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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)

CONNECTED TRANSACTION

The Board wishes to announce that on 5 December 2014, Shenzhen Hongde, an indirect non-wholly-owned subsidiary of the Company as vendor entered into the Agreement with Mr. Fang, our Director and controlling Shareholder, as purchaser.

Pursuant to the Agreement, Shenzhen Hongde agreed to sell and Mr. Fang agreed to purchase 100% equity interest in Hongde New Energy for a total consideration of RMB6,000,000 (equivalent to approximately HK\$7,578,150).

As Mr. Fang is our Director and controlling Shareholder, he is a connected person of the Company under the Listing Rules and the disposal under the Agreement therefore constitutes a connected transaction of the Company. As the relevant applicable percentage ratios in respect of the disposal under the Agreement exceed 0.1% but do not exceed 5%, the disposal under the Agreement is exempt from the independent Shareholders' approval requirement, but is subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules.

Reference is made to the announcement issued by the Company on 24 October 2014 in relation to, among other things, the termination of the share sale and purchase agreement entered into between Scud Electronics as vendor and Mr. Fang as purchaser on 13 June 2014, whereby Scud Electronics agreed to sell and Mr. Fang agreed to purchase 70% equity interest in Shenzhen Nalon and 60% equity interest in Shenzhen Hongde.

INTRODUCTION

On 5 December 2014, Shenzhen Hongde, an indirect non-wholly-owned subsidiary of the Company, as vendor entered into the Agreement with Mr. Fang, our Director and controlling Shareholder, as purchaser. Pursuant to the Agreement, Shenzhen Hongde agreed to sell and Mr. Fang agreed to purchase 100% equity interest in Hongde New Energy for a total consideration of RMB6,000,000 (equivalent to approximately HK\$7,578,150).

AGREEMENT

Date: 5 December 2014

Parties: (i) Shenzhen Hongde, an indirect non-wholly-owned subsidiary of the Company, as the vendor

(ii) Mr. Fang, our Director and controlling Shareholder holding approximately 43.56% of the Company (as at the date of this announcement and, upon completion of the Subscription Agreement as announced by the Company on 2 December 2014, will be restored to approximately 46.56%), as the purchaser

Consideration: RMB6,000,000 (equivalent to approximately HK\$7,578,150)

Payment: Pursuant to the terms of the Agreement, the total consideration payable by Mr. Fang is RMB6,000,000 (equivalent to approximately HK\$7,578,150) which shall be paid within 30 days from the date of registration of such transfer with PRC regulatory authorities.

The total consideration under the Agreement was arrived at after arm's length negotiations between the parties based on the unaudited net asset value of Hongde New Energy as at 30 September 2014, which is RMB5,227,079 (equivalent to approximately HK\$6,601,931).

Upon completion of the Agreement, Hongde New Energy will cease to be an indirect subsidiary of the Company. Completion is subject to, among other things, Shenzhen Hongde obtaining all consent and approvals on the Agreement and the transactions contemplated thereunder.

Mr. Fang has also undertaken that for so long as he is the sole shareholder of Hongde New Energy, he will procure that it will not compete with the Group's business from time to time in the PRC. In the event that a business opportunity arises which may result in Hongde New Energy possibly competing with the Group, Mr. Fang will procure that such opportunity shall be first offered to the Group. Only if the independent non-executive Directors agree that it is not in the interest of the Company to pursue such opportunity would Hongde New Energy be permitted to proceed with or to pursue such business opportunity.

Based on the consideration of RMB6,000,000 (equivalent to approximately HK\$7,578,150) and the unaudited net asset value of Hongde New Energy as at 30 September 2014, the transaction is expected to give rise to a profit attributable to the Company of approximately RMB463,753 (equivalent to approximately HK\$585,731) (taking into account the 60% attributable interest of the Group in Hongde New Energy as at the date of this announcement). The actual gain or loss from the transaction to be recorded by the Company is expected to be different to the above as it will depend on the financial position of Hongde New Energy as at the date of completion of the Agreement.

The Company intends to use the net proceeds from the completion of the Agreement for general working capital purposes.

For the period commencing from its date of establishment on 14 August 2013 to 31 December 2013, in accordance with IFRS, Hongde New Energy recorded losses before and after tax and extraordinary items of approximately RMB1,760,174 (equivalent to approximately HK\$2,223,144).

REASONS FOR AND BENEFITS OF ENTERING INTO THE AGREEMENT

As announced by the Company on 24 October 2014, in light of the termination of the share sale and purchase agreement in connection with, amongst other things, the sale of 60% equity interest in Shenzhen Hongde to Mr. Fang, the Company would consider opportunities to restructure the Shengzhen Hongde Group, including the disposal of part of Shenzhen Hongde Group to Mr. Fang. Given Hongde New Energy is currently loss making and going forward is expected to require further funding to improve its business, the disposal under the Agreement is expected reduce the Group's operating losses, thus improving the Group's operating results and increasing its working capital.

The terms of the Agreement were arrived at after arm's length negotiations between the parties. The Directors (including the independent non-executive Directors) are of the view that the terms of the Agreement are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole (although not in the ordinary and usual course of business of the Group). Mr. Fang has abstained from voting in view of him being the purchaser in this transaction. Save as disclosed above, none of the Directors has any material interests in the disposal under the Agreement.

LISTING RULES IMPLICATIONS

As our Director and controlling Shareholder, Mr. Fang is a connected person of the Company under the Listing Rules. Therefore, the disposal under the Agreement constitutes a connected transaction of the Company. As the relevant applicable percentage ratios in respect of the disposal under the Agreement exceed 0.1% but do not exceed 5%, the disposal under the Agreement is exempt from the independent Shareholders' approval requirement, but is subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules.

As at the date of this announcement, there are ongoing transactions between the Group and Hongde New Energy in connection with the sale and purchase of lithium-ion battery cells. Upon completion of the Agreement, Hongde New Energy will, as a wholly-owned company of Mr. Fang, become a connected person and the Company shall comply with the applicable Listing Rules in respect of its transactions with Hongde New Energy as and when required.

INFORMATION ON THE PARTIES

The Group's principal businesses comprise its ODM business which mainly supplies lithium-ion battery modules to manufacturers of well-known telecommunication brands at home and abroad, and the Group's market leading business on self-manufactured rechargeable battery modules 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.scudgroup.com>.

Shenzhen Hongde is an indirect non-wholly-owned subsidiary of the Company. It is principally engaged in the research and development, production and sale of lithium-ion bare battery cells.

Hongde New Energy is principally engaged in manufacturing and sale of lithium-ion battery cells.

DEFINITIONS

"Agreement"	the share sale and purchase agreement entered into between Shenzhen Hongde as vendor and Mr. Fang as purchaser on 5 December 2014 whereby Mr. Fang agreed to pay a total consideration of RMB6,000,000 (equivalent to approximately HK\$7,578,150) which would give Mr. Fang a 100% equity interest in Hongde New Energy after completion of this agreement
"associate(s)"	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
"Dongguan Hongde"	東莞市鴻德電池有限公司 (Dongguan Hongde Battery Co., Ltd.*), a company established under the laws of the PRC and a directly wholly-owned subsidiary of Shenzhen Hongde

“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hongde New Energy”	鴻德新能源科技有限公司 (Hongde New Energy Technology Co., Ltd.*), a company established under the laws of the PRC and a directly wholly-owned subsidiary of Shenzhen Hongde
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Fang”	Mr. Fang Jin, an executive Director and a controlling Shareholder currently holding approximately 43.56% of the issue share capital of the Company
“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 31 October 1997 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
“Shareholder(s)”	holder(s) of the Shares
“Shenzhen Hongde”	深圳市鴻德電池有限公司 (Shenzhen Hongde Battery Co., Ltd.*), a company established under the laws of the PRC and an indirect non-wholly-owned subsidiary of the Company
“Shenzhen Hongde Group”	Shenzhen Hongde and its subsidiaries, including Hongde New Energy and Dongguan Hongde
“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

For the purpose of this announcement, unless otherwise indicated, the exchange rate of HK\$1=RMB0.79175 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 all.

By Order of the Board
SCUD GROUP LIMITED
Fang Jin
Chairman

Hong Kong, 5 December 2014

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 purposes only*