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SOUND GLOBAL LTD.

桑德國際有限公司*

(Incorporated in the Republic of Singapore with limited liability)
(Singapore Company Registration Number 200515422C)
(Hong Kong Stock Code: 00967)

**(1) UPDATE ON RECENT DEVELOPMENT OF SUSPENSION OF
TRADING IN RELATION TO THE FINDINGS OF THE REVIEW OF
THE POTENTIAL AUDIT ISSUES AND
(2) CONTINUAL SUSPENSION OF TRADING**

This announcement is made by Sound Global Ltd. (the “Company”) pursuant to Rule 13.09(2) of the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

Reference is made to the announcement of the Company dated 29 April 2015 (the “**Previous Announcement**”) in relation to, among other things, the review of the Potential Audit Issues (the “**Review**”) by the Reviewer. Unless the context otherwise requires, capitalized terms used in this announcement shall have the same meanings as defined in the Previous Announcement.

Since the date of the Previous Announcement, the IRC has engaged the Reviewer, PKF Accountants & Business Advisors to conduct the Review. The report prepared by the Reviewer reveals that the shortfall of approximately RMB2.0 billion between the Company’s cash balances at bank and those as shown in the Group’s accounts as at 31 December 2014 (the “**Cash Discrepancy**”) was a result of the Earnest Money (as defined below) paid by the Company for the proposed acquisition of two Chinese water treatment companies (the “**Proposed Acquisition**”) in November 2014.

CASH DISCREPANCY

Given that the management of the Company expected the Proposed Acquisition to conclude before the end of 2014 and the Earnest Money would then be refunded to the Company, the responsible finance personnel of the Company decided not to make the appropriate journal entries in the financial ledgers for 2014, nor to reflect the Earnest Money paid by the Company in its monthly bank reconciliation statements when preparing them.

In addition, although the negotiations for the Proposed Acquisition were extended beyond 2014, the responsible finance personnel did not make timely appropriate accounting treatments and did not reflect the payment of the Earnest Money in the relevant bank reconciliation statement, which eventually resulted in the Cash Discrepancy of RMB2.0 billion between the financial statements and official bank records of the Company as identified by the Auditors.

Subsequent to the Cash Discrepancy being identified by the Auditors, late management journals in relation to the Earnest Money were recorded in the financial statements of the Company to rectify the Cash Discrepancy.

PROPOSED ACQUISITION AND EARNEST MONEY

In August 2014, the Company proposed to acquire two water treatment companies at a preliminary total purchase price of RMB4.1 billion.

As the sellers (the “**Sellers**”) of the two water treatment companies required to keep confidential of the Proposed Acquisition toward external third parties and as agreed between the Sellers, the Company and Sound Group, Sound Group Co. Limited (“**Sound Group**”) (the controlling shareholding of which is held by Mr. Wen Yibo, the chairman of the Company, and his spouse) was appointed as the Company’s agent to deal with the Proposed Acquisition on its behalf.

In an attempt to mitigate the pricing pressure and obtain the exclusive negotiation opportunity for the Proposed Acquisition, the Company paid to the Sellers through Sound Group as its agent an earnest money (the “**Earnest Money**”) of RMB2.0 billion, which is approximately 49% of the estimated contract price. As confirmed by the Board, the payment of earnest money is not uncommon in the water treatment industry and its amount normally ranges from 50% to 60% of the estimated contract price of an acquisition. The Earnest Money, which bore interest at the then prevailing central bank deposit interest rate, was expected to be refunded by the Sellers when the Proposed Acquisition was concluded.

In April 2015, it was agreed that the Earnest Money should be financed through Sound Group’s own internal funds. Accordingly, an amount of RMB2.0 billion (which is equivalent to the Earnest Money) has been repaid to the Company, together with accrued interest of RMB2.8 million.

THE REVIEW FINDINGS

As confirmed by bank confirmations, the Earnest Money totalling RMB2.0 billion paid by two subsidiaries of the Company to Sound Group, as the Company’s agent, was remitted by Sound Group by means of telegraphic transfer to the Sellers as earnest money on the date of receipt of such amount. The shortfall of RMB2.0 billion between the Group’s accounts and its bank statements was a result of the Earnest Money paid for the Proposed Acquisition not having been timely recorded in the Group’s accounts.

In respect of the Cash Discrepancy and the Proposed Acquisition, the Reviewer has inspected relevant documents, agreements signed with third parties and bank records, has sought independent bank confirmations, and has arranged face-to-face meetings with the management of the Sellers, the management of the Company and certain relevant persons. There is no discrepancy between the information obtained from various parties by the Reviewer.

FURTHER ACTIONS TO BE TAKEN

In order to protect the interests of the Company and its shareholders, the Board has proactively adopted corresponding measures and the IRC will engage additional suitable experts to address the Matters and look into the internal control policies of the Company relevant to the Matters such that appropriate remedial and preventive measures could be formulated and implemented without delay.

CONTINUAL SUSPENSION OF TRADING

At the request of the Company, trading in the Company's shares (stock code: 00967) and debt securities (stock code: 04561) have been suspended from 9:00 a.m. on 16 March 2015 pending the release of further improvement measures in respect of internal control audit and corporate governance and the publication of the 2014 Annual Results. Trading in the Company's shares and debt securities will continue to suspend until further notice.

By Order of the Board
Sound Global Ltd.
Zhang Jingzhi
Executive Director

Hong Kong, 23 June 2015

As of the date of this announcement, the executive Directors are Wen Yibo, Zhang Jingzhi, Wang Kai, Luo Liyang and Jiang Anping; and the independent non-executive Directors are Fu Tao, Seow Han Chiang Winston and Ma Yuanju.

* *For identification purposes only*