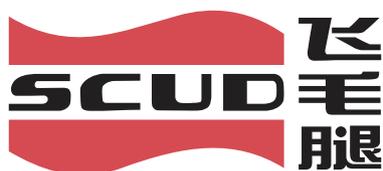


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SCUD GROUP LIMITED

飛毛腿集團有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 01399)

CONTINUING CONNECTED TRANSACTION

On 31 December 2018, the Group has entered into the Lease Agreement with Scud Stock pursuant to which Scud Battery will lease the Premises to Scud Stock for the period commencing from 1 January 2019 and ending on 31 December 2019. The annual rental will be RMB5,618,400 (equivalent to approximately HK\$6,412,235).

As at the date of this announcement, Scud Stock is owned as to 70% by Mr. Fang, the controlling Shareholder of the Company. Scud Stock is therefore a connected person of the Company under the Listing Rules and accordingly, the Lease under the Lease Agreement constitutes a continuing connected transaction of the Company and, in light of the size of the annual cap, is only subject to the reporting, announcement and annual review requirements under Chapter 14A of Listing Rules.

INTRODUCTION

On 31 December 2018, the Group has entered into the Lease Agreement with Scud Stock pursuant to which Scud Battery will lease the Premises to Scud Stock for the period commencing from 1 January 2019 and ending on 31 December 2019. The annual rental will be RMB5,618,400 (equivalent to approximately HK\$6,412,235).

A summary of the principal terms of the Lease Agreement is set out below.

* *For identification purpose only*

LEASE AGREEMENT

Date:	31 December 2018
Parties:	(i) Scud Stock as lessee (ii) Scud Battery as lessor
Premises:	No. 135, Rujiangdong Road, Mawei District, Fuzhou, Fujian Province, PRC (中國福建省福州市(縣)馬尾區儒江東路135號) comprising: (i) 1 factory building with construction area and rental area of approximately 26,665 square metres; and (ii) 1 warehouse building with construction area and rental area of approximately 8,450 square metres
Total rental area:	approximately 35,115 square metres
Term of lease:	1 January 2019 to 31 December 2019
Rental:	RMB468,200 (equivalent to approximately HK\$534,353) per month, i.e. RMB5,618,400 (equivalent to approximately HK\$6,412,235) per year
Usage of the Premises:	Manufacturing facility

The rental payable under the Lease Agreement is payable in cash on a monthly basis and was determined after arm's length negotiations between Scud Battery and Scud Stock with reference to a market valuation carried out by an independent professional valuer using the market comparison methodology, the market rental for similar properties nearby in the PRC and having taken into account the availability of similar premises nearby and the cost of relocation.

ANNUAL CAP

The annual cap for the aggregate rental payable by Scud Stock to Scud Battery under the Lease for the year ending 31 December 2019 is RMB5,618,400 (equivalent to approximately HK\$6,412,235, being the rental payable under the Lease for the year ending 31 December 2019).

The above annual cap was determined based on the rental payable under the Lease.

REASONS FOR AND BENEFITS OF ENTERING INTO THE LEASE AGREEMENT

The Directors consider that the entering into of the Lease Agreement will allow the Group to lease out the Premises not being occupied by the Group, which will increase the non-operating income of the Group. The Directors (including the independent non-executive Directors) are of the view that whilst the Lease Agreement was not entered into in the ordinary and usual course of business of the Group, the terms of the Lease Agreement are on normal commercial terms after arm's length negotiations between the parties and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

None of the Directors have a material interest in the Lease Agreement, and therefore none have abstained from voting on the Board resolution approving the Lease Agreement.

LISTING RULE IMPLICATIONS

As at the date of this announcement, Scud Stock is owned as to 70% by Mr. Fang, the controlling Shareholder of the Company. Scud Stock is therefore a connected person of the Company under the Listing Rules. Accordingly, the Lease under the Lease Agreement constitutes a continuing connected transaction of the Company.

As one or more of the relevant percentage ratios in respect of the Lease are more than 0.1% and less than 5%, the Lease is 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 principal 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 www.scudgroup.com.

Scud Stock's principal business is property management.

DEFINITIONS

"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
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Lease Agreement”	the lease agreement dated 31 December 2018 entered into between Scud Stock as lessee and Scud Battery as lessor in respect of the lease of the Premises
“Lease”	the lease under the Lease Agreement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Fang”	Mr. Fang Jin, the controlling shareholder of the Company holding approximately 48.84% of the total issued share capital of the Company as at the date of this announcement
“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”	a total floor area of approximately 35,115 square metres located at No. 135, Rujiangdong Road, Mawei District, Fuzhou, Fujian Province, PRC (中國福建省福州市(縣)馬尾區儒江東路135號)
“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 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 70% by Mr. Fang

“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=RMB0.8762 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
Ho Chung Tai Raymond
Chairman

Hong Kong, 31 December 2018

As at the date of this announcement, the Board comprises Ms. Lian Xiu Qin and Mr. Feng Ming Zhu being the executive Directors, Dr. Ho Chung Tai Raymond and Mr. Hou Li being the non-executive Directors, and Mr. Heng Ja Wei Victor, Mr. Lam Yau Yiu and Dr. Wong Chi Wing being the independent non-executive Directors.