SCUD GROUP LIMITED
飛毛腿集團有限公司*

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 01399)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2010

INTERIM RESULTS HIGHLIGHTS

	Six months ended 30 June	
	2010	2009
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Turnover	**745,921**	587,994
Profit from Operations	**45,822**	17,101
Profit Attributable to Equity Holders of the Company	**39,713**	16,428
Earnings per share		
Basic (RMB cents)	**3.85**	1.60
Diluted (RMB cents)	**3.81**	1.58
Current ratio (times)	**3.1**	4.0
Cash position	**524,925**	478,454
Cash flows from Operations	**40,328**	73,805

INTERIM RESULTS

The board ("Board") of directors ("Directors") of SCUD Group Limited (the "Company") is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (together the "Group") for the six months ended 30 June 2010 (the "Review Period"), together with the comparative figures for the corresponding period of 2009 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2010

		Six months ended 30 June	
		2010	2009
	Note	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
Turnover	*4*	**745,921**	587,994
Cost of sales		**(602,889)**	(482,430)
Gross profit		**143,032**	105,564
Other revenue		**7,792**	3,330
Selling and distribution expenses		**(39,587)**	(35,317)
Administrative expenses		**(65,330)**	(56,401)
Other operating expenses		**(85)**	(75)
Profit from operations	*5*	**45,822**	17,101
Finance costs		**(604)**	(120)
Profit before taxation		**45,218**	16,981
Taxation	*6*	**(8,709)**	(4,540)
Profit for the period		**36,509**	12,441
Attributable to:			
Equity holders of the Company		**39,713**	16,428
Non-controlling interests		**(3,204)**	(3,987)
		36,509	12,441
Dividends	*7*	**–**	–
Earnings per share			
– basic (RMB cents)	*8*	**3.85**	1.60
– diluted (RMB cents)	*8*	**3.81**	1.58

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 30 June 2010

	Six months ended 30 June	
	2010	2009
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Profit for the period	**36,509**	12,441
Other comprehensive income for the period		
Exchange differences arising on translation of the financial statements of foreign subsidiaries	**(924)**	(62)
Total comprehensive income for the period	**35,585**	12,379
Total comprehensive income attributable to:		
Equity holders of the Company	**38,291**	16,361
Non-controlling interests	**(2,706)**	(3,982)
	35,585	12,379

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2010

	Note	**30 June 2010 RMB'000 (Unaudited)**	31 December 2009 RMB'000 (Audited) (restated)
Non-current assets			
Property, plant and equipment	*9*	**258,807**	270,133
Intangible assets	*10*	**164,649**	187,577
Deferred tax assets		**610**	572
		424,066	458,282
Current assets			
Due from a related party		**1,191**	2,335
Inventories		**267,009**	159,117
Trade and notes receivables	*11*	**347,678**	278,238
Prepayments, deposits and other receivables		**134,101**	111,726
Current tax recoverable		**2**	7,146
Pledged bank deposits		**110,276**	90,911
Bank balances and cash		**414,649**	390,884
		1,274,906	1,040,357
Current liabilities			
Trade and notes payables	*12*	**315,216**	198,777
Provision for warranty		**4,318**	4,166
Other payables, receipts in advance and accrued charges		**49,610**	43,959
Current tax payable		**2,766**	1,187
Bank loans – current portion	*13*	**35,796**	10,444
		407,706	258,533
Net current assets		**867,200**	781,824
Total assets less current liabilities		**1,291,266**	1,240,106

	Note	**30 June 2010**	31 December 2009
		RMB'000	*RMB'000*
		(Unaudited)	(Audited) (restated)
Capital and reserves			
Share capital	*14*	**103,014**	103,014
Reserves		**1,073,465**	1,053,180
Equity attributable to equity holders of the Company		**1,176,479**	1,156,194
Non-controlling interests		**102,497**	81,938
Total equity		**1,278,976**	1,238,132
Non-current liabilities			
Bank loans – non-current portion	*13*	**10,000**	74
Deferred tax liabilities		**2,290**	1,900
		12,290	1,974
Total equity and non-current liabilities		**1,291,266**	1,240,106

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2010

	Share capital	Shares to be issued	Share premium	Capital reserve	Statutory reserve fund	Enterprise expansion fund	Translation reserve	Share option reserve	Accumulated profits	Attributable to equity holders of the Company	Non-controlling interests	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2009	102,134	32,332	567,604	186,215	61,009	30,494	(34,185)	6,341	185,900	1,137,844	82,838	1,220,682
Exchange differences arising on translation of foreign subsidiaries directly recognised in equity	–	–	–	–	–	–	(67)	–	–	(67)	5	(62)
Profit for the period	–	–	–	–	–	–	–	–	16,428	16,428	(3,987)	12,441
Total comprehensive income/(loss) for the period	–	–	–	–	–	–	(67)	–	16,428	16,361	(3,982)	12,379
Dividends paid	–	–	–	–	–	–	–	–	(18,195)	(18,195)	–	(18,195)
Shares issued on acquisition of Chaolitong	880	(10,459)	9,511	–	–	–	–	–	–	(68)	–	(68)
Appropriations	–	–	–	–	5,187	–	–	–	(5,187)	–	–	–
Recognition of equity-settled share-based payments	–	–	–	–	–	–	–	727	–	727	–	727
At 30 June 2009	103,014	21,873	577,115	186,215	66,196	30,494	(34,252)	7,068	178,946	1,136,669	78,856	1,215,525
Exchange differences arising on translation of foreign subsidiaries directly recognised in equity	–	–	–	–	–	–	(198)	–	–	(198)	13	(185)
Profit for the period	–	–	–	–	–	–	–	–	30,409	30,409	3,069	33,478
Total comprehensive income/(loss) for the period	–	–	–	–	–	–	(198)	–	30,409	30,211	3,082	33,293
Subsequent adjustment on contingent consideration on acquisition of Chaolitong	–	(11,414)	–	–	–	–	–	–	–	(11,414)	–	(11,414)
Share options lapsed in 2009	–	–	–	–	–	–	–	(2,937)	2,937	–	–	–
Appropriations	–	–	–	–	8,140	6,664	–	–	(14,804)	–	–	–
Recognition of equity-settled share-based payments	–	–	–	–	–	–	–	728	–	728	–	728
At 31 December 2009	103,014	10,459	577,115	186,215	74,336	37,158	(34,450)	4,859	197,488	1,156,194	81,938	1,238,132
Exchange differences arising on translation of foreign subsidiaries directly recognised in equity	–	–	–	–	–	–	(1,422)	–	–	(1,422)	498	(924)
Profit for the period	–	–	–	–	–	–	–	–	39,713	39,713	(3,204)	36,509
Total comprehensive income/(loss) for the period	–	–	–	–	–	–	(1,422)	–	39,713	38,291	(2,706)	35,585
Dividends paid	–	–	–	–	–	–	–	–	(18,006)	(18,006)	–	(18,006)
Non-controlling interest arising from acquisition of a subsidiary	–	–	–	–	–	–	–	–	–	–	23,265	23,265
At 30 June 2010	**103,014**	**10,459**	**577,115**	**186,215**	**74,336**	**37,158**	**(35,872)**	**4,859**	**219,195**	**1,176,479**	**102,497**	**1,278,976**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

For the six months ended 30 June 2010

	Note	Six months ended 30 June 2010 RMB'000 (Unaudited)	2009 RMB'000 (Unaudited)
Net cash from operating activities		**40,328**	73,805
Net cash used in investing activities:			
Purchase of property, plant and equipment		**(11,297)**	(61,138)
Increase in pledged bank deposits		**(19,365)**	(20,993)
Acquisition of a subsidiary, net of cash acquired	*15*	**2,725**	–
Other investing activities		**1,524**	2,644
		(26,413)	(79,487)
Net cash from financing activities:			
Repayment of bank loans		**(12,222)**	(7,057)
Other financing activities		**–**	(2,427)
Bank loans raised		**41,000**	33,832
Dividends paid		**(18,006)**	(18,195)
		10,772	6,153
Net increase in cash and cash equivalents		**24,687**	471
Cash and cash equivalents at beginning of the period		**390,884**	351,176
Effect of foreign exchange rate changes		**(922)**	(128)
Cash and cash equivalents at end of the period, representing bank balances and cash		**414,649**	351,519

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2010

1. GENERAL INFORMATION

The Company is a public limited company incorporated in the Cayman Islands on 20 July 2006 as an exempted company and its shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 21 December 2006. The Group is principally engaged in the manufacture and sale of rechargeable battery packs and related accessories for mobile phones, notebook computers, digital cameras and other electronic appliances. The Group is also engaged in the manufacture and sale of bare battery cells for mobile phones.

2. BASIS OF PREPARATION

The condensed consolidated financial statements for the six months ended 30 June 2010 (the "Financial Statements") have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange and with International Accounting Standard 34 "Interim Financial Reporting" issued by International Accounting Standards Board.

3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis.

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2009, except as described below.

IFRS 1 (Revised)	First-time Adoption of International Financial Reporting Standards
IFRS 1 Amendments	Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards – Additional Exemptions for First-time Adopters
IFRS 2 Amendments	Amendments to IFRS 2 Share-based Payment – Group Cash-settled Share-based Payment Transactions
IFRS 3 (Revised)	Business Combinations
IAS 27 (Revised)	Consolidated and Separate Financial Statements
IAS 39 Amendment	Amendment to IAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items
IFRIC-Int 17	Distributions of Non-cash Assets to Owners
Amendments to IFRS 5 included in Improvements to IFRSs issued in October 2008	Amendments to IFRS 5 Non-current Assets Held for Sale and Discontinued Operations – Plan to Sell the Controlling Interest in a Subsidiary

Other than as further explained below regarding the impact of IFRS 3 (Revised) and IAS 17 (Amendments), the adoption of these new and revised International Financial Reporting Standards has had no material effect impact on the accounting policies of the Group and the methods of computation in the Group's financial statements in the current period or prior periods.

i) IFRS 3 (Revised), 'Business Combinations' and consequential amendments to IAS 27 'Consolidated and Separate Financial Statements', IAS 28 'Investments in Associates', and IAS 31 'Interests in Joint Ventures' are effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009.

The revised standard continues to apply the acquisition method to business combinations but with some significant changes compared with IFRS 3. For example, all payments to purchase a business are recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs are expensed.

As the Group has adopted IFRS 3 (Revised), it is required to adopt IAS 27 (Revised), 'Consolidated and Separate Financial Statements' at the same time. IAS 27 (Revised) requires the effects of all transactions with non-controlling interests to be recorded in equity if here is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured at fair value, and a gain or loss is recognised in profit or loss. There has been no impact of IAS 27 (Revised) on the current period, as none of the non-controlling interests have a deficit balance. There have been no transactions whereby an interest in an entity is retained after the loss of control of that entity; there have been no transactions with non-controlling interests.

ii) IAS 17 (Amendment) 'Leases' is effective for periods beginning on or after 1 January 2010. The amendment removes the specific guidance on the classification of long-term leases of land as operating lease. When classifying land leases, the general principles applicable to the classification of leases should be applied. The classification of land leases has to be reassessed on adoption of the amendment on the basis of information existing at inception of the leases. The Group has applied IAS 17 (Amendment) from 1 January 2010. The Group's management has reassessed the existing land leases classification by referring to the general principles set out in the standard, and concluded that such arrangement has substantially transferred all risks and rewards incidental to ownership of the leased land to the Group notwithstanding that at the end of the lease term, title will not be passed to the Group. As a result, prepaid lease payment of the Group has been reclassified to property, plant and equipment and amortisation of prepaid lease payment has been reclassified to depreciation retrospectively. Such reclassification had no effect on the results and the financial position of the Group.

As a result of the adoption of this amendment by the Group which has resulted in the retrospective application of an accounting policy and reclassification of certain items in the consolidated financial statements, in accordance with IAS 1 (Revised) "Presentation of Financial Statements", the Group has presented an additional consolidated statement of financial position that reflect the financial position of the Group at the beginning of the earliest comparative period being presented.

The following tables disclose the adjustments that have been made in accordance with the amendment to each of the line items in the consolidated statements of financial position as previously reported as at 31 December 2008 and 31 December 2009 and in the consolidated income statement as previously reported for the period ended 30 June 2009.

Effect on statements of financial position as at 31 December 2008 and 31 December 2009

	Effect of new policy (increase/(decrease) in net assets)	
	31 December 2009	31 December 2008
	RMB'000	*RMB'000*
Non-current assets		
Property, plant and equipment	**11,985**	12,243
Prepaid lease payment – non-current portion	**(11,727)**	(11,985)
	258	258
Current assets		
Prepaid lease payment – current portion	**(258)**	(258)
Net current assets	**(258)**	(258)
Net assets	**–**	–

Effect on consolidated income statement for the six months period ended 30 June 2009

	Effect of new policy (increase/(decrease) in profit for the period)
	RMB'000
Expenses	
– Depreciation	(130)
– Amortisation of prepaid lease payment	130
Profit for the period	–

The Group has not early adopted the following new standards and interpretations that have been issued to date but are not yet effective. The Group is in the process of making an assessment of the impact of these new and revised IFRSs upon initial application.

IFRS 9	Financial Instruments
IAS 24 (Revised)	Related Party Disclosures
IAS 32 Amendment	Amendment to IAS 32 Financial Instruments: Presentation – Classification of Rights Issues
IFRIC -Int 14 Amendments	Amendments to IFRIC-Int 14 Prepayments of a Minimum Funding Requirement
IFRIC -Int 19	Extinguishing Financial Liabilities with Equity Instruments

4. SEGMENTS INFORMATION

Reportable segments

The Group is currently engaged in the business of the Group's own brands "SCUD 飛毛腿" brand "Chaolitong 超力通" brand as well as original equipment manufacturing ("OEM business"). The chief operating decision makers (i.e. the Company's Directors) review the segment information of these businesses and based on it to allocate resources to segments and to assess their performance. The Group's reportable segments are set out below:–

Own-brand "SCUD 飛毛腿" brand – Manufacture and sale of "SCUD 飛毛腿" brand rechargeable battery packs, chargers and related accessories for mobile phones, notebook computers, digital cameras and other electronic appliances.

Own-brand " Chaolitong 超力通" brand – Manufacture and sale of "Chaolitong 超力通" brand rechargeable battery packs, chargers and related accessories for mobile phones, digital cameras and other electronic appliances.

OEM – Manufacture and sale of rechargeable battery packs, chargers and related accessories for mobile phones for branded mobile phone manufacturers within and outside China by way of OEM.

Bare battery cells – Manufacture and sale of bare battery cells for mobile phones.

Others – Sales of raw materials.

Segment revenues and results about these businesses are presented as follows:

For the six months ended 30 June 2010

	Own-brand business					
	SCUD brand *RMB'000*	**Chaolitong brand** *RMB'000*	**OEM business** *RMB'000*	**Bare battery cells business** *RMB'000*	**Others** *RMB'000*	**Total** *RMB'000*
Turnover	**381,977**	**101,141**	**217,033**	**35,867**	**9,903**	**745,921**
Segment results	**40,394**	**(14,576)**	**11,363**	**9,763**	**398**	**47,342**
Unallocated income						**1,085**
Unallocated expenses						**(2,730)**
Finance costs						**(479)**
Profit before taxation						**45,218**
Taxation						**(8,709)**
Profit for the period						**36,509**

For the six months ended 30 June 2009

	Own-brand business					
	SCUD brand *RMB'000*	Chaolitong brand *RMB'000*	OEM business *RMB'000*	Bare battery cells business *RMB'000*	Others *RMB'000*	Total *RMB'000*
Turnover	341,579	74,897	134,503	N/A	37,015	587,994
Segment results	37,825	3,299	(4,049)	N/A	46	37,121
Unallocated income						1,183
Unallocated expenses						(21,203)
Finance costs						(120)
Profit before taxation						16,981
Taxation						(4,540)
Profit for the period						12,441

Geographical information

Analysis of the Group's turnover and results as well as analysis of the Group's carrying amount of each relevant segment's assets and additions to property, plant and equipment and intangibles by geographical market have not been presented as they are substantially generated from or situated in the People's Republic of China (the "PRC").

5. PROFIT FROM OPERATIONS

	Six months ended 30 June	
	2010	2009
	RMB'000	*RMB'000*
		(restated)
Profit from operations is arrived at after charging (crediting):		
Operating lease rentals – office premises	**5,675**	4,771
Depreciation of property, plant and equipment	**18,934**	19,294
Amortisation:		
– sales counter decoration	**21,642**	21,895
– intangible assets	**5,184**	5,196
Impairment loss recognised on:		
– goodwill	**–**	6,200
– intangible assets	**18,217**	10,394
Gain on bargain purchase of a subsidiary	**(4,286)**	–
Impairment loss recognised on trade and notes receivables, prepayments, deposits and other receivables	**345**	450
Reversal of impairment loss recognised on trade and notes receivables, prepayments, deposits and other receivables	**(38)**	(182)
Research and development costs	**14,030**	10,762
Foreign exchange gain	**(1,018)**	(126)
Interest income	**(1,807)**	(2,612)

6. TAXATION

	Six months ended 30 June	
	2010	2009
	RMB'000	*RMB'000*
Current tax – PRC Enterprise Income Tax		
Tax for the period	**8,356**	3,640
Deferred tax	**353**	900
Taxation	**8,709**	4,540

No provision for taxation has been made by the Company as it is not subject to tax in the Cayman Islands or other jurisdictions save for the PRC where it conducts its principal business operations.

No provision for Hong Kong Profits Tax has been made as the Group's profits were neither arising in nor derived from Hong Kong during both periods, and all subsidiaries incorporated in Hong Kong incurred tax losses during the Review Period.

The provision for PRC Enterprise Income Tax is based on the estimated taxable income for PRC taxation purposes at the rate of taxation applicable for the Review Period.

7. DIVIDENDS

The board has decided not to recommend any interim dividend for the six months ended 30 June 2010 to preserve cash for the working capital requirement of the business. No interim dividend was declared for the six months ended 30 June 2009.

8. EARNINGS PER SHARE

The calculations of basic and diluted earnings per share attributable to the equity holders of the Company is based on the following data:

	Six months ended 30 June	
	2010	2009
	RMB'000	*RMB'000*
Earnings for the purpose of basic and diluted earnings per share (profit for the period attributable to the equity holders of the Company)	**39,713**	16,428

	Number of ordinary shares	
	2010	2009
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,032,001,246**	1,025,371,412
Effect of dilutive potential ordinary shares:		
– share options	**9,388,000**	7,041,000
– consideration shares to be issued for the acquisition of a subsidiary	**–**	6,629,834
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,041,389,246**	1,039,042,246

9. PROPERTY, PLANT AND EQUIPMENT

During the Review Period, the Group mainly acquired plant and machinery at a cost of approximately RMB16,897,000 (six months ended 30 June 2009: RMB185,000), electronic equipment, furniture and fixtures at a cost of approximately RMB6,424,000 (six months ended 30 June 2009: RMB1,126,000), motor vehicles at a cost of approximately RMB751,000 (six months ended 30 June 2009: RMB741,000), moulds at a cost of approximately RMB145,000 (six months ended 30 June 2009: RMB39,000), leasehold improvements at a cost of approximately RMB2,507,000 (six months ended 30 June 2009: RMB36,031,000) and additions to construction in progress of approximately RMB2,659,000 (six months ended 30 June 2009: RMB23,016,000).

10. INTANGIBLE ASSETS

Intangible assets mainly comprise goodwill, trade names and patents, distribution network and other intangible assets arising from the acquisition of a subsidiary, Chaolitong Technology Company Limited ("CLTT").

The Group carries out annual impairment tests for goodwill, trade names and patents with indefinite useful lives, or more frequently if there are indications that goodwill, trade names and patents might be impaired. Distribution network, non-compete agreements, employee contracts, domain names and software are amortised on a straight-line basis over their respective estimated useful lives.

As at 30 June 2010, goodwill arising from the acquisition with net carrying amount of approximately RMB6,190,000 (31 December 2009: RMB6,190,000) is attributable to CLTT's anticipated revenue growth, profitability, future market development and the anticipated future operating synergies from the combination. No impairment loss on goodwill (six months ended 30 June 2009: RMB6,200,000) was charged to the current period consolidated income statement.

As at 30 June 2010, the net carrying amount attributable to trade names and patents is approximately RMB77,571,000 (31 December 2009: RMB95,788,000) comprising 7 trade names and 3 patents owned by CLTT. The trade name of "Chaolitong 超力通" is a popular brand which has obtained the general recognition of consumers in rural areas and second tier and third tier cities in the PRC. During the Review Period, an impairment loss on trade names and patents of RMB18,217,000 (six months ended 30 June 2009: RMB10,394,000) was provided in the current period. The loss is included in administrative expenses in the Group's condensed consolidated income statement.

As at 30 June 2010, distribution network with net carrying amount of approximately RMB78,131,000 (31 December 2009: RMB83,015,000) represents the strong sales network of CLTT, covering second tier and third tier cities, towns and villages in the PRC. It is expected that CLTT's distribution network will offer positive growth prospect for the Group and augment the present insufficiency of the Group's distribution channels in such regions.

As at 30 June 2010, other intangible assets arising from the acquisition comprised non-compete agreements with zero net carrying amount (31 December 2009: RMB87,000), employee contracts with net carrying amount of approximately RMB12,000 (31 December 2009: RMB24,000) and domain names with net carrying amount of approximately RMB25,000 (31 December 2009: RMB37,000).

In addition, intangible assets include software with net carrying amount of approximately RMB2,721,000 as at 30 June 2010 (31 December 2009: RMB2,436,000).

The accumulated amortisation and impairment losses for intangible assets totalled approximately RMB56,266,000 as at 30 June 2010 (31 December 2009: RMB32,865,000).

CLTT contributed approximately RMB7,760,000 to the Group's profit for the Review Period (six months ended 30 June 2009: RMB8,300,000).

11. TRADE AND NOTES RECEIVABLES

	30 June 2010 *RMB'000*	31 December 2009 *RMB'000*
Trade receivables	**310,310**	265,969
Notes receivables	**41,423**	16,159
	351,733	282,128
Less: Allowance for bad and doubtful debts	**(4,055)**	(3,890)
	347,678	278,238

An aged analysis of the trade and notes receivables at the end of the reporting period, based on the invoice date and net of allowance, is as follows:–

	30 June 2010 *RMB'000*	31 December 2009 *RMB'000*
0 to 60 days	**264,259**	212,433
61 to 180 days	**70,881**	63,539
181 to 365 days	**11,674**	1,973
1 to 2 years	**849**	293
2 to 3 years	**15**	–
	347,678	278,238

The average credit period granted on sale of goods ranged from 60 to 90 days.

12. TRADE AND NOTES PAYABLES

	30 June 2010 *RMB'000*	31 December 2009 *RMB'000*
Trade payables	**107,223**	59,261
Notes payables	**207,993**	139,516
	315,216	198,777

An aged analysis of trade and notes payables at the end of the reporting period, based on the invoice date, is as follows:–

	30 June 2010 *RMB'000*	31 December 2009 *RMB'000*
0 to 60 days	**204,181**	122,255
61 to 180 days	**104,553**	61,885
181 to 365 days	**4,207**	11,700
1 to 2 years	**2,009**	2,790
2 to 3 years	**163**	147
Over 3 years	**103**	–
	315,216	198,777

Trade and notes payables principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases ranged from 30 to 60 days.

13. BANK LOANS

	30 June 2010 *RMB'000*	31 December 2009 *RMB'000*
Secured bank loans	**10,296**	518
Unsecured bank loans	**35,500**	10,000
	45,796	10,518

Particulars of the Group's pledge of assets are set out in note 16 to the condensed consolidated financial statements.

14. SHARE CAPITAL

	30 June 2010 *RMB'000*	31 December 2009 *RMB'000*
Authorised:–		
5,000,000,000 ordinary shares of HK$0.10 each	**502,350**	502,350
Issued and fully paid:–		
1,032,001,246 ordinary shares (31 December 2009: 1,032,001,246 ordinary shares)	**103,014**	103,014

15. ACQUISITION OF A SUBSIDIARY

Acquisition of Shenzhen Hongde Battery Company Limited ("Shenzhen Hongde")

On 20 April 2010, Scud (Fujian) Electronics Co., Ltd. ("Scud Electronics"), a wholly-owned subsidiary of the Company, entered into a Capital Injection Agreement with Shenzhen Ruide Electronic Industrial Co., Ltd. ("RuiDe Electronics"), Hua Wei, Liu Bai, Ji Fulin and Zhang Wei (together the "Vendors") pursuant to which Scud Electronics agreed to pay a total consideration of RMB50,000,000 whereby upon completion of the Capital Injection Agreement, Shenzhen Hongde became an indirect subsidiary of the Company and Shenzhen Hongde is ultimately owned by Scud Electronics as to 70%, RuiDe Electronics as to 6%, Hua Wei as to 13%, Liu Bai as to 5%, Ji Fulin as to 3% and Zhang Wei as to 3%.

Pursuant to the terms of the Capital Injection Agreement, the total consideration payable by Scud Electronics is RMB50,000,000. During the Review Period, RMB35,000,000 have been injected into Shenzhen Hongde as contributions to its registered capital whilst the remaining RMB15,000,000 have been recorded by Shenzhen Hongde as capital surplus.

Pursuant to the terms of the Capital Injection Agreement, it was agreed that Shenzhen Hongde shall distribute dividends on an annual basis which shall not be less than 30% of the relevant year's profits after tax. Further it was agreed that the Vendors shall be entitled to the undistributed profits of Shenzhen Hongde in the form of dividends which amount to RMB6,000,000 for the period up to 31 December 2009, whilst the remaining undistributed profits shall be for the benefit of the equity holders pro-rata of their equity interests in Shenzhen Hongde post capital injection. Scud Electronics shall also be entitled to appoint over 70% of the board of directors of Shenzhen Hongde and shall have the right to appoint the president and vice-president of Shenzhen Hongde. The total consideration under the Capital Injection Agreement was arrived at after arm's length negotiations between the parties based on the net asset value of Shenzhen Hongde as at 31 March 2010 of approximately RMB29,668,000 as stated in the unaudited management accounts of Shenzhen Hongde.

	20 April 2010 **Fair Value** *RMB'000*
The assets and liabilities recognised as a result of the acquisition are as follows:	
Property, plant and equipment	18,087
Intangible assets	81
Trade and other receivables	22,977
Inventories	53,283
Trade and other payables	(63,102)
Bank balances and cash	52,725
Short-term bank loans	(6,500)
Non-controlling interest, based on their proportionate interest in the recognised amounts of the asset and liabilities of the acquiree	(23,265)
Net identifiable assets acquired	54,286
Gain on bargain purchase arising from acquisition	(4,286)
Total consideration	50,000
Total consideration satisfied by cash:	
Contribution to registered capital of Shenzhen Hongde	35,000
Consideration paid credited to capital reserve of Shenzhen Hongde	15,000
	50,000
Net cash inflow arising from acquisition:	
Bank balances and cash acquired	52,725
Cash consideration paid	(50,000)
	2,725

Gain on bargain purchase arising from acquisition has been recognised in other revenue in the Group's condensed consolidated income statement.

The Group incurred acquisition-related costs of approximately RMB1,000,000 relating to external legal fees. The legal fees have been included in administrative expenses in the Group's condensed consolidated income statement.

The fair value of trade and other receivables is approximately RMB22,977,000 and includes trade receivables with a fair value of approximately RMB21,208,000. The gross contractual amount for trade receivables due is approximately RMB21,208,000, of which none of them is expected to be uncollectible.

Shenzhen Hongde contributed revenue of approximately RMB35,867,000 and net profit of approximately RMB4,763,000 to the Group for the period from 20 April 2010 to 30 June 2010. If the acquisition had occurred on 1 January 2010, contributed revenue and net profit to the Group for the half-year ended 30 June 2010 would have been approximately RMB69,521,000 and approximately RMB8,415,000 respectively.

16. PLEDGE OF ASSETS

As at 30 June 2010, the Group has pledged motor vehicles carried at approximately RMB2,122,000 (31 December 2009: RMB2,289,000), bank deposits of approximately RMB110,276,000 (31 December 2009: RMB90,911,000) and notes receivables of approximately RMB26,724,000 (31 December 2009: Nil) to secure banking facilities granted by the banks to the Group.

17. SHARE-BASED PAYMENT TRANSACTIONS

The Company has a share option scheme for the Directors and eligible employees of the Group. Details of the share options outstanding during the current period are as follows:

	2010 Number of options outstanding	2009 Number of options outstanding
1 January and 30 June	**9,388,000**	16,429,000

The fair value of the share options determined at 21 December 2006 using the Black-Scholes pricing model was HK$0.3716 per share.

The following assumptions were used to calculate the fair values of share options:

	21 December 2006
Weighted average share price	HK$2.88
Exercise price	HK$2.02
Expected life	1.5 – 3.5 years
Expected volatility	38.15%
Expected dividend yield	2.54%
Risk-free interest rate:	
Option A	3.58%
Option B	3.61%
Option C	3.69%

The Black-Scholes pricing model has been used to estimate the fair value of the share options. The variables and assumptions used in computing the fair value of the share options are based on the Directors' best estimate. The fair value of share option carries with different variables of certain subjective assumptions.

No share options expense was recognised for the six months period ended 30 June 2010 (six months ended 30 June 2009: RMB727,000) in relation to share options granted by the Group.

18. RELATED PARTY TRANSACTIONS

During the period, the Group had the following transactions with related parties:

	Six months ended 30 June	
	2010	2009
	RMB'000	*RMB'000*
Rental expenses paid to Scud Stock (Fujian) Co., Ltd. ("Scud Stock") (*Note a*)	**2,039**	2,039
Rental expenses paid to Chaolitong Electronic Company Limited ("Chaolitong Electronic") *(Note b)*	**1,800**	1,800

Notes:

(a) A company with Mr. Fang Jin, Mr. Lin Chao and Mr. Guo Quan Zeng being common directors who has shareholding interest in this company as to 67%, 25% and 3%, respectively.

(b) Mr. Ma Jie and Mr. Zheng Wei are directors and shareholders of both Chaolitong Electronic and CLTT.

19. COMMITMENTS

(A) Operating Lease Commitments

At 30 June 2010, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	30 June 2010	31 December 2009
	RMB'000	*RMB'000*
Within one year	**8,992**	6,408
In the second to fifth year inclusive	**7,992**	1,543
	16,984	7,951

Operating lease payments represent rentals payable by the Group for certain of its warehouse, staff quarters and offices. Leases are negotiated for terms ranging from one to three years with fixed rental.

(B) Capital Commitments

As 30 June 2010, capital expenditure of approximately RMB179,863,000 (31 December 2009: RMB172,746,000) in respect of the setup of the upstream bare battery cell production business in Fuzhou and acquisition of plant and equipment contracted for but not provided for in the condensed consolidated financial statements.

20. CONTINGENT LIABILITIES

Contingent liabilities represent the corporate guarantee given to a bank by a subsidiary of the Group under a cross-guarantee agreement entered with a related company of a minority shareholder of the subsidiary during the Review Period, with maximum guarantee amount of RMB10.0 million. At the end of the Review Period, the borrower had maintained a strong financial position and no outflow of benefits is probable. Hence, no provision was recognized as a liability by the Group in the condensed consolidated statement of financial position. The Directors consider that the fair value of the guarantee given to the bank is likely to be immaterial.

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Development

The battery industry in China faced issues such as a sluggish export performance, keen competition in the market and lower enterprise efficiency in 2009. However, with the recovery of global economy in general, many industries resumed their growth. In the first half of 2010, the overall momentum of the national economy in China was good, and continued its development towards the direction as expected due to the macro-economic control measures imposed by the Chinese government. According to the data of Bureau of National Statistics, the Gross Domestic Products ("GDP") of China for the first half of 2010 grew approximately 11.1% on a year-on-year basis, up by approximately 3.7 percentage points. As a result of the Chinese government's policies to boost domestic demand and the financial stimulus package, the telecommunication industry of China was on the path to recovery in 2010. According to the data published by the Ministry of Industry and Informatization ("MII") in China, revenue from mobile telecommunication in Mainland China reached RMB246.15 billion in aggregate between January and May 2010, representing a year-on-year increase of approximately 11.5%. Mobile phone users increased by approximately 48.53 million and reached approximately 796 million. Growth continued to remain rapid. The number of mobile phone users continued to increase, which brought the growth in sales of mobile phone batteries. It is expected that the mobile phone batteries market in China will continue its gradually rising trend for the coming few years. The launch of 3G services and the 3G mobile phones introduced to the market thereafter marked the enhancement in requirements of mobile phone functions by the users. Camera and AV are essential functions. Demand for video calls and smart operating system became more apparent. However, the development of technique for mobile phone batteries failed to keep track of the pace of innovation on mobile phones. The increase in the number of functions for mobile phone and the substantial increase in power consumption significantly promoted the development of mobile phone batteries industry.

As of the end of June 2010, there were approximately 420 million internet users in China, and the penetration rate of internet increased approximately to 31.8%. Of which, mobile phones internet users became the major force driving the increase of internet users in China as a whole. In the first six months of 2010, there were approximately 43.34 million new mobile phone internet users and reached a total of approximately 277 million users. In addition, the deployment and implementation of the Chinese government policies to integrate the telecommunication network, cable TV network and internet network during the first half of 2010 promoted the rapid development of internet protocol television ("IPTV") in China. This had further stimulated the demand of customers for wireless content and mobile services. Technology support is an essential element to the booming development of wireless network industry, of which batteries with high capacity and advanced safety are undoubtedly fundamental. Therefore replacement for mobile batteries increased and derived a new rationale for the increase in sales of mobile batteries. More importantly, customers' experiences affect customers' demand. The cognitive value of customers in purchasing products are gradually increasing and customers are looking into the quality of batteries.

Business Review

During the first half of 2010, SCUD's overall businesses resumed growth. As at 30 June 2010, sales income of the Group as a whole increased by approximately 27% as compared with the same period in 2009, securing its leading position in the industry in terms of market share. The performance for own-brand business and OEM business were also satisfactory during the first half of the year 2010. Significant growth was recorded when compared with the same period in 2009. The Group's gross profit also increased by approximately 35% when compared with the same period last year. Gross profit margin was also higher. The sales volume of branded batteries reached approximately 27.2 million units, representing an increase of approximately 19% from the same period last year.

Own-brand business

SCUD's own-brand business is the primary source of income of the Group. Our two own-brands, "SCUD 飛毛腿" and "Chaolitong 超力通", continued to leverage on their respective competitive edges in products and regional networks, and recorded satisfactory results in the sales of batteries as a whole for the first half of 2010, upon the recovery of economy and growth in the battery industry. During the period under review, "SCUD 飛毛腿", a brand with middle-high end positioning, continued to effectively maintain a high quality demanding customer base, and provided quality back up batteries for mobile phone customers of middle-high end. The brand's excellence in quality is fully recognized by customers and its market share increased gradually year after year. "Chaolitong 超力通" targets middle-low end market and its products are primarily sold in second and third tier cities and rural regions. Facing keen competition in price at the market and the impact from a large number of products with low quality and costs, its target customer group is price oriented in general rather than quality oriented. Therefore, despite the significant increase in sales volume as a whole when compared to the same period last year, the overall sales income and gross profit margin for own-brand business only increased steadily as a result of certain price adjustment adopted during the Review Period which aimed to maintain our competitiveness.

OEM business

With the improvement in the economy, the sales income from the Group's OEM business increased substantially by approximately 61% from the same period in 2009. The Group's strategies for its OEM business still mainly focused in consolidating orders from existing customers. Therefore, the Group continued to deepen its cooperation relationship with well known brands of mobile phone manufacturers in China such as Huawei and ZTE. During the Review Period, the Group also indirectly supplied mobile phone batteries to Motorola through the cooperation relationship between Huawei and Motorola. In addition, the Group also became one of the battery suppliers in China for large mobile phone manufacturers such as Foxconn and BBK. The future of its OEM business became more certain.

Expansion in bare battery cell business

On 20 April 2010, the Group agreed to pay a total consideration of RMB50 million for capital injection into Shenzhen Hongde and held 70% equity interests in Shenzhen Hongde. Shenzhen Hongde has a high ranking in China in terms of high end research on bare battery cell. Leveraging on its professional and experienced research and development team, advanced production and inspection facilities, and strict quality assurance system, the acquisition of equity interests in Shenzhen Hongde shall support the Group's development direction in future as to own research and development in the production of bare battery cell. It is the belief of the Group that technology is the power. Only enhancing the core technologies can generate new driving force for the development of the Group in the future.

Expansion in bare battery cell business not only increased the technology content of the Group's business and enhanced the core competitiveness of the enterprise, but also effectively linked the upstream and downstream enterprises for mobile phone batteries industry. Production, distribution and retailing were integrated. Apart from the acquisition of Shenzhen Hongde, the largest bare battery cell factory of the Group will be completed in Fuzhou by the end of 2010. The designed production capability of the new plant is 6 million units of bare battery cells per month. The Group is recruiting domestic and international talents in research and development to form a dedicated team of research, development and production. The research laboratory at Fuzhou was put into operation and trial production began. It is expected that small bulk production will be tested in the second half of 2010. It is expected that automated production may commence in mid-2011.

Prospects and Outlook

The Group is optimistic towards the long-term development of the economy in China. The electronics and mobile telecommunication markets in Mainland China are characterized with large customer base and rapid growth. Ongoing consumption upgrade will bring a lot of opportunities to high end brands. Since wireless communication functionality and easy carrying design have become a trend in the development of many digital mobile telecommunication products, the function units for such products tend to become smaller in size. Therefore the demand for small size but high capacity rechargeable batteries is huge. As a leader of the branded battery industry in China, SCUD shall capture the opportunities arising and adjust the production composition. More efforts will be devoted to the innovation of technologies, techniques and equipment. Obsolete production capacity will be phased out in a faster manner, turning to transformation and diversification. This will allow transforming the production into producing high-end, efficient, environmentally friendly and energy-saving batteries, and facilitate the sustainable development of the battery industry.

As to sales and marketing, the Group will continue to integrate the branded sales business in Mainland China. The enormous sales network is expected to be gradually perfected so as to generate the brand effect of respective "SCUD 飛毛腿" and "Chaolitong 超力通" brands in target markets at different regions. The Group's products will then be selling in every part of China. During the recent years, internet shopping became popular in China. Many young consumers have experienced the convenience and fun in internet shopping. Therefore, the Group will also proactively invest in the establishment of online shop for the sales of various battery products and accessories through the internet in order to fulfill the consumption model of the new generation. As to expanding its overseas operation, the Group will gradually tap into the international market through the distribution of branded products from different channels, including setting up branches overseas for direct selling or selling through cooperation with local distributions.

As to production, the focus of the Group's core work will be placed on the research, development and production of bare battery cell. It is expected that by the second half of 2010, trial production will commence at the Group's largest bare battery cell plant. Upon the production to be duly commenced, the annual output of the plant will exceed a hundred million Renminbi. The upstream enterprises of the battery industry chain in China have been facing barriers in technology and capital requirements. At present, most of the bare battery cell manufacturers are mainly producing middle-low end bare battery cells. Positioning of the product in terms of quality is totally different from those high-end bare battery cell imported from overseas. SCUD places a lot of emphasis in the research, development and production of bare battery cell, with a goal of becoming one of the few high-end quality bare battery cell manufacturers in China. It is the opinion of the Group that development into the upstream sector will not only fulfill our own business expansion along the industry value chain but also represents the pressing demand for advanced core technologies by battery manufacturing enterprises. It is the firm belief of the Group that there is a significant meaning for it to capitalize from the core bare battery cell technology to promote the development of battery industry in Mainland China. The Group will also proactively seek to create more abundant return to the shareholders under such premises going forward.

FINANCIAL REVIEW

For the first half of 2010, the Group recorded consolidated turnover of approximately RMB745.9 million (2009: RMB588.0 million), representing an increase of approximately 26.9% as compared to the six months ended 30 June 2009. Gross profit and profit from operations for the first half of 2010 were approximately RMB143.0 million (2009: RMB105.6 million) and approximately RMB45.8 million (2009: RMB17.1 million), increased by approximately 35.5% and 167.9%, respectively against the same period in 2009. The profit attributable to the equity holders was approximately RMB39.7 million (2009: RMB16.4 million). The Group recorded EBITDA of approximately RMB91.3 million for the Review Period, representing an increase of approximately 43.8% as compared to the EBITDA of approximately RMB63.5 million for the same period in 2009. Basic earnings per share for the Review Period was approximately RMB3.85 cents (2009: RMB1.60 cents per share).

Turnover

Mobile phone rechargeable batteries remain the major revenue driver of the Group. During the Review Period, sales of mobile phone rechargeable batteries generated from the own-brand business segment and OEM segment has contributed approximately RMB439.9 million (2009: RMB371.2 million) and approximately RMB161.9 million (2009: RMB55.5 million) respectively, which represents approximately 59.0% (2009: 63.1%) and approximately 21.7% (2009: 9.4%) of the Group's consolidated turnover respectively.

Total sales of notebook computer batteries generated from the own-brand business segment and OEM business segment has contributed approximately 5.6% (2009: 10.7%) of the Group's turnover during the Review Period. Approximately 5.7% (2009: 7.5%) of the Group's turnover was generated from the sales of chargers during the Review Period. In addition, on 20 April 2010, the Group invested RMB50 million in Shenzhen Hongde, which is one of the leaders in manufacturing of high-end bare battery cells in China. Sales of approximately RMB35.9 million was contributed by the upstream bare battery cells manufacturing business for the period from 20 April 2010 to 30 June 2010.

Segment Results

For the first half of 2010, the major portion of the Group's revenue still came from the Group's own-brand business segment. Total revenue from the Group's own-brand business accounted for approximately 64.8% of the Group's total turnover during the Review Period (2009: 70.9%) and the percentage of total revenue from the Group's OEM business accounted for approximately 29.1% (2009: 22.9%) of the Group's total turnover during the Review Period.

For the own-brand business segment, the total revenue contributed to the Group for 2010's first half increased by approximately 16.0% to approximately RMB483.1 million. The growth in own-brand business was mainly contributed by the growth in sales of mobile phone rechargeable batteries, which increased by approximately RMB68.8 million or approximately 18.5% as compared to the corresponding period of 2009. Sales volume of own-brand mobile phone rechargeable battery increased by approximately 4.4 million pieces to a total of approximately 27.2 million pieces. Approximately 79.1% (2009: 82.0%) of the Group's own-brand products were sold in the PRC market under the "SCUD 飛毛腿" brand and the remaining approximately 20.9% (2009: 18.0%) were sold under the "Chaolitong 超力通" brand.

The "SCUD 飛毛腿" brand remains a strong market leader in the high-end business segment backed by "SCUD 飛毛腿"'s well established brand recognition and product quality. Reflecting a rebound in business, revenue and sales volume contributed by "SCUD 飛毛腿" brand mobile phone battery increased by 13.2% and 9.3% respectively as compared with corresponding period in 2009. For "Chaolitong超力通" brand, revenue and sales volume of mobile phone battery increased by approximately 68.0% and 68.4% respectively as compared with corresponding period in 2009.

For the OEM business segment, total revenue increased by approximately 61.3% to approximately RMB217.1 million as compared with the corresponding period in 2009. Revenue of OEM mobile phones batteries and OEM notebook computer batteries accounted for approximately 74.6% (2009: 41.2%) and approximately 19.2% (2009: 45.9%) of the OEM segment's total revenue, respectively. Sales volume of OEM mobile phone battery increased by approximately 4.5 million pieces to a total of approximately 7.1 million pieces. However, sale volume of OEM notebook computer batteries dropped by approximately 29.2% as compared with the same period in 2009.

For the bare battery cells business, sales of approximately RMB35.9 million was contributed by the upstream bare battery cells manufacturing business for the period from 20 April 2010 to 30 June 2010.

Cost of Sales

During the Review Period, the Group's cost of sales amounted to approximately RMB602.9 million (2009: RMB482.4 million), representing an increase of approximately 25.0% as compared to the corresponding period of 2009. Direct materials, direct labour and other production costs accounted for approximately 88.4% (2009: 89.6%), approximately 4.2% (2009: 3.6%) and approximately 7.4% (2009: 6.8%) of the cost of sales.

Gross Profit and Gross Margin

During the Review Period, the overall gross margin of the Group increased from approximately 18.0% for the first half of 2009 to approximately 19.2% for the first half of 2010.

For the Group's own-brand business, gross margin was increased from approximately 20.5% for the first half of 2009 to approximately 20.6% for the first half of 2010.

For the OEM business, gross margin for the Review Period was approximately 15.5% (2009: 15.3%).

For the bare battery cells business, gross margin for the Review period was approximately 26.2% (2009: N/A).

Profit Attributable to Equity Holders

For the six months ended 30 June 2010, the Group recorded a profit attributable to equity holders of the Company of approximately RMB39.7 million (2009: RMB16.4 million) while the profit margin attributable to equity holders of the Company was approximately 5.3% (2009: 2.8%).

The competition in the low-end rechargeable batteries market remained fierce as the entry barrier for low-end market is low, such competition cuts into the gross margin of "Chaolitong 超力通" products during the Review Period. As at 30 June, 2010, an impairment loss on the trade name of "Chaolitong 超力通" of approximately RMB18.2 million (2009: impairment loss on trade name of "Chaolitong 超力通" and goodwill of RMB16.6 million) was charged to the current period consolidated income statement.

Selling and distribution expenses of approximately RMB39.6 million (2009: RMB35.3 million) accounted for approximately 5.3% of the Group's turnover for the first half of 2010 (2009: 6.0%). In order to upgrade the image of sales channel and enhance the brand image, the Group has been carrying out retail counters renovation since 2007. As of 30 June 2010, approximately 6,000 retail counters was refurbished and an accumulated amount of approximately RMB102.3 million was invested in the sales channel image enhancement. Hence, the selling and distribution expenses for the first half of 2010 comprised of approximately RMB21.6 million (2009: RMB21.9 million) being the expenses incurred for the amortisation of all renovation spending. In addition, approximately RMB9.0 million (2009: RMB7.2 million) was spent on advertising and promotion for the first half of 2010.

Administrative expenses of approximately RMB65.3 million (2009: RMB56.4 million) accounted for approximately 8.8% (2009: 9.6%) of the Group's turnover for the first half of 2010. Administrative expenses mainly comprised of research and development expenses of approximately RMB14.0 million (2009: RMB10.8 million), staff salaries of approximately RMB9.9 million (2009: RMB7.3 million), depreciation of approximately RMB4.5 million (2009: RMB4.3 million), and approximately RMB5.0 million (2009: RMB5.2 million) being amortisation of intangible assets mainly arising from acquisition of "Chaolitong 超力通". In addition, an impairment loss on the "Chaolitong 超力通" brand of approximately RMB18.2 million was charged to the consolidated income statement in the first half of 2010 (2009: RMB16.6 million). Hence, the increase in administrative expenses during the Review Period was mainly contributed by the impairment loss expenses.

Other revenue for current period mainly comprises bank interest income of approximately RMB1.8 million (2009: RMB2.6 million) and the gain on bargain purchase arising from acquisition of a subsidiary of approximately RMB4.3 million (2009: nil).

Liquidity and Financial Resources

Cash and cash equivalents held by the Group increased from approximately RMB481.8 million as at 31 December 2009 to approximately RMB524.9 million as at 30 June 2010. The Group maintained a net cash position of approximately RMB368.9 million net of bank borrowings and pledged bank deposits for banking facilities, decreased by approximately RMB11.5 million as compared to the net cash as at 31 December 2009. The Group continued to maintain a strong liquidity position with low gearing and healthy cash flows. The Group generated a net cash inflow from operating activities of approximately RMB40.3 million for the six months ended 30 June 2010, compared with approximately RMB73.8 million for the corresponding period in 2009.

The Group's bank borrowings outstanding as at 30 June 2010 amounted to approximately RMB45.8 million (at 31 December 2009: RMB10.5 million) were carried at floating interest rates. There was no particular seasonality of the Group's borrowings. The Group monitored capital using a gearing ratio, which is total debt divided by total equity of the Group. Total debt to equity ratio of the Group expressed as a percentage of interest bearing loans and other borrowings over the total equity of approximately RMB1,279.0 million (at 31 December 2009: approximately RMB1,238.1 million) was approximately 3.6% as at 30 June 2010 (at 31 December 2009: 0.9%). Bank deposits pledged for banking facilities as at 30 June 2010 was approximately RMB110.3 million (at 31 December 2009: RMB90.9 million).

As at 30 June 2010, the Group's current ratio was approximately 3.1 times (at 31 December 2009: 4.0 times) based on current assets of approximately RMB1,274.9 million (at 31 December 2009: RMB1,040.4 million) and current liabilities of approximately RMB407.7 million (at 31 December 2009: RMB258.5 million).

Trade receivable turnover days were approximately 76.6 days for the six months ended 30 June 2010 as compared to approximately 86.1 days for the year ended 31 December 2009. Inventory turnover days were approximately 64.5 days for the six months ended 30 June 2010 as compared to approximately 59.4 days for the year ended 31 December 2009. Trade and notes payable turnover days were approximately 76.8 days for the six months ended 30 June 2010 as compared to approximately 86.3 days for the year ended 31 December 2009.

Net Current Assets and Net Assets

The Group's net current assets as at 30 June 2010 was approximately RMB867.2 million, increased by approximately 10.9% from the balance of approximately RMB781.8 million recorded as at 31 December 2009. Net assets as at 30 June 2010 was approximately RMB1,279.0 million, increased by approximately RMB40.9 million over the balance as at 31 December 2009.

Significant Investments and Acquisitions

On 20 April 2010, Scud Electronics, a wholly-owned subsidiary of the Company, entered into a Capital Injection Agreement with RuiDe Electronics, Hua Wei, Liu Bai, Ji Fulin and Zhang Wei (together the "Vendors") pursuant to which Scud Electronics agreed to pay a total consideration of RMB50.0 million whereby upon completion of the Capital Injection Agreement, Shenzhen Hongde became an indirect subsidiary of the Company and Shenzhen Hongde is ultimately owned by Scud Electronics as to 70%, RuiDe Electronics as to 6%, Hua Wei as to 13%, Liu Bai as to 5%, Ji Fulin as to 3% and Zhang Wei as to 3%.

Pursuant to the terms of the Capital Injection Agreement, the total consideration payable by Scud Electronics is RMB50.0 million. During the Review Period, RMB35.0 million was injected into Shenzhen Hongde as contributions to its registered capital whilst the remaining RMB15.0 million was recorded by Shenzhen Hongde as capital surplus.

Pursuant to the terms of the Capital Injection Agreement, it was agreed that Shenzhen Hongde shall distribute dividends on an annual basis which shall not be less than 30% of the relevant year's profits after tax. Further it was agreed that the Vendors shall be entitled to the undistributed profits of Shenzhen Hongde in the form of dividends which amount to RMB6.0 million for the period up to 31 December 2009, whilst the remaining undistributed profits shall be for the benefit of the equity holders pro-rata of their equity interests in Shenzhen Hongde post capital injection. Scud Electronics shall also be entitled to appoint over 70% of the board of directors of Shenzhen Hongde and shall have the right to appoint the president and vice-president of Shenzhen Hongde. The total consideration under the Capital Injection Agreement was arrived at after arm's length negotiations between the parties based on the net asset value of Shenzhen Hongde as at 31 March 2010 of approximately RMB29.7 million as stated in the unaudited management accounts of Shenzhen Hongde.

Save as disclosed above, the Group made no significant investment nor had it made any material acquisition or disposal of subsidiaries during the period under review.

Pledge of Assets

As at 30 June 2010, the Group has pledged motor vehicles with a carrying amount of approximately RMB2.1 million (at 31 December 2009: RMB2.3 million), bank deposits of approximately RMB110.3 million (at 31 December 2009: RMB90.9 million) and notes receivable of approximately RMB26.7 million (at 31 December 2009: Nil) to secure banking facilities granted by the bank to the Group.

Commitments

The Group's capital commitments outstanding as at 30 June 2010 amounting to approximately RMB179.9 million (at 31 December 2009: RMB172.7 million) was mainly attributed to the setup of the upstream bare battery cell production business in Fuzhou and acquisition of plant and equipment.

Contingent Liabilities

As at 30 June 2010, a subsidiary of the Group has given corporate guarantee to a bank under a cross-guarantee agreement entered with a related company of a minority shareholder of the subsidiary during the Review Period, with maximum guarantee amount of RMB10.0 million. At the end of the Review Period, the borrower had maintained a strong financial position and no outflow of benefits is probable. Hence, no provision was recognized as a liability by the Group in the condensed consolidated statement of financial position. The Directors consider that the fair value of the guarantee given to the bank is likely to be immaterial.

Capital Structure

During the Review Period, there had been no change in the share capital of the Company.

Foreign Exchange Exposure

For the six months ended 30 June 2010, the Group conducted its business transactions principally in Renminbi ("RMB"). The Group has not experienced any material difficulties or negative impacts on its operations as a result of fluctuations in currency exchanges rates. Although the Group has certain bank balances denominated in United States Dollars, Japanese Yen and Hong Kong Dollars, their proportion to the Group's total assets is insignificant. The Directors considered that no hedging of exchange risk is required and there were no financial instruments being used for hedging purposes during the period under review. Nevertheless, the management will continue to monitor the foreign exchange exposure and will take prudent measures as and when it is appropriate.

Employee, Remuneration Policies and Share Option Scheme

As at 30 June 2010, the Group had 3,664 full-time employees (at 31 December 2009: 3,314). The salaries of the Group's employees were determined by the personal performance, professional qualification, industry experience of the employee and relevant market trends. The Group ensures all levels of employees are paid competitively within the standard in the market and employees are rewarded on a performance-related basis within the framework of the Group's salary, incentives and bonus scheme. The management reviews the remuneration policy of the Group on a regular basis and evaluates the working performance of the employees. The remuneration of the employees includes salaries, allowances, year-end bonus and social insurance.

As at 30 June 2010, the number of shares in respect of which options had been granted under the pre-initial public offering share option scheme (the "Scheme") adopted by the Company prior to its listing and which remained outstanding under the Scheme was 9,388,000 shares (at 31 December 2009: 9,388,000 shares), representing approximately 0.9% (2009: approximately 0.9%) of the shares of the Company in issue at that time. Since the adoption of the Scheme and as at 30 June 2010, no share option has been granted or exercised under such Scheme.

Use of Proceeds

The Company raised proceeds of HK$604.0 million in aggregate as a result of the initial public offering ("IPO") of the Company and net proceeds of approximately HK$568.3 million were received after the deduction of relevant IPO fees and commission incurred. Up to 30 June 2010, the Group has utilized approximately RMB177.4 million (equivalent to approximately HK$203.3 million) on the expansion of production capacity and plant construction, approximately RMB127.3 million (equivalent to approximately HK$145.9 million) on brand promotion and improvement of Group's distribution network, approximately RMB128.2 million (equivalent to approximately HK$147.0 million) on the acquisition of the Sale Assets of Chaolitong Electronic and the Sale Interest of CLTT, and approximately RMB55.0 million (equivalent to approximately HK$63.0 million) on repayment of bank borrowings. Remaining net proceeds of approximately RMB12.4 million (equivalent to approximately HK$14.2 million) were mainly used as daily working capital and held as deposits with banks in the PRC.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES

As at 30 June 2010, the relevant interests or short positions of the Directors and chief executives of the Company in the shares and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO"), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they have taken or deemed to have under such provisions of the SFO)) or were required pursuant to section 352 of the SFO, to be entered in the register referred to therein or were required, pursuant to the relevant provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") relating to securities transactions by Directors to be notified to the Company and the Stock Exchange were as follows:

Name of Director	Capacity	Number of ordinary shares	Number of ordinary shares subject to options granted	Percentage of the issued share capital of the Company
Fang Jin	Corporate interest *(Note 1)*	402,000,000	–	38.95%
	Beneficial interest	–	2,000,000	0.19%
Guo Quan Zeng	Corporate interest *(Note 2)*	18,000,000	–	1.74%
	Beneficial interest	–	1,400,000	0.14%
Li Hui Qiu	Beneficial interest	–	1,120,000	0.11%
Huang Yan	Beneficial interest	–	80,000	0.01%

Note 1: These shares are directly held by Swift Joy Holdings Limited, whose entire issued share capital is held by Fang Jin.

Note 2: These shares are directly held by Cheer View Holdings Limited, whose entire issued share capital is held by Guo Quan Zeng.

Save as disclosed above, none of the Directors or chief executives or their associates had any interests or short positions in any shares and underlying shares of the Company or any of its associated corporations as at 30 June 2010.

SHARE OPTIONS

Particulars of the Company's share option schemes, namely its share option scheme and pre-IPO share option scheme, are set out in note 17 to the condensed consolidated financial statements.

The following table discloses movements in options granted pursuant to the Company's pre-IPO share option scheme during the six months ended 30 June 2010.

Name	Date of grant	Exercise price *HK$*	Outstanding as at 1.1.2010	Exercised during the Review Period	Forfeited during the Review Period	Outstanding as at 30.6.2010
Category I:						
Directors						
Fang Jin	21.12.2006	2.02	2,000,000	–	–	2,000,000
Guo Quan Zeng	21.12.2006	2.02	1,400,000	–	–	1,400,000
Li Hui Qiu	21.12.2006	2.02	1,120,000	–	–	1,120,000
Huang Yan	21.12.2006	2.02	80,000	–	–	80,000
Total directors			4,600,000	–	–	4,600,000
Category II:						
Senior management	21.12.2006	2.02	1,280,000	–	–	1,280,000
Category III:						
Other staff	21.12.2006	2.02	1,908,000	–	–	1,908,000
Total of all categories			7,788,000	–	–	7,788,000

Mr. Lin Chao resigned as a director of the Company on 30 December 2009. Mr. Lin was interested in 1,600,000 shares in respect of which options had been granted and remained outstanding under the Company's pre-listing share option scheme, representing approximately 0.16% of the issued share capital.

The relevant exercise periods of the Options granted to the Directors and employees of the Company are 21 December 2007 to 20 December 2008 as to the first 30% of the total number of Options granted, 21 December 2008 to 20 December 2009 as to the next 30% of the total number of Options granted and 21 December 2009 to 20 December 2010 as to the remaining 40% of the total number of Options granted.

Subject to any restrictions applicable under the Listing Rules and the terms and conditions of the pre-IPO share option scheme, all Options are subject to the following vesting period:

Period of exercise of the relevant percentage of option	**Maximum percentage of options exercisable**
From the expiry of the first anniversary of the Listing Date to the last date of the second anniversary of the Listing Date (both days inclusive)	30% of the total number of Options granted
From the expiry of the second anniversary of the Listing Date to the last date of the third anniversary of the Listing Date (both days inclusive)	30% of the total number of Options granted
From the expiry of the third anniversary of the Listing Date to the last date of the fourth anniversary of the Listing Date (both days inclusive)	40% of the total number of Options granted

The exercise price was determined by the Directors of the Company and was fixed at HK$2.02 per share.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR CONVERTIBLE BONDS

At no time during the six months ended 30 June 2010 was the Company or any of its fellow subsidiaries and subsidiaries, a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or convertible bonds (including bonds) of, the Company or any other body corporate and none of the Directors, their spouses or children under the age of 18, had any rights to subscribe for securities of the Company, or had exercised any such rights.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2010, the following persons (other than directors or chief executives of the Company) had interests or short positions in the ordinary shares of the Company which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO:

Long positions (Ordinary shares of HK$0.10 each of the Company):

Name of shareholder	Capacity	Number of issued ordinary shares/ underlying shares held	Percentage of the issued share capital of the Company as at 30 June 2010
Swift Joy Holdings Limited	Beneficial owner	402,000,000	38.95%
Lin Chao	Corporate interest	142,240,000	13.78%
	Beneficial owner	1,600,000	0.16%
Right Grand Holdings Limited	Beneficial owner	100,000,000	9.69%
SAS Rue la Boetie	Corporate interest *(Note 1)*	93,001,246	9.01%
Credit Agricole S.A.	Corporate interest *(Note 1)*	93,001,246	9.01%
Calyon S.A	Corporate interest *(Note 1)*	93,001,246	9.01%
Calyon Capital Markets International SA	Corporate interest *(Note 1)*	93,001,246	9.01%
Calyon Capital Markets Asia B.V.	Corporate interest *(Note 1)*	93,001,246	9.01%
CLSA B.V.	Corporate interest *(Note 1)*	93,001,246	9.01%
CLSA Capital Partners Limited	Corporate interest *(Note 1)*	93,001,246	9.01%
CLSA Private Equity Management Limited	Corporate interest *(Note 1)*	93,001,246	9.01%
Aria Investment Partners II, L.P.	Corporate interest *(Note 1)*	93,001,246	9.01%
Neng Liang Limited	Beneficial Owner *(Note 1)*	93,001,246	9.01%

Note 1: Based on the disclosure of interests forms filed with the Stock Exchange, SAS Rue la Boetie has 33.3% control over Credit Agricole S.A., which in turn has 33.3% control over Calyon S.A., which in turn has 33.3% control over Calyon Capital Markets International SA, which in turn has 33.3% control over Calyon Capital Markets Asia B.V., which in turn has 33.3% control over CLSA B.V., which in turn has 33.3% control over CLSA Capital Partners Limited, which in turn has 33.3% control over CLSA Private Equity Management Limited, which in turn has 1% control over Aria Investment Partners II, L.P., which in turn has 33.3% control over Neng Liang Limited. As such, each of the above entities is deemed to be interested in the 93,001,246 shares held by Neng Liang Limited under the SFO.

Save as disclosed above, as at 30 June 2010, the Company had not been notified by any persons (other than directors or chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of the Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO.

INTERIM DIVIDEND

The Board has decided not to recommend any interim dividend for the six months ended 30 June 2010 to preserve cash for the working capital requirements of the business (2009 interim dividend: Nil).

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the six months ended 30 June 2010, neither the Company nor any of its subsidiaries purchased, sold or redeemed interest in any of the Company's listed securities.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES OF THE LISTING RULES

Having made specific enquiries of all Directors, the Company confirmed that is has complied with all the code provisions set out in the Code on Corporate Governance Practices as set out in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited ("Stock Exchange") throughout the six months ended 30 June 2010.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code"). Having made specific enquiries of all Directors, the Company confirmed that all Directors have complied with the required standard as set out in the Model Code throughout the six months ended 30 June 2010.

AUDIT COMMITTEE

At present, the Audit Committee comprises three independent non-executive Directors who are Dr. Loke Yu, Mr. Wang Jing Zhong and Mr. Wang Jian Zhang. The Audit Committee has reviewed with management the unaudited financial information and interim results of the Company for the six months ended 30 June 2010 before they presented the same to the Board for approval.

REVIEW OF INTERIM RESULTS ANNOUNCEMENT BY INDEPENDENT AUDITORS

This condensed consolidated interim financial information has not been audited, but has been reviewed by the Company's independent auditors, Moore Stephens Certified Public Accountants, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

PUBLICATION OF INTERIM RESULTS ON THE WEBSITE OF THE STOCK EXCHANGE AND THE COMPANY

The interim report for the six months ended 30 June 2010 containing all the information as required by Appendix 16 to the Listing Rules will be despatched to the Shareholders and published on the website of the Stock Exchange as well as the Company's website at www.scudcn.com in due course.

ACKNOWLEDGEMENT

The Chairman of the Company would like to thank the Board, management and all members of our staff for their dedication and loyalty. The Chairman of the Company would also like to thank our shareholders and business associates for their strong support to the Group.

On behalf of the Board of
SCUD Group Limited
Fang Jin
Chairman

Hong Kong, 25 August 2010

*As at the date of this announcement, the directors of the Company are Mr. Fang Jin, Mr. Guo Quan Zeng, Mr. Li Hui Qiu, Ms. Huang Yan, Dr. Loke Yu**, Mr. Wang Jing Zhong** and Mr. Wang Jian Zhang**.*

* *For identification purpose only*

** *Independent non-executive Directors*