

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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

CONTINUING CONNECTED TRANSACTIONS

Reference is made to the Announcement, whereby Scud Electronics and Scud Battery, wholly-owned subsidiaries of the Company, entered into the Original First Lease Agreement and the Original Second Lease Agreement, respectively with Scud Stock, a connected person of the Company, for the rental of the First Premises and Second Premises, respectively. These lease agreements will expire on 31 December 2013. On 10 December 2013, the Group has entered into the First Lease Agreement and the Second Lease Agreement with Scud Stock. Scud Electronics and Scud Stock agreed in the First Lease Agreement that the First Premises will be leased by Scud Stock to Scud Electronics for the period commencing from 1 January 2014 and ending on 31 December 2016. The annual rental will be RMB8,543,928 (equivalent to approximately HK\$10,864,608). Under the Second Lease Agreement, the Second Premises will be leased by Scud Stock to Scud Battery for the period commencing from 1 January 2014 and ending on 31 December 2016. The annual rental will be RMB5,908,128 (equivalent to approximately HK\$7,512,879).

As at the date of this announcement, Scud Stock is owned as to 67% by Mr. Fang (our Director and controlling Shareholder) and 3% by Mr. Guo. Each of Mr. Fang and Mr. Guo are executive Directors. Scud Stock is an associate (as defined in the Listing Rules) of Mr. Fang and thus a connected person of the Company under the Listing Rules. Therefore the Leases under the Lease Agreements constitute continuing connected transactions of the Company and, in light of the sizes of the annual caps, are only subject to the reporting, announcement and annual review requirements under Chapter 14A of Listing Rules. Particulars of the Lease Agreements and the annual caps for the three years ending 31 December 2016 are set out in this announcement.

* For identification purpose only

INTRODUCTION

Reference is made to in the Announcement whereby Scud Electronics and Scud Battery, wholly-owned subsidiaries of the Company, entered into the Original First Lease Agreement and the Original Second Lease Agreement, respectively with Scud Stock, a connected person of the Company, for the rental of the First Premises and Second Premises, respectively. These lease agreements will expire on 31 December 2013. On 10 December 2013, the Group has entered into the First Lease Agreement and the Second Lease Agreement with Scud Stock. Scud Electronics and Scud Stock agreed in the First Lease Agreement that the First Premises will be leased by Scud Stock to Scud Electronics for the period commencing from 1 January 2014 and ending on 31 December 2016. The annual rental will be RMB8,543,928 (equivalent to approximately HK\$10,864,608). Under the Second Lease Agreement, the Second Premises will be leased by Scud Stock to Scud Battery for the period commencing from 1 January 2014 and ending on 31 December 2016. The annual rental will be RMB5,908,128 (equivalent to approximately HK\$7,512,879).

As at the date of this announcement, Scud Stock is owned as to 67% by Mr. Fang (our Director and controlling Shareholder) and 3% by Mr. Guo. Each of Mr. Fang (who is also a controlling Shareholder currently holding approximately 48.86% of the issued share capital of the Company) and Mr. Guo are executive Directors. Scud Stock is an associate (as defined in the Listing Rules) of Mr. Fang and thus a connected person of the Company under the Listing Rules. Therefore the Leases under the Lease Agreements constitute continuing connected transactions of the Company.

FIRST LEASE AGREEMENT

On 10 December 2013, Scud Electronics entered into the First Lease Agreement to lease the First Premises for the period from 1 January 2014 to 31 December 2016. The principal terms of the First Lease Agreement are as follows:

Parties: (i) Scud Electronics as lessee
(ii) Scud Stock as lessor

First Premises: Land numbers 39-2 and 44-2, Kuai An Extension Area, Mawei District, Fuzhou, Fujian Province, PRC (中國福建省福州市馬尾區快安延伸區第39-2、44-2地) comprising:

- (i) 4 blocks of factories with a construction area of approximately 40,627.68 square metres, rental area of approximately 23,156 square metres;
- (ii) 1 office building with a construction area of approximately 12,852.26 square metres, rental area of approximately 6,847 square metres; and
- (iii) 1 staff dormitory with construction area of approximately 19,601.76 square metres, rental area of approximately 9,120 square metres.

Total rental area: approximately 39,123 square metres

Term of lease: 1 January 2014 to 31 December 2016

Rental: RMB711,994 (equivalent to approximately HK\$905,384) per month (that is RMB8,543,928 (equivalent to approximately HK\$10,864,608) per year)

Usage of the First Premises:

- (i) Factory
- (ii) Office for administration use for the Group
- (iii) Staff dormitory for the employees of the Group

SECOND LEASE AGREEMENT

On 10 December 2013, Scud Battery entered into the Second Lease Agreement to lease the Premises for the period from 1 January 2014 to 31 December 2016. The principal terms of the Second Lease Agreement are as follows:

Parties:

- (i) Scud Battery as lessee
- (ii) Scud Stock as lessor

Second Premises: Land lot numbers 39-2 and 44-2, Kuai An Extension Area, Mawei District, Fuzhou, Fujian Province, PRC (中國福建省福州市馬尾區快安延伸區第39-2、44-2 地) comprising:

- (i) 4 blocks of factories with a construction area of approximately 40,627.68 square metres, rental area of approximately 17,471 square metres;
- (ii) 1 office building with a construction area of approximately 12,852.26 square metres, rental area of approximately 3,805 square metres; and
- (iii) 1 staff dormitory with construction area of approximately 19,601.76 square metres, rental area of approximately 6,680 square metres.

Total rental area: approximately 27,956 square metres

Term of lease: 1 January 2014 to 31 December 2016

Rental: RMB492,344 (equivalent to approximately HK\$626,073) per month (that is RMB5,908,128 (equivalent to approximately HK\$7,512,879) per year)

- | | |
|--------------|--|
| Usage of the | (i) Factory |
| Second | |
| Premises: | (ii) Office for administration use for the Group |
| | (iii) Staff dormitory for the employees of the Group |

The rental payable under the Lease Agreements are payable in cash on a monthly basis and were determined after arm's length negotiations between Scud Electronics, Scud Battery and Scud Stock with reference to the prevailing market rental for comparable premises.

ANNUAL CAPS

The annual caps for the aggregate rental payable by Scud Electronics and Scud Battery to Scud Stock under all the Leases for each of the three years ending 31 December 2016 are set out as follows:

The year ending 31 December	RMB	Approximate HK\$ equivalent
2014	14,452,056 (being the sum of the rental payable under the Leases for the year ending 31 December 2014)	18,377,487
2015	14,452,056 (being the sum of the rental payable under the Leases for the year ending 31 December 2015)	18,377,487
2016	14,452,056 (being the sum of the rental payable under the Leases for the year ending 31 December 2016)	18,377,487

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

The Group requires the Premises for its production, administration and staff dormitory use. The Directors (including the independent non-executive Directors) are of the opinion that the Lease Agreements 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 Lease Agreements are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Mr. Fang and Mr. Guo, being Directors and shareholders of Scud Stock, have a material interest in the Lease Agreements, and have abstained from voting on the Board resolution.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Scud Stock is owned as to 67% by Mr. Fang (our Director and controlling Shareholder) and 3% by Mr. Guo. Each of Mr. Fang (who is also a controlling Shareholder currently holding approximately 48.86% of the issued share capital of the Company) and Mr. Guo are executive Directors. Scud Stock is an associate (as defined in the Listing Rules) of Mr. Fang and thus a connected person of the Company under the Listing Rules. Therefore the Leases under the Lease Agreements constitute continuing connected transactions of the Company.

All the Leases constitute continuing connected transactions of the Company. Based on the annual caps for the three years ending 31 December 2016 as set out above, all the relevant percentage ratios in respect of all the Leases are more than 0.1% and less than 5% and therefore all the Leases are only subject to the reporting, announcement and annual review 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.scudgroup.com>.

Scud Stock's business historically involved property management and development of fixed line 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
First Lease Agreement	the lease agreement dated 10 December 2013 entered into between Scud Electronics as lessee and Scud Stock as lessor in respect of the lease of the First Premises

First Premises	a total floor area of approximately 73,081.70 square metres located at land lot numbers 39-2 and 44-2, Kuai An Extension Area, Mawei District, Fuzhou, Fujian Province, PRC (中國福建省福州市馬尾區快安延伸區第39-2、44-2地)
Group	the Company and its subsidiaries
HK\$	Hong Kong dollars, the lawful currency of Hong Kong
Hong Kong	the Hong Kong Special Administrative Region of the PRC
Lease Agreements	the First Lease Agreement and the Second Lease Agreement
Leases	the leases under the First Lease Agreement and the Second Lease Agreement (as the case may be)
Listing Rules	the Rules Governing the Listing of Securities on the Stock Exchange
Mr. Fang	Mr. Fang Jin, an executive Director and a controlling Shareholder currently holding approximately 48.86% of the issued share capital of the Company as at the date of this announcement
Mr. Guo	Mr. Guo Quan Zeng, an executive Director
Original First Lease Agreement	the lease agreement dated 1 January 2011 entered into between Scud Electronics as lessee and Scud Stock as lessor in respect of the lease of the First Premises
Original Second Lease Agreement	the lease agreement dated 1 January 2011 entered into between Scud Battery as lessee and Scud Stock as lessor in respect of the lease of the Second 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	the First Premises and the Second Premises
RMB	Renminbi, the lawful currency of the PRC

Scud Battery	飛毛腿電池有限公司 (Scud Battery Co., Ltd.*) a wholly foreign-owned enterprise established in the PRC on 6 December 2005 and an indirect wholly-owned subsidiary of the Company
Scud Electronics	飛毛腿(福建)電子有限公司 (Scud (Fujian) Electronics Co., Ltd.*), a wholly foreign-owned enterprise established in the PRC on 31 October 1997 and an indirect wholly-owned subsidiary of the Company
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 and 3% by Mr. Guo, and which is not part of the Group
Second Lease Agreement	the lease agreement dated 10 December 2013 entered into between Scud Battery as lessee and Scud Stock as lessor in respect of the lease of the Second Premises
Second Premises	a total floor area of approximately 73,081.70 square metres located at land lot numbers 39-2 and 44-2, Kuai An Extension Area, Mawei District, Fuzhou, Fujian Province, PRC (中國福建省福州市馬尾區快安延伸區第39-2、44-2地)
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

For the purpose of this announcement, unless otherwise indicated, the exchange rate of HK\$1=RMB0.7864 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.

By Order of the Board
SCUD GROUP LIMITED
Fang Jin
Chairman

Hong Kong, 10 December 2013

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