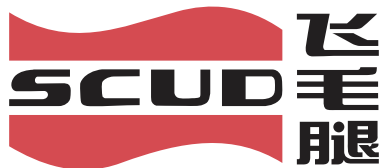


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**SCUD GROUP LIMITED**

**飛毛腿集團有限公司\***

*(incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 01399)**

## **DISCLOSEABLE TRANSACTION**

The Board wishes to announce that on 23 November 2011, Scud Electronics entered into the Share Sale and Purchase Agreement with Cao Xinggang and the Vendor pursuant to which Scud Electronics agreed to pay a total consideration of RMB40.0 million (approximately HK\$49.0 million) of which RMB21.0 million (approximately HK\$25.7 million) will be paid to the Vendor as consideration for the 70% equity interests in Shenzhen Nalon whilst the remaining RMB19.0 million (approximately HK\$23.3 million) will be paid to Shenzhen Nalon and recorded in the accounts of Shenzhen Nalon as capital surplus after the relevant PRC approvals on the share sale and purchase have been obtained.

Upon completion of the Share Sale and Purchase Agreement, Shenzhen Nalon will become an indirect subsidiary of the Company with Scud Electronics having a 70% equity interest in Shenzhen Nalon.

As the relevant applicable percentage ratios under Chapter 14 of the Listing Rules exceed 5% but do not exceed 25%, the transactions contemplated under the Share Sale and Purchase Agreement constitutes a discloseable transaction for the Company under the Listing Rules.

## **INTRODUCTION**

On 23 November 2011, Scud Electronics, a wholly-owned subsidiary of the Company, entered into the Share Sale and Purchase Agreement whereby upon completion, Scud Electronics will have a 70% equity interest in Shenzhen Nalon.

\* For identification purpose only

## SHARE SALE AND PURCHASE AGREEMENT

Date: 23 November 2011

Parties:

- Original equity holders prior to the completion of the Share Sale and Purchase Agreement:
- (i) Shi Wei (石偉), the Vendor and the beneficial owner of 70% equity interest in Shenzhen Nalon; and
  - (ii) Cao Xinggang (曹興剛), the beneficial owner of 30% equity interest in Shenzhen Nalon.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the original equity holders above are third parties independent of the Company and are not connected persons of the Company.

New equity holders after the completion of the Share Sale and Purchase Agreement:

Scud Electronics, a wholly-owned subsidiary of the Company, as the purchaser and is expected to become the beneficial owner of 70% equity interest in Shenzhen Nalon.

Cao Xinggang is expected to remain as the beneficial owner of 30% equity interest in Shenzhen Nalon after the completion of the Share Sale and Purchase Agreement.

Payment:

Pursuant to the terms of the Share Sale and Purchase Agreement, the total consideration payable by Scud Electronics is RMB40.0 million (approximately HK\$49.0 million) whereby:

- (i) RMB21.0 million (approximately HK\$25.7 million) will be paid to the Vendor as consideration for the 70% equity interests in Shenzhen Nalon payable within 20 days after signing the Share Sale and Purchase Agreement; and
- (ii) the remaining RMB19.0 million (approximately HK\$23.3 million) as a deposit will be paid to Shenzhen Nalon and recorded in the accounts of Shenzhen Nalon as capital surplus after the relevant PRC approvals on the share sale and purchase have been obtained. Of the RMB19.0 million (approximately HK\$23.3 million), RMB16.0 million (approximately HK\$19.6 million) and RMB3.0 million (approximately HK\$3.7 million) are payable within 30 days and 60 days after the date of signing of the Share Sale and Purchase Agreement, respectively.

The total consideration under the Share Sale and Purchase Agreement was arrived at after arm's length negotiations between the parties based on the net asset value of Shenzhen Nalon as at 31 July 2011 of approximately RMB30.18 million (approximately HK\$36.94 million) as stated in the unaudited management accounts of Shenzhen Nalon as at 31 July 2011.

Upon completion of the Share Sale and Purchase Agreement, Shenzhen Nalon will become an indirect subsidiary of the Company and Shenzhen Nalon shall be owned by Scud Electronics as to 70% and Cao Xinggang as to 30%. Completion is subject to, among other things, (i) obtaining the relevant PRC regulatory approvals on capital contribution and registration of Scud Electronics as a new equity holder of Shenzhen Nalon and (ii) there are no material adverse change to the financial position, business operations and prospects of Shenzhen Nalon.

As stated in the audited accounts of Shenzhen Nalon prepared in accordance with general accepted accounting principals of the PRC, the audited profits (losses) before and after tax for the year ended 31 December 2010 and for the year ended 31 December 2009 are set out below:

	<b>For the year ended 31 December 2010</b>	<b>For the year ended 31 December 2009</b>
Revenue	RMB109,817,439 (approximately HK\$134,415,470)	RMB34,081,484 (approximately HK\$41,715,403)
Profit (Loss) before tax and extraordinary items	RMB2,090,145 (approximately HK\$2,558,317)	RMB(2,408,737) (approximately HK\$2,948,271)
Profit (Loss) after tax and extraordinary items	RMB2,090,145 (approximately HK\$2,558,317)	RMB(2,408,737) (approximately HK\$2,948,271)

As Shenzhen Nalon has been a supplier of raw materials to the Group, for the years ended 31 December 2008, 2009 and 2010, the purchase of raw materials by the Group from Shenzhen Nalon amounted to approximately RMB235,526 (approximately HK\$288,282), RMB17,144,274 (approximately HK\$20,984,424) and RMB59,849,951 (approximately HK\$73,255,754), respectively.

## **OTHER TERMS**

Pursuant to the terms of the Share Sale and Purchase Agreement, it was agreed that Scud Electronics shall be entitled to appoint over 70% of the board of directors of Shenzhen Nalon and shall have the right to appoint the president and vice-president of Shenzhen Nalon.

## **REASONS FOR ENTERING INTO THE SHARE SALE AND PURCHASE AGREEMENT**

The purpose of the Group's investment in Shenzhen Nalon is to increase the scale and productivity of the upstream bare battery cells manufacturing business of the Group and Shenzhen Nalon is one of the leaders in mid- to high-end lithium ion bare battery cells in terms of research and development capabilities, leveraging on its professional and experienced research and development team, advanced production and inspection facilities, and strict quality assurance system. Shenzhen Nalon will enable the Group to enhance its research and development capabilities in the Group's core technologies, and further stabilize the upstream supply, maintain cost control, improve profit margin and enhance core competitiveness. As Shenzhen Nalon is primarily engaged in research and development, manufacturing and sale of mid- to high-end lithium ion bare battery cells, the investment in Shenzhen Nalon will allow the Group to apply such expertise on its rechargeable battery products with varying qualities in its future bare battery cells supply, contributing to the enhancement of "SCUD 飛毛腿" brand's unique competitive strengths in the rechargeable batteries industry in China.

## **LISTING RULES REQUIREMENTS**

The Directors believe that the terms of the Share Sale and Purchase Agreement are fair and reasonable and on normal commercial terms and the transactions contemplated thereunder are in the interest of the Company and Shareholders as a whole.

As the relevant applicable percentage ratios under Chapter 14 of the Listing Rules exceed 5% but do not exceed 25%, the transaction contemplated under the Share Sale and Purchase Agreement constitutes a discloseable transaction for the Company under the Listing Rules.

## **GENERAL INFORMATION**

The Group is a market leader in the sales and marketing of self-manufactured rechargeable battery packs for mobile phones in the PRC under its own "SCUD 飛毛腿" brand. For more information, please visit the Group's website at <http://www.scudcn.com>.

Scud Electronics is a wholly-owned subsidiary of the Company principally engaged in the manufacturing and marketing of rechargeable battery packs, chargers and other related accessories for mobile phones, notebook computers, digital cameras and other electronic appliances.

Shenzhen Nalon, is principally engaged in the research and development, manufacturing and sale of mid- to high-end lithium ion bare battery cells. Currently, Shenzhen Nalon has approximately 600 employees and has an annual production capacity of approximately 24 million pieces bare battery cells as at 31 October 2011. It is one of the relatively famous brands in China in the manufacturing of mid- to high-end lithium ion bare battery cells. As for customers, it mainly provides parts for high-end brand manufacturers of rechargeable batteries in China.

## DEFINITIONS

associate	has the meaning ascribed to it in the Listing Rules
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
Director(s)	director(s) of the Company
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
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 Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan for the purposes of this announcement
RMB	Renminbi, the lawful currency of the PRC
Scud Electronics	飛毛腿(福建)電子有限公司 (Scud (Fujian) Electronics Co., Ltd.*), a wholly foreign-owned enterprise established in the PRC on 30 September 2002 and an indirect wholly-owned subsidiary of the Company
Share(s)	ordinary share(s) in the Company with a nominal value of HK\$0.10 each
Share Sale and Purchase Agreement	the agreement entered into between the Vendor, Cao Xinggang and Scud Electronics on 23 November 2011 whereby Scud Electronics agreed to pay a total consideration of RMB40.0 million (approximately HK\$49.0 million) which would give Scud Electronics a 70% equity interest in Shenzhen Nalon after completion of this agreement

Shareholder(s)	holder(s) of the Shares
Shenzhen Nalon	深圳市朗能電池有限公司 (Shenzhen Nalon Battery Co., Ltd.*), a company established under the laws of the PRC
Stock Exchange	The Stock Exchange of Hong Kong Limited
Vendor	Shi Wei (石偉), one of the existing equity holders of Shenzhen Nalon

*For the purpose of this announcement, unless otherwise indicated, the exchange rate of HK\$1=RMB0.8170 has been used, 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 any other rates.*

By Order of the Board  
**SCUD GROUP LIMITED**  
**Fang Jin**  
*Chairman*

Hong Kong, 23 November 2011

*As at the date of this announcement, the Board comprises Messrs. Fang Jin, Guo Quan Zeng, Zhang Li and Ms. Huang Yan being the executive Directors, Dr. Loke Yu, Mr. Wang Jing Zhong and Mr. Wang Jian Zhang being the independent non-executive Directors.*

\* *For identification only*