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Sinopoly Battery Limited

中聚電池有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 729)

**SHARE TRANSACTION IN RELATION TO THE ACQUISITION
OF THE ENTIRE ISSUED SHARE CAPITAL OF
GIANT INDUSTRY HOLDINGS LIMITED**

On 15 April 2014, PML, a wholly-owned subsidiary of the Company, entered into the Agreement with the Vendor and the Guarantor pursuant to which PML will purchase from the Vendor the Sale Shares at a consideration of HK\$190 million, to be settled by the issue of 380,000,000 new Shares to the Vendor at the issue price of HK\$0.50 per Share.

The Consideration Shares will be issued to the Vendor pursuant to the General Mandate and represent approximately 2.24% of the existing issued share capital of the Company and approximately 2.19% of the issued share capital of the Company as enlarged by the issue of the Consideration Shares.

The Sale Shares represent the entire issued share capital of the Target. The Target is indirectly interested in 50% of the PRC Manufacturing Company. The PRC Manufacturing Company is principally engaged in the business of manufacture, sale, assembly and maintenance of coaches, electric vehicles and systems, and parts and components. The Acquisition will provide an immediate platform for the Group to engage in the manufacture of electric vehicles.

The applicable percentage ratios in respect of the Acquisition under Rule 14.07 of the Listing Rules are less than 5%. The consideration of the Acquisition will be satisfied by the issue of the Consideration Shares and the Acquisition therefore constitutes a share transaction for the Company and will be subject to the notification and announcement requirements set out in Rule 14.33 of the Listing Rules.

As the Acquisition is subject to fulfilment of certain conditions, it may or may not materialise, Shareholders and investors are reminded to exercise caution when dealing in the securities of the Company.

THE ACQUISITION

Reference is made to the announcement of the Company dated 20 March 2014 in relation to the Letter of Intent.

On 15 April 2014, PML, a wholly-owned subsidiary of the Company, entered into the Agreement with the Vendor and the Guarantor in relation to the Acquisition.

The Agreement

Date: 15 April 2014

Parties:

- (1) PML, a wholly-owned subsidiary of the Company;
- (2) the Vendor; and
- (3) the Guarantor.

The Vendor and the Guarantor are two individuals, who, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, are independent of and not connected with the Company or any of its connected persons.

The Guarantor will guarantee the due observance and performance by the Vendor of his obligations under the Agreement. In addition, the Vendor and the Guarantor will, jointly and severally, guarantee the due observance and performance by Meidi Holdings, the PRC Manufacturing Company and the Joint Venture Partner of their respective obligations under the Lease Agreement, the Service Agreement and the Undertaking.

Subject matter:

PML will purchase from the Vendor the Sale Shares. The Sale Shares represent the entire issued share capital of the Target. The Target owns the entire issued share capital of

Southwest EV, which in turn is interested in 50% of the PRC Manufacturing Company. The PRC Manufacturing Company is a Chinese-foreign joint venture principally engaged in the manufacture, sale and maintenance of electric vehicles in Kunming, Yunnan Province, the PRC. The remaining 50% of the PRC Manufacturing Company is owned by the Joint Venture Partner. The Guarantor is the legal representative and a director of the Joint Venture Partner.

Southwest EV will have the right to nominate 4 out of the 6 directors of the board of the PRC Manufacturing Company upon Completion. The Target, Southwest EV and the PRC Manufacturing Company will be accounted as subsidiaries of the Company upon Completion.

Consideration:

The consideration for the Acquisition of the Sale Shares is HK\$190 million.

If the net asset value of the Target Group as determined in accordance with the completion accounts is less than HK\$88,000,000, the Guarantor and/or the Vendor will indemnify PML the shortfall (the “**Shortfall**”).

The consideration was determined after arm’s length negotiations between the parties after taking into consideration the assets of the Target Group, the benefit will derive from the Lease Agreement and the Service Agreement, the immediate electric vehicle manufacturing platform that the PRC Manufacturing Company could provide the Group, and the synergy of an electric vehicle manufacturing concern could bring to the Group’s battery products.

The consideration will be satisfied by the Company through the issue of the Consideration Shares at the issue price of HK\$0.50 per Share.

Consideration Shares:

The Consideration Shares represent approximately 2.24% of the existing issued share capital of the Company or approximately 2.19% of the issued share capital of the Company as enlarged by the issue of the Consideration Shares.

The Consideration Shares will be issued under the General Mandate, which was granted by the Shareholders to the Directors at the annual general meeting of the Company held on 27 August 2013, where the Directors were granted a general authorisation to allot and issue up to 2,690,903,325 Shares, being 20% of the issued share capital of the Company on the date of the passing of the resolution of 13,454,516,626 Shares. Of the 2,690,903,325 Shares that may be issued under the General Mandate, 220,000,000 Shares have been issued and allotted to CITIC International Assets Management Limited pursuant to a subscription agreement entered into on 19 September 2013. As announced by the Company on 20 March 2014, the Company entered into a placing agreement and a convertible bonds subscription agreement for the placing of 1,400,000,000 Shares and the subscription of convertible bonds in the principal amount of HK\$400 million which may be converted into 666,666,666 Shares at the conversion price of HK\$0.60. Accordingly, the Company has 404,236,659 Shares available

for allotment and issue prior to the issue of the Consideration Shares under the General Mandate. Upon the issue of the Consideration Shares, the Company has 24,236,659 Shares available for allotment and issue under the General Mandate.

An application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares.

Issue Price:

The issue price of the Consideration Shares of HK\$0.50 per Share represents:

- (a) a discount of approximately 7.41% to the closing price of the Shares of HK\$0.54 per Share as quoted on the Stock Exchange on 15 April 2014, the date of the Agreement;
- (b) a discount of approximately 11.35% to the average closing prices of the Shares as quoted on the Stock Exchange for the last 5 trading days up to and including 15 April 2014 of approximately HK\$0.564 per Share; and
- (c) a discount of approximately 13.79% to the average closing prices of the Shares as quoted on the Stock Exchange for the last 10 trading days up to and including 15 April 2014 of approximately HK\$0.580 per Share.

The issue price was determined after arm's length negotiations between the Vendor and the Company and was with reference to the prevailing market prices of the Shares as at 20 March 2014, the date of the Letter of Intent.

Conditions:

Completion of the Acquisition will be subject to the satisfaction include the following conditions:

- (a) PML being satisfied with the due diligence results on the Target Group;
- (b) PML and the Company having complied with the requirements of applicable laws, articles of association and the Listing Rules and the obtaining of the necessary approvals and consents, including the issue of the Consideration Shares, in respect of the execution of the Agreement and the transactions contemplated thereunder;
- (c) the Joint Venture Partner having executed the Undertaking that in the event that the Vendor or the Guarantor having failed to fulfil their respective obligations to repay the Shortfall under the Agreement, subject to compliance with relevant laws and regulations, the Joint Venture Partner will pay to PML any and such dividend that the Joint Venture Partner may received from the PRC Manufacturing Company until the Shortfall has been fully paid;
- (d) the PRC Manufacturing Company and Southwest EV having entered into the Service Agreement;

- (e) the PRC Manufacturing Company and Meidi Holdings having entered into the Lease Agreement;
- (f) Southwest EV and the Joint Venture Partner having legally amended the joint venture agreement between them and the articles of association of the PRC Manufacturing Company, which are currently in force, to give such effect that the PRC Manufacturing Company can become a subsidiary of Southwest EV under the Hong Kong accounting standards;
- (g) the representations and warranties of the Vendor and the Guarantor remaining true and accurate;
- (h) there has not been any material adverse change with regard to the business, assets and operation of the Target Group or any breach of safety incidents; and
- (i) the Stock Exchange granting the listing of, and permission to deal in, the Consideration Shares.

Save for conditions (b) and (i), PML may waive all or any of the conditions. If the conditions to the Agreement are not fulfilled or waived, as the case may be, before 30 June 2014 or such other dates as may be agreed between the parties in writing, PML may terminate the Agreement.

EFFECT ON THE SHAREHOLDING OF THE COMPANY

The following chart briefly summarises the possible effects of the issue of the Consideration Shares on the shareholding structure of the Company, assuming that there are no other changes to the shareholding structure of the Company from the date of this announcement to Completion.

Shareholder	As at the date of this announcement		Upon issue of the Consideration Shares	
	Number of Shares	%	Number of Shares	%
Mr. Miao Zhenguo (<i>Note 1</i>)	2,448,051,043	14.42	2,448,051,043	14.10
Mr. Cao Zhong (<i>Note 2</i>)	1,911,059,998	11.26	1,911,059,998	11.01
Mr. Li Ka-shing (<i>Note 3</i>)	1,700,000,000	10.01	1,700,000,000	9.80
The Vendor	–	–	380,000,000	2.19
Other Shareholders	10,917,780,585	64.31	10,917,780,585	62.90
Total	16,976,891,626	100.00	17,356,891,626	100.00

Notes:

- (1) Mr. Miao Zhenguo (“**Mr. Miao**”), an executive Director, the Deputy Chairman and Chief Executive Officer of the Company, is deemed to be interested in a total of 2,448,051,043 Shares, of which 2,283,801,043 Shares are held by Union Ever Holdings Limited (“**Union Ever**”) and 164,250,000 Shares are held by Infinity Wealth International Limited (“**Infinity Wealth**”). Both Union Ever and Infinity Wealth are wholly owned by Mr. Miao and he is also a director for both companies.
- (2) Mr. Cao Zhong (“**Mr. Cao**”), the Chairman and an executive Director of the Company, is deemed to be interested in a total of 1,911,059,998 Shares which are held by Long Hing International Limited (“**Long Hing**”). Long Hing is wholly owned by Mr. Cao and he is also a director of Long Hing.
- (3) For the purpose of the SFO, Mr. Li Ka-shing is deemed to be interested in a total of 1,700,000,000 Shares, of which 722,500,000 Shares are held by Jade Time Investments Limited (“**Jade Time**”), 127,500,000 Shares are held by CEF Holdings Limited (“**CEF**”), 141,660,000 Shares are held by Lion Cosmos Limited (“**Lion Cosmos**”) and 708,340,000 Shares are held by Li Ka Shing (Canada) Foundation (“**LKSCF**”).

Jade Time is a wholly-owned subsidiary of Mayspin Management Limited, which in turn is wholly owned by Mr. Li Ka-shing.

Li Ka-Shing Unity Holdings Limited (“**Unity Holdco**”), of which Mr. Li Ka-shing and Mr. Li Tzar Kuoi, Victor are respectively interested in one-third and two-third of the entire issued share capital, owns the entire issued share capital of Li Ka-Shing Unity Trustee Company Limited (“**TUT1**”). TUT1 as trustee of The Li Ka-Shing Unity Trust (“**UTI**”), together with certain companies which TUT1 as trustee of UTI is entitled to exercise or control the exercise of one-third or more of the voting power at their general meetings, holds more than one-third of the issued share capital of Cheung Kong (Holdings) Limited (“**CKH**”). CEF is owned as to 50% by CKH.

In addition, Unity Holdco also owns the entire issued share capital of Li Ka-Shing Unity Trustee Corporation Limited (“**TDT1**”) as trustee of The Li Ka-Shing Unity Discretionary Trust (“**DT1**”) and Li Ka-Shing Unity Trustcorp Limited (“**TDT2**”) as trustee of another discretionary trust (“**DT2**”). Each of TDT1 and TDT2 holds units in UTI. By virtue of the SFO, Mr. Li Ka-shing, being the settler of DT1 and DT2, may be regarded as a founder of DT1 and DT2.

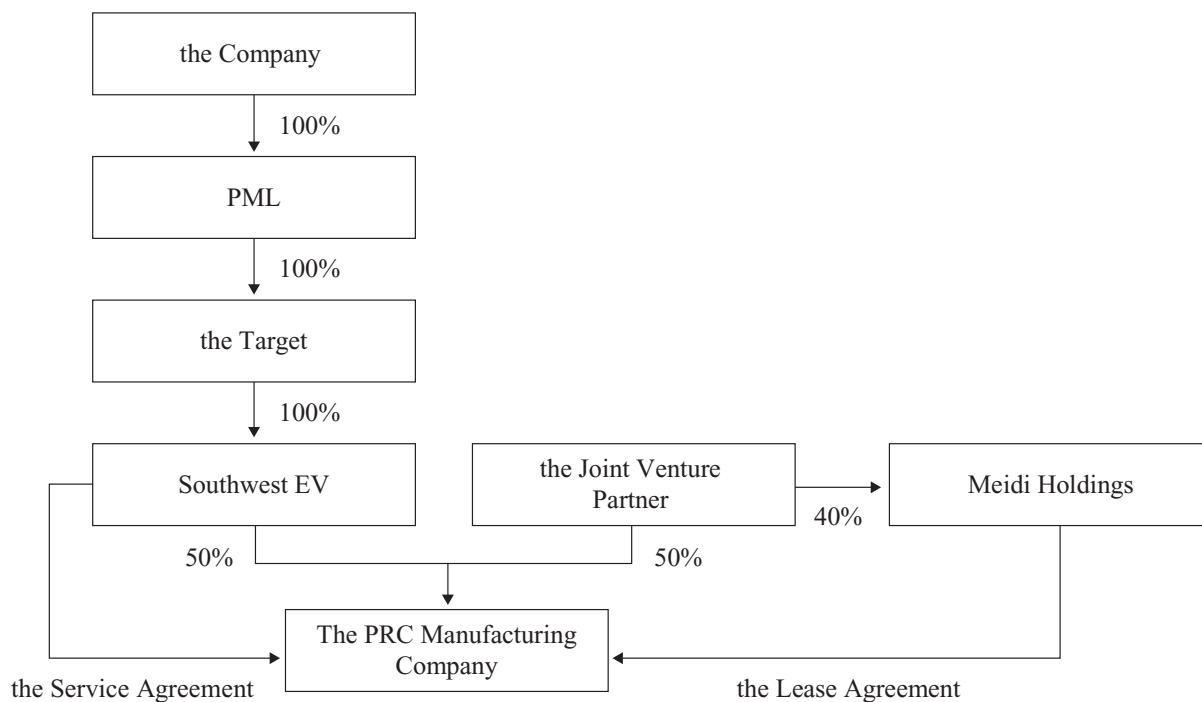
Lion Cosmos is a wholly-owned subsidiary of Li Ka Shing (Overseas) Foundation (“**LKSOF**”). By virtue of the terms of the constituent documents of LKSOF and LKSCF, Mr. Li Ka-shing may be regarded as having the ability to exercise or control the exercise of one-third or more of the voting power at general meetings of LKSOF and LKSCF respectively.

INFORMATION ON THE TARGET GROUP

The Target is an investment holding company established in the British Virgin Islands and its sole asset is its holding in Southwest EV. Southwest EV is a company established in Hong Kong which holds 50% of the registered capital of the PRC Manufacturing Company. The PRC Manufacturing Company is a Chinese-foreign joint venture and is engaged in the business of manufacture, sale, assembly and maintenance of coaches, electric vehicles and systems, and parts and components. The PRC Manufacturing Company holds a vehicle manufacturing license and operates in Kunming, Yunnan, the PRC.

Shareholding structure

The shareholding structure of the Target Group upon Completion is set out below:



Lease Agreement

The PRC Manufacturing Company operates from premises leased from Meidi Holdings and it is a condition precedent to completion of the Agreement that the PRC Manufacturing Company will enter into the Lease Company with Meidi Holdings prior to Completion to lease land and manufacturing factory from Meidi Holdings for a term of three years at nil consideration. The Guarantor is the legal representative and a director of both the Joint Venture Partner and Meidi Holdings. The Joint Venture Partner will be a connected person at the subsidiary level of the Company upon Completion and Meidi Holdings is its associate.

Service Agreement

Southwest EV will become a wholly-owned subsidiary of the Group upon Completion. It is a condition precedent of the Agreement that Southwest EV will enter into the Service Agreement with the PRC Manufacturing Company pursuant to which Southwest EV will provide consulting service and management support to the PRC Manufacturing Company in relation to the production and sale of electric vehicles. It is expected that the PRC Manufacturing Company will produce and sell between 500 and 1,500 electric vehicles in the fiscal year 2014/2015, with a target of reaching the 4,500 electric vehicles per annum capacity by 2015.

The PRC Manufacturing Company will pay a service fee to Southwest EV in the following manner:

- for the first 2,000 electric vehicles produced and sold: RMB100,000 per vehicle;
- for the 2,001st to the 3,000th electric vehicles produced and sold: RMB80,000 per vehicle;
- for the 3,001st to the 4,000th electric vehicles produced and sold: RMB60,000 per vehicle; and
- for the 4,001st to the 5,000th electric vehicles produced and sold: RMB40,000 per vehicle.

Financial information

The following information is extracted from the unaudited proforma combined financial statements of the Target Group for the two financial years ended 31 December 2012 and 2013 and was translated into HK\$ at the then exchange rate:

	For the year ended 31 December	
	2012	2013
	HK\$'000	HK\$'000
Loss before and after taxation	<u>9,917</u>	<u>10,120</u>

As at 31 December 2013, the Target Group had net assets of approximately HK\$6,269,000. Assuming the Guarantor will release the loans owned to him of approximately HK\$63,471,000, the net assets of the Target Group will be adjusted to approximately HK\$69,740,000.

REASONS FOR THE ACQUISITION

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

The Group recently completed the acquisition of a 58.5% interest in an electric vehicle manufacturing company. The acquisition represents a merger of the battery production, electric vehicle manufacturing and electric vehicle leasing businesses and is a significant furtherance of the Group's vertical expansion plan.

The Group intends to use the Kunming Plant as an electric vehicle manufacturing base of the Group in the southwestern part of the PRC. Upon Completion, the Kunming Plant would start producing electric coaches, mini-buses and commercial vehicles for the Group. The Acquisition will provide an immediate platform for the Group to engage in the manufacture of electric vehicles and will be a furtherance of the Company's initiative to develop its electric vehicle manufacturing capability.

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 entering into of the Agreement is in the interests of the Company and the Shareholders as a whole.

GENERAL

The applicable percentage ratios in respect of the Acquisition under Rule 14.07 of the Listing Rules are less than 5%. The consideration of the Acquisition will be satisfied by the issue of the Consideration Shares and the Acquisition therefore constitutes a share transaction for the Company and will be subject to the notification and announcement requirements set out in Rule 14.33 of the Listing Rules.

As the Acquisition is subject to fulfillment of certain conditions, it may or may not materialise, Shareholders and investors are reminded to exercise caution when dealing in the securities of the Company.

DEFINITIONS

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

“Acquisition”	the acquisition of the entire issued share capital in the Target by PML pursuant to the terms and conditions of the Agreement;
“Agreement”	the conditional sales and purchase agreement dated 15 April 2014 between PML, the Vendor and the Guarantor;
“Board”	the board of directors of the Company;

“Company”	Sinopoly Battery Limited, a company incorporated in Bermuda, the shares of which are listed on the main board of the Stock Exchange;
“Completion”	completion of the Acquisition in accordance with the terms and conditions of the Agreement;
“connected person(s)”	has the meaning ascribed to it under the Listing Rules;
“Consideration Shares”	380,000,000 Shares to be issued by the Company;
“Director(s)”	the director(s) of the Company;
“General Mandate”	the mandate granted to the Directors by the Shareholders at the annual general meeting held on 27 August 2013 to allot, issue and deal with up to 2,690,903,325 new Shares, representing approximately 20% of the then issued share capital of the Company at the time when the said annual general meeting was held;
“Group”	the Company and its subsidiaries from time and time;
“Guarantor”	黃健明 (Huang Jianmeng);
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Joint Venture Partner”	廣東大衛投資有限公司 (Gunagdong Dawei Investment Co. Ltd.*), a company established in the PRC;
“Kunming Plant”	the current electric vehicle manufacturing plant of the PRC Manufacturing Company;
“Lease Agreement”	the lease agreement to be entered into between the PRC Manufacturing Company and Meidi Holdings;
“Letter of Intent”	the letter of intent dated 20 March 2014 entered into between PML, the Vendor, the Guarantor and the Target;
“Listing Committee”	the listing committee of the Stock Exchange;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;

“Meidi Holdings”	雲南美的汽車產業控股有限公司 (Yunnan Meidi Vehicle Industry Holdings Co., Ltd.*), a company incorporated in the PRC;
“PML”	Preferred Market Limited, a company incorporated in the British Virgin Islands, a wholly-owned subsidiary of the Company;
“PRC”	the People’s Republic of China and for the purpose this announcement, excludes Hong Kong, Taiwan and the Macau Special Administrative Region of the PRC;
“PRC Manufacturing Company”	雲南美的客車製造有限公司 (Yunnan Meidi Coach Manufacturing Co., Ltd.*), a company incorporated in the Company;
“RMB”	Renminbi, the lawful currency of the PRC;
“Sale Shares”	10 shares in the issued share capital of the Target, representing the entire issued share capital of the Target;
“Service Agreement”	the service agreement to be entered into between the PRC Manufacturing Company and Southwest EV;
“Share(s)”	ordinary share(s) 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;
“Southwest EV”	Hong Kong Southwest Electric Vehicles Limited, a company incorporated in Hong Kong, a wholly-owned subsidiary of the Target as at the date of this announcement;
“Target”	Giant Industry Holdings Limited, a company established in the British Virgin Islands;
“Target Group”	the Target and its subsidiaries (including Southwest EV and the PRC Manufacturing Company);

“Undertaking” the undertaking to be executed by the Joint Venture Partner;
and

“Vendor” 金子頁 (Kam Chi Yip).

By order of the Board
Sinopoly Battery Limited
Jaime Che
Executive Director

Hong Kong, 15 April 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>

** For identification purpose only*