

CORPORATE DEVELOPMENT

Our Company has been established and managed under the leadership of our founder and Chairman, Mr. Wen, who has approximately 20 years of experience in the research and development of water and wastewater treatment technology.

Our predecessor company, Beijing Sound Environmental Technology Development Company (北京市桑德環境技術發展公司) (the “**Predecessor Company**”) was founded in 1993 with Mr. Wen appointed as its legal representative. It was principally involved in the business of industrial wastewater treatment and undertook several major projects in the chemical engineering industry, including the following:

- In 1998, the Predecessor Company undertook the Jilin Chemical Fibre Industrial Wastewater Treatment Project (吉林化纖工業廢水處理工程), treating approximately 60,000 tonnes of wastewater per day, by way of EPC project.
- In 1998, the Predecessor Company applied its special application technology in the Tianjin Chemical Plant Epoxy Chloropropane Industrial Wastewater Project (天津化工廠環氧氯丙烷工業廢水工程).
- In 1999, the Predecessor Company undertook the Shanxi Chemical Plant High Concentration Inorganic Ammonia Nitrogen Industrial Wastewater Project (山西化工總廠高濃度無機氨氮工業廢水工程) to treat ammonia nitrogen wastewater.

In November 1999, the Predecessor Company, together with Beijing Xianhe Science and Technology Co. (北京先河科技開發公司) (“**Beijing Xianhe**”), Beijing Yushitong Consultancy Co., Ltd. (北京嶼世通諮詢有限責任公司), Beijing Sanghua Environmental Engineering Research Institute (北京桑華環境工程研究所) and Mr. Wen’s wife, Zhang Huiming, incorporated Beijing Sound to undertake the business of, among others, environmental protection and water and wastewater treatment. As our main operating arm, Beijing Sound took over the water and wastewater treatment business from the Predecessor Company. Mr. Wen was appointed as Beijing Sound’s legal representative.

Since 1999, Beijing Sound has achieved the following major milestones:

- In 2001, Beijing Sound undertook the design, construction and management of the Xiaojiahe Wastewater Treatment Plant (肖家河污水處理廠) by way of EPC project, using a proprietary technique developed by Beijing Sound.
- In 2001, Beijing Sound undertook the Hubei Jingmen Xiajiawan Wastewater Treatment Project (湖北荊門夏家灣污水處理項目) by way of EPC project. In October 2005, the Hubei Jingmen Xiajiawan Wastewater Treatment Plant was awarded the “State Focus Environmental Protection Application Technology Demonstration Project (國家重點環境保護實用技術示範工程)” by the China Environmental Protection Industry Association (中國環境保護產業協會) in recognition of Beijing Sound’s commitment to environmental protection and its application of advanced environmental protection technologies.

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- In 2002, Beijing Sound undertook the treatment of wastewater for paper-making enterprises through its involvement in the wastewater treatment projects for Yanbian Shixian Bailu Paper Industry Company Limited (延邊石峴白麓紙業股份有限公司) and Jilin Paper Manufacturing (Group) Company Limited (吉林造紙(集團)有限公司).
- In 2003, Beijing Sound was awarded the “China Environmental Protection Industry Core Enterprise (2003 年度中國環境保護產業骨幹企業)” by the China Environmental Protection Industry Association.
- In 2005, Beijing Sound successfully operated the industrial wastewater treatment for Yunnan Yunwei Group (雲南雲維集團), treating wastewater generated from a large scale coking plant.
- In 2005, Beijing Sound undertook the Baotou Nanjiao Wastewater Treatment Plant (包頭南郊污水處理廠) by way of EPC. This plant had a daily wastewater treatment capacity of 200,000 tonnes and was also designed to recycle 55,000 tonnes of wastewater a day. This project marked our first water recycling plant in a municipal wastewater treatment project.
- In 2005, Beijing Sound undertook the Handan Steel Group Wastewater Treatment Project (邯鄲鋼鐵集團污水處理工程) and Xingtai Steel Co. Ltd Industrial Wastewater Treatment Project (邢臺鋼鐵有限公司工業廢水處理工程) (“**Xingtai Project**”) establishing its reputation in the metallurgy industry. In particular, upon the request of our customer, the Xingtai Project was completed within three months, on an expedited basis.
- In 2006, Beijing Sound’s SDN technology for treatment of coking wastewater was awarded the 2006 State Focus Environmental Protection Application Technology (grade B) (2006 年國家重點環境保護實用技術(B類)).

In 2006, our Group was formed for the purposes of seeking listing on the SGX-ST. Our Company was incorporated on November 7, 2005 in Singapore as a private company limited by shares under the name of “Sound Environment Holdings Pte. Ltd.”. On May 18, 2006, Sound Water and Green Capital subscribed for new shares in the capital of our Company and our Company was 90% held by Sound Water and 10% held by Green Capital.

We were renamed as “Epure International Pte. Ltd.” on May 23, 2006 and later renamed as “Epure International Ltd.” and were converted into a public company on August 28, 2006. Through a restructuring exercise which involved a series of acquisitions and the rationalization of our corporate and shareholding structure, our Company became the holding company of our Group. On March 5, 2010, we changed our name to “Sound Global Ltd.” and adopted the Chinese name “桑德國際有限公司” as our secondary name.

At the time of its incorporation in November 1999, Beijing Sound’s equity interest was then held as to 41.3% by Beijing Sanghua Environmental Engineering Research Institute, 20% by Beijing Xianhe, 11.2% by Zhang Huiming, 5% by the Predecessor Company and 22.5% by the other shareholder which was an Independent Third Party.

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In May 2000, the Predecessor Company transferred its 5% equity interest in Beijing Sound to Beijing Sanghua Environmental Engineering Research Institute and ceased to be a shareholder of Beijing Sound. As a result, Beijing Sanghua Environmental Engineering Research Institute held a 46.3% equity interest in Beijing Sound.

In June 2001, in order to facilitate the further development of Beijing Sanghua Environmental Engineering Research Institute and expand its business, the Predecessor Company acquired the entire equity interest in Beijing Sanghua Environmental Engineering Research Institute from Beijing Xianhe, an Independent Third Party, at a consideration of approximately RMB2.2 million when it was converted from a collectively-owned enterprise to a limited liability company. The consideration for such acquisition was paid in cash and determined based on an independent valuation of the net assets of Beijing Sanghua Environmental Engineering Research Institute as of December 31, 2000. The Predecessor Company, Mr. Wen and an Independent Third Party established Beijing Sanghua thereafter, whereby the Predecessor Company contributed the entire assets of Beijing Sanghua Environmental Engineering Institute Research and a certain amount of cash as its capital contribution to Beijing Sanghua, and Mr. Wen and the other shareholder who was an Independent Third Party made their capital contribution in cash. After several subsequent share transfers in respect of the equity interests in Beijing Sanghua, the entire equity interest of Beijing Sanghua was held by Mr. Wen and his wife Zhang Huiming.

In August 2001, one of the shareholders of Beijing Sound which was an Independent Third Party, transferred its 17.5% equity interest in Beijing Sound to Beijing Laifujia for approximately RMB4.5 million in cash and its remaining 5% equity interest to Zhang Huiming for RMB1.0 million in cash, respectively, and ceased to be a shareholder of Beijing Sound. The consideration for each of those transfers was determined based on arm's length negotiations between the relevant parties. At the same time, Beijing Sanghua transferred its 5.2% equity interest in Beijing Sound to a new shareholder who is an Independent Third Party for approximately RMB1.0 million in cash, which was determined based on arm's length negotiations between the relevant parties.

In September 2001, Beijing Sound increased its registered capital and five more Independent Third Parties contributed to the increase in registered capital in Beijing Sound and became the shareholders of Beijing Sound.

In 2005, Zhang Huiming and five other shareholders who were Independent Third Parties transferred all of their equity interests in Beijing Sound to Beijing Sanghua for cash at approximately RMB8.5 million, RMB1.7 million, RMB13 million, RMB3.3 million, RMB4.7 million and RMB0.9 million, respectively, each of which was determined based on arm's length negotiations between the relevant parties. As a result, Zhang Huiming and the other five shareholders ceased to be shareholders of Beijing Sound. Another shareholder who is also an Independent Third Party transferred all of its equity interest in Beijing Sound to Beijing Sanghua at a consideration of approximately RMB18.3 million, which was paid in cash and was determined based on arm's length negotiations between the relevant parties. Further, Beijing Laifujia transferred its 0.08% equity interest in Beijing Sound to Zhang Linmao for cash at RMB50,000 and a further 0.08% equity interest in Beijing Sound to Tang Lianfang for cash at RMB50,000, respectively, each of which was determined based on arm's length negotiations between the relevant parties. Zhang Linmao is Mr. Wen's father-in-law and Tang Lianfang is Mr. Wen's mother-in-law.

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In February 2006, each of Zhang Linmao and Tang Lianfang transferred all of their equity interests in Beijing Sound to Beijing Sanghua for RMB50,000 in cash, each of which was determined based on arm's length negotiations between the relevant parties, and ceased to be shareholders of Beijing Sound. In March 2006, another shareholder who was an Independent Third Party also transferred all of its equity interests in Beijing Sound to Beijing Sanghua at a consideration of approximately RMB16 million, which was determined based on an independent valuation report in respect of the net assets of Beijing Sound as of January 31, 2005. As a result of such transfers, Beijing Sanghua held 85.6% equity interest in Beijing Sound and Beijing Laifujia held 14.4% equity interest in Beijing Sound.

In April 2006, our Company acquired an aggregate 75% equity interest in Beijing Sound from Beijing Sanghua and Beijing Laifujia at the aggregate consideration of approximately US\$18.8 million which was paid in cash and was determined based on an independent valuation report in respect of the net assets of Beijing Sound as of December 31, 2005. The remaining 25% equity interest in Beijing Sound was held by Beijing Sanghua. Subsequent to this acquisition, Beijing Sound was converted into a sino foreign co-operative joint venture company. Thereafter and in consideration of our Company agreeing to provide funding, expertise in running the business of Beijing Sound and international market opportunities, our Company and Beijing Sanghua agreed that our Company and Beijing Sanghua would be entitled to 95% and 5%, respectively, of the economic benefits of Beijing Sound. In April 2007, Beijing Sanghua transferred its 25% equity interest in Beijing Sound to our subsidiary, Beijing Epure International Water Co., Ltd. (北京伊普國際水務有限公司) at the consideration of approximately RMB27.2 million, after which Beijing Sound became a wholly-owned subsidiary of our Group. The consideration for the 25% equity interest was paid in cash and was determined based on the net book value of the minority interest in Beijing Sound held by Beijing Sanghua as of March 31, 2007 which was the amount of the minority interest attributable to Beijing Sound as of December 31, 2006 of approximately RMB26.0 million, plus 5% of Beijing Sound's net profit for the period from January 1, 2007 to March 31, 2007. In November 2007, our Company entered into an economic benefits transfer agreement, pursuant to which our Company transferred 20% of our economic benefits in Beijing Sound to our subsidiary, Beijing Epure International Water Co., Ltd., for nil consideration such that the economic benefits would be shared in the same proportion as the shareholdings of our Company and Beijing Epure International Water Co., Ltd. in Beijing Sound. Such economic benefits transfer agreement has been approved by the relevant authorities.

On July 20, 2006, IFC (the private sector arm of World Bank Group) entered into a subscription agreement with our Company, Beijing Sound, Mr. Wen, Zhang Huiming, Zhang Linmao and Tang Lianfang whereby IFC agreed to subscribe for 80,160,000 Shares in our Company at an aggregate consideration of US\$10 million (equivalent to S\$15.8 million). In connection with the subscription of such Shares, our Company and IFC, amongst others, also entered into a shareholders' agreement on July 20, 2006 ("**Shareholders' Agreement**") pursuant to which IFC was given certain special rights such as certain approval rights, a put option, co-sale rights and the right to require Mr. Wen to maintain control and ownership of our Company, in addition to imposing certain requirements on the operation of our business. Further, the Shareholders' Agreement also provided that our Company must comply with, amongst others, covenants requiring our Company to maintain insurance in respect of our development projects (other than EPC projects) and covenants requiring us to comply with environmental best practices. Our Controlling Shareholders also covenanted under the Shareholders' Agreement, amongst other things, that they would not have any interests in any business which

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compete with the business conducted or proposed to be conducted by our Company. The Shareholders' Agreement was terminated on June 10, 2010 in its entirety and ceased to have any force and effect save for any potential antecedent breaches on the part of the Company and other parties to the Shareholders' Agreement. As of the Latest Practicable Date, we had not received any notice of any claim from IFC with respect to any such potential antecedent breaches of the Shareholders' Agreement. Please refer to the section headed "Risk Factors — The termination of our shareholders agreement with IFC does not include a waiver of our potential antecedent breaches of such agreement."

To raise our corporate profile, capitalize on our resources and investment opportunities, and expand our sources of funding, our Company was listed on the main board of the SGX-ST on October 6, 2006.

In 2007, Beijing Sound actively promoted the establishment of the Chinese Environment Service Industry Association, an association that not only aims to unite a number of environmental-service businesses both in the PRC and internationally, but also to strategically influence China's evolving policies in the environment and water industries. Mr. Wen was elected as the first Chairman of the association.

In 2007, our Company made a private placement of 30,000,000 new Shares at S\$2.18 each (equivalent to RMB10.90) raising a total amount of RMB327,000,000. The proceeds were partly used to finance our Company's acquisition of Hi-Standard and we expect to use the rest of the proceeds for future acquisitions that we may identify and for working capital purposes.

In July 2008, our Group commenced the construction of our first BOT project, the Shaanxi Xi'an City Chang'an District Wastewater Treatment Project (西安市長安區城鎮污水處理工程BOT項目). We expect to invest an aggregate of RMB134.0 million in this project and have been engaged to construct and operate the project for 30 years. As we accumulated more experience in executing BOT projects, we acquired the remaining interests in Xi'an Qingqing and Xi'an Huqing from the BSE Group in July 2008 for consideration of RMB4,100,000 and RMB12,300,000, respectively. Also, during the Track Record Period, the BSE Group bid for and was awarded seven of our BOT projects and purchased Henan Anyang City Wastewater Treatment project from an Independent Third Party and entered into the relevant agreements with the appointing municipal government or the entities authorized by the relevant government. The relevant customers under these agreements subsequently approved the appointment of our project companies to carry out the projects and agreed that the concession under the relevant agreements were granted to our project companies. As of the Latest Practicable Date, we had been awarded three BOT projects, namely, Shangdong Yantai City Wastewater Treatment Project, Fushan Hancheng Wastewater Treatment Project and Xi'an International Gangwu District Wastewater Treatment Project, using our team and under our name.

In July 2008, Beijing Sound acquired a 100% equity interest in Hi-Standard, a company specializing in the supply of water and wastewater treatment customized equipment from Shanghai Jingke Investment Management Company at a consideration of RMB208,000,000, which was determined based on an independent valuation of Hi-Standard dated June 24, 2008. At the same time, we also restructured our various business functions. Hi-Standard was established in April 2007 with a registered capital of RMB66,000,000. At the time of its establishment, it was 30.3% owned by

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Shanghai Jingke Investment Management Company, 22.7% owned by Beijing Sound Water Technology and 47.0% owned by Beijing Hi-Standard Equipment Company. Beijing Hi-Standard Equipment Company contributed its assets, including its facilities, buildings and land use rights valued at RMB31,000,000, to Hi-Standard for its then 47.0% equity interest in Hi-Standard. Shanghai Jingke Investment Management Company made its initial capital contribution of RMB13,200,000 in cash in April 2007 representing 66% of its original portion of registered capital of Hi-Standard. In April 2008, as Beijing Sound Water Technology did not contribute its portion of the registered capital in Hi-Standard, Shanghai Jingke Investment Management Company acquired the 22.7% equity interest in Hi-Standard held by Beijing Sound Water Technology at the nominal price of RMB1, which was paid in cash. In May 2008, Shanghai Jingke Investment Management Company made a contribution to the registered capital of Hi-Standard of RMB21,800,000 in cash, representing the remaining 34% of its portion of the registered capital of Hi-Standard and Beijing Sound Water Technology's portion of registered capital of Hi-Standard. Shanghai Jingke Investment Management Company then acquired the 47.0% equity interest in Hi-Standard held by Beijing Hi-Standard Equipment Company in May 2008 at the price of RMB34,303,680, which was determined based on the valuation of the then net assets of Hi-Standard and was paid in cash. As a result, Shanghai Jingke Investment Management Company became the sole owner of Hi-Standard before selling its entire interest in Hi-Standard to Beijing Sound. Shanghai Jingke Investment Management Company and its ultimate beneficial owners are Independent Third Parties.

As a result of Beijing Sound's acquisition of Hi-Standard, our Company transformed from a pure engineering, procurement and construction player into an integrated water solutions provider capable of combining technical design and consulting, product design and manufacturing with capital investment and project management and therefore cover all major aspects of the water value chain.

In 2009, our Group was appointed to manage and operate wastewater treatment plants with a combined treatment capacity of 142,000 tonnes per day under five years concession terms in eight cities in Hainan Province, the PRC, of which two plants had commenced commercial operations and six had commenced trial operation as of the Latest Practicable Date.

In December 2009, our Company signed a contract to design and construct a wastewater plant with a maximum treatment capacity of up to 72,000 tonnes per day and to upgrade the Tareeq Al-Matar Wastewater Treatment Plant no. 9 in Saudi Arabia. The project value is SAR342 million (equivalent to approximately RMB620 million) and signifies our Group's initiative to expand our business outside the PRC. As of the Latest Practicable Date, we had commenced the construction of the project and we currently expect to complete the project in the fourth quarter of 2011.

OUR CONVERTIBLE BONDS

On September 15, 2010, we issued an aggregate principal amount of RMB885 million US dollar settled convertible bonds, including an upsize option of RMB205 million US dollar settled convertible bonds, to professional and institutional investors.

Our Convertible Bonds bear interest at the rate of six per cent. per annum, payable semi-annually in arrear in March and September of each year. Our Convertible Bonds are convertible at the

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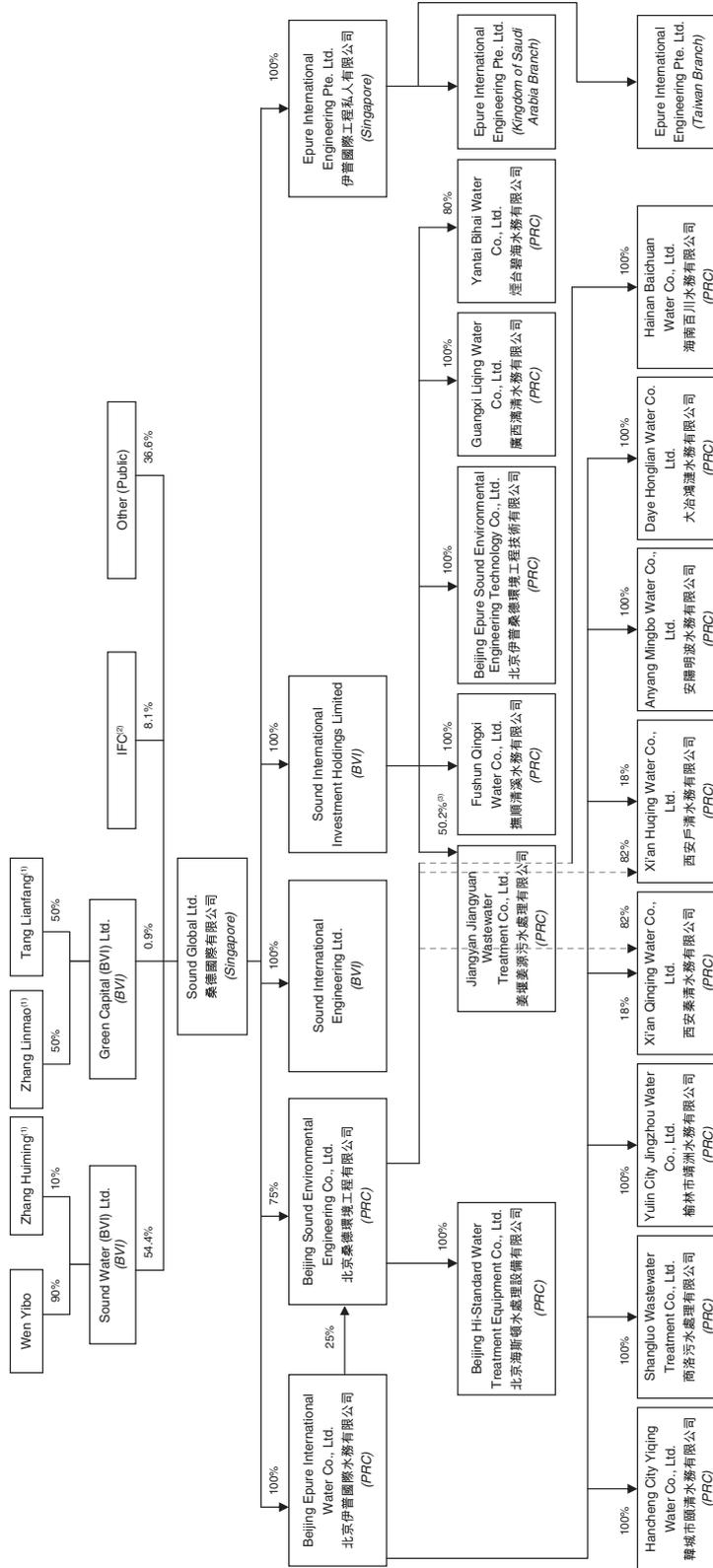
option of the bondholders, at any time, during the period beginning on and including the date which is the 40th day after the date of issue of our Convertible Bonds (the “**Bonds Issue Date**”), being October 25, 2010, until the close of business on the date which is 7th day prior to the date falling five years from the Bonds Issue Date (both days inclusive), unless previously redeemed or purchased and cancelled. The number of conversion shares to be allotted and issued by our Company pursuant to the full conversion of our Convertible Bonds (assuming no adjustment and conversion price resets, details of which are set out in Appendix VII to this Listing Document) is approximately 190,757,261 Shares (based on the initial conversion price of S\$0.924 per Share (equivalent to approximately HK\$5.31) (representing a 20 per cent. premium over the initial reference price, namely the closing price of the Shares quoted on the SGX-ST on August 19, 2010 of S\$0.77) and assuming no further adjustments to the conversion price), representing approximately 14.79% of the existing issued Shares. The conversion Shares, when issued upon the conversion of our Convertible Bonds, will be fully paid and in all respects rank pari passu with the Shares in issue on the relevant registration date. Notwithstanding the conversion right of bondholders in respect of our Convertible Bonds, our Company has the option to pay to the relevant bondholders an amount of cash in US dollars to satisfy such conversion right in full or in part (in which case the other part shall be satisfied by the delivery of Shares). Application has been made to the SGX-ST for the listing and quotation of our Convertible Bonds and the Shares to be issued upon conversion of our Convertible Bonds on the SGX-ST.

The gross proceeds from the issue of the Convertible Bonds were approximately RMB885 million. We intend to use the proceeds, after deduction of relevant fees and expenses, primarily for expansion of production capacity, working capital and general corporate purposes.

For more information on our Convertible Bonds, please refer to the section headed “Summary of the Terms of the Convertible Bonds” in Appendix VII to this Listing Document.

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The following chart sets forth the shareholding structure of our Group immediately upon completion of the Introduction (taking no account of any Shares which may be issued upon the conversion of the Convertible Bonds or the exercise of options which have been granted under the Existing Share Option Scheme or which may be granted under the Share Option Scheme and, in the case of IFC, that it does not acquire or dispose of any Shares prior to the Listing):



Notes:

- (1) Zhang Huiming is Mr. Wen's wife. Zhang Linmao is Mr. Wen's father-in-law. Tang Lianfang is Mr. Wen's mother-in-law.
- (2) IFC is regarded as a public shareholder for the purpose of the Listing Rules.
- (3) The remaining 49.8% equity interest in Jiangyan Jiangyuan Wastewater Treatment Co. Ltd. is held by Jiangyan Municipal Wastewater Treatment Company, an Independent Third Party. Although our Company only has a 50.2% equity interest in Jiangyan Jiangyuan Wastewater Treatment Co. Ltd., pursuant to a sino-foreign cooperative joint venture agreement entered into with Jiangyan Municipal Wastewater Treatment Company, we have control over Jiangyan Jiangyuan Wastewater Treatment Co., Ltd. in respect of financial and management matters and are entitled to 100% of the dividend distributed by such entity. Our Group is also responsible for 100% of the project costs in respect of the project controlled by Jiangyan Jiangyuan Wastewater Treatment Co., Ltd.
- (4) Pursuant to a stock borrowing arrangement entered into between Sound Water and MSP, MSP may borrow up to 129,000,000 Shares from Sound Water in order to facilitate the hedging arrangements of investors in the Convertible Bonds in connection with the issue of the Convertible Bonds.
- (5) Pursuant to the Share Sale and Purchase Agreement, Sound Water has sold shares representing approximately 0.85% of the issued share capital of the Company to the Bridging Dealer. It is intended that the Bridging Dealer will transfer the same number of Shares to Sound Water at the end of the Bridging Period pursuant to the Share Option Agreement.