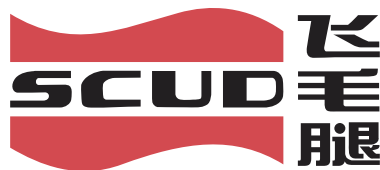


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SCUD GROUP LIMITED

飛毛腿集團有限公司*

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 1399)

CONTINUING CONNECTED TRANSACTIONS

Reference is made to the Company's announcement dated 15 November 2007, whereby Scud Electronics, a wholly-owned subsidiary of the Company, entered into the New Lease Agreement as lessee with Scud Stock. The Group has on 8 January 2010 entered into the Renewal Agreement whereby the parties agreed to terminate the New Lease Agreement with effect from 1 January 2010 and a new lease be entered into with effect from 1 January 2010 and ending on 31 December 2012.

The leases under the Renewal Agreement together with other leases under the Main Lease Agreement constitute continuing connected transactions of the Company and, in light of the sizes of the annual caps, are only subject to the reporting and announcement requirements under the Listing Rules. New annual caps for the three years ending 31 December 2012 are set out in this announcement.

INTRODUCTION

Reference is made to the Company's announcement dated 15 November 2007, whereby Scud Electronics, a wholly-owned subsidiary of the Company, entered into the New Lease Agreement as lessee with Scud Stock. The New Lease Agreement was due to expire on 15 November 2010 pursuant to its terms. The Group has on 8 January 2010 entered into the Renewal Agreement whereby the parties agreed to terminate the New Lease Agreement with effect from 1 January 2010 and a new lease be entered into with effect from 1 January 2010 and ending on 31 December 2012.

The Company has also disclosed in the Prospectus that Scud Electronics entered into the Main Lease with Scud Stock on 20 June 2004, pursuant to which Scud Electronics agreed to lease from Scud Stock certain factory premises in the Land Lot No. 39 in Kuaian Technology Zone, Mawei Economic and Technology Development Zone, Mawei District, Fuzhou, Fujian Province, PRC for the Group's production use for a term of three years commencing from 1 July 2004 and ending on 30 June 2007. The Main Lease Agreement was later extended to 30 June 2024. For more details, please refer to the section headed "Connected Transactions" of the Prospectus.

As at the date of this announcement, Scud Stock is owned as to 67% by Mr. Fang, 25% by Mr. Lin (who was a non-executive Director until his recent resignation on 30 December 2009), 5% by Mr. Lin's wife and 3% by Mr. Guo. Each of Mr. Fang (who is also a controlling Shareholder currently holding approximately 38.95% of the issued share capital of the Company) and Mr. Guo are executive Directors. Scud Stock is an associate of Mr. Fang and of Mr. Lin and thus a connected person of the Company under the Listing Rules. Therefore the leases under the Main Lease Agreement constitute continuing connected transactions of the Company.

RENEWAL AGREEMENT

On 8 January 2010, Scud Electronics entered into the Renewal Agreement to lease the Premises for the period from 1 January 2010 to 31 December 2012. The terms of the lease under the Renewal Agreement remains the same as that set out in the New Lease Agreement dated 15 November 2007, which provided that Scud Electronics shall lease the Premises from Scud Stock for the Group's administration use. The principal terms of the Renewal Agreement are as follows:

Parties:	(i) Scud Electronics as lessee (ii) Scud Stock as lessor
Premises:	Floors 1 to 6 and 8 to 9 of the building located in No. 98, Jiang Bin Dong Da Dao, Mawei District, Fuzhou, Fujian Province, PRC (福州馬尾區江濱東大道98號)
Total floor area:	11,064 square metres
Term of lease:	1 January 2010 to 31 December 2012
Rental:	RMB114,864 (equivalent to approximately HK\$130,454) per month (that is RMB1,378,368 (equivalent to approximately HK\$1,566,000) per year)
Usage of the Premises:	Administration use for the Group

The rental payable under the Renewal Agreement is payable in cash on a monthly basis and was determined after arm's length negotiations between Scud Electronics and Scud Stock with reference to the prevailing market rental for the comparable premises.

NEW ANNUAL CAPS

As at the date of this announcement, the total rental payable under all the Leases remains within the annual caps previously announced. The new annual caps for the aggregate rental payable by Scud Electronics to Scud Stock under all the Leases for each of the three years ending 31 December 2012 are set out as follows:

The year ending 31 December	RMB	Approximate HK\$ equivalent
2010	4,100,000 (being the sum of the rental payable under all the Leases for the year ending 31 December 2010)	4,657,000
2011	4,100,000 (being the sum of the rental payable under all the Leases for the year ending 31 December 2011)	4,657,000
2012	4,100,000 (being the sum of the rental payable under all the Leases for the year ending 31 December 2012)	4,657,000

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

The Group requires the Premises for its administration use. The Directors (including the independent non-executive Directors) are of the opinion that the Renewal Agreement and all the Leases 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 Renewal Agreement and all the Leases are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LISTING RULES REQUIREMENTS

All the Leases constitute continuing connected transactions of the Company. Based on the new annual caps for the three years ending 31 December 2012 as set out above, all the relevant percentage ratios in respect of all the Leases are less than 2.5% and therefore all the Leases are only subject to the reporting and announcement 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 is a market leader in the sales and marketing of self-manufactured rechargeable battery packs 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.scudcn.com>.

Scud Stock's business historically involved property management and development of fixed line handsets and it has also recently commenced development in fixed line wireless handsets.

DEFINITIONS

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
Group	the Company and its subsidiaries
Hong Kong	the Hong Kong Special Administrative Region of the PRC
HK\$	Hong Kong dollars, the lawful currency of Hong Kong
Leases	all the leases under the Main Lease Agreement, the New Lease Agreement and the Renewal Agreement (as the case may be)
Listing Rules	the Rules Governing the Listing of Securities on the Stock Exchange
Main Lease	the land lease agreement dated 20 June 2004 entered into between Scud Electronics as lessee and Scud Stock as lessor, details of which are disclosed in the section headed “Connected Transactions” of the Prospectus
Main Lease Agreement	the Main Lease as amended by the subsequent supplemental lease agreements, details of which are disclosed in the section headed “Connected Transactions” of the Prospectus
Mr. Fang	Mr. Fang Jin, an executive Director and a controlling Shareholder currently holding approximately 38.95% of the issued share capital of the Company
Mr. Guo	Mr. Guo Quan Zeng, an executive Director
Mr. Lin	Mr. Lin Chao, a non-executive Director until his resignation on 30 December 2009 and a substantial Shareholder currently holding approximately 13.78% of the issued share capital of the Company

New Lease Agreement	the lease agreement dated 15 November 2007 entered into between Scud Electronics as lessee and Scud Stock as lessor in respect of the lease of the Premises
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	Floors 1 to 6 and 8 to 9 of the building located in No. 98, Jiang Bin Dong Da Dao, Mawei District, Fuzhou, Fujian Province, PRC (中國福建省福州馬尾區江濱東大道98號) which were leased to Scud Electronics under the New Lease Agreement
Prospectus	the prospectus issued by the Company on 11 December 2006 in respect of its initial public offering of the Shares for the listing of its Shares on the main board of the Stock Exchange
Renewal Agreement	the agreement dated 8 January 2010 entered into between Scud Electronics as lessee and Scud Stock as lessor in respect of the termination of the New Lease Agreement and re-entering into the lease of the Premises under the Renewal Agreement
RMB	Renminbi, the lawful currency of the PRC
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 30 September 2002 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, 25% by Mr. Lin, 5% by Mr. Lin's wife and 3% by Mr. Guo, and which is not part of the Group
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
substantial shareholder	has the meaning ascribed to it in the Listing Rules

For the purpose of this announcement, unless otherwise indicated, the exchange rate of HK\$1=RMB0.8805 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 of
SCUD Group Limited
Fang Jin
Chairman

Hong Kong, 8 January 2010

*As at the date of this announcement, the directors of the Company are Mr. Fang Jin, Mr. Guo Quan Zeng, Mr. Li Hui Qiu, Ms. Huang Yan, Dr. Loke Yu**, Mr. Wang Jing Zhong** and Mr. Wang Jian Zhang**.*

* *For identification purpose only*

** *Independent non-executive Directors*