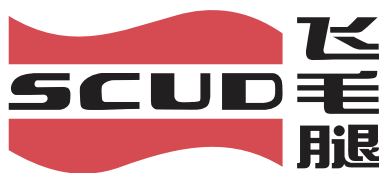


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SCUD GROUP LIMITED

飛毛腿集團有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 01399)

**TERMINATION OF OWN-BRAND BUSINESS
AND
CONNECTED TRANSACTION
TRADEMARK TRANSFER**

**TERMINATION OF OWN-BRAND BUSINESS AND TRADEMARK TRANSFER
AGREEMENT**

Given the evolution of the battery market worldwide into the smart devices era, the scale of the Group's Own-Brand Business has gradually diminished over the years. Leveraging on the Group's competitive edge in the ODM industry as one of the only few companies with the capabilities to provide ODM services to well-known telecommunication brands and recognising the huge potential of the ODM market, the Group's business strategy is to terminate its Own-Brand Business with the "SCUD 飛毛腿" brand and focus its resources on strengthening its growing ODM Business. To facilitate the implementation of the Group's aforesaid business strategy, on 30 December 2019 (after trading hours), Scud Battery entered into the Trademark Transfer Agreement with Mr. Fang, pursuant to which the parties agreed the "SCUD 飛毛腿" Trademarks shall be transferred by Scud Battery to Mr. Fang for a total consideration of RMB3,000,000 (equivalent to approximately HK\$3,348,200).

In light of the termination of the Group's Own-Brand Business with the "SCUD 飛毛腿" brand and in anticipation of the completion of the Trademark Transfer, the Directors are considering to propose the change of the company name of the Company to better reflect the Group's aforesaid business strategy and to promote and strengthen the Group's corporate image and identity, enabling the Group to better capture potential business opportunities for its future development. The Company will make further announcement(s) on such proposed change as and when appropriate.

* For identification purpose only

LISTING RULE IMPLICATIONS

As at the date of this announcement, Mr. Fang is the controlling Shareholder. Mr. Fang is therefore a connected person of the Company under the Listing Rules and accordingly, the Trademark Transfer constitutes a connected transaction of the Company. As one or more of the applicable percentage ratios in respect of the Trademark Transfer are more than 0.1% and less than 5%, the Trademark Transfer is only subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules.

TRADEMARK TRANSFER AGREEMENT

On 30 December 2019 (after trading hours), Scud Battery entered into the Trademark Transfer Agreement with Mr. Fang, pursuant to which the parties agreed the “SCUD 飛毛腿” Trademarks shall be transferred by Scud Battery to Mr. Fang for a total consideration of RMB3,000,000 (equivalent to approximately HK\$3,348,200).

A summary of the principal terms of the Trademark Transfer Agreement is set out as follows:

Date:	30 December 2019 (after trading hours)
Parties:	(i) Scud Battery, an indirect wholly-owned subsidiary of the Company, as the transferor (ii) Mr. Fang, the controlling Shareholder holding approximately 48.84% of the total issued share capital of the Company as at the date of this announcement, as the transferee
Subject matter:	The parties agreed a total of 15 “SCUD 飛毛腿” Trademarks registered under the name of Scud Battery in the PRC shall be transferred by Scud Battery to Mr. Fang.
Consideration and payment terms:	The total consideration for the Trademark Transfer shall be RMB3,000,000 (equivalent to approximately HK\$3,348,200) and shall be payable in cash by Mr. Fang to Scud Battery within 30 days from the date of the Trademark Transfer Agreement.
Registration of the Trademark Transfer and use of the “SCUD 飛毛腿” Trademarks:	Mr. Fang shall be responsible for applying to the PRC Trademark Office for the registration of the Trademark Transfer, and Scud Battery shall cooperate with and assist Mr. Fang in such application process. The related application fee shall be borne by Mr. Fang.

Upon payment of the total consideration for the Trademark Transfer in full by Mr. Fang, Scud Battery shall cease to have any right in respect of the “SCUD 飛毛腿” Trademarks.

After payment of the total consideration for the Trademark Transfer in full and prior to the PRC Trademark Office registering the Trademark Transfer, Mr. Fang shall have the right to use the “SCUD 飛毛腿” Trademarks and license such right of use to a third party.

Upon the registration of the Trademark Transfer by the PRC Trademark Office, Mr. Fang shall become the owner of the “SCUD 飛毛腿” Trademarks.

Mr. Fang (and Mr. Fang shall procure that any third party to which Mr. Fang licenses the right to use the “SCUD 飛毛腿” Trademarks) shall not in any way claim to have any relationship with any member of the Group, which has “SCUD” and/or “飛毛腿” in its company name, by reason of having the right to use the “SCUD 飛毛腿” Trademarks.

Members of the Group which has “SCUD” and/or “飛毛腿” in its company name may retain and use their respective current company names.

Other related trademarks: Relevant members of the Group may continue to own and use other trademarks currently owned by them which are the same as or similar to the “SCUD 飛毛腿” Trademarks. If the Group intends to transfer such other trademarks in due course, Mr. Fang shall have the first right to being transferred such other trademarks.

The total consideration for the Trademark Transfer was determined after arm’s length negotiation between Scud Battery and Mr. Fang with reference to the valuation of the “SCUD 飛毛腿” Trademarks at RMB1,080,000 (equivalent to approximately HK\$1,205,400) by an independent third party professional valuer.

REASONS FOR AND BENEFITS OF ENTERING INTO THE TRADEMARK TRANSFER AGREEMENT

Given the evolution of the battery market worldwide into the smart devices era, the scale of the Group’s Own-Brand Business has gradually diminished over the years. As disclosed in the Annual Report 2018, the turnover and segment net profit recorded by the Own-Brand Business for FY2018 decreased by approximately 60.9% and 64.5% year-on-year respectively and accounted for only approximately 0.9% and 1.2% of the Group’s consolidated turnover and net profit after tax for

FY2018 respectively. Leveraging on the Group's competitive edge in the ODM industry as one of the only few companies with the capabilities to provide ODM services to well-known telecommunication brands and recognising the huge potential of the ODM market, the Group's business strategy is to terminate its Own-Brand Business with the "SCUD 飛毛腿" brand and focus its resources on strengthening its growing ODM Business. As disclosed in the Annual Report 2018, the turnover and segment net profit recorded by the ODM Business for FY2018 increased by approximately 32.3% and 195.7% year-on-year respectively and accounted for approximately 92.8% and 149.2% of the Group's consolidated turnover and net profit after tax for FY2018 respectively. The Directors believe that the Trademark Transfer would facilitate the implementation of the Group's aforesaid business strategy.

Based on the unaudited net carrying value of the "SCUD 飛毛腿" Trademarks at RMBNil (equivalent to HK\$Nil) as at 30 June 2019 in the unaudited consolidated financial statements of the Company for the six months ended 30 June 2019 and the total consideration for the Trademark Transfer at RMB3,000,000 (equivalent to approximately HK\$3,348,200), it is expected that the Group may record a net gain of approximately RMB3,000,000 (equivalent to approximately HK\$3,348,200) as a result of the Trademark Transfer. The Group intends to use the sale proceeds from the Trademark Transfer to contribute to the expansion of its ODM Business and for general working capital purposes.

The Directors (including the independent non-executive Directors) are of the view that whilst the Trademark Transfer Agreement was not entered into in the ordinary and usual course of business of the Group, the terms of the Trademark Transfer Agreement are on normal commercial terms or better arrived at after arm's length negotiation between the parties and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

None of the Directors have any material interest in the Trademark Transfer Agreement, and therefore none have abstained from voting on the Board resolution approving the Trademark Transfer Agreement.

In light of the termination of the Group's Own-Brand Business with the "SCUD 飛毛腿" brand and in anticipation of the completion of the Trademark Transfer, the Directors are considering to propose the change of the company name of the Company to better reflect the Group's aforesaid business strategy and to promote and strengthen the Group's corporate image and identity, enabling the Group to better capture potential business opportunities for its future development. The Company will make further announcement(s) on such proposed change as and when appropriate.

INFORMATION ON THE GROUP

The Group's principal business is its ODM Business which mainly supplies lithium-ion battery modules to manufacturers of well-known telecommunication brands at home and abroad. For more information, please visit the Group's website at www.scudgroup.com.

Scud Battery is an indirect wholly-owned subsidiary of the Company principally engaged in the manufacturing and sale of lithium-ion battery modules, powerbanks, power management module, and related accessories for mobile phones.

Financial information

Based on the unaudited consolidated financial statements of the Company for the six months ended 30 June 2019, the unaudited net carrying value of the “SCUD 飛毛腿” Trademarks was RMBNil (equivalent to HK\$Nil) as at 30 June 2019. Based on the valuation by an independent third party professional valuer, the “SCUD 飛毛腿” Trademarks were valued at RMB1,080,000 (equivalent to approximately HK\$1,205,400).

Based on the audited consolidated financial statements of the Company for the financial years ended 31 December 2017 and 31 December 2018, the audited segment net profits generated by the Own-Brand Business for the financial years ended 31 December 2017 and 31 December 2018 are set out as follows:

	For the financial year ended 31 December	
	2017	2018
Segment net profit before taxation	approximately RMB3,163,000 (approximately HK\$3,656,600)	approximately RMB1,124,000 (approximately HK\$1,328,000)
Segment net profit after taxation	approximately RMB3,163,000 (approximately HK\$3,656,600)	approximately RMB1,124,000 (approximately HK\$1,328,000)

INFORMATION ON MR. FANG

Mr. Fang is the controlling Shareholder holding approximately 48.84% of the total issued share capital of the Company as at the date of this announcement.

LISTING RULE IMPLICATIONS

As at the date of this announcement, Mr. Fang is the controlling Shareholder. Mr. Fang is therefore a connected person of the Company under the Listing Rules and accordingly, the Trademark Transfer constitutes a connected transaction of the Company.

As one or more of the applicable percentage ratios in respect of the Trademark Transfer are more than 0.1% and less than 5%, the Trademark Transfer is only subject to the reporting and announcement requirements and exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

DEFINITIONS

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

“Annual Report 2018”	the Company’s annual report for FY2018
“Board”	the board of Directors
“Company”	SCUD Group Limited, a limited liability company incorporated in the Cayman Islands, the shares of which are listed on the Main Board of the Stock Exchange
“connected person”	has the meaning ascribed to it in the Listing Rules
“controlling shareholder”	has the meaning ascribed to it in the Listing Rules
“Director(s)”	the director(s) of the Company
“FY2018”	the year ended 31 December 2018
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Fang”	Mr. Fang Jin, the controlling Shareholder holding approximately 48.84% of the total issued share capital of the Company as at the date of this announcement
“ODM”	original design manufacturing
“ODM Business”	the ODM business of the Group

“Own-Brand Business”	the Group’s business of manufacturing and selling various kind of lithium-ion battery products in the PRC under its own “SCUD 飛毛腿” brand
“percentage ratios”	the percentage ratios calculated based on the requirements under Rule 14.07 of the Listing Rules
“PRC”	the People’s Republic of China excluding, for the purpose of this announcement, Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“PRC Trademark Office”	Trademark Office of the National Intellectual Property Administration of the PRC
“RMB”	Renminbi, the lawful currency of the PRC
“Scud Battery”	飛毛腿電池有限公司 (Scud Battery Co., Ltd.*), a wholly foreign-owned enterprise established in the PRC and an indirect wholly-owned subsidiary of the Company
““SCUD 飛毛腿” Trademarks”	the total of 15 “SCUD”, “飛毛腿” and “SCUD 飛毛腿” trademarks and related intellectual property rights transferred under the Trademark Transfer Agreement
“Share(s)”	ordinary share(s) in the Company with a nominal value of HK\$0.10 each
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Trademark Transfer”	the transfer of the “SCUD 飛毛腿” Trademarks from Scud Battery to Mr. Fang under the Trademark Transfer Agreement
“Trademark Transfer Agreement”	the trademark transfer agreement dated 30 December 2019 and entered into between Scud Battery as transferor and Mr. Fang as transferee in relation to the Trademark Transfer

For the purpose of this announcement, unless otherwise indicated, the exchange rate of HK\$1=RMB0.896 has been used (and the exchange rates of HK\$1=RMB0.865 and HK\$1=RMB0.8464 have been used for the financial information of the Group for the financial

years ended 31 December 2017 and 2018 respectively), where applicable, for the purpose of illustration only and does not constitute a representation that any amount has been, could have been or may be exchanged at such rate or at all.

By Order of the Board
SCUD GROUP LIMITED
Ho Chung Tai Raymond
Chairman

Hong Kong, 30 December 2019

As at the date of this announcement, the Board comprises Ms. Lian Xiu Qin and Mr. Feng Ming Zhu being the executive Directors, Dr. Ho Chung Tai Raymond and Mr. Hou Li being the non-executive Directors, and Mr. Heng Ja Wei Victor, Mr. Lam Yau Yiu and Dr. Wong Chi Wing being the independent non-executive Directors.