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## SCUD GROUP LIMITED

飛毛腿集團有限公司<sup>#</sup>

*(incorporated in the Cayman Islands with limited liability)*  
(Stock Code: 1399)

### NOTICE OF CONVERSION OF CONVERTIBLE BOND

Neng Liang Limited has exercised its conversion rights under the Bond and on 7 February 2007, the Company allotted and issued 93,001,246 Shares accordingly.

Reference is made to the Company's prospectus dated 11 December 2006. As stated therein, the Company had issued to Neng Liang Limited a 2.5% convertible bond due 23 January 2010 in the principal amount of US\$10 million (the "Bond"). As per the terms and conditions of the Bond, Neng Liang Limited shall convert the Bond after the Company's listing on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") no later than six months after such listing. The shares of the Company (the "Shares") were listed on the Main Board of the Stock Exchange on 21 December 2006 (the "Listing Date"). On 7 February 2007, the Company received notice of conversion of the Bond and has allotted and issued 93,001,246 Shares ("Conversion Shares") at approximately HK\$0.82 per Share. Such Conversion Shares represent approximately 9.38% of the Shares in issue as at 7 February 2007 (as enlarged by the issue of the Conversion Shares). Upon conversion of the Bond, the Company will no longer incur financing costs in respect thereof and, in this regard, the Directors are of the view this will be beneficial to the Company. Neng Liang Limited has also undertaken not to dispose of the Conversion Shares within six months from the Listing Date.

*As at the date of this announcement, the directors of the Company are Mr. Fang Jin, Mr. Lin Chao, Mr. Guo Quan Zeng, Mr. Li Hui Qiu, Mr. Ho Man\*, Mr. Heng Kwo Seng\*\*, Mr. Wang Jing Zhong\*\* and Mr. Wang Jian Zhang\*\*.*

By Order of the Board  
**SCUD GROUP LIMITED**  
**Fang Jin**  
Chairman

\* Non-executive Director

\*\* Independent non-executive Directors

Hong Kong, 7 February 2007

*# for identification purpose only*

Please also refer to the published version of this announcement in South China Morning Post.