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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)

**OPERATIONAL UPDATE FOR FIRST QUARTER 2016 AND
UPDATE ON PROGRESS OF FULFILLMENT OF RESUMPTION
CONDITIONS**

This announcement is an update of matters referred to in the announcements published by SCUD Group Limited (the “Company”) dated 24 April 2015, 29 May 2015, 29 June 2015, 13 July 2015, 29 July 2015, 31 August 2015, 30 September 2015, 30 October 2015, 30 November 2015, 31 December 2015, 29 January 2016, 29 February 2016 and 31 March 2016. The Company and its subsidiaries are hereinafter referred to as the “Group”.

OPERATIONAL UPDATE FOR FIRST QUARTER 2016

Set out below is an update on the Group’s business operations for first quarter 2016. 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 2016 (“1Q 2016”).

The total sales revenue (value added tax not included) of the Group in 1Q 2016 was about RMB1.2 billion.

The ODM business accounted for about RMB953 million, representing about 82%, of such total sales revenue of the Group in 1Q 2016. The Own-brand business and others accounted for the remainder.

As of 31 March 2016, the bank balance of the Group amounted to about RMB839 million, of which about RMB672 million had been pledged in the ordinary course of its business and about RMB167 million was free cash. The amount of account receivables of the Group settled in 1Q 2016 was about RMB1.5 billion and the amount of payables of the Group settled in 1Q 2016 was about RMB1.3 billion. Bank borrowings as at 31 March 2016 was about RMB382 million.

* For identification purpose only

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 years ended 31 December 2014 and 31 December 2015 and the Company's unaudited financial statements for the six months ended 30 June 2015.

ONGOING WORK BY INDEPENDENT THIRD PARTY INVESTIGATOR

The work by Grant Thornton Advisory Services Limited ("Grant Thornton"), who was appointed as the independent third party investigator to investigate the matters raised in Moore Stephens' resignation letter dated 2 April 2015 (the "Matters"), is ongoing. The board of directors of the Company (the "Board") has been informed by the independent board committee that it will be in a position to present the current findings to the Board in May 2016. The Board expects to make an announcement as soon as practicable thereafter.

STATUS UPDATE OF APPOINTMENT OF REPLACEMENT AUDITOR

As stated in the Company's announcements dated 29 May 2015, 29 June 2015, 29 July 2015, 31 August 2015, 30 September 2015, 30 October 2015, 30 November 2015, 31 December 2015, 29 January 2016, 29 February 2016 and 31 March 2016, no update in this regard is expected until after the investigation by Grant Thornton is completed. The Company believes that the results of the investigation into the Matters will facilitate the process of engagement by the Company of potential replacement auditors.

In light of the status of appointment of replacement auditor, the Board expects that the Company will not be able to publish its audited financial statements for the year ended 31 December 2015 by 31 March 2016, being the time by which the Company is obliged to make such publication under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"). The Board also expects that the Company will not be able to despatch the annual report for the year ended 31 December 2015 by 30 April 2016 as required by the Listing Rules.

CONTINUED SUSPENSION OF TRADING

Trading in the Company's shares on the Stock Exchange will continue to be suspended pending the fulfilment of the resumption conditions referred to in the Company's announcement dated 13 July 2015. The Company will make an announcement about status update of fulfilment of resumption conditions when appropriate.

By Order of the Board
SCUD GROUP LIMITED
Fang Jin
Chairman

Hong Kong, 29 April 2016

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.