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Sino Distillery Group Limited

中國釀酒集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 00039)

SUBSCRIPTION OF NEW SHARES UNDER REFRESHED GENERAL MANDATE

On 29 April 2014 (after trading hours of the Stock Exchange), the Company entered into the Subscription Agreements with the Subscribers for the subscription of an aggregate 80,000,000 Subscription Shares at the Subscription Price of HK\$0.7 per Subscription Share.

The Subscription Shares represent approximately 5.46% of the existing issued share capital of the Company and approximately 5.18% of the Company's issued share capital as enlarged by the allotment and issue of the Subscription Shares.

The Subscription is conditional upon the Stock Exchange granting the listing of, and permission to deal in, the Subscription Shares.

The Subscription Agreements are not inter-conditional upon one another.

The net proceeds from the Subscription after deducting the expenses payable by the Company is expected to be approximately HK\$55.97 million, which will be used by the Company for the Group's settlement of loans, business development, investments and general working capital purposes.

Shareholders and potential investors who wish to deal in the securities of the Company should note that the Subscription may or may not proceed and therefore are advised to exercise caution when dealing in the securities of the Company.

INTRODUCTION

The Board is pleased to announce that on 29 April 2014 (after trading hours of the Stock Exchange), the Company entered into the Subscription Agreements with the Subscribers for the subscription of an aggregate 80,000,000 Subscription Shares at the Subscription Price of HK\$0.7 per Subscription Share.

THE SUBSCRIPTION AGREEMENTS

Date

29 April 2014 (after trading hours of the Stock Exchange)

Parties

- (1) the Company as the issuer of the Subscription Shares
- (2) Ms. Zeng Xiao Xian (曾笑賢) as a Subscriber in respect of 10,000,000 Subscription Shares
- (3) Mr. Chen Chang Jun (陳昌俊) as a Subscriber in respect of 64,000,000 Subscription Shares
- (4) Ms. Chen Rui Juan (陳瑞娟) as a Subscriber in respect of 1,000,000 Subscription Shares
- (5) Ms. Ding Hai Yan (丁海燕) as a Subscriber in respect of 5,000,000 Subscription Shares

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, each of the Subscribers is an Independent Third Party. It is expected that none of the Subscribers will become a substantial shareholder (as defined in the Listing Rules) of the Company immediately upon completion of the Subscription.

Subscription Shares

An aggregate of 80,000,000 Subscription Shares, representing approximately 5.46% of the existing issued share capital of the Company and approximately 5.18% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares. The aggregate nominal value of the Subscription Shares is HK\$8 million.

Subscription Price

The Subscription Price of HK\$0.7 per Subscription Share represents:

- (i) a discount of 12.5% to the closing price of HK\$0.8 per Share as quoted on the Stock Exchange on 29 April 2014, being the date of the Subscription Agreements; and
- (ii) a discount of approximately 14.0% to the average closing price of HK\$0.814 per Share as quoted on the Stock Exchange for the last five trading days up to and including 28 April 2014, being the date immediately preceding the date of the Subscription Agreements.

The Subscription Price was determined after arm's length negotiation between the Subscribers and the Company with reference to the recent trading performance of the Shares and business prospects of the Group. The Directors consider that the Subscription Price is fair and reasonable under the current market conditions and the Subscription is in the interest of the Company and the Shareholders as a whole.

Refreshed General Mandate

The Subscription Shares will be allotted and issued under the Refreshed General Mandate. As at the date of this announcement, the Company has not utilised any of the Refreshed General Mandate and the maximum number of new Shares which can be issued under the Refreshed General Mandate is 290,703,975. After completion of the Subscription, there shall be 210,703,975 new Shares issuable under the Refreshed General Mandate. The issue of Subscription Shares is not subject to the approval of the Shareholders.

Condition of the Subscription Agreements

Completion of the Subscription is conditional upon the listing of and permission to deal in the Subscription Shares being granted by the Listing Committee of the Stock Exchange.

In the event that the condition to the Subscription is not fulfilled on or before 30 May 2014 (or such later date as may be agreed between the Company and the Subscribers), the Subscription Agreements and all rights and obligations thereunder will cease and terminate and none of the Subscribers and the Company shall have any claim against each other for cost, damages, compensations or otherwise except for any antecedent breach of the provisions of the Subscription Agreements.

Application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares.

The Subscription Agreements are not inter-conditional upon one another.

Ranking of the Subscription Shares

The Subscription Shares, when issued and fully paid, will rank *pari passu* in all respects with the Shares in issue on the completion date of the Subscription, including the right to any dividends or distribution after the completion of the Subscription.

Completion of the Subscription

Completion of the Subscription will take place within two Business Days immediately after the fulfillment of the condition of the Subscription set out above.

Shareholders and potential investors who wish to deal in the securities of the Company should note that the Subscription may or may not proceed and therefore are advised to exercise caution when dealing in the securities of the Company.

EFFECT ON THE SHAREHOLDING OF THE COMPANY FOLLOWING COMPLETION OF THE SUBSCRIPTION

Assuming there being no other changes in the share capital of the Company from the date of this announcement up to the completion of the Subscription, set out below is the table of the shareholdings in the Company before and upon completion of the Subscription:

Shareholders	Shareholding as at the date of this announcement		Shareholding upon completion of the Subscription	
	<i>Number of Shares</i>	<i>Approximately %</i>	<i>Number of Shares</i>	<i>Approximately %</i>
Directors:				
Mr. Jiang Jianjun	108,648,000	7.42	108,648,000	7.03
Mr. Qu Shuncaï	3,680,000	0.25	3,680,000	0.24
	112,328,000	7.67	112,328,000	7.27
Substantial Shareholder:				
Able Turbo Enterprises Limited (Note)	179,938,000	12.29	179,938,000	11.65
Public Shareholders:				
Subscribers	–	–	80,000,000	5.18
Other public shareholders	1,172,428,876	80.04	1,172,428,876	75.90
Total	<u>1,464,694,876</u>	<u>100.00</u>	<u>1,544,694,876</u>	<u>100.00</u>

Note:

The Shares are held by Able Turbo Enterprises Limited (“Able Turbo”) as to 102,945,737 Shares and China Food and Beverage Group Limited (“China Food”) as to 76,992,263 Shares. As China Food is 100% owned by Able Turbo, Able Turbo is deemed to be interested in the 76,992,263 Shares owned by China Food by virtue of the SFO. Able Turbo is 60.31% owned by Chen Hua and 39.69% owned by Lin Xi. Accordingly, each of Chen Hua and Lin Xi is deemed to be interested in the 179,938,000 Shares in which Able Turbo is interested or deemed to be interested by virtue of the SFO.

FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

Set out below are the equity fund raising activities conducted by the Company in the past 12 months immediately proceeding the date of this announcement:

Date of announcement	Event	Net proceeds	Intended use of proceeds	Actual use of proceeds up to the date of this announcement
21 January 2014	Subscription of 239,032,479 new Shares at a price of HK\$0.405 per subscription share	Approximately HK\$96.5 million	To finance business development and general working capital of the Group	Approximately RMB35 million is applied as refundable earnest deposit for potential business development and remaining balance is maintained at bank

REASONS FOR THE SUBSCRIPTION AND USE OF PROCEEDS

The Group is principally engaged in the production and sale of ethanol products and ethanol by-products; sale and distribution of wine and liquor; and production and sale of forages. The Group operates a production facility in Harbin, the PRC for premium consumable ethanol.

The Group has been suffering loss over the past few years. As at 31 December 2013, the Group recorded audited consolidated net current liabilities of approximately HK\$86.6 million. The gearing ratio of the Group, calculated as net debt divided by equity attributable to owners of Company plus net debt increased from approximately 92.1% as at 30 June 2013 to approximately 139.2% as at 31 December 2013.

The Directors consider that the Subscription represents an opportunity to raise additional funding for the Group's business operation and it will also strengthen the capital base and financial position for the Group's future business developments and broaden the Shareholder base of the Company. Furthermore, the Directors considers that the Subscription is a preferred method of fund raising as compared with other equity fund raising exercises based on time and costs involved.

Gross proceeds from the Subscription will be HK\$56 million. The net proceeds from the Subscription after deducting the expenses payable by the Company is expected to be approximately HK\$55.97 million. The net price per Subscription Share is approximately HK\$0.6996. It is expected that the net proceeds from the Subscription will be used by the Company for the Group's settlement of loans, business development, investments and general working capital purposes.

The Directors (including the independent non-executive Directors) consider the terms of the Subscription Agreements, which were negotiated on an arm's length basis and agreed on normal commercial terms between the parties involved, are fair and reasonable, and the Subscription is in the interests of the Company and the Shareholders as a whole.

DEFINITIONS

In this announcement, the following expressions shall have the meanings set out below unless the context requires otherwise:

“Board”	the board of Directors
“Business Day(s)”	any day(s) (excluding Saturday, Sunday and public holiday) on which banks are generally open for business in Hong Kong
“Company”	Sino Distillery Group Limited, a company incorporated in the Cayman Islands with limited liability, whose Shares are listed on the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules

“Director(s)”	director(s) of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	third party(ies) who is/are independent of, and not connected with, the Company and its connected persons
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China
“Refreshed General Mandate”	the refreshed general mandate granted to the Directors pursuant to an ordinary resolution passed at the extraordinary general meeting of the Company held on 2 April 2014
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
“Share(s)”	ordinary share(s) of HK\$0.1 each in the capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber(s)”	subscribers who respectively entered into the Subscription Agreements with the Company on 29 April 2014

“Subscription”	the subscription of the Subscription Shares by the Subscribers pursuant to the terms and conditions of the Subscription Agreements
“Subscription Agreements”	the subscription agreements dated 29 April 2014 entered into between the Company and each of the Subscribers in relation to the Subscription subject to the terms and conditions contained therein
“Subscription Price”	HK\$0.7 per Subscription Share
“Subscription Share(s)”	an aggregate of 80,000,000 new Shares to be issued by the Company to the Subscribers pursuant to the Subscription Agreements
“%”	per cent

By Order of the Board
Sino Distillery Group Limited
Jiang Jianjun
Chairman

Hong Kong, 29 April 2014

As at the date of this announcement, the Executive Directors are Mr. Jiang Jianjun, Mr. Li Jianqing, Mr. Qu Shuncai, Mr. Song Shaohua and Mr. Jiang Jiancheng; the Non-executive Director is Mr. Huang Qingxi; and the Independent Non-executive Directors are Dr. Loke Yu alias Loke Hoi Lam, Mr. Zhang Yonggen and Mr. Li Xiaofeng.