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(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 01399)

PROFIT WARNING

This announcement is made pursuant to Rule 13.09(1) of the Listing Rules.

The Board wishes to inform the shareholders of the Company and potential investors that the Group is expected to report a consolidated loss for the year ending 31 December 2012 as compared to a consolidated profit for the year ended 31 December 2011.

The information in this announcement is based on the management's preliminary assessment of the currently available unaudited management accounts of the Group, which has not been reviewed nor audited by the independent external auditors of the Company.

Shareholders of the Company and potential investors are advised to exercise caution when dealing in the securities of the Company.

This announcement is made pursuant to Rule 13.09(1) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The board of directors (the "Board") of SCUD Group Limited (the "Company", together with its subsidiaries, the "Group") wishes to inform the shareholders of the Company and potential investors that based on the management's preliminary assessment of the unaudited management accounts currently available, the Group is expected to report a consolidated loss for the year ending 31 December 2012 as compared to a consolidated profit the results for the year ended 31 December 2011. The main factor contributing to this loss is a significant decrease in sales revenue relating to products sold under the Group's own brand.

The increasing popularity of smartphones and various mobile devices in recent years have resulted in a revolutionary change of the mobile phone industry landscape and significantly reduced the industry-wide demand for traditional mobile phones and its accessories such as traditional replaceable backup

batteries for mobile phones (“Replaceable Backup Batteries”). While the increased functionality of the smartphones means a significant increase in battery power consumption, the industry trend is for users of smartphones of certain popular brands to rely on external rechargeable batteries (“Portable Power Supply Kits”) as the circuitry for the battery system is inbuilt. In addition, compared to Replaceable Backup Batteries, Portable Power Supply Kits are multi-device products with competitive edges such as greater product versatility and capacity, thereby inevitably and gradually replacing Replaceable Backup Batteries for mobile phones. Whilst this trend has been noticeable for some time, the demand for the Group’s products, especially its own brand replaceable batteries for mobile phones, has decreased at a faster rate than the Group anticipated. Against this background, the Group expects to report a consolidated loss for the year ending 31 December 2012 as compared to a consolidated profit for the year ended 31 December 2011.

In the past, capitalising on vertical integration to expand its business scale and improve its edge in cost were the Group’s primary competitive strategies for its branded business. Now, facing the change in the mobile phone industry landscape, the Group will adapt to the market changes by adjusting its development strategies in the following four key areas:

Restructuring its Product Lines

The Group will continue to adjust its product portfolio to accommodate structural changes in the mobile phone industry and develop more battery products and accessories for smartphones. The Group will tap on its brand strength to expand its product lines and roll out diversified mobile phone accessories, including Portable Power Supply Kits and high-end chargers, in a bid to secure future growth in sales and profit and its position in the branded product market.

Restructuring its Sale Network

The Group plans to restructure the sales network of the SCUD brand and the Chaolitong brand in mainland China and gradually scale down traditional sales channels. The Group will proactively develop other sale channels and seek a diversification of sales channels so that traditional and modern sales distribution channels will be complement each other. Management believes that online shops have unique marketing strengths and market potential and will take up sale volumes from some traditional sales outlets. The Group will proactively promote online marketing with a view to delivering products to customers in the most efficient manner.

Proactively Expand its Original Equipment Manufacturing (“OEM”)Business

The Group will re-position its operating strategies and proactively seek new customers in the OEM business in a bid to secure stable income sources, and gradually seek investment opportunities with more promising potential for its branded business. Management believes that by leveraging on the reputation and the excellent quality of the SCUD brand in the industry, the Group will gain opportunities to cooperate with more internationally renowned mobile phone manufacturers, so that the OEM business will continue to be the momentum for its growth.

Proactively Explore Up-stream Business

In recent years, the Group has continued to invest in the up-stream bare lithium battery cell business and has consolidated core competencies in core production techniques in the mobile phone battery. This facilitates consolidation of its existing business of mobile phone battery production. On the other hand, the Group has so far accumulated several technical results in lithium battery packs application through continuous strengthening of its R&D, which enables the Group to seek investment opportunities with promising future potential. In the long run, the extension of applications of core production techniques from mobile phones into other areas will be of vital importance to the sustainable growth of the Group.

The information in this announcement is based on the management's preliminary assessment of the currently available unaudited management accounts of the Group, which has not been reviewed nor audited by the independent external auditors of the Company. Further details of the Group's performance will be disclosed in the annual results for the year ending 31 December 2012 to be published by the Group.

Shareholders of the Company and potential investors are advised to exercise caution when dealing in the securities of the Company.

By Order of the Board
SCUD GROUP LIMITED
Fang Jin
Chairman

Hong Kong, 13 November 2012

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

* *For identification purpose only*