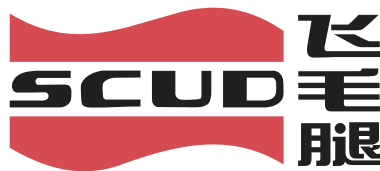


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**SCUD GROUP LIMITED**

**飛毛腿集團有限公司\***

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 01399)**

## **PROFIT WARNING**

This announcement is made pursuant to Rule 13.09(1) of the Listing Rules.

The Board wishes to inform the shareholders of the Company and potential investors that the Group is expected to report an unaudited consolidated profit for the six months ended 30 June 2012 significantly lower than that for the six months ended 30 June 2011.

The information in this announcement is based on a preliminary assessment of the currently available information from the unaudited management accounts of the Group, which is not reviewed or audited by the independent external auditors engaged by the Company.

**Shareholders of the Company and potential investors are advised to exercise caution when dealing in the securities of the Company.**

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

The board of directors (the “Board”) of SCUD Group Limited (the “Company”, together with its subsidiaries, the “Group”) wishes to inform the shareholders of the Company and potential investors that based on the management’s preliminary assessment of the unaudited management accounts currently available, the Group is expected to report an unaudited consolidated profit for the six months ended 30 June 2012 (the “Period”) significantly lower than that for the six months ended 30 June 2011. The amount of the Group’s unaudited consolidated profit is being finalized and is therefore subject to change. In particular, the amount of unaudited consolidated profit may be further adjusted depending on the results of the review on the impairment to the Group’s intangible assets, which is being carried out.

Since 2012, the mobile phone market has posted a slower growth momentum as a whole, mainly due to the sluggish global economy and the sharply declined sales volume of traditional feature mobile phones. While China witnessed the advancing 3G scale operation and the increasing efforts of operators to promote smartphones, the emerging smartphones have also led to the plunging demands for traditional feature mobile phones. Furthermore, continuous price cuts of the newly launched models and the intensifying competitions in medium- to low-end mobile phone market are pulling down the prices of traditional feature mobile phones as well as the associated accessories, resulting in diminished margins of the Group's products.

By virtue of its widely recognized and established brand and product quality, the Group is able to maintain relatively stable business operations in the high-end market. However, a significant decline is expected in the Group's unaudited consolidated profit for the first half of 2012 as compared to the same period of 2011, as a result of the sharply declined sales volume of traditional feature mobile phones amid the evolving industry structure, coupled with the lower margin due to the decreased selling prices of the Group's products due to more intensified competitions in the medium- to low-end mobile phone market.

The information in this announcement is based on a preliminary assessment of the currently available information from the unaudited management accounts of the Group, which is not reviewed or audited by the independent external auditors engaged by the Company. Further details of the Group's performance will be disclosed in the interim results for the six months ended 30 June 2012 to be published by the Group.

**Shareholders of the Company and potential investors are advised to exercise caution when dealing in the securities of the Company.**

By Order of the Board  
**SCUD Group Limited**  
**Fang Jin**  
*Chairman*

Hong Kong, 23 July 2012

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

*\* For identification purpose only*