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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)

**MAJOR TRANSACTION
DISPOSAL OF THE ENTIRE INTEREST OF
A WHOLLY-OWNED SUBSIDIARY**

The Board is pleased to announce that on 25 March 2015, Keen Power, an indirect wholly-owned subsidiary of the Company, and the Purchaser entered into the Agreement pursuant to which Keen Power has agreed to sell and the Purchaser has agreed to acquire the 100% equity interest in SCUD Battery, representing the majority of the Group's business on manufacture and sale of battery modules for mobile phones in the PRC under its own "SCUD 飛毛腿" brand. Upon completion of the Disposal, the trademarks relevant to the "SCUD 飛毛腿" brand will be retained by the Group and the Group will then be predominantly engaged in the ODM business. The consideration for the disposal of such Sale Shares is RMB255,300,000 (equivalent to approximately HK\$322,418,000).

As one or more of the applicable percentage ratios in respect of the Disposal and the ongoing guarantees as set out below in the this announcement together exceeds 25% but less than 75%, the transactions contemplated under the Agreement constitute a major transaction for the Company under Chapter 14 of the Listing Rules, which is subject to reporting, announcement and shareholders' approval requirement.

To the best of the knowledge, information and belief of the Directors, after having made all reasonable enquiries, no Shareholders or any of their respective associates have any material interest in the Disposal. As such, no Shareholders would be required to abstain from voting in favour of the resolution approving the Disposal and the ongoing guarantees at the EGM.

* For identification purpose only

A circular containing (i) further details of the Agreement and the Disposal; (ii) a notice convening the EGM and (iii) other information required to be disclosed under the Listing Rules will be despatched to the Shareholders as soon as practicable. The circular is currently expected to be despatched to the Shareholders on or before 20 April 2015.

Shareholders and potential investors of the Company should be aware that completion of the Disposal is subject to the satisfaction (or waiver where applicable) of various conditions and therefore completion of the Disposal may or may not take place. Shareholders and potential investors of the Company should exercise caution when dealing in the securities of the Company.

The Board is pleased to announce that on 25 March 2015, Keen Power, an indirect wholly-owned subsidiary of the Company, and the Purchaser entered into the Agreement pursuant to which Keen Power has agreed to sell and the Purchaser has agreed to acquire the Sale Shares at a consideration of RMB255,300,000 (equivalent to approximately HK\$322,418,000). The SCUD Battery Group represents the majority of the Group's business on manufacture and sale of battery modules for mobile phones in the PRC under the "SCUD 飛毛腿" brand. Upon completion of the Disposal, the trademarks relevant to the "SCUD 飛毛腿" brand will be retained by the Group and the Group will then be predominantly engaged in the ODM business. Further, the Group will cease to have any equity interest in the SCUD Battery Group and each member of the SCUD Battery Group would cease to be a wholly-owned subsidiary of the Company upon completion of the Disposal.

PRINCIPAL TERMS OF THE AGREEMENT

Date:	25 March 2015
Parties:	<p>(i) Seller: Keen Power, an indirect wholly-owned subsidiary of the Company</p> <p>(ii) Purchaser: 大地(中國)控股有限公司(Dadi (China) Holding Company Limited*), which is principally engaged in investment holdings. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the Purchaser and its ultimate beneficial owner are Independent Third Parties</p>
Subject matter:	Keen Power agreed to sell and the Purchaser agreed to buy the Sale Shares
Sale Shares:	The 100% equity interest in SCUD Battery

Consideration: The total consideration for the sale of Sale Shares is RMB255,300,000 (equivalent to approximately HK\$322,418,000). The Consideration was determined after arm's length negotiations with the Purchaser having regard to (i) the unaudited consolidated net asset value of the SCUD Battery Group of approximately RMB343,046,000 (equivalent to approximately HK\$433,232,000) as at 31 December 2014; (ii) the total paid up registered capital of the SCUD Battery Group companies and (iii) the business prospect of the SCUD Battery Group.

Payment Terms: The Consideration shall be payable by the Purchaser to Keen Power (in cash) as follows:

- (a) a refundable deposit of RMB10,000,000 (equivalent to approximately HK\$12,629,000) shall be paid within 3 days from the date of the Agreement; and
- (b) the balance of RMB245,300,000 (equivalent to approximately HK\$309,789,000) shall be paid within 7 days from the Completion Date.

Conditions Precedent: The sale and purchase of the Sale Shares is conditional upon the satisfaction (or waiver) of the following conditions precedent:

- (a) Keen Power having obtained all necessary approvals and consents in connection with the transactions contemplated under the Agreement (including but not limited to shareholders' approval as required by the Listing Rules); and
- (b) applications for the transfer of trademarks owned by SCUD Battery to such persons designated by Keen Power having been filed with relevant authorities.

Completion: Completion shall take place when all the conditions precedent are satisfied or waived (as the case may be) but in any event no later than 30 September 2015 or such later date as agreed in writing between the Purchaser and Keen Power.

In the event the conditions precedent set out above is/are not fulfilled and the Disposal is not completed by 30 September 2015, Keen Power has the unilateral right to terminate the Agreement (without liability) and refund the deposit (without interest) to the Purchaser.

Ongoing Guarantees: As at 31 December 2014, SCUD Battery had outstanding bank loans of approximately RMB52,704,000 (equivalent to approximately HK\$66,560,000). The Group has provided guarantees for obligations of SCUD Battery up to a maximum amount of RMB319,000,000 (equivalent to approximately HK\$402,864,000). In the ordinary course commercial banks often require comfort on repayment obligations in the form of guarantees which is in excess of the actual loan amount and, in some cases, for such period covering one to two years after repayment of the relevant loan. Accordingly the above guarantees will continue after the Completion Date and remain in place for up to two years from the repayment date of the last of the existing outstanding loans (which is currently expected to be repaid by December 2015). The Purchaser has undertaken to indemnify the Group on any and all claims in connection with such loans which the Group may become liable to pursuant to such guarantees.

SCUD Battery has also provided guarantees of up to approximately RMB989,750,000 (equivalent to approximately HK\$1,249,953,000) to other members of the Group for their borrowings. Such other Group members' bank loans amounted to approximately RMB296,000,000 (equivalent to approximately HK\$373,818,000) as at 31 December 2014. The Purchaser has undertaken that it will not terminate such guarantees prior to the satisfaction of the corresponding repayment obligations of the Group.

Trademark Licence: A condition of completion is the filing of application for transfers of certain trademarks, including “SCUD飛毛腿”. The transfers are expected to take some time and such trademarks are not part of the assets sold. The Group is expected to give SCUD Battery a non-exclusive right to use the trademark “SCUD飛毛腿”. The use of such trademark shall be subject to a trademark licence agreement to be entered into at the relevant time.

REASONS FOR AND BENEFITS OF THE DISPOSAL

The Group's focus on its more profitable original design manufacturing (“ODM”) business segment has had considerable success in recent years and the Board is of the view that the Disposal not only presents a good opportunity for the Group to realise its investments in the SCUD Battery Group, but it also allows the Group to focus its resources on the more profitable and growing ODM business. The Disposal is also in line with the Group's continuous efforts to optimize the Group's business model in order to maximize potential return for its shareholders. The Disposal will also enable the Group to free up capital for its operations and any potential new investment opportunities that might arise in the future.

Taking into account of the above factors, the Directors consider that the terms of the Agreement are fair and reasonable and in the interests of the Company and its shareholders as a whole.

FINANCIAL IMPACT OF THE DISPOSAL AND INTENDED USE OF PROCEEDS

It is estimated that, upon completion of the Disposal, the Group will record a loss on disposal of approximately RMB87,746,000 (equivalent to approximately HK\$110,814,000). Such loss is estimated based on the difference between the Sale Shares of RMB255,300,000 (equivalent to approximately HK\$322,418,000) and the unaudited net asset value of SCUD Battery Group as at 31 December 2014 of approximately RMB343,046,000 (equivalent to approximately HK\$433,232,000). The final amount of the loss on disposal may be different to the above estimate depending on the unaudited consolidated net asset value of SCUD Battery Group as at the Completion Date.

Based on unaudited financial information of the Group as at 31 December 2014, the unaudited consolidated net asset value of the Group immediately after completion of the Disposal is expected to be approximately RMB980,000,000 (equivalent to approximately HK\$1,237,639,000).

The Board intends to use the net proceeds arising from the Disposal as general working capital and reserve for any future possible investment opportunities.

INFORMATION ON SCUD BATTERY

SCUD Battery is a company established under the laws of the PRC with limited liability and an investment holding company. The SCUD Battery Group is principally engaged in the manufacture and sale of lithium-ion battery modules, power banks and related accessories for mobile phone and digital electronic appliances. Both Fujian Green Energy and Fujian SCUD New Energy, the wholly-owned subsidiaries of SCUD Battery, have not yet commenced operations, whilst Fuzhou Thousand Island, a wholly-owned subsidiary of SCUD Battery, is in the process of deregistration. The SCUD Battery Group also holds one piece of land in Fuzhou, China with total gross floor area of approximately 64,182 square meters and with a factory built on it.

Set out below is the unaudited consolidated financial information of the SCUD Battery Group for the year ended 31 December 2013 and year ended 31 December 2014 prepared in accordance with International Financial Reporting Standards:

	For the financial year ended 31 December	
	2014	2013
	<i>RMB million</i>	<i>RMB million</i>
Net profit before taxation and extraordinary items	40	49
Net profit after taxation and extraordinary items	22	40

For the financial year ended 31 December

2014

2013

RMB million

RMB million

Net asset value	343	419
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As at 31 December 2014, the SCUD Battery Group had an unaudited consolidated net asset value of approximately RMB343,046,000 (equivalent to approximately HK\$433,232,000).

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios in respect of the Disposal and the ongoing guarantees provided by the Group together exceeds 25% but less than 75%, the transactions contemplated under the Agreement constitute a major transaction for the Company under Chapter 14 of the Listing Rules, which is subject to the reporting, announcement and shareholders' approval requirement.

To the best of the knowledge, information and belief of the Directors, after having made all reasonable enquiries, no Shareholders or any of their respective associates have any material interest in the Disposal. As such, no Shareholders would be required to abstain from voting in favour of the resolution approving the Disposal at the EGM.

A circular containing (i) further details of the Agreement and the Disposal; (ii) a notice convening the EGM and (iii) other information required to be disclosed under the Listing Rules will be despatched to the Shareholders as soon as practicable. The circular is currently expected to be despatched to the Shareholders on or before 20 April 2015.

GENERAL

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 (prior to completion of the Disposal) the business on manufacture and sale of 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>.

Shareholders and potential investors of the Company should be aware that Completion of the Disposal is subject to the satisfaction (or waiver, where applicable) of various conditions and therefore completion of the Disposal may or may not take place. Shareholders and potential investors of the Company should exercise caution when dealing in the securities of the Company

DEFINITIONS

In this announcement, the following expressions shall have the respective meanings set opposite thereto:

“Agreement”	the sale and purchase agreement dated 25 March 2015 and entered into between Keen Power as the seller and the Purchaser as the purchaser in respect of the Disposal
“associate”	has the meaning ascribed to it under 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
“Completion Date”	the day when all the conditions precedent are satisfied or waived (as the case may be) but in any event no later than 30 September 2015 or such other date as may be agreed by Keen Power and the Purchaser
“Connected person”	has the meaning ascribed to it under the Listing Rules
“Consideration”	the amount payable by the Purchaser to Keen Power for the sale and purchase of the Sale Shares, which shall be RMB255,300,000 (equivalent to approximately HK\$322,418,000)
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of the Sale Shares pursuant to the terms of the Agreement
“EGM”	the extraordinary general meeting of the Company to be convened for the purpose of considering and, if thought fit, approving the Agreement and the transactions contemplated thereunder
“Fujian Green Energy”	福建綠動能源有限公司 (Fujian Green Energy Co., Ltd.*), a company established under the laws of the PRC with limited liability and which is a direct wholly-owned subsidiary of SCUD Battery

“Fujian SCUD New Energy”	福建飛毛腿新能源有限公司 (Fujian SCUD New Energy Co., Ltd.*), a company established under the laws of the PRC with limited liability and which is an indirect wholly-owned subsidiary of SCUD Battery
“Fuzhou Thousand Island”	福州千島電子有限公司 (Fuzhou Thousand Island Electronics Co., Ltd.*), a company established under the laws of the PRC with limited liability and which is an indirect wholly-owned subsidiary of SCUD Battery
“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Independent Third Party(ies)”	an entity or person who is independent of the Company and connected persons of the Company
“Keen Power”	Keen Power Holdings Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly owned subsidiary of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China and, for the purpose of this announcement, shall exclude Hong Kong, the Macau Special Administrative Region and Taiwan
“Purchaser”	大地(中國)控股有限公司(Dadi (China) Holding Company Limited*), a company established in the PRC with limited liability and an Independent Third Party
“Sale Shares”	the 100% equity interest in SCUD Battery
“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 Battery Group”	SCUD Battery and its subsidiaries, including Fujian Green Energy, Fujian SCUD New Energy and Fuzhou Thousand Island

* For identification purpose only

“Shareholder(s)”	holders of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent

For the purpose of this announcement, unless otherwise indicated, the exchange rate of HK\$1=RMB0.79183 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, 25 March 2015

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.