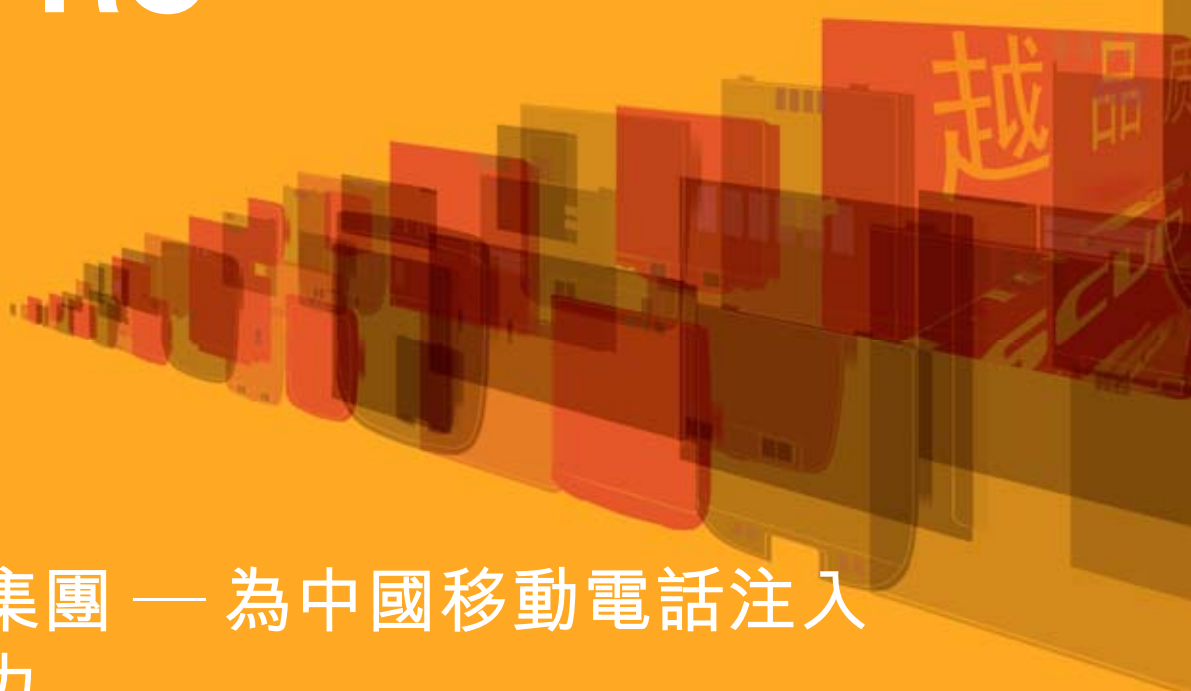


SCUD Group – totally committed to powering mobile phones across the PRC



P.06

飛毛腿集團 — 為中國移動電話注入無限動力

Over 超過

35,000

points of sales across the PRC
銷售點覆蓋中國

Distribution and marketing of more than 分銷及推廣逾

2,200

models of mobile phone rechargeable battery packs
種不同型號的移動電話二次充電電池組

2003-2006 CAGR of turnover
營業額之年複合增長率

30.4%

2003-2006 CAGR of net profit
淨利之年複合增長率

45.1%



2003-2006 CAGR of turnover
營業額之年複合增長率

78.6%

of own brand business
自有品牌業務

2003-2006 CAGR of gross profit
毛利之年複合增長率

113.9%

of own brand business
自有品牌業務

Market share of approximately 市場份額約

12.5%

An extensive network across the nation

網絡覆蓋全國 產品無遠弗屆



Chairman's Statement

主席報告



Dear shareholders,

On behalf of the Board of the Directors (the "Board"), I am pleased to present the annual results of SCUD Group Limited (the "Company" or, together with its subsidiaries, the "Group") for the year ended 31 December 2006 (the "Year").

MILESTONES

In the year 2006, the performance of Group reached a new high and the Company continued to made significant progress in developing its leading position in the 3C industry. On 21 December 2006, the Company was successfully listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The response from Hong Kong and international capital markets was overwhelming with subscription rate of 385 times for the Hong Kong public offer, and the gross proceeds therefrom amounted to HK\$604 million. The listing not only provided adequate funding for the Group's development and business growth, but also allowed the Group to enhance integrated competitiveness by taking new perspectives in operation and management based on international standards. This would reinforce the Group's strengths and gear it up to attain a new level of development. By taking full advantage of the capital raised from the listing, the Group will strengthen and extend the influence of its own "SCUD 飛毛腿" brand, expand production capacity, devote more resources on research and development ("R&D"), as well as improve product quality and management. Through these efforts, the Group is dedicated to become the most popular brand for 3C battery products and related accessories in the PRC.

Fang Jin Chairman
方金 董事長

致各位股東：

本人謹代表董事會欣然提呈飛毛腿集團有限公司（「本公司」或連同其附屬公司為「本集團」）截至二零零六年十二月三十一日止年度（「本年度」）的全年業績。

里程碑

二零零六年是本集團業績創出高峰的一年，也是本公司在3C行業市場領導地位更加突顯的一年。本公司於二零零六年十二月二十一日成功在香港聯合交易所有限公司（「聯交所」）主板上市，獲得香港和國際資本市場熱烈的反應，香港公開發售部份錄得385倍認購倍數，集資所得款額達到6.04億港元。上市不僅為本集團籌措充足的發展資金，以促進集團的業務發展，本集團更將朝著國際化標準營運和管理企業，務求提升綜合競爭力，擁有更大的能力跨越新的臺階。憑藉上市後在資本方面的優勢，本集團將鞏固和發展自有品牌「SCUD 飛毛腿」的影響力，擴大生產能力，加大研發投入和品質提升以及管理改善，矢志成為中國3C電池產品和相關配件產品的最受歡迎品牌。

Chairman's Statement

主席報告

Improvement in results

Thanks to the joint effort of the management and the staff, the Group achieved encouraging results for the year ended 31 December 2006. When compared with the previous year, turnover grew by 32.4% to RMB936,305,000, while profit attributable to equity holders of the Company recorded an increase of 85.5% to reach RMB160,191,000, which was better than the forecast of combined profit attributable to equity holders of the Company of no less than RMB147,000,000 as stated in the Company's prospectus.

Securing the advantageous brand position

Brand value is one of the crucial elements for the success of the Group's self-owned brand business. Following the recognition of the "SCUD 飛毛腿" brand's Li-ion battery as a China Top Brand in 2004, the Group was also awarded China Famous Trademark in 2006 and one of the PRC's 500 Most Valuable Brands for two consecutive years of 2005 and 2006. These awards evidenced that the Group has further secured the top position of the "SCUD 飛毛腿" brand in the self-owned brand rechargeable battery pack industry in the PRC.

Expansion of distribution network

The Group followed through on its commitment to attain a wider coverage of its distribution network and deeper penetration in cities during the Year. As at 31 December 2006, the number of first tier distributors increased from 248 to 331, with over 35,000 points of sales. The greater loyalty of distributors served as a solid foundation for the Group's product sales and growth.

Shorter span for R&D with frequent launches of new products

Leveraging on its ability to launch new models of mobile phone rechargeable battery packs within short periods of time, the Group possesses an edge over other competitors in the PRC's mobile phone rechargeable battery industry. In 2006, the Group continued to enhance its R&D capabilities and shortened the development cycle of new mobile phone rechargeable battery packs. It launched 2,200 types of mobile phone rechargeable battery packs which are compatible with 2,800 mobile phone models, thus further consolidating our leading position in the industry. In addition, to allow greater diversification of our product category and widen our source of income, we also further expanded the offerings of other 3C products, including digital product rechargeable battery packs, notebook computer rechargeable battery packs and bluetooth handsets.

業績增長

截至二零零六年十二月三十一日止年度，在管理層及員工的共同努力下，本集團取得令人鼓舞的業績，營業額較上年度增長32.4%至人民幣936,305,000元；本公司權益持有人應佔溢利較上年度增長85.5%至人民幣160,191,000元，超逾本公司於招股章程中所列不少於人民幣147,000,000元的公司權益持有人應佔合併溢利預測。

鞏固品牌優勢

品牌價值是本集團的自有品牌業務賴以成功的其中一個關鍵因素。繼二零零四年「SCUD 飛毛腿」品牌鋰離子電池產品獲得「中國名牌」產品的榮譽後，二零零六年又獲授予「中國馳名商標」以及連續兩年入選二零零五年及二零零六年「中國500最具價值品牌」。由此，進一步確立了「SCUD 飛毛腿」品牌在中國自有品牌二次充電電池組行業內的領導地位。

拓展分銷網絡

本集團在年度內致力實踐承諾擴充分銷網絡的覆蓋範圍和在城市的滲透率，於二零零六年十二月三十一日，一級分銷商數目由248家增加至331家，銷售點超過35,000個，分銷商的忠誠度越來越高。這將為本集團的產品銷售和增長奠定良好的基礎。

研發速度加快，新產品不斷推陳出新

能夠在短時間內推出新型號移動電話二次充電電池組，使本集團一直在中國移動電話二次充電電池行內領先於其他品牌競爭對手。在二零零六年，本集團繼續加強研發實力，進一步加快開發新移動電話二次充電電池產品的週期，並推出2,200種手機二次充電電池組產品，相容2,800款移動電話型號，進一步鞏固我們在行業內的領導地位。此外，我們也進一步擴充其他3C產品的系列，包括數碼二次充電電池組、筆記本二次充電電池組和藍牙耳機，使產品系列更多元化，同時增加集團的收入來源。

Chairman's Statement

主席報告

FUTURE PROSPECTS

Over the past three decades since the PRC's reform and economic liberalization, the PRC has made tremendous strides on economic front, which have brought enormous improvements to the living standard of its people. The booming telecommunications market, in particular, provides the Group with ideal business opportunities and ample room for development, on which the Group will capitalize to continuously develop products that meet market needs, with a view to consolidate and expand our business.

Focus on 3C accessories

With the ongoing and rapid development of the Chinese economy, the demand for 3C products will continue to grow, which in turn driving up the demand for related rechargeable batteries and accessories. In view of this, the Group will broaden its product mix to cater to the growing market demand.

Increase brand promotion efforts, improve distribution channels and develop brand loyalty among customers

The Group will engage the PRC's top-notch and professional brand management companies on a long-term basis to provide support to our brand promotion and channel development. With a centralized planning, such companies also help to improve the decoration of retail outlets in order to build a standard image. All these initiatives will contribute to a stronger recognition and reputation of the "SCUD 飛毛腿" brand.

Continue to adopt a market-oriented approach to R&D

While emphasizing on brand management, the Group will continue to take a market-oriented approach in R&D. The Group will speed up the R&D of 3C battery products, conduct market research and analysis, as well as continue the R&D of new products with great market potential.

未來展望

中國改革開放近三十年來，經濟發展迅速，人民生活水平不斷提高。尤其在通信市場大力發展的趨勢下，為本集團的業務帶來了良好的機遇和巨大的發展空間，集團將緊緊抓住此契機不斷開發出適合市場需要的產品，以務實和壯大我們的業務。

專注3C配件產品領域

隨著中國經濟的不斷快速發展，3C產品的需求將越來越大，這也必將帶來相關二次充電電池和配件的需求上升，因此，本集團將進一步增加產品種類以滿足不斷增長的市場需求。

加大品牌宣傳力度和改進分銷渠道，培養客戶對品牌的忠誠度

本集團將長期聘請國內頂尖專業的品牌策劃機構，輔助品牌推廣和渠道建設，同時加緊銷售終端門店的裝修改善，統一規劃，統一形象。提升「SCUD 飛毛腿」品牌的知名度和信譽度。

繼續採取以市場為本的研發方針

著重品牌的同時，本集團也將繼續以市場為本的方向作研發方針，加快3C電池產品的研發速度，加強市場調查分析，不斷研究開發具市場潛力的新產品。

Expand product capacity and quality by constructing new factories

With an objective of meeting market demand for 3C products and rechargeable battery products and the requirements of business growth, the Group intends to lease more production space of approximately 11,000 square metres in the second quarter of 2007, by which the annual product capacity will be increased by 50% from 40 million pieces to 60 million pieces. Meanwhile, the Group will continue its preparations for the construction of its new plant in Fuzhou in March 2007. Upon completion, the Group's production facilities can all be centralized and located at the new production plant and occupy a gross floor area of 64,000 square metres. The Group's annual production capacity is expected to be increased to approximately 120 million pieces when fully operate. It is targeted that the plant will commence production in the fourth quarter of 2008.

Stay competitive by continuous investment and merger

The Group will seek for potential investments through establishing potential business alliances, acquisitions of business, technology platforms or projects which are adjacent to our existing value chain in the related 3C battery product sector, so as to facilitate market and technological integration and maintain our long-term competitiveness in the industry.

I would like to take this opportunity to express my sincere gratitude to our staff for their continuous loyalty and commitment. Their devotion is critical to the success of the Group. I would also like to thank all members of the Board for their valuable recommendations and contributions during the Year, as well as the customers, suppliers and intermediaries for their recognition and support and the investors for their trust. We are confident that with the endeavours of management and the entire staff, the Group will have a promising development in the future and maximize returns for shareholders.

Fang Jin
Chairman

Fuzhou, PRC
27 March 2007

建設新工廠，擴大產能，提升產品質量

為配合市場對3C產品及二次充電電池產品的需求和業務增長的需要，本集團將於二零零七年第二季擴大租用11,000平方米生產空間，將年產能由現時的40,000,000顆擴充50%至60,000,000顆。同時，本集團將繼續預備於二零零七年三月位於福州的新廠房建設工程，於落成後，本集團將可集中其所有生產設施於新生產廠房內，樓面面積為64,000平方米，預期本集團全面投產的每年產能將增加至120,000,000顆，目標是於二零零八年第四季投產使用。

投資兼併，保持優勢

本集團將在相關3C電池產品領域內尋找具潛質的投資項目，通過組成具潛力的業務聯盟，收購與我們現有價值鏈相連的業務技術平台或項目的方式，加快市場整合和技術整合，長遠保持競爭優勢。

本人謹藉此機會向本集團全體全人多年來一如既往的恪盡職守、兢兢業業的工作精神和態度深表敬意，正因為他們的辛勤工作，才有了今天本集團的表現。同時也要感謝董事會全體成員於本年度給予的寶貴建議和積極的工作。此外，也要感謝客戶、供應商、中介機構對公司的認可和鼎力支持，以及各方投資者對本集團的信任。我們堅信憑藉管理層和全體員工的努力，本集團今後定會取得更長遠的發展，以最理想的利潤回報予各位股東。

方金
董事長

中國，福州
二零零七年三月二十七日