 per Placing Share.

On the fifth business day after the date upon which the last condition precedent to the placing agreement has been fulfilled or such other date as may be agreed between the Company and the Placing Agent (hereinafter referred to as the “**Placing Completion Date**”), in respect of the issue of the Placing Shares to the Placee, the Company shall grant the Options at an aggregate nominal consideration of HK\$1 payable by the Placee to subscribe for additional shares. Each Option will carry the right to subscribe for the relevant new shares (hereinafter referred to as the “**Option Shares**”) at the initial exercise price of HK\$0.26 per Option Share (subject to adjustments).

The terms and conditions of the Options are listed as follows:

Number of the Option : 800,000,000
Shares upon Exercise of
the Options

Exercise Price	:	HK\$0.26 per Option Share (subject to adjustments)
Exercise Period	:	From the initial issue date and ending on the last day on the twenty-fourth (24th) month from the initial issue date (both days inclusive)
Transferability of the Options	:	No Option is transferable.

4. BASIS OF VALUATION

Our valuation is conducted on a fair value basis. Fair value should represent the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

5. VALUATION METHODOLOGY

Having considered a number of alternative valuation methods, it was concluded that the most appropriate one for valuing the Options is the binomial option pricing model. Whilst constructing the valuation model for pricing the Options, we have taken into account the following:

- Specific terms and structure of the Options as well as the trading conditions and liquidity for the instrument; and
- In this transaction, the Placee has agreed to subscribe for 1,500,000,000 Placing Shares and the Company shall grant to the Placee the Options which will carry rights to subscribe for 800,000,000 Option Shares upon exercise of such Options by the Placee. Immediately after completion of the placing of the Placing Shares and the exercise in full of the Options, a total of 2,300,000,000 new shares will be issued by the Company, as compared to the existing 4,081,375,000 shares as at the Date of Valuation. Therefore, the dilution effect associated with the subscription of the Placing Shares and exercise of the Options has been incorporated in the binomial option pricing model.

5.1 Binomial Option Pricing Model

Binomial options pricing model provides a generalizable numerical method for the valuation of options. The binomial model was first proposed by Cox, Ross and Rubinstein in 1979. It adopts discrete time and non-closed form model of varying price over time of the underlying instruments.

There are three basic steps for the binomial model, namely (i) binomial tree construction, (ii) calculation of option value at each final node, and (iii) sequential calculation of the option value at each preceding node.

5.1.1 Binomial Tree Construction

Binomial tree construction for the underlying asset is based on the up-move factor (u), down-move factor (d), and probability of such moves (p) to determine the up-move price of the underlying asset (Su) and down-move price of the underlying asset (Sd) from the preceding node of the underlying asset (S) based on input parameters such as return volatilities (σ), risk free rate, time duration of each step (i.e. time interval) (t).

The Cox, Ross and Rubinstein (CRR) method was adopted for building the binomial tree in the valuation for the stock price of the target company. The equations of u and d are as follows:

$$\begin{aligned} u &= e^{\sigma\sqrt{t}} \\ d &= e^{-\sigma\sqrt{t}} = 1/u \\ S_u &= S \times u \\ S_d &= S \times d \end{aligned}$$

If the dilution effect is incorporated in the calculation, the equation of the diluted price of the underlying asset is as follows:

$$S = (N_0 \times S_0 + N \times X) / (N_0 + N)$$

In which

N_0 = Number of outstanding shares;

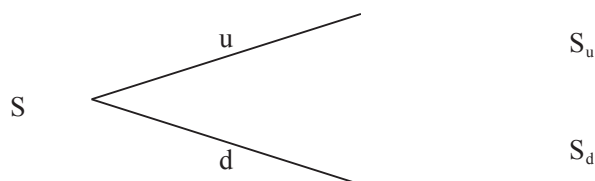
S_0 = Closing stock price as at the Date of Valuation;

N = Number of new shares upon exercising the options; and

X = Exercise price of the options.

Below illustrates the schematic diagrams and equations of the binomial trees for the stock price of the Company before and after the aforementioned dilution effect:

Binomial Tree before the Dilution Effect



$$u = e^{\sigma\sqrt{t}}$$

$$d = e^{-\sigma\sqrt{t}} = 1/u$$

$$S_u = S \times u$$

$$S_d = S \times d$$

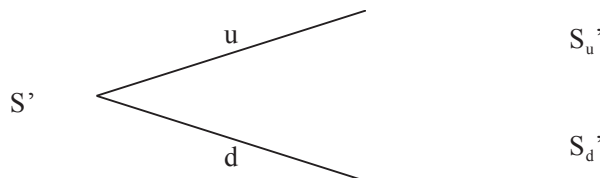
In which

S = Closing stock price of the Company as at the Date of Valuation (i.e. HK\$0.305);

σ = Expected volatility as at the Date of Valuation (i.e. 68.546%); and

t = Time duration of each step (i.e. 0.020).

Binomial Tree after the Dilution Effect



$$S' = (N_0 \times S + N \times X) / (N_0 + N)$$

$$S_u' = (N_0 \times S_u + N \times X) / (N_0 + N)$$

$$S_d' = (N_0 \times S_d + N \times X) / (N_0 + N)$$

In which

N₀ = Number of outstanding shares of the Company as at the Date of Valuation (i.e. 4,081,375,000 shares);

S = Closing stock price of the Company as at the Date of Valuation (i.e. HK\$0.305);

N = Number of new shares upon the subscription of the Placing Shares and exercise of the Options (i.e. 2,300,000,000 shares); and

X = Exercise price of the Options (i.e. HK\$0.26).

5.1.2 Calculation of Option Value at Each Final Node

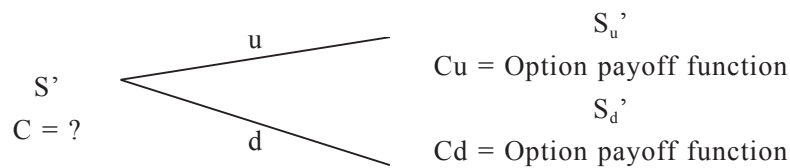
Option value is estimated at each final node in the binomial tree with dilution effect according to the final payoff function of the option, which is formula with the price of the underlying assets at the final node. The final payoff of call option at the maturity date will be: $\max(0, S' - x)$.

5.1.3 Sequential Calculation of the Option Value at Each Preceding Node

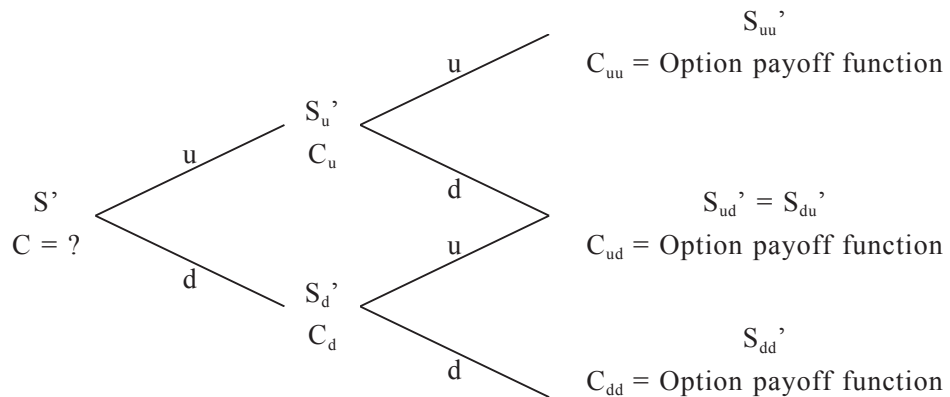
Option value is estimated at each preceding node by backward induction from the final nodes in the binomial tree to compute present value of the option (C) based on the probability of such moves (p) and discount rate, which is the risk free rate. The option value at each node can be estimated as: $C = p \times (C_u) + (1-p)(C_d)$.

5.1.4 Schematic Diagrams of the Binomial Model for Option Valuation

Binomial Tree with One Time Step



Binomial Tree with Multiple Time Steps



6. ASSUMPTIONS AND SOURCES OF INFORMATION

Key Assumptions and Parameters

26 March 2015

a)	Stock Price (HK\$)	0.305
b)	Exercise Price (HK\$)	0.260
c)	Risk Free Rate (%)	0.443
d)	Expected Option Period (Years)	2.003
e)	Expected Volatility (%)	68.546
f)	Expected Dividend Yield (%)	0.000
g)	Option Type	Call

Notes:

- a) Stock Price : Based on the closing stock price of the Company (Stock Code: 1822.HK) as at the Date of Valuation as extracted from Bloomberg.
- b) Exercise Price : Based on the Terms and Conditions.
- c) Risk Free Rate : The rate was determined with reference to the yields of Hong Kong government bonds and treasury bills as extracted from Bloomberg.
- d) Expected Option Period : Calculated based on the Terms and Conditions.
- e) Expected Volatility : It was calculated with reference to the historical stock prices of the Company (excluding those with unusual trading volume movements) over the expected option period of 2.003 years commencing from the Date of Valuation, as sourced from Bloomberg. It is a general market practice to estimate the expected volatility by considering the historical volatility of the share price over the most recent period commensurate with the term of the Options.

As advised by the Management, the Company was principally engaged in consumer electronics industry since September 2014. On 12 September 2014 (hereinafter referred to as the “**Announcement Date**”), the Company issued an announcement related to a possible subscription of a company with the business of car rental services. We are of the opinion that the Company’s intention of developing car rental business has already been reflected in the stock price as at the Date of Valuation. Furthermore, we have also investigated the historical volatility of the Company from the Announcement Date to the Date of Valuation and observed that there was no material difference as compared to the one currently adopted. Therefore, it was reasonable to adopt a 2-year historical volatility of the Company in the valuation.

- f) Expected Dividend Yield : Estimated by Bloomberg regarding the historical dividend payout of the Company (Stock Code: 1822.HK).

7. SENSITIVITY ANALYSES

To determine how the different values of an independent variable would impact a particular dependent variable under a given set of assumptions, we carried out sensitivity analyses on the fair value of the Options in respect of stock price and expected volatility. The results of the sensitivity analyses were as follows:

Relative Change in Stock Price	Applied Stock Price (HK\$)	Fair Value of the Options (HK\$)
+10%	0.336	78,390,400
+5%	0.320	72,251,200
0%	0.305	66,454,400
-5%	0.290	60,804,000
-10%	0.275	55,153,600

Relative Change in Expected Volatility	Applied Expected Volatility	Fair Value of the Options (HK\$)
+10%	75.400%	71,307,200
+5%	71.973%	68,896,000
0%	68.546%	66,454,400
-5%	65.118%	63,984,000
-10%	61.691%	61,485,600

8. LIMITING CONDITIONS

Our conclusion of the fair value is derived from generally accepted appraisal procedures and practices that rely substantially on the use of various assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained. This appraisal reflects the facts and conditions existing at the Date of Valuation. Subsequent events have not been considered and we are not required to update our report for such events and conditions.

To the best of our knowledge, all data set forth in this report are reasonable and accurately determined. The data, opinion, or estimates identified as being furnished by others, which have been used in formulating this analysis, are gathered from reliable sources; yet, no guarantee is made nor liability assumed for their accuracy.

We have relied on information provided by the Management and the relevant announcements, circulars and financial data published by the Company, if necessary, to a considerable extent in arriving at our opinion of value. We are not in the position to verify the accuracy of all information provided to us. However, we have had no reason to doubt the truth and accuracy of the information provided to us and to doubt that any material facts have been omitted from the information provided. No responsibilities for the operation and financial information that have not been provided to us are accepted.

We have not investigated the title to or any legal liabilities of the Options. We have assumed no responsibility for the title to the Options appraised. Save as and except for the purpose stated above, neither the whole nor any part of this report nor any reference thereto may be included in any document, circular or statement without our written approval of the form and context in which it will appear. In accordance with our standard practice, we must state that this report is for the exclusive use of the party to whom it is addressed and for the specific purpose stated above. No responsibility is accepted to any third party for the whole or any parts of its contents. The title of this report shall not pass to the Company until all professional fee has been paid in full.

9. REMARKS

Unless otherwise stated, all monetary amounts stated in this valuation report are in Hong Kong Dollars (HK\$). We hereby confirm that we have neither present nor prospective interests in the Company, the Placee, the Placing Agent, the Options or the values reported herein.

10. OPINION OF VALUE

Based on the investigation and analysis stated above, the valuation method employed and key assumptions appended above, the fair value of the Options, as at the Date of Valuation, was reasonably stated as below:

Fair Value of the Options as at 26 March 2015

Unit Option Value (HK\$)	:	0.083068
Number of the Options	:	800,000,000
Fair Value of the Options (HK\$)	:	66,454,400

Yours faithfully,
For and on behalf of
Roma Appraisals Limited

NOTICE OF EXTRAORDINARY GENERAL MEETING

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 the extraordinary general meeting (the “**EGM**”) of Perception Digital Holdings Limited (the “**Company**”) will be held at Suites 3101-3105, 31st Floor, Dah Sing Financial Centre, 108 Gloucester Road, Wanchai, Hong Kong on 18 May 2015 at 11:00 a.m., to consider and, if thought fit, approve the following resolution as an ordinary resolution of the Company:

ORDINARY RESOLUTION

1. “**THAT:**

- (a) the conditional placing agreement (the “**Placing Agreement**”) dated 26 March 2015 entered into between the Company and Sheng Yuan Securities Limited as placing agent in relation to the placing of up to 1,500,000,000 ordinary shares of HK\$0.01 each (the “**Shares**”) in the share capital of the Company (the “**Placing Shares**” and each a “**Placing Share**”) to Sino Merchant Car Rental Limited (“**Sino Merchant**” or the “**Placee**”), on a best effort basis, at the placing price (the “**Placing Price**”) of HK\$0.26 per Placing Share, with the grant of options (the “**Options**”) at an aggregate nominal consideration of HK\$1 payable by the Placee carrying rights to subscribe for up to 800,000,000 Shares (the “**Option Shares**” and each an “**Option Share**”), on the terms set out in the terms and conditions of the Options at the exercise price (the “**Exercise Price**”) of HK\$0.26 per Option Share (subject to adjustments) (the “**Connected Placing**”) (a copy of the Placing Agreement has been produced to this meeting marked “A” and signed by the chairman of this meeting for the purpose of identification) and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
- (b) the directors of the Company (the “**Directors**”) be and are hereby granted a specific mandate (the “**Specific Mandate**”) to (i) issue and allot 1,500,000,000 Placing Shares to Sino Merchant within 4 weeks after the EGM; and (ii) grant the Options to Sino Merchant within 4 weeks after the EGM and issue and allot 800,000,000 Option Shares to Sino Merchant upon exercise of the Options in accordance with the terms thereof, subject only to the Placing Agreement becoming unconditional in accordance with the terms thereof. The Specific Mandate is in addition to, and shall not prejudice nor revoke any existing or such other general or special mandates which may from time to time be granted to the Directors prior to the passing of this resolution;

NOTICE OF EXTRAORDINARY GENERAL MEETING

- (c) the issue and allotment of 1,500,000,000 Placing Shares and 800,000,000 Option Shares to Sino Merchant, credited as fully paid, at the Placing Price per Placing Share and at the Exercise Price per Option Share (subject to adjustments) (as the case may be) pursuant to the Specific Mandate be and is hereby approved;
- (d) the Directors be and are hereby granted a specific mandate (the “**2012 Warrants Specific Mandate**”) to issue and allot up to a maximum of 15,000,000 new Shares pursuant to the terms of issue of the Company’s warrant subscription agreement dated 18 October 2012 (the “**2012 Warrants**”), with such issue and allotment being the result of the adjustments to the 2012 Warrants caused by the Connected Placing becoming unconditional; and
- (e) the Directors be and are hereby authorised to do all other acts and things and execute all documents which he/she/they consider(s) necessary or expedient for the implementation of and giving effect to the Placing Agreement and the transactions contemplated thereunder, the Specific Mandate and the 2012 Warrants Specific Mandate.”

By order of the Board
Perception Digital Holdings Limited
Deng Shufen
Chairman and Executive Director

Hong Kong, 28 April 2015

Principal place of business in Hong Kong:
Suites 3101-3105, 31st Floor,
Dah Sing Financial Centre
108 Gloucester Road
Wanchai
Hong Kong

Registered Office:
Cricket Square,
Hutchins Drive
P.O. Box 2681
Grand Cayman
KY1-1111
Cayman Islands

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notes:

1. Any member of the Company entitled to attend and vote at the EGM convened by the above notice is entitled to appoint one or more separate proxy(ies) to attend and, subject to the provisions of the articles of association of the Company, vote in his stead. A proxy need not be a member of the Company.
2. A form of proxy for use at the EGM is enclosed with the circular of the Company dated 28 April 2015.
3. To be valid, a form of proxy in the prescribed form together with the power of attorney or other authority (if any) under which it is signed (or a certified copy thereof) must be deposited with the Company's share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time appointed for holding the EGM (or at any adjournment thereof). Completion and return of the form of proxy shall not preclude members from attending and voting in person at the EGM or at any adjourned meeting (as the case may be) should they so wish, and in such event, the instrument appointing the proxy shall be deemed to be revoked.
4. Where there are joint registered holders of any share, any one of such persons may vote at the EGM, either personally or by proxy, in respect of such share as if he were solely entitled thereto, but if more than one of such joint holders are present at the EGM personally or by proxy, the vote of the senior holder who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.
5. The votes at the EGM or any adjournment thereof will be taken by poll.
6. The register of members of the Company will be closed from 14 May 2015 to 18 May 2015, both days inclusive, for determining the shareholders who are entitled to attend and vote at the EGM, during which period no transfer of shares will be effected. In order to qualify for attending and voting at the EGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:00 p.m. on 13 May 2015.
7. If a "black" rainstorm warning signal or a tropical cyclone warning signal number 8 or above is in force in Hong Kong at any time between 7:00 a.m. and 5:00 p.m. on the date of the EGM, the EGM will not be held on that day and an announcement will be made in such event.

As at the date of this notice, the board of directors of the Company comprise four executive directors, namely Ms. Deng Shufen (Chairman), Mr. Dai Yumin, Ms. Liu Jiangyuan and Mr. Gui Bin, one non-executive director, namely Mr. Wang Yongbin and three independent non-executive directors, namely Mr. Fang Jun, Mr. Zhao Xianming and Mr. Wong Yiu Kit, Ernest.