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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)

### ANNOUNCEMENT AND RESUMPTION OF TRADING OF SHARES

The Company regrets to announce that in the late afternoon of Thursday, 31 May 2007, there was a serious fire in its production plant in Fuzhou. Most, if not all, of the Group's inventory has been destroyed whilst most of its production lines were unaffected. Regardless, however, as most (if not all) of the inventory has been destroyed, the Group's production will be materially disrupted. The Group expects to be able to resume partial production and supply to its material customers within a month.

**Investors are advised to exercise extreme caution when dealing in the shares of the Company.**

Trading in the shares of the Company on the Stock Exchange was suspended at the request of the Company with effect from 9:30 a.m. on 1 June 2007 pending the release of this announcement. Application has been made by the Company for the resumption of trading in the shares of the Company with effect from 9:30 a.m. on Monday, 4 June 2007.

This announcement is made pursuant to Rule 13.09(1) of the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Scud Group Limited (the "Company" and together with its subsidiaries, the "Group") regrets to announce that in the late afternoon of Thursday, 31 May 2007, there was a serious fire in its production plant in Fuzhou. The fire was extinguished by late last night. Most, if not all, of the Group's inventory has been destroyed whilst most of its production lines were unaffected. Regardless, however, as most (if not all) of the inventory has been destroyed, the Group's production will be materially disrupted. In the meantime, the Group has been in urgent discussions with its suppliers so as to resume some production and delivery of its products as soon as possible. The Group expects to be able to resume partial production and supply to its material customers within a month. The Group has reported the matter to its insurers. However, it is uncertain how much of the Group's losses (which would not be limited to inventory but would also reflect some lost sales pending resumption of normal production and possible claims from customers for late deliveries although initial enquiries by the Group of such customers is that they have no intentions of making any such claims) would not be completely covered by the insurer as the insurance is primarily for loss of inventory and products from fire and not subsequent business disruption or other losses. The Company estimates that the loss to the Group could range from RMB200 million to RMB250 million before taking into account any possible compensation from insurers. As such this loss amount would be reduced to the extent of any compensation from its insurer. As part of the estimated loss, the portion attributable to the cost of inventory based on the Group's management accounts as at 30 April 2007 was approximately RMB190 million.

The Group has not yet been able to confirm the cause of the fire and this will be subject to further investigation by both the Group and the relevant regulatory authorities in Fuzhou. The Group will also be reviewing its emergency procedures and fire prevention policies in light of this incident. It is, however, relieved to report that there were no fatalities in connection with such fire.

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Further announcement will be made as and when there are material developments.

Hong Kong, 1 June 2007

*As at the date of this announcement, the directors of the Company are Mr. Fang Jin, Mr. Lin Chao, Mr. Guo Quan Zeng, Mr. Li Hui Qiu, Mr. Ho Man\*, Mr. Heng Kwoo Seng\*\*, Mr. Wang Jing Zhong\*\* and Mr. Wang Jian Zhang\*\*.*

By Order of the Board  
SCUD GROUP LIMITED  
Fang Jin  
Chairman

\* Non-executive Director

\*\* Independent non-executive Directors

\* For identification purpose only

"Please also refer to the published version of this announcement in The Standard."