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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: 1399)

POSSIBLE ACQUISITION

The Board is pleased to announce that the Group entered into a non-binding MOU with, amongst others, the Target on 19 September 2007 to purchase the Target Business. This announcement sets out information pursuant to 13.09(1) of the Listing Rules.

Shareholders and investors should exercise caution when dealing in the shares of the Company as the acquisition may or may not proceed.

GENERAL

The board of directors (the “**Board**”) of SCUD Group Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) is pleased to announce that on 19 September 2007, the Group entered into a non-binding memorandum of understanding (the “**MOU**”) with, amongst others, a company established in the People’s Republic of China (the “**Target**”) to purchase the underlying business (the “**Target Business**”) of the Target, which is a major competitor of the Group, with the intention to expand the Group’s market share. This announcement sets out information pursuant to Rule 13.09(1) of the Rules Governing the Listing of Securities (the “**Listing Rules**”) on the Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

Under the MOU, the Target shall fulfill certain profit guarantees for 3 years. The relevant parties will need to further finalise and agree the structure of the Company’s investment in the Target Business although it is contemplated that the initial acquisition would represent a 70% interest in the Target Business with an option granted to the Group to acquire at any time the remaining 30% of the Target Business. The Group may effect the acquisition through one of its subsidiaries and may acquire interests in the Target Business by buying shares in the holding company of the Target Business.

CONSIDERATION AND TERMS OF PAYMENT

Subject to due diligence by the Group, the indicative purchase price for 70% interest in the Target Business is expected to be determined based on a certain multiple of the net asset value of the Target Business. Should the Target fulfill the relevant profit guarantees, the purchase price of the 30% interest in the Target Business is also expected to be determined based on a certain multiple of the net asset value of the Target Business.

The Company expects to settle the above purchase prices by way of issue of new shares in the Company (including ordinary or preferred shares) or cash payment or a combination of both. Any such consideration shares issued are not expected to exceed the general mandate to issue up to 198,400,249 shares in the Company as granted by the Company's shareholders at the annual general meeting held on Thursday, 10 May 2007. Based on information currently available to the Company, the acquisition, if proceeded with, would constitute a major transaction under the Listing Rules.

Shareholders and investors should exercise caution when dealing in the shares of the Company as the acquisition may or may not proceed.

Made by the order of the Company, the Board of which individually and jointly accept responsibility for the accuracy of this statement.

By Order of the Board
SCUD GROUP LIMITED
Fang Jin
Chairman

Hong Kong, 19 September 2007

*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***.*

* *For identification purpose only*

** *Non-executive Director*

*** *Independent Non-executive Directors*