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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 GENERAL MANDATE

On 10 April 2015 (after trading hours of the Stock Exchange), the Company entered into the Subscription Agreements with the Subscribers for the subscription of an aggregate 150,000,000 Subscription Shares at the Subscription Price of HK\$0.73 per Subscription Share.

The Subscription Shares represent approximately 9.22% of the existing issued share capital of the Company and approximately 8.44% of the Company's issued share capital as enlarged by the Subscription.

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.

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 10 April 2015 (after trading hours of the Stock Exchange), the Company entered into the Subscription Agreements with the Subscribers for the subscription of an aggregate 150,000,000 Subscription Shares at the Subscription Price of HK\$0.73 per Subscription Share.

THE SUBSCRIPTION AGREEMENTS

Date

10 April 2015

Parties

- (1) the Company; and
- (2) the Subscribers

Not less than six Subscribers (of which some of them are existing Shareholders holding an aggregate of approximately 0.12% of the existing issued share capital of the Company and for those Subscribers who are existing Shareholders, each of them holds less than 5% of the existing issued share capital of the Company), being individuals, institutional or other professional investors. Based on the information provided by the Subscribers, their principal activities, for the Subscribers which are corporations, are investment holding and/or investment funds.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, each of the Subscribers and its ultimate beneficial owners (if any) 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 150,000,000 Subscription Shares, representing approximately 9.22% of the existing issued share capital of the Company and approximately 8.44% of the issued share capital of the Company as enlarged by the Subscription. The aggregate nominal value of the Subscription Shares is HK\$15,000,000.

Subscription Price

The Subscription Price of HK\$0.73 per Subscription Share represents:

- (i) a discount of approximately 15.12% to the closing price of HK\$0.86 per Share as quoted on the Stock Exchange on 10 April 2015, being the date of the Subscription Agreements; and
- (ii) a discount of approximately 7.36% to the average closing price of HK\$0.788 per Share as quoted on the Stock Exchange for the last five trading days up to and including 9 April 2015, 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 on the date of the Subscription Agreements 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.

The Subscription Shares have a market value of approximately HK\$129 million, based on the closing price of HK\$0.86 per Share on 10 April 2015, being the date of the Subscription Agreements.

Based on the net proceeds of approximately HK\$109.45 million, the net price per Subscription Share is HK\$0.7297.

General Mandate

The Subscription Shares will be allotted and issued under the General Mandate. As at the date of this announcement, the Company has not utilised any of the General Mandate and the General Mandate can issue up to 308,938,975 new Shares. 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 31 May 2015 (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.

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 date of completion of the Subscription.

Completion of the Subscription

Completion of the Subscription will take place within two Business Days (or such other time as the Company and the Subscribers may agree) immediately after the fulfillment of the condition of the Subscription set out above.

Lock-up Period

Under the terms of the Subscription Agreements, the Subscribers and their respective nominee shall neither (i) dispose of, (ii) enter into any agreement to dispose of, nor (iii) otherwise create any encumbrances in respect of any direct or indirect interest in the Subscription Shares at any time within the period of 9 months from the date of completion of the Subscription.

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 (i) as at the date of this announcement; (ii) upon completion of the Subscription (before full conversion of the Convertible Bonds and exercise in full of the Subscription Rights attaching to the Warrants); and (iii) upon completion of the Subscription, full conversion of the Convertible Bonds and exercise in full of the Subscription Rights attaching to the Warrants:

Shareholders	Shareholding as at the date of this announcement		Shareholding upon completion of the Subscription (before full conversion of the Convertible Bonds and exercise in full of the Subscription Rights)		Shareholding upon completion of the Subscription, full conversion of the Convertible Bonds and exercise in full of the Subscription Rights	
	<i>Number of Shares</i>	<i>Approximate %</i>	<i>Number of Shares</i>	<i>Approximate %</i>	<i>Number of Shares</i>	<i>Approximate %</i>
Directors:						
Mr. Jiang Jianjun	282,801,522 ^(a)	17.39	282,801,522 ^(a)	15.92	282,801,522 ^(a)	13.57
Mr. Li Jianqing	7,470,000	0.46	7,470,000	0.42	7,470,000	0.36
Mr. Ho Man Fai	500,000	0.03	500,000	0.03	500,000	0.02
Mr. Qu Shuncai	2,000	0.00	2,000	0.00	2,000	0.00
	<u>290,773,522</u>	<u>17.88</u>	<u>290,773,522</u>	<u>16.37</u>	<u>290,773,522</u>	<u>13.95</u>

Shareholders	Shareholding as at the date of this announcement		Shareholding upon completion of the Subscription (before full conversion of the Convertible Bonds and exercise in full of the Subscription Rights)		Shareholding upon completion of the Subscription, full conversion of the Convertible Bonds and exercise in full of the Subscription Rights	
	<i>Number of Shares</i>	<i>Approximate %</i>	<i>Number of Shares</i>	<i>Approximate %</i>	<i>Number of Shares</i>	<i>Approximate %</i>
Substantial Shareholder:						
Mr. Li Xianggen	182,496,000 ^(b)	11.22	182,496,000 ^(b)	10.27	182,496,000 ^(b)	8.75
Public Shareholders:						
Subscribers	1,900,000	0.12	151,900,000	8.55	151,900,000	7.29
Subscriber of the Convertible Bonds	–	–	–	–	128,000,000	6.14
Subscriber of Warrants	–	–	–	–	180,000,000	8.63
Other public	<u>1,151,525,354</u>	<u>70.78</u>	<u>1,151,525,354</u>	<u>64.81</u>	<u>1,151,525,354</u>	<u>55.24</u>
Total	<u><u>1,626,694,876</u></u>	<u><u>100.00</u></u>	<u><u>1,776,694,876</u></u>	<u><u>100.00</u></u>	<u><u>2,084,694,876</u></u>	<u><u>100.00</u></u>

Notes:

- (a) The Shares are held by Mr. Jiang Jianjun (“**Mr. Jiang**”) as to 106,652,000 Shares, Ms. Li Zhuoxun, the spouse of Mr. Jiang, as to 2,920,000 Shares, King Wei Group (China) Investment Development Limited (“**King Wei**”) as to 126,629,522 Shares and China Silver Investments Development Limited (“**China Silver**”) as to 46,600,000 Shares. As King Wei and China Silver are 100% owned by Mr. Jiang, Mr. Jiang is deemed to be interested in the 126,629,522 Shares held by King Wei and the 46,600,000 Shares held by China Silver respectively by virtue of the SFO.
- (b) The Shares are held by Mr. Li Xianggen as to 1,342,000 Shares, Able Turbo Enterprises Limited (“**Able Turbo**”) as to 104,425,737 Shares and China Food and Beverage Group Limited (“**China Food**”) as to 76,728,263 Shares. As China Food is 100% owned by Able Turbo, Able Turbo is deemed to be interested in the 76,728,263 Shares held by China Food by virtue of the SFO. As Able Turbo is 60.31% owned by Mr. Chen Hua and 39.69% owned by Mr. Li Xianggen, each of Mr. Chen Hua and Mr. Li Xianggen is deemed to be interested in the Shares held by Able Turbo and China Food by virtue of 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 preceding 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
29 April 2014	Subscription of 80,000,000 new Shares at a price of HK\$0.7 per subscription share	Approximately HK\$55.97 million	To settle loans, finance business development, investments and general working capital of the Group	Approximately RMB10 million was applied as refundable earnest deposit for potential business development in Dongguan area and the remaining was applied to settle the bank loan and general working capital of the Group
24 June 2014	Subscription of 82,000,000 new Shares at a price of HK\$0.7 per subscription share	Approximately HK\$57.1 million	For the Group's settlement of loans, business developments, investments and general working capital	Approximately RMB28 million was applied as refundable deposit for business development in Shenzhen area and the remaining was applied to general working capital of the Group
24 June 2014	Subscription of convertible bonds in an aggregate principal amount of HK\$89,600,000	Approximately HK\$89.3 million	For the Group's settlement of loans, business developments, investments and general working capital	Approximately RMB15 million was applied to settle bank loan and approximately RMB4 million was applied as working capital of the Group, the remaining being deposited in the bank

Date of announcement	Event	Net proceeds	Intended use of proceeds	Actual use of proceeds up to the date of this announcement
11 July 2014	Subscription of 180,000,000 non-listed warrants at an issue price of HK\$0.01 per warrant	Approximately HK\$1.5 million	For the Group's working capital	The entire amount has been deposited into and remains in bank account

REASONS FOR THE SUBSCRIPTION AND USE OF PROCEEDS

The Group is principally engaged in sale and distribution of wine and liquor, production and sale of forages, wholesaling and retailing business.

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 consider 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 approximately HK\$109.5 million. The net proceeds from the Subscription, after deducting the expenses payable by the Company is expected to be approximately HK\$109.45 million. It is expected that the net proceeds from the Subscription will be used by the Company for the Group's 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
“Convertible Bonds”	the 8% convertible bonds due 2016 in the aggregate principal amount of HK\$89,600,000 issued by the Company entitling the holder to convert in whole or in part the principal amount of the bonds into Shares at the initial conversion price of HK\$0.70 per Share (subject to adjustment)
“Director(s)”	director(s) of the Company
“General Mandate”	the general mandate granted to the Directors pursuant to an ordinary resolution passed at the annual general meeting of the Company held on 26 June 2014
“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
“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
“Subscribers”	subscribers who respectively entered into the Subscription Agreements with the Company on 10 April 2015
“Subscription”	the subscription of the Subscription Shares by the Subscribers pursuant to the terms and conditions of the Subscription Agreements
“Subscription Agreements”	the conditional subscription agreements dated 10 April 2015 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\$0.73 per Subscription Share
“Subscription Rights”	subscription rights that are attached to the Warrants
“Subscription Share(s)”	an aggregate of 150,000,000 new Shares to be issued by the Company to the Subscribers pursuant to the Subscription Agreements

“Warrants” an aggregate of 180,000,000 non-listed warrants entitling the holder to subscribe for up to an aggregate amount of HK\$126 million for the new Shares at an initial subscription price of HK\$0.70 per Share, subject to the terms and conditions set out in the instrument constituting the warrants

“%” per cent

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

Hong Kong, 10 April 2015

As at the date of this announcement, the Executive Directors are Mr. Jiang Jianjun, Mr. Li Jianqing, Mr. Qu Shuncai and Mr. Jiang Jiancheng; and the Independent Non-executive Directors are Dr. Loke Yu alias Loke Hoi Lam, Mr. Li Xiaofeng and Mr. Ho Man Fai.