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## **SOUND GLOBAL LTD.**

**桑德國際有限公司\***

*(Incorporated in the Republic of Singapore with limited liability)*

**(Company Registration Number: 200515422C)**

**(Hong Kong Stock Code: 00967)**

### **CONNECTED TRANSACTION FORMATION OF JOINT VENTURE COMPANY**

#### **THE COOPERATION AGREEMENT**

On 22 October 2014, the Company and Sound Environmental entered into the Cooperation Agreement, pursuant to which the parties agreed to establish the Joint Venture Company with a registered capital of USD30,000,000 (equivalent to approximately HKD232,800,000). Upon completion of the Cooperation Agreement, the Joint Venture Company will be owned as to 50% and 50% by the Company and Sound Environmental respectively.

#### **LISTING RULES IMPLICATIONS**

Sound Environmental is owned by Sound Group as to 44.62%. Sound Group is 95% owned by Beijing Sanghua, 4.83% owned by Mr. Wen and 0.17% owned by an Independent Third Party. Beijing Sanghua is in turn owned by Mr. Wen and his spouse, Ms. Zhang Huiming as to 22.15% and 77.85% respectively. Mr. Wen is a Director and Substantial Shareholder of the Company and thus Sound Environmental is considered as an associate of a connected person under the Listing Rules. Therefore the entering into of the Cooperation Agreement constitutes a connected transaction.

As the applicable percentage ratios exceeds 0.1% but is less than 5%, the transaction contemplated under the Cooperation Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules and is subject to reporting and announcement requirements but exempt from independent Shareholders' approval requirement.

## THE COOPERATION AGREEMENT

The principal terms of the Cooperation Agreement are set out as follows:

**Date:** 22 October 2014

**Parties:** the Company; and

Sound Environmental

### Scope of Business

Subject to the registration and approval by the relevant company registration authorities in the PRC, the scope of business of the Joint Venture Company covers (1) various types of equipment and transportation financing and leasing business, engineering machinery leasing business, machinery and equipment maintenance (excluding special equipment and vehicle maintenance), machinery and equipment leasing transaction advisory services; (2) wholesale and retail of engineering machinery products; (3) import and export of various commodities and technology; and (4) insurance agency (property insurance, motor vehicle insurance, liability insurance and loan insurance business directly related to the core business.

### Registered Capital and Capital Contribution

The total registered capital of the Joint Venture Company is USD30,000,000 (equivalent to approximately HKD232,800,000), which will be contributed by the parties in cash as follows:

	<b>Amount of Contribution (USD)</b>	<b>(%)</b>
Company	15,000,000	50%
Sound Environmental	15,000,000	50%
Total	<u>30,000,000</u>	<u>100%</u>

The parties shall pay their respective capital contribution within 3 months upon obtaining the business registration of the Joint Venture Company.

The capital contribution to be made by the Company will be funded by internal resources.

### Transfer of Equity Interest

Each shareholder of the Joint Venture Company may transfer all or part of its equity interest to a person other than shareholders of the Joint Venture Company after obtaining the consent from other shareholder(s) of the Joint Venture Company.

### Management Structure

The board of directors of the Joint Venture Company will consist of 4 members. The Company is entitled to nominate two directors and Sound Environmental is entitled to nominate two directors. The chairman, who will also act as the legal representative of the Joint Venture Company, will be appointed by the board of directors of the Joint Venture Company.

## **Other terms**

The term of operation of the Joint Venture Company will be 20 years. The Cooperation Agreement is governed by the PRC laws.

## **INFORMATION OF THE GROUP AND SOUND ENVIRONMENTAL**

The Group is engaged in the environmental construction relating to water treatment, provision of technology consultancy services, sale of equipment, management and operations of wastewater treatment projects and supply of water.

The principal activities of Sound Environmental include investment in wastewater treatment projects, operation of water supply and solid waste and sewage treatment facilities.

## **REASONS FOR AND BENEFITS OF THE COOPERATION AGREEMENT**

The parties formed the Joint Venture Company with an intention to enjoy financing facility, tax incentives and lower financing costs in their future operations. Therefore, both parties will work together to enhance the brand, and make Sound Global a large-scale environmental group with a complete industrial chain, optimized business structure and outstanding competitiveness.

A joint-venture financing and leasing company will enable the Company and Sound Environmental to fully utilize their advantages as a financing platform for onshore and offshore listing, fully explore their financing channels onshore and offshore, develop and expand their own areas of business (water and solid waste disposal) and achieve a win-win outcome in both business expansion and financing.

In light of the above, the Directors (including the independent non-executive Directors) are of the view that the Cooperation Agreement has been negotiated on an arm's length basis and is entered into on normal commercial terms and are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

## **LISTING RULES IMPLICATIONS**

Sound Environmental is owned by Sound Group as to 44.62%. Sound Group is 95% owned by Beijing Sanghua, 4.83% owned by Mr. Wen and 0.17% owned by an Independent Third Party. Beijing Sanghua is in turn owned by Mr. Wen and his spouse, Ms. Zhang Huiming as to 22.15% and 77.85% respectively. Mr. Wen is a Director and Substantial Shareholder of the Company and thus Sound Environmental is considered as an associate of a connected person under the Listing Rules. Therefore the entering into of Cooperation Agreement constitutes a connected transaction.

As the applicable percentage ratios exceeds 0.1% but is less than 5%, the transaction contemplated under the Cooperation Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules and is subject to reporting and announcement requirements but exempt from independent Shareholders' approval requirement.

As Mr. Wen is a connected person of the Company having a material interest in the Cooperation Agreement, Mr. Wen has abstained from voting on the Board resolution of the Company to approve the Cooperation Agreement and the transaction contemplated thereunder. Apart from Mr. Wen, no other Director is required to abstain from voting on the Board resolution of the Company to approve the Cooperation Agreement and the transaction contemplated thereunder.

## DEFINITIONS

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

“associate”	has the meaning in rule 14A.06 of the Listing Rules;
“Beijing Sanghua”	Beijing Sanghua Environmental Technology Development Co., Ltd.* (北京桑華環境技術開發有限公司), a company established in the PRC which is owned by Mr. Wen and his spouse, Ms. Zhang Huiming as to 22.15% and 77.85% respectively;
“Board”	the board of directors of the Company;
“Company”	Sound Global Ltd., a company incorporated with limited liability as a private company under the laws of Singapore on 7 November 2005, the shares of which are listed on the main board of the Stock Exchange;
“connected person”	has the meaning as ascribed thereto under the Listing Rules;
“Cooperation Agreement”	the Cooperation Agreement entered into between the Company and Sound Environmental on 22 October 2014;
“Director(s)”	the director(s) of the Company;
“Group”	the Company and its subsidiaries;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“HKD”	Hong Kong dollars, the lawful currency of Hong Kong;
“Independent Third Party(ies)”	an individual(s) or a company(ies) who or which is(are) independent of and not connected with (within the meaning of the Listing Rules) any Directors, chief executive or Substantial Shareholders, of the Company, its subsidiaries or any of their respective associate(s);
“Joint Venture Company”	Sound (Tianjin) Financial Leasing Limited* (桑德(天津)融資租賃有限公司) (subject to the final name to be approved by the relevant company registration authorities in the PRC), a limited liability company to be established pursuant to the Cooperation Agreement;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Mr. Wen”	Mr. Wen Yibo, an executive Director and chairman of the Company;
“PRC”	the People’s Republic of China, for the purpose of this announcement, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan;

“Shares”	the ordinary share(s) in the issued and paid-up capital of the Company;
“Shareholders”	holders of the Shares;
“Sound Environmental”	Sound Environmental Resources Co. Ltd.* (桑德環境資源股份有限公司), a company incorporated in the PRC and listed on the Shenzhen Stock Exchange (Stock Code: SHE000826) which is owned as to 44.62% by Sound Group;
“Sound Group”	Sound Group Limited* (桑德集團有限公司), a company incorporated in the PRC which is 95% owned by Beijing Sanghua, 4.83% owned by Mr. Wen and 0.17% owned by an Independent Third Party;
“Substantial Shareholder(s)”	has the meaning ascribed thereto under the Listing Rules;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“USD”	US dollars, the lawful currency of the United States of America; and
%	per cent.

By order of the Board  
**SOUND GLOBAL LTD.**  
**Wen Yibo**  
*Chairman*

Hong Kong, 23 October 2014

*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 Wong See Meng.*

*In this announcement, unless stated otherwise, USD has been translated into HKD at a rate close to the date of this announcement of USD1 = HKD7.76 for reference purpose only and no representation has been made that any amounts in HKD or USD can be or could have been converted at the relevant dates at the above rate or any other rates.*

\* for identification purposes only