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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: 1399)**

## **CONTINUING CONNECTED TRANSACTIONS**

The Company announces that on 15 November 2007, Scud Electronics, a wholly-owned subsidiary of the Company, entered into the New Lease Agreement as lessee with Scud Stock as lessor. The lease, together with other leases under the Main Lease Agreement constitute continuing connected transactions of the Company and are only subject to the reporting and announcement requirements under the Listing Rules. New annual caps for the three years ending 31 December 2009 for all the Leases have been set to include the New Lease Agreement.

### **INTRODUCTION**

The Company has disclosed in the Prospectus that Scud Electronics, a wholly-owned subsidiary of the Company, entered into the Main Lease with Scud Stock on 20 June 2004, pursuant to which Scud Electronics agreed to lease from Scud Stock certain factory premises in the Land Lot No. 39 in Kuaian Technology Zone, Mawei Economic and Technology Development Zone, Mawei District, Fuzhou, Fujian Province, PRC for the Group's production use for a term of three years commencing from 1 July 2004 and ending on 30 June 2007. The Main Lease Agreement was later extended to 30 June 2024. For more details, please refer to the section headed "Connected Transactions" of the Prospectus.

Scud Stock is owned as to 67% by Mr. Fang, 25% by Mr. Lin, 5% by Mr. Lin's wife and 3% by Mr. Guo. Each of Mr. Fang (who is also a controlling Shareholder currently holding approximately 40.52% of the issued share capital of the Company), Mr. Lin and Mr. Guo are executive Directors. Scud Stock is an associate of Mr. Fang and thus a connected person of the Company under the Listing Rules. Therefore the leases under the Main Lease Agreement constitute continuing connected transactions of the Company.

The annual rental currently payable under the Main Lease Agreement is approximately RMB2,700,000 (approximately HK\$2,788,000) and the Company has set its Initial Annual Caps for each of the three years ending 31 December 2008 to be RMB2,700,000 (approximately HK\$2,788,000) each. As all relevant percentage ratios in respect of the Main Lease Agreement are less than 2.5%, the leases thereunder are only subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules. As disclosed in the Prospectus, pursuant to Rule 14A.42(3) of the Listing Rules, the Company has applied for, and the Stock Exchange has agreed to

\* For identification purpose only

grant a waiver from strict compliance with the announcement requirement under the Listing Rules provided that the Initial Annual Caps are not exceeded and that the Company complies with the other requirements of Chapter 14A of the Listing Rules.

## **NEW LEASE**

On 15 November 2007, Scud Electronics entered into the New Lease Agreement for leasing another Premises from Scud Stock for the Group's administration use. The principal terms of the New Lease Agreement are as follows:

Date:	15 November 2007
Parties:	(i) Scud Electronics as lessee (ii) Scud Stock as lessor
Premises:	Floors 1 to 6 and 8 to 9 of the building located in No. 98, Jiang Bin Dong Da Dao, Mawei District, Fuzhou, Fujian Province, PRC (福州馬尾區江濱東大道98號)
Total floor area:	11,064 square metres
Term of lease:	3 years from 16 November 2007 to 15 November 2010
Rental:	RMB114,864 (approximately HK\$118,600) per month (that is RMB1,378,368 (approximately HK\$1,423,000) per year)
Usage of the Premises:	administration use for the Group

The rental payable under the New Lease Agreement is payable in cash on a monthly basis and was determined after arm's length negotiations between Scud Electronics and Scud Stock with reference to the prevailing market rental for the comparable premises.

## NEW ANNUAL CAPS

As at the date of this announcement, the total rental payable under all the Leases remains within the Initial Annual Caps. To include the New Lease Agreement, the new annual caps for the aggregate rental payable by Scud Electronics to Scud Stock under all the Leases for each of the three years ending 31 December 2009 are set as follows:

<b>The year ending 31 December</b>	<b>RMB</b>	<b>Approximate HK\$ equivalent</b>
2007	3,000,000 (being the sum of the rental payable under the Main Lease Agreement for the year ending 31 December 2007 and the rental payable under the New Lease Agreement for the period from 16 November to 31 December 2007)	3,098,000
2008	4,100,000 (being the sum of the rental payable under all the Leases for the year ending 31 December 2008)	4,234,000
2009	4,100,000 (being the sum of the rental payable under all the Leases for the year ending 31 December 2009)	4,234,000

The above new annual caps were determined based on the rental payable under all the Leases.

The Group requires the Premises for its administration use. The Directors (including the independent non-executive Directors) are of the opinion that the New Lease Agreement and all the Leases were entered into (i) in the ordinary and usual course of business of the Group and (ii) on normal commercial terms after arm's length negotiations between the parties. They consider that the terms of the New Lease Agreement and all the Leases are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## LISTING RULES REQUIREMENTS

All the Leases constitute continuing connected transactions of the Company. Based on the new annual caps for the three years ending 31 December 2009 as set out above, all the relevant percentage ratios in respect of all the Leases are less than 2.5% and therefore all the Leases are only subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

## INFORMATION ON THE GROUP AND SCUD STOCK

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

Scud Stock's business historically involved property management and development of fixed line handsets and it has also recently commenced development in fixed line wireless handsets.

## DEFINITIONS

“associate”	has the meaning ascribed to it in the Listing Rules
“Board”	the board of Directors
“Company”	SCUD Group Limited, a limited liability company incorporated in the Cayman Islands, the shares of which are listed on the main board of the Stock Exchange
“connected person”	has the meaning ascribed to it in the Listing Rules
“controlling shareholder”	has the meaning ascribed to it in the Listing Rules
“Director(s)”	director(s) of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Initial Annual Caps”	the annual caps of the rentals payable under the Main Lease Agreement for each of the three years ending 31 December 2008 being RMB2,700,000 (approximately HK\$2,788,000) each
“Leases”	all the leases under the Main Lease Agreement and the New Lease Agreement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Main Lease”	the land lease agreement dated 20 June 2004 entered into between Scud Electronics as lessee and Scud Stock as lessor, details of which are disclosed in the section headed “Connected Transactions” of the Prospectus
“Main Lease Agreement”	the Main Lease as amended by the subsequent supplemental lease agreements, details of which are disclosed in the section headed “Connected Transactions” of the Prospectus
“Mr. Fang”	Mr. Fang Jin, an executive Director and a controlling Shareholder currently holding approximately 40.52% of the issued share capital of the Company
“Mr. Guo”	Mr. Guo Quan Zeng, an executive Director
“Mr. Lin”	Mr. Lin Chao, an executive Director and a substantial Shareholder currently holding approximately 18.15% of the issued share capital of the Company

“New Lease Agreement”	the lease agreement dated 16 November 2007 entered into between Scud Electronics as lessee and Scud Stock as lessor in respect of the lease of the Premises
“percentage ratios”	the percentage ratios calculated based on the requirements under Rule 14.07 of the Listing Rules
“PRC”	the People’s Republic of China excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan for the purposes of this announcement
“Premises”	Floors 1 to 6 and 8 to 9 of the building located in No. 98, Jiang Bin Dong Da Dao, Mawei District, Fuzhou, Fujian Province, PRC (中國福建省福州馬尾區江濱東大道98號) which are leased to Scud Electronics under the New Lease Agreement
“Prospectus”	the prospectus issued by the Company on 11 December 2006 in respect of its initial public offering of the Shares for the listing of its Shares on the main board of the Stock Exchange
“RMB”	Renminbi, the lawful currency of the PRC
“Scud Electronics”	飛毛腿（福建）電子有限公司 (Scud Fujian Electronics Co., Ltd.*), a wholly foreign-owned enterprise established in the PRC on 30 September 2002 and an indirect wholly-owned subsidiary of the Company
“Scud Stock”	福建飛毛腿股份有限公司 (Scud Stock (Fujian) Co., Ltd.*), a joint stock limited company established in the PRC on 30 September 2002, currently held as to 67% by Mr. Fang, 25% by Mr. Lin, 5% by Mr. Lin’s wife and 3% by Mr. Guo, and which is not part of the Group
“Share(s)”	ordinary share(s) in the Company with a nominal value of HK\$0.10 each
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	the Stock Exchange of Hong Kong Limited
“substantial shareholder”	has the meaning ascribed to it in the Listing Rules

*For the purpose of this announcement, unless otherwise indicated, the exchange rate of HK\$1=RMB0.9683 has been used, where applicable, for the purpose of illustration only and does not constitute a representation that any amount has been, could have been or may be exchanged at such rate or at any other rates.*

*As at the date of this announcement, the Board comprises Messrs. Fang Jin, Lin Chao, Guo Quan Zeng and Li Hui Qiu being the executive Directors, Mr. Ho Man being the non-executive Director, and Messrs. Heng Kwo Seng, Wang Jing Zhong and Wang Jian Zhang being the independent non-executive Directors.*

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

Hong Kong, 15 November 2007