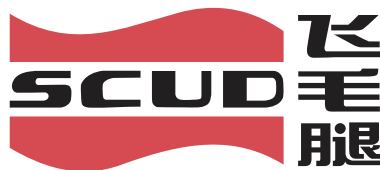


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SCUD GROUP LIMITED

飛毛腿集團有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 01399)

CONTINUING CONNECTED TRANSACTION

On 30 December 2016, the Group has entered into the First Lease (2017-2019) Agreement and the Second Lease (2017-2019) Agreement with Scud Stock to renew the existing lease of premises owned by Scud Stock. Scud Electronics and Scud Stock agreed in the First Lease (2017-2019) Agreement that the First Premises will be leased by Scud Stock to Scud Electronics for the period commencing from 1 January 2017 and ending on 31 December 2019. The annual rental for the year ending 31 December 2017 will be RMB13,245,120 (equivalent to approximately HK\$14,785,305), and the annual rental for the two years ending 31 December 2019 will be RMB14,325,120 (equivalent to approximately HK\$15,990,891). Under the Second Lease (2017-2019) Agreement, the Second Premises will be leased by Scud Stock to Scud Battery for the period commencing from 1 January 2017 and ending on 31 December 2019. The annual rental will be RMB4,786,104 (equivalent to approximately HK\$5,342,648).

As at the date of this announcement, Scud Stock is owned as to 67% by Mr. Fang and 3% by Mr. Guo. Each of Mr. Fang, who is a controlling Shareholder currently holding approximately 46.6% of the issued share capital of the Company, 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 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.

* For identification purpose only

INTRODUCTION

Reference is made to in the announcement dated 10 December 2013 in relation to the lease agreements entered into by Scud Stock, a connected person of the Company, with Scud Electronics and Scud Battery respectively, both of which are wholly-owned subsidiaries of the Company, for the rental of premises for a period of three years. Such lease agreements will expire on 31 December 2016.

On 30 December 2016, the Group has entered into the First Lease (2017-2019) Agreement and the Second Lease (2017-2019) Agreement with Scud Stock to renew the existing lease of premises owned by Scud Stock. Scud Electronics and Scud Stock agreed in the First Lease (2017-2019) Agreement that the First Premises will be leased by Scud Stock to Scud Electronics for the period commencing from 1 January 2017 and ending on 31 December 2019. The annual rental for the year ending 31 December 2017 will be RMB13,245,120 (equivalent to approximately HK\$14,785,305), and the annual rental for the two years ending 31 December 2019 will be RMB14,325,120 (equivalent to approximately HK\$15,990,891). Under the Second Lease (2017-2019) Agreement, the Second Premises will be leased by Scud Stock to Scud Battery for the period commencing from 1 January 2017 and ending on 31 December 2019. The annual rental will be RMB4,786,104 (equivalent to approximately HK\$5,342,648).

As at the date of this announcement, Scud Stock is owned as to 67% by Mr. Fang and 3% by Mr. Guo. Each of Mr. Fang, who is a controlling Shareholder currently holding approximately 46.6% of the issued share capital of the Company, 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 Lease Agreements constitute continuing connected transactions of the Company.

FIRST LEASE (2017-2019) AGREEMENT

The principal terms of the First Lease (2017-2019) 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 31,155 square metres;

- (ii) 1 office building with a construction area of approximately 13,268.80 square metres, rental area of approximately 7,826 square metres;
- (iii) 1 staff dormitory with construction area of approximately 25,973.92 square metres with a total of 435 dormitory rooms, rental area of approximately 19,704 square metres with a total of 330 dormitory rooms; and
- (iv) 1 warehouse building with construction area and rental area of approximately 11,250 square metres.

Total rental area: approximately 69,935 square metres

Term of lease: For the factories, office building and staff dormitory, the term of lease will commence from 1 January 2017 and ending on 31 December 2019

For the warehouse building, the term of lease will commence from 1 July 2017 and ending on 31 December 2019

Rental: *For the year ending 31 December 2017:*

The rental will be RMB1,013,760 (equivalent to approximately HK\$1,131,643) per month for the first six months, and the remaining six months will be RMB1,193,760 (equivalent to approximately HK\$1,332,574) per month (that is RMB13,245,120 (equivalent to approximately HK\$14,785,305) per year)

For the two years ending 31 December 2019:

The rental will be RMB1,193,760 (equivalent to approximately HK\$1,332,574) per month (that is RMB14,325,120 (equivalent to approximately HK\$15,990,891) 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
- (iv) Warehouse for storage of stocks

SECOND LEASE (2017-2019) AGREEMENT

The principal terms of the Second Lease (2017-2019) 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 9,472 square metres; (ii) 1 office building with a construction area of approximately 13,268.80 square metres, rental area of approximately 5,443 square metres; and (iii) 1 staff dormitory with construction area of approximately 25,973.92 square metres with a total of 435 dormitory rooms, rental area of approximately 6,270 square metres with a total of 105 dormitory rooms. |
| Total rental area: | approximately 21,185 square metres |
| Term of lease: | 1 January 2017 to 31 December 2019 |
| Rental: | RMB398,842 (equivalent to approximately HK\$445,221) per month (that is RMB4,786,104 (equivalent to approximately HK\$5,342,648) per year) |
| Usage of the Second Premises: | (i) Factory (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 market rental for similar properties nearby in the PRC and having taken into account availability of similar premises nearby and the cost of relocation.

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 2019 are set out as follows:

| The year ending 31 December | RMB | Approximate HK\$ equivalent |
|--|---|--|
| 2017 | RMB18,031,224 (being the sum of the rental payable under the Leases for the year ending 31 December 2017) | HK\$20,127,953 |
| 2018 | RMB19,111,224 (being the sum of the rental payable under the Leases for the year ending 31 December 2018) | HK\$21,333,539 |
| 2019 | RMB19,111,224 (being the sum of the rental payable under the Leases for the year ending 31 December 2019) | HK\$21,333,539 |

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

The Group requires the Premises for its production, administration, storage 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 and 3% by Mr. Guo. Each of Mr. Fang, who is a controlling Shareholder currently holding approximately 46.6% of the issued share capital of the Company, 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 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 2019 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's principle businesses comprise its ODM business which mainly supplies lithium-ion battery modules to manufacturers of well-known telecommunication brands at home and abroad, and the business on manufacture and sale of battery modules for mobile phones in the PRC under its own "SCUD飛毛腿" brand. For more information, please visit the Group's website at <http://www.scudgroup.com>.

Scud Stock's business historically involved property management and development of fixed line handsets.

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| 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 (2017-2019) Agreement | the lease agreement dated 30 December 2016 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 91,120.4 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 (2017-2019) Agreement and the Second Lease (2017-2019) Agreement |
| Leases | the leases under the First Lease (2017-2019) Agreement and the Second Lease (2017-2019) 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 46.6% of the issued share capital of the Company as at the date of this announcement |
| Mr. Guo | Mr. Guo Quan Zeng, an executive Director |
| 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 |

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|------------------------------------|--|
| Second Lease (2017-2019) Agreement | the lease agreement dated 30 December 2016 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 79,870.4 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=RMB0.89583 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, 30 December 2016

As at the date of this announcement, the Board comprises Mr. Fang Jin, Mr. Guo Quan Zeng and Mr. Feng Ming Zhu being the executive Directors, Mr. Zhang Li and Mr. Hou Li being the non-executive Directors, and Dr. Loke Yu, Mr. Wang Jing Zhong, Mr. Wang Jian Zhang and Mr. Heng Ja Wei Victor being the independent non-executive Directors.