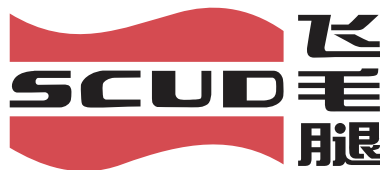


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SCUD GROUP LIMITED

飛毛腿集團有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 01399)

TERMINATION OF THE SALE AND PURCHASE AGREEMENT AND THE CONTINUING CONNECTED TRANSACTIONS ARRANGEMENTS

The Board wishes to announce that as at the date of this announcement, Scud Electronics had not yet secured all relevant consents and approvals for completion of the Sale and Purchase Agreement in respect of the disposal of Shenzhen Nalon and Shenzhen Hongde. As such, both Scud Electronics and Mr. Fang have agreed to terminate the Sale and Purchase Agreement.

As the disposal under the Sale and Purchase Agreement will not complete, transactions originally contemplated under the Battery Agreement will no longer be continuing connected transactions under Chapter 14A of the Listing Rules. Accordingly, the Company, Shenzhen Nalon and Shenzhen Hongde have agreed to terminate the Battery Agreement.

None of the parties have any claims against each other as a result of the terminations referred to above.

Reference is made to the announcement issued by the Company on 13 June 2014 (the “**Announcement**”) and the circular on 8 July 2014 (the “**Circular**”), in relation to the Sale and Purchase Agreement entered into between Scud Electronics and Mr. Fang and the Battery Agreement entered into between the Company, Shenzhen Nalon and Shenzhen Hongde.

Capitalised terms used in this announcement shall have the same meanings as those defined in the Announcement and the Circular unless specified otherwise.

* For identification purposes only

TERMINATION OF THE SALE AND PURCHASE AGREEMENT AND THE BATTERY AGREEMENT

The Board wishes to announce that as at the date of this announcement, Scud Electronics had not yet secured all relevant consents and approvals for completion of the Sale and Purchase Agreement in respect of the disposal of Shenzhen Nalon and Shenzhen Hongde. Given it is not practicable to ascertain if and when the relevant consents or approvals can be obtained, both Scud Electronics and Mr. Fang have agreed to terminate the Sale and Purchase Agreement.

As the disposal under the Sale and Purchase Agreement will not complete, transactions originally contemplated under the Battery Agreement will no longer be continuing connected transactions under Chapter 14A of the Listing Rules. Accordingly, the Company, Shenzhen Nalon and Shenzhen Hongde have agreed to terminate the Battery Agreement.

Pursuant to the Sale and Purchase Agreement, if parties do not proceed to completion, Scud Electronics must return all funds received (without interest) to Mr. Fang within 30 days after the confirmation of the termination of the Sale and Purchase Agreement.

None of the parties have any claims against each other as a result of the terminations referred to above.

For better treasury management and the deployment of working capital in the Group, Mr. Fang has agreed to advance Scud Electronics RMB37.0 million (equivalent to approximately HK\$46.7 million), which is unsecured, interest-free and repayable on demand. Consequently, instead of making the full refund referred to above pursuant to the Sale and Purchase Agreement, Mr Fang and Scud Electronics have agreed that the above amount of RMB37.0 million to be returned to Mr. Fang by Scud Electronics shall continue to be retained by Scud Electronics.

The Ongoing Bank Guarantees

Upon termination of the Sale and Purchase Agreement, the pre-existing bank guarantees given by Scud Electronics for the benefit of bank loans taken out by Shenzhen Nalon, Shenzhen Hongde and its subsidiary, Dongguan Hongde, will continue until maturity or repayment (whichever is later) of the corresponding bank loans as set out in the Circular.

In the event that Scud Electronics is called upon to carry out its obligations under such guarantees, Scud Electronics will remain responsible for paying any amount it is requested to pay under the guarantees. With the Sale and Purchase Agreement terminated, Mr. Fang will no longer be required to indemnify Scud Electronics for such amounts or any expenses and losses incurred or suffered by Scud Electronics given that Mr. Fang has not completed the acquisition of the companies and thus has not come to own the relevant companies benefiting from such guarantees.

GENERAL

In light of the terminations referred to above, the Company will continue to consider other opportunities in respect of these companies as and when they become available. It is currently expected that the principal business of Shenzhen Nalon (which is currently in the research and development, manufacturing and sale of lithium-ion bare battery cells) may be developed in such direction to complement the Group's growing ODM business, supplying lithium-ion battery modules to manufacturers of well-known telecommunication brands at home and abroad, given the strong growth of the Group's ODM business over the recent years. With some of the relevant resources readily available at Shenzhen Nalon, and together with the logistical advantages in terms of customer proximity, the Board believes that the above realignment of business focus for Shenzhen Nalon would be in line with the Group's overall strategic plans to further consolidate its strength in the ODM market. As for Shenzhen Hongde, given the Shenzhen Hongde group of companies are currently loss making and going forward would require further funding to improve its business, the Group may continue to explore opportunities to restructure it (including but not limited to possible disposal of part of such group of companies to Mr. Fang). The Company may make a further announcement should there be any material developments.

For the purpose of this announcement, unless otherwise indicated, the exchange rate of HK\$1=RMB0.79241 has been used, where applicable, for the purpose of illustration only and does not constitute a representation that any amount has been, could have been or may be exchanged at such rate or at all.

By Order of the Board
SCUD GROUP LIMITED
Fang Jin
Chairman

Hong Kong, 24 October 2014

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