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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)

**APPOINTMENT OF REPLACEMENT AUDITOR;
APPOINTMENT OF INTERNAL CONTROL CONSULTANT;
APPOINTMENT OF FINANCIAL ADVISER;
ESTABLISHMENT OF RESUMPTION COMMITTEE;
APPOINTMENT OF EXECUTIVE DIRECTOR
AND NON-EXECUTIVE DIRECTOR; AND
RESIGNATION OF EXECUTIVE DIRECTOR**

The Board is pleased to announce that it has appointed BDO Limited as its new auditor who will be responsible for auditing the Group's consolidated financial statements for the three years ending 31 December 2016.

As part of the drive to enhance the Group's internal control and resume trading of the Company's shares, the Company has also appointed an internal control consultant, a financial adviser and established a resumption committee which will be dedicated to the work on resuming trading in the shares of the Company as soon as possible.

The Board is also pleased to announce the appointment of Mr. Feng Ming Zhu as the Company's new executive director and Mr. Hou Li as the Company's new non-executive director. Mr. Feng is the vice president of SCUD Group Limited, and he is primarily responsible for the development of the Group's strategy. With the significant legal background and experience of Mr. Hou, the Group is expected to enhance substantially its corporate governance and other related aspects. Further details of changes to the Board are set out below.

Reference is made to the announcements of SCUD Group Limited (the "**Company**", together with its subsidiaries, the "**Group**") dated 29 July 2016 (the "**June Update Announcement**") and dated 13 July 2015 (the "**Resumption Conditions Announcement**"), in relation to, amongst other matters, the

* For identification purpose only

conditions for resumption of trading of shares. Unless the context otherwise requires, capitalized terms used in this announcement shall have the same meanings as defined in the June Update Announcement.

APPOINTMENT OF REPLACEMENT AUDITOR

The board of directors (the “**Board**”) of the Company would like to announce that it has appointed BDO Limited as its new auditor. BDO Limited will be responsible for auditing the Group’s consolidated financial statements for the three years ending 31 December 2016. With a view to publishing all outstanding financial results required by the Listing Rules as soon as possible, BDO Limited will commence work immediately. The audited consolidated financial statements of the Group for the three years ending 31 December 2016 are expected to be available no later than the second quarter of 2017. BDO Limited is also expected to address the audit issues as set out in the resignation letter of the Group’s previous auditor.

APPOINTMENT OF INTERNAL CONTROL CONSULTANT

As part of the conditions for resumption of trading of shares referred to in the Resumption Conditions Announcement, the Company should demonstrate that it has put in place adequate financial reporting procedures and internal control systems to meet obligations under the Listing Rules. To assist the Company in fulfilling this condition, the Company has engaged BDO Financial Services Limited as its internal control consultant to conduct a review of the internal control systems and procedures of the Group (the “**IC Review**”), and to make recommendations accordingly. It is currently expected that the IC Review will be completed around the second quarter of 2017.

ESTABLISHMENT OF RESUMPTION COMMITTEE AND APPOINTMENT OF FINANCIAL ADVISER

The Board would like to announce that the Company has set up a resumption committee (the “**Resumption Committee**”) which comprises the three independent non-executive directors Dr. Loke Yu, Mr. Wang Jing Zhong and Mr. Wang Jian Zhang, and the new non-executive director Mr. Hou Li.

The Resumption Committee is responsible for leading the process to facilitate resumption of trading in the shares of the Company as soon as possible. The Company has appointed Gram Capital Limited as the financial adviser in relation to the resumption of trading in the shares of the Company.

APPOINTMENT AND REDESIGNATION OF DIRECTORS

The Board is pleased to announce that Mr. Feng Ming Zhu (“**Mr. Feng**”) has been appointed as an executive director and Mr. Hou Li (“**Mr. Hou**”) has been appointed as a non-executive Director, both with effect from 25 August 2016.

Mr. Feng Ming Zhu

Mr. Feng, aged 52, is the vice president of SCUD Group Limited. He is primarily responsible for the development of the Group's strategy. Mr. Feng holds a Bachelor degree from Anhui University of Finance and Economics in China. He joined the Group in March 2007 and served as the director of administration of SCUD Group Limited until October 2011. He then served as the general manager of SCUD SMT Business Unit before becoming the vice president of SCUD Group Limited in April 2013. Mr. Feng is currently a Specialist of Fujian JingXin Think Tank Industry Research.

Mr. Feng has entered into a service contract with the Company on 25 August 2016 for his appointment as an executive director for a term commencing from 25 August 2016 and ending on the earlier of 24 August 2019 and the date of annual general meeting to be held by the Company in 2019. He is subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Company's articles of association. Mr. Feng is entitled to a remuneration of HK\$240,000 per annum with discretionary bonus in accordance with the terms of the service contract. The remuneration was determined by the Board with reference to his duties and responsibilities with the Company and the prevailing market conditions.

Save as disclosed above, Mr. Feng does not hold any other positions in the Company or any of its subsidiaries and does not have any relationships with any other directors, senior management, management shareholders, substantial shareholders, or controlling shareholders of the Company nor hold any directorship in other public companies the securities of which are listed on any securities market in Hong Kong or overseas in the past three years. Mr. Feng does not have, and is not deemed to have, any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations which is required to be disclosed under Part XV of the Securities and Futures Ordinance.

Save as disclosed above, there are no other matters which need to be brought to the attention of the shareholders of the Company regarding the appointment of Mr. Feng or any other information that needs to be disclosed pursuant to any of the requirements of Rule 13.51(2) (h) to (v) of the Listing Rules.

The Board would like to take this opportunity to welcome Mr. Feng to the Board.

Mr. Hou Li

Mr. Hou, aged 57, is a senior partner of Dentons Law Offices (Fuzhou). Mr. Hou holds a Bachelor of Law degree from East China University of Political Science and Law and an Executive Master of Business Administration degree from Xiamen University in China. He is a qualified lawyer in China and has over 20 years of experience in legal and corporate governance matters. Mr. Hou also engages in several community services and had once served as member in Commission of Legislative Affairs of Fujian Province Committee of the Chinese People's political Consultative Conference, director in

Fujian Province joint-stock enterprises Association and Fujian Province Securities Association, arbitrator in Fuzhou Arbitration commission and chairman of Law Office of Fujian Committee of the Revolutionary Committee of The Chinese Kuomintang.

Mr. Hou's appointment commences from 25 August 2016 until the earlier of 24 August 2018 and the date of annual general meeting to be held by the Company in 2018. Mr. Hou will be subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Company's articles of association. Mr. Hou is entitled to a remuneration of RMB160,000 per annum (equivalent to approximately HK\$186,000 per annum) without any bonus. Such remuneration has been fixed by the Board with reference to his duties and responsibilities with the Company and the prevailing market conditions.

Save as disclosed above, Mr. Hou does not hold any other positions in the Company or any of its subsidiaries and does not have any relationships with any other directors, senior management, management shareholders, substantial shareholders, or controlling shareholders of the Company nor hold any directorship in other public companies the securities of which are listed on any securities market in Hong Kong or overseas in the past three years. Mr. Hou does not have, and is not deemed to have, any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations which is required to be disclosed under Part XV of the Securities and Futures Ordinance.

Save as disclosed above, there are no other matters which need to be brought to the attention of the shareholders of the Company regarding the appointment of Mr. Hou or any other information that needs to be disclosed pursuant to any of the requirements of Rule 13.51(2) (h) to (v) of the Listing Rules.

The Board would like to welcome Mr. Hou as non-executive director of the Company and look forward to his contribution in (amongst other things) enhancing the Group's corporate governance and other related aspects.

Mr. Zhang Li

Taking into account the proposed Board changes, Mr. Zhang, an executive director of the Company, and the Company has agreed that with effect from 25 August 2016, Mr. Zhang Li will be redesignated as a non-executive director.

Zhang Li, aged 56, is the general manager of Scud (Fujian) Electronics Co., Ltd. ("**Scud Electronics**"), a wholly-owned subsidiary of the Company, and is responsible for the management of the overall operations of Scud Electronics. The business of Scud Electronics is the production of ODM products, including mobile phone batteries, power banks and notebook computer batteries. Prior to the redesignation, Mr. Zhang had been an executive Director since 31 December 2010. Mr. Zhang joined the Group in October 2003 and had been the deputy general manager of Scud Electronics. Prior to joining the Group, Mr. Zhang had served as various positions including being a manager in the industrial design department of Fujian Start Network, and as manager of the research

and development department, of the accessories department and of the sales department of Fujian Communications and Broadcasting Industrial Company. He has more than 30 years of experience in the telecommunication industry.

Mr. Zhang graduated from the Mechanical Engineering Faculty of Jiangxi University in 1978. He was granted the qualification of practising as an engineer by Intermediate Level Adjudication Committee of Fujian Province's Electronics Industry Bureau in Engineering Technology Profession in 1992 and was granted the qualification of practising as a senior engineer by Fujian Province's Adjudication Board of Technicians in Senior Engineering Profession in 1999.

Other than the relationship arising from his directorship with the Company and save as disclosed herein, Mr. Zhang has not held any directorship in any other public companies the securities of which are listed on any securities market in Hong Kong or overseas in the past three years and he does not have any relationship with any other Directors, senior management, substantial shareholders, controlling shareholders (which have the meanings ascribed to them respectively under the Listing Rules) of the Company. Furthermore, Mr. Zhang does not have any equity interest in the Company within the meaning of Part XV of the Securities and Futures Ordinance of Hong Kong.

The Company and Mr. Zhang has signed an appointment letter on 25 August 2016 for a term commencing from 25 August 2016 and ending on the earlier of 24 August 2018 and the date of annual general meeting to be held in 2018. Pursuant to such appointment letter, Mr. Zhang is entitled to a remuneration of RMB160,000 per annum (equivalent to approximately HK\$186,000 per annum) (without any bonus) in accordance with the terms of the service contract. The remuneration was determined by the Board with reference to his duties and responsibilities with the Company and the prevailing market conditions. In relation to the redesignation of Mr. Zhang, save as disclosed above, there is no information to be disclosed pursuant to any of the requirements of Rules 13.51(2)(h) to 13.51(2)(v) of the Listing Rules nor are there other matters that need to be brought to the attention of the shareholders of the Company in connection with Mr. Zhang's redesignation as a non-executive director.

RESIGNATION OF EXECUTIVE DIRECTOR

The Board announces that Ms. Huang Yan ("**Ms. Huang**") has tendered her resignation to the Company with effect from 25 August 2016. Ms. Huang has decided to step down as an executive director of the Company and dedicate more time to her personal studies.

Ms. Huang has confirmed that she has no disagreement with the Board and there is no matter relating to her resignation that needs to be brought to the attention of the shareholders of the Company or the Stock Exchange.

The Board would like to take this opportunity to express its gratitude and appreciation to Ms. Huang for her valuable contributions to the Company during her term of office.

The Board believes that the establishment of the Resumption Committee, the engagement of the above professional parties and the appointment of the new directors with their respective background and experience would assist the Group in meeting its resumption conditions as soon as practicable. The Company may make further appointments as and when appropriate opportunity arises with the view to further enhance the Group's internal control and financial reporting procedures. Further, to demonstrate the senior management's dedication and determination in achieving the above, the chairman of the Group Mr. Fang Jin and the chief executive officer Mr. Guo Quan Zeng have voluntarily waived their respective directors' fee with retrospective effect from April 2015 until the shares of the Company resume 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 Resumption Conditions Announcement.

By Order of the Board
SCUD GROUP LIMITED
Fang Jin
Chairman

Hong Kong, 25 August 2016

As at the date of this announcement, the Board comprises Mr. Fang Jin, Mr. Guo Quan Zeng and Mr. Feng Ming Zhu being the executive directors, Mr. Zhang Li and Mr. Hou Li being the non-executive directors, and Dr. Loke Yu, Mr. Wang Jing Zhong and Mr. Wang Jian Zhang being the independent non-executive directors.