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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: 8248)

CONTINUING CONNECTED TRANSACTIONS

Leases of Office Premises

The Board announces that PD, a wholly-owned subsidiary of the Company will enter into (1) the Tenancy Agreement with Welleader as landlord in respect of the leasing of Premises One, and (2) the Sublease Agreement with Comose as the lessor and Welleader as sublessor in respect of the leasing of Premises Two.

The transactions contemplated under the Two Agreements, being the Tenancy Agreement and the Sublease Agreement, constitute continuing connected transactions for the Company under chapter 20 of the GEM Listing Rules. As the applicable percentage ratios for the total rent payable by PD to Welleader under the Two Agreements are less than 5% on an annual basis, the transactions contemplated under the Two Agreements are subject to announcement, annual review and reporting requirements under chapter 20 of the GEM Listing Rules, but is exempt from the independent Shareholders' approval requirements.

PRINCIPAL TERMS OF THE TENANCY AGREEMENT

- Date: 28 January 2011
- Term: Three years (commencing from 28 January 2011)
- Parties: (1) Welleader as landlord; and
(2) PD, a wholly-owned subsidiary of the Company, as tenant

Welleader is a company wholly-owned by Ms. Loh, the spouse of Dr. Lau, an executive Director and the Chief Executive Officer. Ms. Loh is also one of the controlling shareholders of the Company holding 181,316,037 Shares, or approximately 29.13% of the total issued share capital of the Company, within the meaning of Part XV of the SFO. Hence, Welleader is an associate of Dr. Lau and is accordingly a connected person of the Company.

Rental: HK\$110,000 per month (excluding management fees, government rates and government rent)

Deposit: HK\$330,000 (being three months' rental)

Rent-free period: From 28 January 2011 to 31 March 2011

Location: Premises One, being 18th floor of Fortis Tower, No 77-79 Gloucester Road, Hong Kong with gross floor area of 3,550 sq. ft.

PRINCIPAL TERMS OF THE SUBLEASE AGREEMENT

Date: 28 January 2011

Term: Three years (commencing from 28 January 2011)

Parties: (1) Comose as lessor;
(2) Welleader as sublessor; and
(3) PD, a wholly-owned subsidiary of the Company, as sublessee

Comose is a company owned as to 60% by Dr. Wu and 40% by his family member. Dr. Wu resigned as an independent non-executive Director on 2 October 2010, which is within 12 months prior to the date of the Sublease Agreement. Dr. Wu is also a substantial shareholder of the Company holding 142,081,575 Shares, or approximately 22.82% of the total issued share capital of the Company, within the meaning of Part XV of the SFO. Hence, Dr. Wu and Comose, an associate of Dr. Wu, are connected persons of the Company.

As stated above, Welleader is an associate of Dr. Lau and is accordingly a connected person of the Company.

Rental: HK\$200,000 per month (excluding management fees, government rates and government rent)

Deposit: HK\$600,000 (being three months' rental)

Rent-free period: From 28 January 2011 to 31 March 2011.

Location: Premises Two, being 21st floor of Fortis Tower, No 77-79 Gloucester Road, Hong Kong with gross floor area of 6,350 sq. ft.

ANNUAL CAPS

Based on the monthly rent payable by PD to Welleader under the Two Agreements, the maximum aggregate annual cap for the transactions contemplated thereunder for each of the three coming years of the term of the Two Agreements will be approximately HK\$3,720,000 (i.e. \$1,320,000 under the Tenancy Agreement and HK\$2,400,000 under the Sublease Agreement).

The monthly rental payable under the Two Agreements were determined after arm's length negotiations between PD and Welleader with reference to the prevailing market rentals for comparable properties in the same district of similar ages, sizes, uses and attributes.

USE OF THE PREMISES

Both Premises One and Premises Two will be used by the Company and certain of its subsidiaries for office use.

REASONS FOR AND BENEFITS OF ENTERING INTO THE TWO AGREEMENTS

Since April 1999, PD has been renting Flat A, 8/F Shaw House, Lot 220, Clear Water Bay Road, Hong Kong, for use by the Company and certain of its subsidiaries as their principal place of business in Hong Kong. As the tenancy agreement for Shaw House will be expired in March 2011, the Directors consider that it is the optimal time for the Group to relocate its office premises to a location which is more convenient for the staff to assess and travel between the Group's office premises in Hong Kong and Shenzhen, the People's Republic of China. After considering the above factors and comparing the available office premises in the market, it is noted that the location of Premises One and Premises Two are more convenient to assess and travel between the Hong Kong and Shenzhen offices.

In addition, Premises One and Premises Two are leased on terms no less favourable as compared to the terms offered by third parties. Instead of leasing Premises Two directly from Comose, a Sublease Agreement is entered into among Comose, Welleader and PD because the management is of the view that it will be more efficient for the Company to handle the administrative matters of Premises One and Premises Two with one single landlord as a whole.

In view of the above, the Directors (including the independent non-executive Directors) consider that the transactions contemplated under the Two Agreements are on normal commercial terms, fair and reasonable, and are entered into in the ordinary and usual course of business of the Company and are in the interests of the Company and the Shareholders as a whole.

The Board confirms that as Dr. Lau has material interests in the transactions contemplated under the Two Agreements, he abstained from voting on the Board resolutions relating to the Two Agreements.

INFORMATION ON THE GROUP, WELLEADER AND COMOSE

The Group (including PD) is engaged in research, design and development of digital signal processing (DSP) platform and the provision of embedded firmware and end-to-end turnkey solutions to customers for their DSP-based consumer electronic devices.

Welleader is an investment holding company and owns Premises One.

Comose is an investment holding company and owns Premises Two.

GEM LISTING RULES IMPLICATIONS

Welleader is an investment holding company wholly-owned by Ms. Loh, the spouse of Dr. Lau, an executive Director and the Chief Executive Officer. Ms. Loh is also one of the controlling shareholders of the Company within the meaning of Part XV of the SFO. Hence, Welleader is an associate of Dr. Lau and is accordingly a connected person of the Company. Comose is an investment company owned as to 60% by Dr. Wu and 40% by his family member. Dr. Wu ceased to be an independent non-executive Director on 2 October 2010, which is within twelve months before the date of the Sublease Agreement. Dr. Wu is also a substantial shareholder of the Company within the meaning of Part XV of the SFO. Hence, Dr. Wu and Comose, an associate of Dr. Wu, are connected persons of the Company.

The transactions contemplated under the Two Agreements constitute continuing connected transactions for the Company under chapter 20 of the GEM Listing Rules. As the applicable percentage ratios for the total rent payable by PD to Welleader under the Two Agreements are less than 5% on an annual basis, the transactions contemplated under the Two Agreements are subject to announcement, annual review and reporting requirements under chapter 20 of the GEM Listing Rules, but is exempt from the independent Shareholders' approval requirements.

DEFINITIONS

In this announcement, unless the context requires otherwise, the following terms and expressions have the following meanings:–

“associate(s)”	has the meaning ascribed to this term under the GEM Listing Rules;
“Board”	the board of Directors;
“Chief Executive Officer”	the chief executive officer of the Company;
“Company”	Perception Digital Holdings Limited, a company incorporated in the Cayman Islands, the shares of which are listed on GEM;
“Comose”	Comose Holdings Limited, a company incorporated in the British Virgin Islands with 60% and 40% of its entire issued share capital being held by Dr. Wu and his family member, respectively;
“connected person(s)”	has the meaning ascribed to this term under the GEM Listing Rules;
“Director(s)”	the director(s) of the Company;
“Dr. Lau”	Dr. Lau, Jack, an executive Director and the Chief Executive Officer;
“Dr. Wu”	Dr. Wu Po Him, Philip, a former Director;
“GEM”	the Growth Enterprise Market of the Stock Exchange;
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM;

“Group”	the Company and its subsidiaries;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“Ms. Loh”	Ms. Loh, Jiah Yee Katherine, the spouse of Dr. Lau;
“PD”	Perception Digital Limited, a company incorporated in Hong Kong and a wholly-owned subsidiary of the Company;
“Premises One”	18 th floor of Fortis Tower, No. 77-79 Gloucester Road, Hong Kong with gross floor area of 3,550 sq. ft.;
“Premises Two”	21 st floor of Fortis Tower, No. 77-79 Gloucester Road, Hong Kong with gross area of 6,350 sq. ft.;
“SFO”	the Securities and Futures Ordinance (Chapter 571 of Laws of Hong Kong);
“Share(s)”	share(s) of HK\$0.1 each in the share capital of the Company;
“Shareholders”	holder(s) of the Share(s);
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Sublease Agreement”	the sublease agreement dated 28 January 2011 entered into among PD, Welleader and Comose;
“Tenancy Agreement”	the tenancy agreement dated 28 January 2011 entered into between PD and Welleader;
“Two Agreements”	the Sublease Agreement and the Tenancy Agreement;
“Welleader”	Welleader Group Limited, a company incorporated in the British Virgin Islands with its entire issued share capital owned by Ms. Loh;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;

“sq. ft.” square feet; and

“%” per cent.

By order of the Board
Perception Digital Holdings Limited
LAU, Jack
Chairman and Chief Executive Officer

Hong Kong, 26 January 2011

As at the date of this announcement, the executive Directors are Dr. Lau, Jack and Mr. Tao Hong Ming; the non-executive Directors are Prof. Cheng, Roger Shu Kwan and Prof. Tsui, Chi Ying; and the independent non-executive Directors are Dr. Lam Lee, Kiu Yue Alice Piera, Prof. Chin, Tai Hong Roland and Mr. Shu, Wa Tung Laurence.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM 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 announcement is accurate and complete in all material respects and not misleading or deceptive and there are no other matters the omission of which would make any statement herein or this announcement misleading.

This announcement will remain on the “Latest Company Announcements” page of the GEM website at www.hkgem.com for at least 7 days from the date of its publication and on the Company’s website at www.perceptiondigital.com.