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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)

**RESIGNATION OF AUDITOR
UPDATE ON TIMING OF PUBLICATION OF ANNUAL FINANCIAL
STATEMENTS
AND
OPERATIONAL UPDATE FOR FIRST QUARTER 2015**

RESIGNATION OF AUDITOR

This announcement is made by SCUD Group Limited (the “Company”) pursuant to Rule 13.51(4) of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The board of directors (“Board”) of the Company announces that Moore Stephens has resigned as the independent auditor of the Company with effect from 2 April 2015.

In the letter of resignation dated 2 April 2015 to the Board and the audit committee of the Company, Moore Stephens stated that during the performance of the audit of the Company for the year ended 31 December 2014, they observed certain inconsistencies (the “Observations”) and in view of such inconsistencies, requested the Company to perform additional procedures, including but not limited to, engaging an independent third party to carry out an investigation to resolve/rectify the Observations before issuance of their auditor’s report. However, Moore Stephens had reassessed their “firm’s professional risk and effective utilisation of our resources” and decided to resign as auditor.

Details of the Observations are as follows:

- (a) Moore Stephens were unable to verify all value-added tax invoices tested in their sales transaction test through the online verification system;

* For identification purpose only

- (b) Moore Stephens were unable to verify a late adjustment debiting accounts receivable and crediting bank balances. The bank balances as at 31 December 2014 after putting through this adjustment was inconsistent with the balances shown on the bank confirmations Moore Stephens obtained from the banks during the audit; and
- (c) Moore Stephens were unable to verify a late adjustment debiting sales, income tax payable, value-added-tax payable and crediting bank balances and intercompany current account. This adjustment was inconsistent with the tax returns, tax payment advice and bank confirmations Moore Stephens obtained and the sales ledger that was made available for their testing during the audit.

The Company notes the reasons for the auditor's resignation. They are prioritizing the identification of a suitable replacement to fill the vacancy following the resignation of Moore Stephens. Specifically, given the potential appointment of new auditor, the Company has not to date proceeded with the engagement of an independent third party as mentioned in the announcement dated 31 March 2015. Whether such additional work or engagement of an independent third party will be required or proceeded with will now become a matter subject to subsequent decision of the Board.

Further announcement will be made by the Company in due course in relation to the appointment of new auditor of the Group.

UPDATE ON TIMING OF PUBLICATION OF ANNUAL FINANCIAL STATEMENTS

Given the resignation of Moore Stephens, the Company is soliciting proposals from other accounting firms with a view to appointing a new auditor. This selection process is expected to take some time given the time for any new auditor's engagement process and clearance requirements between the incoming auditor and outgoing auditor. Consequently, it would not be practicable to provide any realistic update or tentative timetable until we have secured the appointment of a new auditor and confirmed such timetable with them.

As for publication of unaudited financial results for the year ended 31 December 2014, the Company does not propose to publish the same as the directors would need time to investigate the concerns raised by Moore Stephens in its letter of resignation before being able to come to a view if the concerns of Moore Stephens are valid and, if so, to what extent adjustments should be made to such financial information in its management accounts. For this purpose, an internal investigative team has been established.

The Company is also expecting to publish periodic updates on its business operations until such time as its audited accounts for the year ended 31 December 2014 are announced. The information for the first quarter of 2015 is as set out below. The Company expects to announce monthly updates and expects that the next update will be at the end of May for the developments in April.

OPERATIONAL UPDATE FOR FIRST QUARTER 2015

The Group is currently engaged in the business of the Group's original design manufacturing ("ODM business") as well as own brand "SCUD飛毛腿" brand ("Own-brand business") as follows:

The ODM business – Manufacture and supply of lithium-ion battery modules, power banks and related accessories for branded mobile phone and tablets manufacturers within and outside China.

The Own-brand business – Manufacture and sale of "SCUD飛毛腿" brand lithium-ion battery modules, power banks, power management modules and related accessories for mobile phones, tablets and digital electronic appliances. The majority of this business was subject to the sale as mentioned in the Company's announcement dated 25 March 2015.

The information set out below is based on the unaudited management accounts of the major subsidiaries of the Company for the first three months ended 31 March 2015 ("1Q 2015").

The total sales revenue (value added tax not included) of the Group in 1Q 2015 was about RMB790 million.

The ODM business accounted for about RMB641 million, representing about 81%, of such total sales revenue of the Group in 1Q 2015. The Own-brand business and others accounted for the remainder. The key customers of the Group in 1Q 2015 for its ODM business were Huawei (華為), Xiaomi (小米), ZTE (中興), vivo (維沃), Lenovo (聯想), TCL, BBK (步步高) and OPPO (歐珀).

As of 31 March 2015, the bank balance of the Group amounted to about RMB874 million, of which about RMB528 million has been pledged in the ordinary course of its business and about RMB346 million was free cash. The amount of account receivables of the Group settled in 1Q 2015 was about RMB1.1 billion and amount of payables of the Group settled in 1Q 2015 was about RMB959 million. Bank borrowings as at 31 March 2015 were about RMB263 million.

The Group has other assets and liabilities and this update on its business and cash position should not be taken as an indicator of the financial performance of the Group. It is provided with the intent of giving shareholders and potential investors some operational data pending the publication of the Company's audited financial statements for the year ended 31 December 2014.

SUSPENSION OF TRADING

Upon the application of the Company, trading in the Company's shares on the Stock Exchange has been suspended from 9:00 a.m. on 26 March 2015 pending release of its annual results.

By Order of the Board
SCUD GROUP LIMITED
Fang Jin
Chairman

Hong Kong, 24 April 2015

As at the date of this announcement, the Board comprises Mr. Fang Jin, Mr. Guo Quan Zeng, Mr. Zhang Li and Ms. Huang Yan being the executive Directors, and Dr. Loke Yu, Mr. Wang Jing Zhong and Mr. Wang Jian Zhang being the independent non-executive Directors.