

STRUCTURE OF THE SHARE OFFER

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The Share Offer consists of the Placing and the Public Offer.

An aggregate of 15,000,000 Shares have been initially allocated to the Public Offer for subscription, subject to re-allocation as mentioned below and under the GEM Listing Rules. An aggregate of 135,000,000 Shares are initially offered under the Placing for subscription, subject to re-allocation as mentioned below and under the GEM Listing Rules and the Over-allotment Option. Investors are free to select to apply for the Public Offer Shares or the Placing Shares, but they may only receive Shares under the Public Offer **OR** the Placing but not both. Our Directors and the Lead Manager will take all reasonable steps to identify any multiple applications under the Public Offer and the Placing which are not allowed and are bound to be rejected.

In order to facilitate settlement of the over-allocations in the Placing and for the purpose of stabilization of the market price of the Share (if any), the Lead Manager and the Share Lender have entered into the Stock Borrowing Agreement pursuant to which the Share Lender will, if so requested by the Lead Manager and subject to the terms of the Stock Borrowing Agreement, make available to the Lead Manager up to 22,500,000 Shares held by it to facilitate settlement of over-allocations in the Placing.

The stock borrowing arrangements under the Stock Borrowing Agreement shall not be subject to the restrictions under Rule 13.16A(1)(a) of the GEM Listing Rules and on the following terms:

- such stock borrowing arrangements will only be effected by the Lead Manager for the sole purpose of covering any short position prior to the exercise of the Over-allotment Option or similar right;
- the maximum number of Shares borrowed from the Share Lender will be limited to the maximum number of Shares which may be issued upon the full exercise of the Over-allotment Option;
- the same number of Shares borrowed is returned to the Share Lender within three Business Days after the last day on which the Over-allotment Option may be exercised or, if earlier, the date on which the Over-allotment Option is exercised in full;
- the arrangements under the Stock Borrowing Agreement will be effected in compliance with all the applicable laws, rules and regulatory requirements; and
- no payments will be made to the Share Lender by the Lead Manager or any of the Underwriters in relation to the stock borrowing arrangements.

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PRICE PAYABLE UPON APPLICATION FOR THE PUBLIC OFFER SHARES

Investors of the Public Offer Shares will be required to pay the maximum indicative Offer Price of HK\$0.73 plus 1% brokerage, 0.005% Stock Exchange trading fee and 0.004% transaction levy imposed by the SFC amounting to a total of HK\$3,686.83 for each board lot of 5,000 Shares. If the final Offer Price is less than the maximum indicative Offer Price, arrangements will be made to refund any excess amount to the investors, **WITHOUT INTEREST**.

CONDITIONS OF THE SHARE OFFER

Acceptance of applications for the Public Offer Shares will be conditional upon:

- the GEM Listing Committee granting the listing of, and permission to deal in, on GEM, our Shares in issue, the Offer Shares and any Shares which may fall to be issued pursuant to the exercise of the Over-allotment Option and any options that may be granted under the Share Option Scheme;
- the agreement on the Offer Price between our Company and the Lead Manager (for itself and on behalf of the Underwriters) being entered into on the Price Determination Date; and
- the obligations of the Underwriters under the Underwriting Agreement becoming unconditional (including, if relevant, as a result of a waiver of any condition(s)) and not being terminated in accordance with the terms and conditions of the Underwriting Agreement),

in each case, on or before the dates and times specified in the Underwriting Agreement (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than the date which is 30 days after the date of this prospectus.

If any of the above conditions has not been fulfilled or waived prior to the time(s) and date(s) specified, the Share Offer will lapse and the Stock Exchange will be notified immediately. Notice of lapse of the Share Offer will be caused to be published by our Company on the GEM website at www.hkgem.com and our Company's website at www.perceptiondigital.com the next day following such lapse. In such event, all application money will be refunded, **WITHOUT INTEREST**. The terms on which the application money will be refunded are set forth under "Refund of your application money" on the Application Forms. In the meantime, all application money received from the Public Offer will be held in a separate bank account (or separate bank accounts).

THE PUBLIC OFFER

Our Company is initially offering 15,000,000 Shares under the Public Offer, at the Offer Price, representing 10% of the initial number of the Offer Shares, for subscription by way of a public offer in Hong Kong, subject to the re-allocation as mentioned below. The Public Offer is lead managed by the Lead Manager and is fully underwritten by the

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Public Offer Underwriters (subject to our Company and the Lead Manager agreeing to the final Offer Price). Applicants for the Public Offer Shares are required to pay on application the maximum indicative Offer Price of HK\$0.73 per Offer Share plus 1% brokerage, 0.004% transaction levy imposed by the SFC and 0.005% Stock Exchange trading fee.

The Public Offer is open to all members of the public in Hong Kong. An applicant for the Public Offer Shares will be required to give an undertaking and confirmation in the Application Form that he or she or it has not taken up and will not indicate an interest to take up any Placing Shares nor otherwise participated in the Placing. Applicants should note that if such undertaking and/or confirmation given by the applicant is breached and/or is untrue (as the case may be), such applicant's application under the Public Offer is bound to be rejected. The Public Offer will be subject to the conditions stated under the paragraph headed "Conditions of the Share Offer" above.

If the Public Offer is not fully subscribed for, the Lead Manager (for itself and on behalf of the Public Offer Underwriters) has the authority to re-allocate all or any of the unsubscribed Public Offer Shares originally included in the Public Offer to the Placing, in such number as it deems appropriate to satisfy demand under the Placing. The total number of the Public Offer Shares to be allotted and issued may change as a result of the re-allocation as mentioned below.

Basis of allocation of the Public Offer Shares

For allocation purpose only, the number of the Public Offer Shares (after taking into account any re-allocation referred to below) will be divided equally into two pools: pool A and pool B. The Public Offer Shares in pool A will be allocated on an equitable basis to applicants who have applied for the Public Offer Shares in the aggregate value of HK\$5 million (excluding transaction levy imposed by the SFC, the Stock Exchange trading fee and the brokerage payable thereon) or less. The Public Offer Shares available in pool B will be allocated on an equitable basis to applicants who have applied for the Public Offer Shares in the aggregate value of more than HK\$5 million (excluding transaction levy imposed by the SFC, the Stock Exchange trading fee and the brokerage payable thereon) and up to the total initial value of pool B. Investors should be aware that allocation ratios for applications in the two pools, as well as the allocation ratios for applications in the same pool, are likely to be different. Where one of the pools is under-subscribed, the unsubscribed Public Offer Shares will be transferred to satisfy the demand in the other pool and be allocated accordingly.

Applicants can only receive an allocation of Public Offer Shares from any one pool but not from both pools and can only make applications to either pool A or pool B. Any application made for more than 100% of Public Offer Shares initially available under pool A or pool B is bound to be rejected.

THE PLACING

Our Company is initially offering 135,000,000 Shares at the final Offer Price, representing 90% of the initial number of the Offer Shares, for subscription by way of the Placing, subject to re-allocation as mentioned below and under the GEM Listing Rules and the Over-allotment Option.

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Investors subscribing for the Placing Shares are also required to pay 1% brokerage, 0.005% Stock Exchange trading fee and 0.004% transaction levy imposed by the SFC. All decisions concerning the allocation of the Placing Shares to prospective placees pursuant to the Placing will be made on the basis of, and by reference to, a number of factors including the level and timing of demand, the total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not the relevant investor is expected or likely to buy further Shares, or hold or sell our Shares, after the Listing Date. Such allocation is intended to result in a distribution of the Placing Shares on a basis which would lead to the establishment of a solid shareholder base for the benefit of our Company. In addition, our Company and the Lead Manager will use their best endeavours to observe the minimum public float requirement under the GEM Listing Rules when making allocations of the Placing Shares to investors who are anticipated to have a sizeable demand for such Shares.

In connection with the Placing, our Company has granted the Over-allotment Option to the Placing Underwriters. The Over-allotment Option is exercisable by the Lead Manager (for itself and on behalf of the Placing Underwriters) at any time from the Listing Date up to (and including) the 30th day after the last day for lodging applications under the Public Offer, which is expected to be 8 January 2010 subject to the terms of the Underwriting Agreement. Pursuant to the Over-allotment Option, our Company may be required to allot and issue, at the final Offer Price, up to an additional 22,500,000 Shares, representing 15% of the initial number of the Offer Shares, to cover over-allocations in the Placing. If the Over-allotment Option is exercised in full, the Offer Shares will represent 27.71% of our Company's enlarged issued share capital following completion of the Share Offer. In the event that the Over-allotment Option is exercised, in full or in part, an announcement will be made by our Company.

The total number of the Placing Shares to be allotted and issued may change as a result of re-allocation mentioned below and any re-allocation of the unsubscribed Public Offer Shares to the Placing as mentioned under the paragraph headed "The Public Offer" in this section.

THE CORNERSTONE PLACING

As part of the Placing, our Company and the Lead Manager have entered into a corporate investor agreement with Kingbo Investment Limited for the subscription by Kingbo Investment Limited of the maximum number of our Shares that may be purchased with HK\$18,000,000 at the Offer Price (exclusive of brokerage, SFC transaction levy and Stock Exchange trading fee), but subject to a maximum of such number of our Shares which shall represent 4.9% (equivalent to 29.4 million Shares) of the enlarged total issued share capital of our Company upon the Listing, rounded down to the nearest board lot of our Shares. Details of the corporate investor agreement and Kingbo Investment Limited are set out in the section headed "Cornerstone investor" in this prospectus.

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RE-ALLOCATION BETWEEN THE PLACING AND THE PUBLIC OFFER

The allocation of Offer Shares between the Public Offer and the Placing is subject to adjustment on the following basis:

- (a) if the number of Shares validly applied for under the Public Offer represents 15 times or more but less than 50 times the initial number of the Public Offer Shares, then the number of Shares to be re-allocated to the Public Offer from the Placing will increase so that the total number of Shares available for subscription under the Public Offer will increase to 45,000,000 Shares, representing 30% of the total number of the Offer Shares initially available under the Share Offer;
- (b) if the number of Shares validly applied for under the Public Offer represents 50 times or more but less than 100 times the initial number of the Public Offer Shares, then the number of Shares to be re-allocated to the Public Offer from the Placing will increase so that the total number of Shares available for subscription under the Public Offer will increase to 60,000,000 Shares, representing 40% of total number of the Offer Shares initially available under the Share Offer; and
- (c) if the number of Shares validly applied for under the Public Offer represents 100 times or more the initial number of the Public Offer Shares, then the number of Shares to be re-allocated to the Public Offer from the Placing will increase so that the total number of Shares available for subscription under the Public Offer will increase to 75,000,000 Shares, representing 50% of the total number of the Offer Shares initially available under the Share Offer.

In each such case, the additional Shares re-allocated to the Public Offer will be allocated equally between pool A and pool B and the number of the Placing Shares will be correspondingly reduced. Details of any re-allocation of Offer Shares between the Public Offer and the Placing will be disclosed in the results announcement of the Share Offer, which is expected to be published on Tuesday, 15 December 2009.

STABILIZATION IN HONG KONG

Stabilization is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilize, the underwriters may purchase newly issued securities in the secondary market during a specified period of time to retard and, if possible, prevent a decline in the initial public offer prices of the securities. In Hong Kong and certain other jurisdictions, activity aimed at reducing the market price is prohibited, and the price at which stabilization is effected is not permitted to exceed the initial offering price.

In connection with the Share Offer, the Lead Manager, as stabilizing manager (the “**Stabilizing Manager**”) or any person acting for it, on behalf of the Underwriters, may, to the extent permitted by applicable laws and regulations, over-allocate or effect any other transactions with a view to stabilizing or maintaining the market price of our Shares at a

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level higher than that which might otherwise prevail at any time from the Listing Date up to (and including) the 30th day after the last day for the lodging of applications under the Public Offer, which is expected to be on 8 January 2010 (the “Stabilizing Period”). This stabilizing activity may include the exercise of the Over-allotment Option or market purchase of our Shares in the secondary market or selling our Shares to liquidate a position held as a result of the purchase. Any such market purchase will be effected in compliance with all applicable laws and regulatory requirements. However, there is no obligation on the Stabilizing Manager or any person acting for it to conduct any such stabilizing activity which, if commenced, will be conducted at the absolute discretion of the Stabilizing Manager. Such stabilizing activity may be discontinued at any time, and is required to be brought to an end on the expiration of the Stabilizing Period.

The number of Shares which can be over-allocated will not exceed the number of Shares which may be issued upon the exercise of the Over-allotment Option, being 22,500,000 Shares, representing 15% of the number of the Offer Shares being initially available under the Share Offer. The stabilization price will not exceed the Offer Price or other pricing limits stipulated by the Securities and Futures (Price Stabilizing) Rules (Chapter 571W of the Laws of Hong Kong). As a result of effecting transactions to stabilize or maintain the market price of our Shares, the Stabilizing Manager or any person acting for it may maintain a long position in our Shares. The size of the long position and the period for which the Stabilizing Manager or any person acting for it will maintain the long position is at the absolute discretion of the Stabilizing Manager. In the event that the Stabilizing Manager or any person acting for it liquidates this long position, it may have an adverse impact on the market prices of our Shares.

Stabilizing action by the Stabilizing Manager or any person acting for it is not permitted to support the price of our Shares for longer than the Stabilizing Period. On and after the expiration of the Stabilizing Period, the demand for our Shares, and the market price may fall.

Any stabilizing action taken by the Stabilizing Manager or any person acting for it may not necessarily result in the market price of our Shares staying at or above the Offer Price either during or after the Stabilizing Period.

Stabilization is allowed for initial public offering transactions the total value of the relevant securities offered thereunder at the offer price is not less than HK\$100 million and is an offer to members of the public in Hong Kong the subject matter of a prospectus (as defined in the Companies Ordinance) and the securities offered are uniform in all respects with the securities for the time being traded or admitted to trading on a recognized stock exchange (as defined in the SFO) or by means of relevant authorized trading services.

LISTING DATE

Assuming that the Share Offer becomes unconditional, it is expected that dealings in our Shares on the GEM will commence at 9:30 a.m. (Hong Kong time) on Wednesday, 16 December 2009.