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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)

**DISCLOSEABLE TRANSACTION
CONSTRUCTION OF BASEMENT IN SCUD BATTERY INDUSTRIAL PARK**

CONSTRUCTION AGREEMENT

On 29 May 2019 (after trading hours), Scud Battery entered into the Construction Agreement with Fuzhou Tingjia, pursuant to which Scud Battery agreed to engage Fuzhou Tingjia for the provision of, and Fuzhou Tingjia agreed to provide to Scud Battery, construction services for the construction of the basement in Zone 1 of Phase 2 of the Scud Battery Industrial Park for a total consideration of RMB42,448,243 (equivalent to approximately HK\$48,303,000).

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios in respect of the Construction is more than 5% but less than 25%, the Construction constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

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* For identification purpose only

A summary of the principal terms of the Construction Agreement is set out as follows:

Date:	29 May 2019 (after trading hours)
Parties:	(i) Scud Battery, as the principal (ii) Fuzhou Tingjia, as the contractor
Subject matter:	Scud Battery agreed to engage Fuzhou Tingjia for the provision of, and Fuzhou Tingjia agreed to provide to Scud Battery, construction services (including, among other things, laying the foundation, civil engineering and installation of electricity, water and fire protection systems) for the Construction.
Terms of Construction:	The Construction is expected to commence on 1 June 2019 (subject to the actual commencement date as stated in the notice of commencement of Construction to be issued upon instructions from Scud Battery) and complete by 31 December 2019 (subject to completion to the satisfaction of the relevant governmental authorities and Scud Battery).
Consideration and payment terms:	<p>The total consideration for the Construction shall be RMB42,448,243 (equivalent to approximately HK\$48,303,000) and shall be payable in cash by Scud Battery to Fuzhou Tingjia as follows:</p> <ul style="list-style-type: none">(i) 25% of the total consideration shall be pre-paid before the actual commencement date of the Construction as stated in the notice of commencement of Construction to be issued upon instructions from Scud Battery;(ii) up to 85% (taking into account the amount already paid under (i) above) of the total consideration to be paid each month in proportion to the progress of the Construction, and such progress of Consideration shall be as reported by Fuzhou Tingjia and approved by Scud Battery;(iii) up to 97% (taking into account the amounts already paid under (i) and (ii) above) of the total consideration shall be paid within 30 days after the Construction is completed to the satisfaction of the relevant governmental authorities and Scud Battery; and

- (iv) the remaining 3% of the total consideration shall be paid within 28 days after a period of 2 years from the completion of the Construction to the satisfaction of the relevant governmental authorities and Scud Battery.

The consideration for the Construction was determined after arm's length negotiation between Scud Battery and Fuzhou Tingjia based on the architectural design and standard framework of the Construction.

REASONS FOR AND BENEFITS OF ENTERING INTO THE CONSTRUCTION AGREEMENT

The Group regularly reviews its production capacities as part of its business development planning in order to determine whether new production facilities may be required for new products from time to time. The Directors believe that the construction of the basement in Zone 1 of Phase 2 of the Scud Battery Industrial Park as parking spaces underground would create greater flexibility for the use of spaces by way of creating more space for possible construction of new production facilities in the future. Such Basement could serve as supporting facilities for such possible new production facilities (facilitating generally in receiving staff and visitors, such as customers and suppliers) and better utilise such land owned by Scud Battery on which the Scud Battery Industrial Park is located.

The Directors are of the view that the terms of the Construction Agreement are fair and reasonable and the transactions contemplated thereunder, including the Construction, are in the interests of the Company and the shareholders of the Company as a whole.

The Group will continue to review its production capacities as part of its business development planning and consider plans for expanding the Scud Battery Industrial Park as and when necessary.

INFORMATION ON SCUD BATTERY, THE GROUP AND FUZHOU TINGJIA

The Group's principal business is its original design manufacturing business which mainly supplies lithium-ion battery modules to manufacturers of well-known telecommunication brands at home and abroad. For more information, please visit the Group's website at www.scudgroup.com.

Fuzhou Tingjia's principal business is building construction. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, Fuzhou Tingjia and its ultimate beneficial owner(s) are third parties independent of the Company and its connected persons.

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DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions have the following meanings:

“Basement”	the basement in Zone 1 of Phase 2 of the Scud Battery Industrial Park
“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
“Construction”	the construction of the Basement under the Construction Agreement
“Construction Agreement”	the construction agreement dated 29 May 2019 and entered into between Scud Battery and Fuzhou Tingjia in relation to the Construction
“Director(s)”	the director(s) of the Company
“Fuzhou Tingjia”	福州庭佳建设工程有限公司 (Fuzhou Ting Jia Construction Co., Ltd.*), a company incorporated in the PRC with limited liability
“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
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“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, for the purpose of this announcement, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“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 Battery Industrial Park”	the land owned by Scud Battery with lot numbers 42 and 46, Kuai An Science and Technology Park, Mawei District, Fuzhou, Fujian Province, PRC (中國福建省福州市馬尾區快安科技園42及46號地) and located at No. 135, Rujiangdong Road, Mawei District, Fuzhou, Fujian Province, PRC (中國福建省福州市馬尾區儒江東路135號)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

For the purpose of this announcement, unless otherwise indicated, the exchange rate of HK\$1=RMB0.87879 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, 29 May 2019

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.