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Sinopoly Battery Limited

中聚電池有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 729)

DISCLOSEABLE TRANSACTION

On 11 May 2014, the Company entered into the Agreement with SEV with respect to, among other things, the Note Subscription, the Preferred Share Subscription, the Common Share Subscription, the Exclusive Battery Supply Contract and the EV Component Supply MOU.

Pursuant to the Agreement, the Company (i) has agreed to subscribe (a) the Series AA Notes in the principal amount of US\$2,000,000; and (b) the Series E Preferred Shares offering at a total subscription amount of US\$10,000,000 subject to, among other things, the execution of the Exclusive Battery Supply Contract and the EV Component Supply MOU; and (ii) will enter into definitive agreements to subscribe for common shares of Pubco for a total subscription amount of US\$30,000,000 subject to, among other things, the completion of the Qualified Merger and the Listing.

The Note Subscription, the Preferred Share Subscription and the Common Share Subscription are not inter-conditional for the Company.

SEV is principally engaged in the manufacturing and sale of commercial all-electric vehicles and its primary base of operation is in Kansas City, Missouri, the US. SEV intends to merge with a company traded on the OTC Bulletin Board and seek listing on NYSE, NYSE MKT or NASDAQ thereafter.

The Common Share Subscription in aggregate with the Note Subscription and the Preferred Share Subscription constitutes a discloseable transaction for the Company as one of the applicable percentage ratios under Rule 14.07 of the Listing Rules is more than 5% but less than 25% and is subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

As the Preferred Share Subscription and the Common Share Subscription are subject to fulfillment of certain conditions, they may or may not materialize. Shareholders and investors are reminded to exercise caution when dealing in the securities of the Company.

DISCLOSEABLE TRANSACTION

The Agreement

Date: 11 May 2014

Parties:

- (1) the Company; and
- (2) SEV.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, SEV and its ultimate beneficial owners are independent of and not connected with the Company or any of its connected persons.

Subject matter

(1) The Note Subscription

The Company has agreed to subscribe the Series AA Notes in the principal amount of US\$2,000,000. The Series AA Notes is issued as part of a series of senior secured convertible promissory notes of like tenor issued by SEV.

(a) Rights

The Series AA Notes has a term of up to 30 June 2014 and bear interest at the annual rate of 10%.

The Series AA Notes has a first priority lien and is secured against, among other things, SEV's inventory, equipment, investment property, cash and deposit accounts, letter of credit rights and other intangible assets, save for any collateral which is physically located in the State of New York, the US.

(b) Subscription price for the Series AA Notes

The subscription price for the Series AA Notes is US\$2,000,000.

The subscription price was determined after arm's length negotiations between the parties after taking into consideration the synergy that an electric vehicle manufacturing concern could bring to the Group's battery products and the discount and potential value that may be unlocked by the conversion of the Series AA Notes. The subscription price for the Series AA Notes will be satisfied by the Company through its own internal resources.

(c) Conversion of the Series AA Notes

The outstanding principal of and accrued interest on the Series AA Notes will automatically be converted into fully-paid shares of SEV (i) immediately prior to the closing of a Qualified Placement, (ii) immediately prior to a Qualified Listing, or (iii) immediately prior to the closing of a Qualified IPO, in each case, at a conversion price that is equal to 70% of the per share price at which new equity or equity-linked securities are offered and sold by SEV.

(2) The Preferred Share Subscription

The Company has conditionally agreed to subscribe the Series E Preferred Shares at a total subscription amount of US\$10,000,000. The Preferred Share Subscription is part of the Series E Preferred Shares offering by SEV of approximately US\$30,000,000.

The subscription of the Series E Preferred Shares was determined after arm's length negotiations between the parties after taking into consideration the benefit derived from the Exclusive Battery Supply Contract and the EV Component Supply MOU and the potential value that may be unlocked by the exchange of the Series E Preferred Shares for common shares of Pubco. The subscription price for the Series E Preferred Shares will be satisfied by the Company through its own internal resources.

The Series E Preferred Shares are not entitled to dividends.

(3) The Common Share Subscription

SEV intends to acquire at least a 80% interest in a company publicly traded on the OTC Bulletin Board. Such company and SEV will then execute such agreements as are necessary or advisable with (i) all shareholders of SEV (including the Company for its shares in SEV that will be converted from its Series AA Notes); and (ii) all holders of any outstanding derivative securities of SEV (including the Company for its Series E Preferred Shares at a consideration of not less than US\$14,285,715), pursuant to which SEV will become a wholly-owned subsidiary of such company (the “**Qualified Merger**”). Such company post the Qualified Merger (“**Pubco**”) intends to seek Listing thereafter.

The Company agreed that upon regulatory clearance of the disclosure filings relating to the Qualified Merger, it will enter into definitive agreements to subscribe for common shares of Pubco for a total subscription amount of US\$30,000,000, and SEV agrees to cause Pubco to enter into such agreements and issue to the Company such number of Pubco common shares.

The subscription price per share of Pubco of the Common Share Subscription will be the lower of (i) 65% of the price per share of Pubco used to acquire the common shares of SEV in the Qualified Merger (adjusted as appropriate in the event of any share consolidation or sub-division after closing of the Qualified Merger), (ii) 20% discount to the initial trading price per share of Pubco on NYSE, NYSE MKT or NASDAQ, or (iii) 15% discount to the five-day average closing price per share of Pubco immediately prior to the closing of the Common Share Subscription.

Conditions

Completion of the Note Subscription is not subject to any condition.

Completion of the Preferred Share Subscription is conditional upon:

- (i) SEV having obtained all necessary shareholders’ (including but not limited to all preferred shareholders) and noteholders’ irrevocable approvals, consents and waivers in connection with the Preferred Share Subscription and the Common Share Subscription;
- (ii) SEV having obtained an executed written resolution from its current board of directors to approve the Preferred Share Subscription and the Common Share Subscription and in addition, an irrevocable written undertaken from each individual board member of SEV (including any proposed future board member of Pubco) to support the Common Share Subscription;

- (iii) SEV having obtained all necessary shareholders' (including but not limited to all preferred shareholders) and noteholders' irrevocable approvals, consents and waivers in connection with the conversion of all forms of derivatives of SEV (except Series E Preferred Shares), into the common shares of SEV, each with a par value of US\$0.001;
- (iv) Investors (other than the Company) having agreed to subscribe the Series E Preferred Shares for an aggregate amount of not more than US\$20,000,000 but no less than US\$10,000,000;
- (v) the Exclusive Battery Supply Contract and the EV Component Supply MOU having been executed between the Company and SEV;
- (vi) the agreements for completion of the Qualified Merger having been entered into, provided that the enterprise value of Pubco will not exceed US\$1,000,000 and the total consideration of SEV (except the Series E Preferred Shares) in the Qualified Merger will not exceed US\$175,000,000; and
- (vii) CFIUS having notified SEV and the Company in writing in relation to the transactions contemplated under the Agreement that (i) there are no unresolved national security concerns; and (ii) it has concluded all action (if such filing has been made with, or an investigation deemed required by, CFIUS).

Completion of the Common Share Subscription is conditional upon, among other things:

- (i) the Company having obtained all necessary shareholders' approval in connection with the Common Share Subscription, if required, under the Listing Rules;
- (ii) Pubco having completed the Listing; and
- (iii) CFIUS having notified SEV and the Company in writing in relation to the transactions contemplated under the Agreement that (i) there are no unresolved national security concerns; and (ii) it has concluded all action (if such filing has been made with, or an investigation deemed required by, CFIUS).

The Note Subscription, the Preferred Share Subscription and the Common Share Subscription are not inter-conditional for the Company.

Interest in Pubco post the Qualified Merger

Assuming that (i) all the outstanding convertible securities of SEV have been converted into its common shares; (ii) SEV has placed out US\$30,000,000 worth of Series E Preferred Shares; (iii) the total valuation of Pubco prior to the Qualified Merger is US\$1,000,000; and (iv) the total valuation of SEV for the Qualified Merger is US\$175,000,000, the Company would hold at least approximately a 7.85% interest of Pubco post the Qualified Merger.

SEV has agreed not to conduct any similar transactions contemplated under the Agreement and any equity or debt financing, unless approved by the Company in writing, from the date of the Agreement until the conclusion of a CFIUS review (if any) and (i) one year or (ii) the date of approvals of SEV's shareholders of the Preferred Share Subscription, the Qualified Merger and the Common Share Subscription, whichever is earlier. However, it is unclear at this stage whether Pubco will conduct any further capital raising post the Qualified Merger and up to the Listing. To protect the Company's interest, the Company will have the option to participate in any potential fund raising of Pubco up to a 19% interest in it.

INFORMATION ON SEV

SEV is one of the largest manufacturers of zero-emission all-electric medium-duty commercial vehicles in the world. Since 2009, SEV has been producing electric vehicles for global customers including, amongst others, PepsiCo/Frito-Lay, Federal Express, Staples and Coca-Cola. SEV currently produces and sells the Smith Newton, designed to be a superior-performing alternative to traditional diesel trucks and which can be configured for multiple applications. It is headquartered in Kansas City, Missouri, the US, and has a manufacturing facility in Kansas City, Missouri, the US and a research and development center in Newcastle, the United Kingdom.

SEV partners with global leaders across multiple industries: food and beverage, utility, telecommunications, retail, grocery, parcel and postal delivery, school transportation, military and government. Its customers include many of the world's largest fleet operators.

The following information is extracted from the unaudited financial statements of SEV for the two financial years ended 31 December 2012 and 2013:

	For the year ended	
	31 December	
	2012	2013
	<i>US\$</i>	<i>US\$</i>
Profit/(loss) before taxation	(50,494,000)	(50,742,000)
Profit/(loss) after taxation	(50,494,000)	(50,742,000)

As at 31 December 2013, SEV had net liabilities of approximately US\$117,058,000 (equivalent to approximately HK\$907,711,000).

COOPERATION

The Company has also agreed to cooperate on the supply of batteries and electric vehicle components to SEV and the parties will enter into the following arrangements:

(1) The Exclusive Battery Supply Contract

Within 15 business days from the execution of the Agreement, the Company and SEV (or its nominee) will prepare a draft of an exclusive battery supply agreement and the parties agreed to work in good faith to finalise and execute the agreement no later than 45 days from the execution of the Agreement, pursuant to which SEV will agree to fulfill all of its procurement needs for batteries from the Group in vehicle applications which are compatible with SEV's vehicle platforms, save for customers that is wholly owned by the US Government. The Group agrees to supply such batteries that meet SEV's reasonable specifications to SEV and the parties will work in good faith to integrate the Group's batteries into SEV's vehicle platforms.

(2) The EV Component Supply MOU

Within 15 business days from the execution of the Agreement, the Company and SEV (or its nominee) will enter into a memorandum of understanding to establish a strategic cooperation relationship pursuant to which the parties will cooperate and use the Group's electric vehicle manufacturing plant in Hangzhou as an OEM supplier for electric vehicle components to SEV.

REASONS FOR THE TRANSACTION

The Group is principally engaged in the research and development, production, distribution and sale of Lithium-ion batteries and related products. In 2013, the Group expanded into electric vehicle leasing business as part of the Group's vertical expansion plan.

The Group recently has completed the acquisition of a 58.5% interest in an electric vehicle company located in Hangzhou and the acquisition of a 50% interest in an electric vehicle company located in Kunming. The acquisitions represent a merger of the battery production, electric vehicle manufacturing and electric vehicle leasing businesses and are a significant furtherance of the Group's vertical expansion plan.

The Note Subscription, the Preferred Share Subscription and the Common Share Subscription will enable the Company to secure a meaningful interest in SEV, a leading commercial all-electric vehicle manufacturer, and provide a valuable opportunity to foster long-term strategic and business cooperations with SEV. The Exclusive Battery Supply Contract and the EV Component Supply MOU are expected to generate sales for the Group's battery business and the electric vehicle business.

The Directors (including the independent non-executive Directors) consider that the Agreement has been entered into under normal commercial terms and that such terms are fair and reasonable so far as the Company and the Shareholders are concerned and that the transactions contemplated under the Agreement is in the interests of the Company and the Shareholders as a whole.

GENERAL

The Common Share Subscription in aggregate with the Note Subscription and the Preferred Share Subscription constitute a discloseable transaction for the Company and are subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

DEFINITIONS

In this announcement, the following expressions shall have the meanings set out below unless the context requires otherwise:

“Agreement”	the agreement dated 11 May 2014 between the Company and SEV;
“Board”	the board of directors of the Company;
“CFIUS”	the Committee on Foreign Investment in the US;
“Common Share Subscription”	the conditional subscription by the Company of the common shares in Pubco for a total subscription amount of US\$30,000,000;
“Company”	Sinopoly Battery Limited, a company incorporated in Bermuda, the shares of which are listed on the main board of the Stock Exchange;
“connected person”	has the meaning ascribed to it in Chapter 14A of the Listing Rules;
“Director(s)”	the director(s) of the Company;

“Exclusive Battery Supply Contract”	the exclusive battery supply contract to be entered between the Company and SEV as described in the paragraph headed “(1) The Exclusive Battery Supply Contract” in this announcement;
“EV Component Supply MOU”	the memorandum of understanding in relation to the supply of electric vehicle components to be entered between the Company and SEV as described in the paragraph headed “(2) EV Component Supply MOU” in this announcement;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Listing”	the listing of Pubco on NYSE, NYSE MKT or NASDAQ;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“NASDAQ”	the NASDAQ Stock Market;
“Note Subscription”	the subscription by the Company of the Series AA Notes for a total subscription price of US\$2,000,000;
“NYSE”	the New York Stock Exchange;
“NYSE MKT”	NYSE MKT LLC;
“OEM”	original equipment manufacturer;
“OTC Bulletin Board”	a quotation medium of the US for subscribing members to trade over-the-counter equity securities that are not listed on NASDAQ or a national stock exchange in the US;
“PRC”	the People’s Republic of China and for the purpose of this announcement, excludes Hong Kong, Taiwan and the Macau Special Administrative Region of the PRC;
“Preferred Share Subscription”	the conditional subscription by the Company of the Series E Preferred Shares for a total subscription amount of US\$10,000,000;

“Pubco”	the post-Qualified Merger holding company, of which SEV will become its wholly-owned subsidiary;
“Qualified IPO”	a firm commitment underwritten initial public offering pursuant to an effective registration statement filed under the U.S. Securities Act of 1933, as amended, covering the offer and sale of the common share of SEV;
“Qualified Listing”	a listing or admission for trading of the common share of SEV on a securities exchange, quotation service or stock market effected in connection with a private placement of at least US\$20 million in new equity capital to accredited investors or qualified purchasers pursuant to U.S. securities laws and any other applicable laws;
“Qualified Merger”	the merger transaction with respect to SEV described in the paragraph headed “(3) The Common Share Subscription” in this announcement;
“Qualified Placement”	a private placement of SEV of at least US\$25 million in new equity capital to accredited investors or qualified purchasers pursuant to the U.S. securities laws and other applicable laws;
“Series AA Notes”	series AA senior secured convertible promissory notes issued by SEV;
“Series E Preferred Shares”	series E preferred shares issued by SEV;
“SEV”	Smith Electric Vehicles Corp, a company incorporated under the laws of the State of Delaware, the US;
“Shares”	shares of HK\$0.01 each in the share capital of the Company;
“Shareholder(s)”	shareholder(s) of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;

“US” the United States of America; and

“US\$” United States dollar, the lawful currency of the United States of America.

By order of the Board
Sinopoly Battery Limited
Cao Zhong
Chairman and Executive Director

Hong Kong, 11 May 2014

As of the date of this announcement, the Board comprises Mr. Cao Zhong (Chairman), Mr. Miao Zhenguo (Deputy Chairman and Chief Executive Officer), Mr. Lo Wing Yat, Mr. Xu Donghui (Chief Operating Officer) and Mr. Jaime Che (Vice President) as executive directors; Professor Chen Guohua as non-executive director; and Mr. Chan Yuk Tong, Mr. Fei Tai Hung and Mr. Tse Kam Fow as independent non-executive directors.

Website: <http://www.sinopolybattery.com>