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)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2014

The board (the "**Board**") of directors (the "**Directors**") of Sino Distillery Group Limited (the "**Company**") announces the audited consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2014 together with the comparative amounts for 2013 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2014

	Notes	**2014** **HK$'000**	2013 HK$'000
Continuing operations			
Revenue	3	**80,004**	94,176
Cost of sales		**(68,901)**	(78,337)
Gross profit		**11,103**	15,839
Other income and gains		**4,957**	2,261
Selling and distribution expenses		**(16,714)**	(21,926)
Administrative expenses		**(25,433)**	(19,734)
Loss from operation		**(26,087)**	(23,560)
Finance costs	5	**(8,700)**	(4,971)
Share of profit/(loss) of an associate		**5,138**	(201)
Loss on fair value change on derivative financial assets		**(12,147)**	–
Loss on disposal of a subsidiary		**(40)**	–
Loss before tax	4	**(41,836)**	(28,732)
Income tax credit/(expenses)	6	**16**	(395)
Loss from continuing operations		**(41,820)**	(29,127)
Discontinued operations			
Profit/(loss) from discontinued operations, net of tax	7	**142,879**	(132,862)

	Notes	**2014** *HK$'000*	2013 *HK$'000*
PROFIT/(LOSS) FOR THE YEAR		**101,059**	(161,989)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Release of exchange differences upon disposal of subsidiaries		**284**	–
Exchange differences arising on translation of foreign operations		**555**	(67)
Total comprehensive income/(loss) for the year		**101,898**	(162,056)
Profit/(loss) attributable to:			
Owners of the parent		**117,810**	(126,770)
Non-controlling interests		**(16,751)**	(35,219)
		101,059	(161,989)
Total comprehensive income/(loss) attributable to:			
Owners of the parent		**80,530**	(128,409)
Non-controlling interests		**21,368**	(33,647)
		101,898	(162,056)
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted	*9*		
From continuing and discontinued operations		**HK7.73 cents**	HK(10.61) cents
From continuing operations		**HK(2.64) cents**	HK(2.24) cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**15,715**	18,982
Goodwill		**–**	468
Other intangible assets		**2,522**	2,620
Interests in associates		**84,577**	6,200
Total non-current assets		**102,814**	28,270
CURRENT ASSETS			
Inventories		**35,389**	59,348
Trade and bills receivables	*10*	**8,925**	4,630
Prepayments, deposits and other receivables		**238,994**	80,645
Due from related parties		**15,271**	15,310
Derivative financial assets		**7,745**	–
Pledged deposits		**–**	7,784
Cash and cash equivalents		**79,150**	25,487
		385,474	193,204
Assets of disposal groups classified as held for sale	*7*	**17,191**	339,125
Total current assets		**402,665**	532,329
CURRENT LIABILITIES			
Trade and bills payables	*11*	**9,211**	28,401
Other payables and accruals		**9,248**	14,642
Interest-bearing bank and other borrowings		**61,216**	67,419
Due to related parties		**11,136**	68,996
Tax payable		**5,371**	6,736
		96,182	186,194
Liabilities directly associated with the assets classified as held for sale	*7*	**18,899**	432,740
Total current liabilities		**115,081**	618,934

	Notes	2014 *HK$'000*	2013 *HK$'000*
NET CURRENT ASSETS/(LIABILITIES)		**287,584**	(86,605)
TOTAL ASSETS LESS CURRENT LIABILITIES		**390,398**	(58,335)
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**89**	107
Convertible bonds	*12*	**92,406**	–
Total non-current liabilities		**92,495**	107
Net assets/(liabilities)		**297,903**	(58,442)
EQUITY			
Equity attributable to owners of the parent			
Issued capital		**162,669**	119,516
Reserves		**131,119**	(160,705)
		293,788	(41,189)
Non-controlling interests		**4,115**	(17,253)
Total equity		**297,903**	(58,442)

NOTES TO FINANCIAL STATEMENTS

31 December 2014

1. BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for certain financial instruments are stated at their fair value. These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

2. ADOPTION OF NEW OR AMENDED HKFRSs

In the current year, the Group has applied a number of new and revised HKFRSs issued by the HKICPA that are mandatorily effective for an accounting period that begins on or after 1 January 2014:

Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting
Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (as revised in 2011)	Investment Entities
HK (IFRIC) – Interpretation 21	Levies

The application of these new and revised HKFRSs and new interpretation of HK (IFRIC) has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has three reportable operating segments as follows:

(a) the ethanol segment is engaged in the production and sale of ethanol products and ethanol by-products;

(b) the wine and liquor segment is engaged in the sale and distribution of wine and liquor; and

(c) the animal feed segment is engaged in the production and sale of forages.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment results. Segment results are measured consistently with the Group's loss before tax except that interest income, finance costs as well as head office and corporate expenses are excluded from such measurement.

Segment assets exclude pledged deposits, cash and cash equivalents and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude interest-bearing bank and other borrowings, amounts due to related parties and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

No intersegment sale and transfer was transacted for the years ended 31 December 2014 and 2013.

	Wine and liquor *HK$'000*	Animal feed *HK$'000*	Continuing operations *HK$'000*	Discontinued operations *HK$'000*	Total *HK$'000*
Year ended 31 December 2014					
Segment revenue:					
Sales to external customers	**80,004**	**–**	**80,004**	**115,256**	**195,260**
Other revenue	**4,891**	**–**	**4,891**	**12,525**	**17,416**
	84,895	**–**	**84,895**	**127,781**	**212,676**
Segment results	**(9,816)**	**(72)**	**(9,888)**	**(47,858)**	**(57,746)**
Reconciliation:					
Interest income			**66**	**3**	**69**
Corporate and other unallocated expenses			**(23,274)**	**–**	**(23,274)**
Finance costs			**(8,700)**	**(13,816)**	**(22,516)**
(Loss)/gain on disposal of subsidiaries *(note 13)*			**(40)**	**204,550**	**204,510**
(Loss)/profit before tax			**(41,836)**	**142,879**	**101,043**
Income tax credit			**16**	**–**	**16**
(Loss)/profit for the year			**(41,820)**	**142,879**	**101,059**
Segment assets	**500,501**	**14,253**	**514,754**	**17,191**	**531,945**
Reconciliation:					
Elimination of intersegment receivables			**(35,775)**	**–**	**(35,775)**
Corporate and other unallocated assets			**9,309**	**–**	**9,309**
Total assets			**488,288**	**17,191**	**505,479**
Segment liabilities	**128,560**	**56**	**128,616**	**18,899**	**147,515**
Reconciliation:					
Elimination of intersegment payables			**(35,775)**	**–**	**(35,775)**
Corporate and other unallocated liabilities			**95,836**	**–**	**95,836**
Total liabilities			**188,677**	**18,899**	**207,576**
Other segment information					
Share of profit of an associate	**5,138**	**–**	**5,138**	**–**	**5,138**
(Loss)/gain on disposal of subsidiaries	**(40)**	**–**	**(40)**	**204,550**	**204,510**
Provision for inventories	**1,077**	**–**	**1,077**	**–**	**1,077**
Depreciation and amortisation	**1,727**	**45**	**1,772**	**16,946**	**18,718**
Interests in associates	**84,577**	**–**	**84,577**	**–**	**84,577**
Capital expenditure*	**301**	**–**	**301**	**33**	**334**

	Wine and liquor *HK$'000*	Animal feed *HK$'000*	Continuing operations *HK$'000*	Discontinued operations *HK$'000*	Total *HK$'000*
Year ended 31 December 2013					
Segment revenue:					
Sales to external customers	94,176	–	94,176	346,609	440,785
Other revenue	2,237	–	2,237	6,520	8,757
	96,413	–	96,413	353,129	449,542
Segment results	(16,077)	(326)	(16,403)	(126,545)	(142,948)
Reconciliation:					
Interest income			24	1,178	1,202
Corporate and other unallocated expenses			(7,382)	–	(7,382)
Finance costs			(4,971)	(7,495)	(12,466)
Loss before tax			(28,732)	(132,862)	(161,594)
Income tax expenses			(395)	–	(395)
Loss for the year			(29,127)	(132,862)	(161,989)
Segment assets	231,906	10,695	242,601	339,125	581,726
Reconciliation:					
Elimination of intersegment receivables			(22,153)	–	(22,153)
Corporate and other unallocated assets			1,026	–	1,026
Total assets			221,474	339,125	560,599
Segment liabilities	193,105	55	193,160	432,740	625,900
Reconciliation:					
Elimination of intersegment payables			(22,153)	–	(22,153)
Corporate and other unallocated liabilities			15,294	–	15,294
Total liabilities			186,301	432,740	619,041
Other segment information					
Share of loss of an associate	201	–	201	–	201
Provision for inventories	51	–	51	19,274	19,325
Depreciation and amortisation	1,858	45	1,903	31,103	33,006
Interests in associates	6,200	–	6,200	–	6,200
Capital expenditure*	2,018	2	2,020	6,008	8,028

* Capital expenditure consists of additions to property, plant and equipment.

Geographical information

Over 90% of the Group's customers are located in Mainland China and all revenue of the Group is derived from operations in Mainland China. The management considers that it is impracticable to allocate the revenue and segment results to geographical locations.

Information about a major customer

During the year, there was no external customer accounted for 10% or more of the Group's total revenue of continuing operations (2013: Nil). Revenue from discontinued operations of approximately HK$30,700,000 (2013: HK$118,462,000) was derived from sales to a single customer.

4. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging/(crediting):

	2014	2013
	HK$'000	*HK$'000*
Continuing operations		
Cost of inventories sold	**67,824**	78,286
Depreciation	**1,625**	1,756
Amortisation of other intangible assets	**147**	147
Minimum lease payments under operating leases in respect of land and buildings	**6,151**	5,903
Auditor's remuneration	**1,120**	910
Employee benefit expense (including directors' emoluments):		
Wages and salaries	**12,597**	13,374
Equity-settled share option expense	**2,602**	5,100
Pension scheme contributions	**933**	1,189
	16,132	19,663
Other expenses:		
Loss on fair value change on derivative financial assets	**12,147**	–
Foreign exchange differences, net	**–**	8
Provision for inventories*	**1,077**	51
Loss on disposal of items of property, plant and equipment	**14**	140
Loss on disposal of a subsidiary	**40**	–
Interest income	**(66)**	(24)

	2014	2013
	HK$'000	*HK$'000*
Discontinued operations		
Cost of inventories sold	**147,850**	428,927
Depreciation	**15,856**	29,642
Amortisation of prepaid land lease payments	**896**	1,076
Amortisation of other intangible assets	**194**	385
Employee benefit expense (including directors' emoluments:		
Wages and salaries	**4,073**	13,405
Pension scheme contributions	**1,132**	3,725
	5,205	17,130
Provision for inventories	**–**	19,274
Loss on disposal of items of property, plant and equipment	**47**	525
Gain on disposal of a subsidiary	**(204,550)**	–
Interest income	**(3)**	(1,178)

* The provision for inventories for the year is included in "Cost of sales" in the consolidated statement of profit or loss and other comprehensive income.

5. FINANCE COSTS

	2014	2013
	HK$'000	*HK$'000*
Continuing operations		
Interest on bank loans and other loans wholly repayable within five years	**5,818**	4,971
Imputed financial cost on convertible bond	**2,882**	–
	8,700	4,971
Discontinued operations		
Interest on bank loans and other loans wholly repayable within five years	**3,429**	1,310
Interest on trade payables	**10,387**	6,185
	13,816	7,495

6. INCOME TAX

During the year, no Hong Kong profits tax has been provided as there was no assessable profit arising from Hong Kong (2013: Nil). Taxes on profits assessable elsewhere have been calculated at the rate of tax prevailing in Mainland China in which the Group operates.

	2014	2013
	HK$'000	*HK$'000*
Under-provision in previous years	**–**	410
Current	**–**	–
Deferred	**(16)**	(15)
Total tax (credit)/expenses for the year	**(16)**	395

7. DISCONTINUED OPERATIONS

(i) On 24 February 2013, a wholly-owned subsidiary of the Company (the "**Vendor**"), entered into the Agreement with the Zhaodong Beidahuang Biotechnology Limited and Linxiang Huayin Changjiang Small and Medium Enterprises Guarantee Limited (the "**Purchasers**"), whereby the Purchasers have conditionally agreed to purchase and the Vendor has conditionally agreed to sell the Sale Capital, representing all 75% equity interest in Harbin China Distillery Limited held by the subsidiary at the consideration of RMB40 million. The disposal was completed in June 2014.

(ii) On 26 March 2013, BAPP Ethanol Holdings Limited (the "**BAPP**"), a wholly-owned subsidiary of the Group, entered into the Agreement with an independent third party (the "**Purchaser**"), the BAPP has conditionally agreed to sell all 100% equity interest in the BAPP (Northwest) Limited held by the BAPP, which hold 100% equity interest of Ningxia West Bright New Resource Technology Company Limited at the consideration of RMB40 million (the "**Disposal of BAPP**").

The management estimated that the Disposal of BAPP would be completed during the period ending 30 June 2015.

The results of the discontinued operations for the year are presented below:

	2014	2013
	HK$'000	*HK$'000*
Revenue	**127,784**	354,307
Expenses	**(175,639)**	(479,674)
Finance costs	**(13,816)**	(7,495)
Loss before tax from the discontinued operations	**(61,671)**	(132,862)
Income tax	**–**	–
Loss for the year from the discontinued operations	**(61,671)**	(132,862)
Add: Gain on disposal of discontinued operations *(note 13)*	**204,550**	–
Profit/(loss) from discontinued operations, net of tax	**142,879**	(132,862)

The major classes of assets and liabilities of the discontinued operations classified as held for sale as at 31 December are as follows:

	2014	2013
	HK$'000	*HK$'000*
Assets		
Property, plant and equipment	**615**	198,372
Prepaid land lease payments	**15,831**	32,894
Other intangible assets	**–**	9,164
Inventories	**38**	65,732
Trade and bills receivables	**–**	11,120
Prepayments, deposit and other receivables	**615**	14,995
Due from related parties	**75**	4,019
Cash and cash equivalents	**17**	2,829
Assets of disposal groups classified as held for sale	**17,191**	339,125
Liabilities		
Trade and bills payables	**–**	161,269
Other payables and accruals	**7,762**	131,420
Interest-bearing bank and other borrowings	**–**	92,863
Due to related parties	**–**	3,367
Due to a non-controlling shareholder of a subsidiary	**–**	31,967
	7,762	420,886
Non-current Liabilities		
Deferred income	**11,137**	11,854
Liabilities directly associated with the assets classified as held for sale	**18,899**	432,740
Net liabilities directly associated with the disposal groups	**1,708**	93,615

8. DIVIDENDS

The directors do not recommend the payment of any dividend for the year ended 31 December 2014 (2013: Nil).

9. EARNINGS/(LOSS) PER SHARE

Basic earnings/(loss) per share is calculated by dividing the profit/(loss) attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

For continuing and discontinued operations

	2014	2013
Profit/(loss) attributable to the equity holders of the Company *(HK$'000)*	**117,810**	(126,770)
Weighted average number of ordinary shares in issue *('000)*	**1,523,485**	1,195,162
Basic earnings/(loss) per share *(HK cents)*	**7.73**	(10.61)

For continuing operations

	2014	2013
Profit/(loss) attributable to the equity holders of the Company *(HK$'000)*	**117,810**	(126,770)
Add: (Profit)/loss attributable to the equity holders of the Company from discontinued operations *(HK$'000)*	**(158,057)**	99,972
Loss attributable to the equity holders of the Company from continuing operations *(HK$'000)*	**(40,247)**	(26,798)
Weighted average number of ordinary shares in issue *('000)*	**1,523,485**	1,195,162
Loss per share *(HK cents)*	**(2.64)**	(2.24)

For discontinued operations

Basic earnings/(loss) per share

	2014	2013
Profit/(loss) attributable to the equity holders of the Company from discontinued operations *(HK$'000)*	**158,057**	(99,972)
Weighted average number of shares for the purpose of basic earnings/(loss) per share *('000)*	**1,523,485**	1,195,162
Basic earnings/(loss) per share *(HK cents)*	**10.37**	(8.36)

No diluted earnings/(loss) per share has been presented for the years ended 31 December 2014 and 31 December 2013 as there was no dilutive potential ordinary share outstanding during the year and the exercise price of the Company's outstanding share options was higher than the average market price for the Company's share during the year.

10. TRADE AND BILLS RECEIVABLES

Other than the cash and credit card sales, the Group allows a credit period which is generally one month, extending up to three months for major customers. Each customer has a maximum credit limit. The Group does not hold any collateral or other credit enhancements over its trade and bills receivable balances. Trade and bills receivables are non-interest-bearing.

None of the trade and bills receivables is impaired. An aged analysis of the trade and bills receivables as at the end of the reporting period, based on the invoice date, is as follows:

	Group	
	2014	2013
	HK$'000	*HK$'000*
Within 1 month	**8,087**	4,332
1 to 2 months	**178**	133
2 to 3 months	**498**	–
Over 3 months	**162**	165
	8,925	4,630

11. TRADE AND BILLS PAYABLES

An aged analysis of the trade and bills payables as at the end of the reporting period, based on the invoice date, is as follows:

	Group	
	2014	2013
	HK$'000	*HK$'000*
Within 1 month	**8,469**	6,941
1 to 2 months	**–**	19,460
Over 3 months	**742**	2,000
	9,211	28,401

At 31 December 2014, no trade payables from discontinued operations are interest bearing (2013: HK$55,978,000 at 6% per annum) and are settled on 300-day terms. The remaining trade payables are non-interest-bearing and are normally settled on 30-day terms. At 31 December 2014, no bills payable was incurred from continuing operations (2013: HK$19,460,000 and secured by the time deposits of the Group).

All the trade and bills payable are denominated in Renminbi.

12. INTEREST-BEARING BANK AND OTHER BORROWINGS

Convertible bonds

"The Group issued convertible bonds with a coupon rate of 8% per annum at a total principal value of HK$89,600,000 on 7 August 2014 to an independent third party (the "**bondholder**"). The convertible bonds will mature at 6 February 2016 at its principal amount or can be converted into 128,000,000 shares at the bondholder's option at rate of HK$0.7 per share.

The convertible bonds comprise liability component, conversion component and early redemption option. The effective interest rate of the liability component on initial recognition is 8.2% per annum. Conversion may occur at any time between 7 August 2014 to 6 February 2016. If the bonds have not been converted, they will be redeemed on 6 February 2016. The Company may at any time redeem the outstanding principal amount of the bonds at face value together with the accrued and unpaid coupon on the principal amount to be redeemed. Coupon of 8% per annum will be paid semi-annually to the bondholder.

The convertible bonds recognised in the consolidation statement of financial position are as follows:

	HK$'000
Proceed of issue	89,600
Less: Equity conversion component	(19,968)
Add: Derivative financial assets	19,892
Liability component on initial recognition at 7 August 2014	89,524

The movement of liability component of convertible bonds is as follows:

	HK$'000
Liability component on initial recognition at 7 August 2014	89,524
Add: Imputed finance cost	2,882
Liability component at 31 December 2014	92,406

13. DISPOSAL OF SUBSIDIARIES

a) The Group disposed the entire issued capital held of Harbin China Distillery Company Limited ("**Harbin China**") to independent third parties for a cash consideration of RMB40,000,000. The ordinary resolution to approve the disposal was duly passed by the shareholders by way of poll at the adjourned EGM held on 6 June 2014 and after that date, Harbin China ceased to be the subsidiary of the Group.

	2014
	HK$'000
Total consideration	**50,352**
Less: Net liabilities including in assets of disposed groups of:	
Property, plant and equipment	**180,275**
Prepaid land lease payments	**15,679**
Other intangible assets	**8,876**
Inventories	**18,152**
Trade and bills receivables	**3,330**
Prepayments, deposits and other receivables	**11,519**
Cash and cash equivalents	**3,036**
Trade and bills payables	**(125,068)**
Other payables and accruals	**(97,272)**
Due to related parties	**(53,684)**
Due to a non-controlling shareholder of a subsidiary	**(31,638)**
Interest-bearing bank and other borrowings	**(92,006)**
	(158,801)
Add: Release of exchange difference upon disposal	**38,101**
Add: Non-controlling interests upon disposal	**(42,704)**
Gain on disposal of the subsidiary	**204,550**

An analysis of the net inflow of cash and cash equivalents in respect of the disposal is as follows:

	2014
	HK$'000
Cash consideration	**50,352**
Cash and cash equivalents disposed of	**(3,036)**
Net inflow of cash and cash equivalents in respect of the disposal of the subsidiary	**47,316**

b) On 16 December 2014, the Group disposed off the entire issued share capital of Ningxia Kelong Industrial Company Limited to an independent third party for a cash consideration of RMB6,000,000.

	2014
	HK$'000
Total consideration	**7,496**
Less: Net assets of the subsidiary upon disposal	
Property, plant and equipment	**1,614**
Inventories	**5,307**
Prepayment, deposits and other receivables	**4,490**
Cash and cash equivalents	**8**
Other payables and accruals	**(31)**
	11,388
Add: Release of exchange difference upon disposal	**23**
Add: Non-controlling interests upon disposal	**4,296**
Less: Goodwill eliminated upon disposal	**(467)**
Loss on disposal of the subsidiary	**(40)**

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of the subsidiary is as follows:

	2014
	HK$'000
Cash consideration	**7,496**
Cash and bank balances disposed of	**(8)**
Net inflow of cash and cash equivalents in respect of the disposal of the subsidiary	**7,488**

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

On 18 June 2014, 深圳市美名問世商貿有限公司 (Shenzhen Meiming Wenshi Trading Limited*, "**SZMM**") completed the disposal of 哈爾濱中國釀酒有限公司 (Harbin China Distillery Company Limited*, "**Harbin China**") ("**Harbin Disposal**") and on 26 March 2014, BAPP Ethanol Holdings Limited ("**BAPP**"), a wholly-owned subsidiary of the Company, entered into an agreement with an independent third party, pursuant to which BAPP has conditionally agreed to sell all its 100% equity interest in BAPP (Northwest) Limited, which held 100% equity interest of 寧夏西部光彩新能源高新技術有限公司 (Ningxia West Bright New Resource Technology Co., Ltd.*) at the consideration of RMB40 million ("**BAPP Disposal**"), it represented the entire ethanol business segment of the Group, so the Group reclassified the whole ethanol business segment as assets held for sale as at the reporting date. The revenue, cost of sales and various expenses related to the whole ethanol business segment for the year ended 31 December 2013 and 31 December 2014 (the "**Year**") were included in the profit/(loss) from discontinued operations (net of tax) in the consolidated statement of profit or loss and other comprehensive income for the Year, as comparative figures.

For the Year, the continuing operations of the Group achieved a revenue of approximately HK$80.00 million (2013: HK$94.18 million), representing a decrease of 15.05% from last year. Gross profit for the continuing operations of the Group was approximately HK$11.10 million (2013: HK$15.84 million).The loss (net of taxation) from continuing operations was approximately HK$41.82 million and the gain from discontinued operations (net of tax) was approximately HK$142.88 million. Profit attributable to owners of the parent was approximately HK$117.81 million (Loss attributable to owners of the parent for 2013: HK$126.77 million) which was mainly due to the disposal gain arosed from the Harbin Disposal. Profit per share from continuing operations and discontinued operations for the Year was HK7.73 cents (Loss per share from continuing operations and discontinued operations for 2013: HK10.61 cents).

The Group will continue to control the costs and focus on existing resources to further strengthen and grow the Group's businesses, both organically and through acquisitions when appropriate opportunities arise.

Segmental Information

Ethanol Business

The Group's ethanol business is principally engaged in the production and sale of ethanol products and ethanol byproducts in the People's Republic of China ("**PRC**").

The ordinary resolution to approve the Harbin Disposal was duly passed by the shareholders of the Company (the "**Shareholders**") by way of poll at the adjourned extraordinary general meeting held on 6 June 2014 and the Harbin Disposal was completed on 18 June 2014. After that date, Harbin China ceased to be a subsidiary of the Company.

Wine and Liquor Business

The Group's wine and liquor business is principally engaged in the sale and distribution of wine and liquor in the PRC. Currently, the Group operates a retail and distribution network for selling wine and liquor in Guangzhou, Harbin and Hunan Province of the PRC. The Group had 23 wine and liquor specialty stores and 19 franchise stores in Guangzhou.

The Group is the exclusive distributor of Diancang Jiugui and Meiming Wenshi in the PRC until May 2020.

Since 2012, the revenue of this business segment was hit by the PRC government's calls for cracking down on extravagance in government departments and state-owned institutions and enterprises as well as the plasticiser contamination scandal. The operating environment of the liquor industry in China remained difficult during the Year. The Group will closely monitor the market situations and trends, and adopt corresponding measures of risk management to alleviate the negative impacts. Meanwhile, the Group will continue to improve the product mix and focus on higher margin products to grow its business. Apart from strengthening the established markets, the Group will strive to expand its retail and distribution network to other parts of the PRC.

Due to the government policy, during the Year, the wine and liquor business recorded a revenue of approximately HK$80.00 million (2013: HK$94.18 million), down 15.05% when compared with last year and accounted for 40.97% (2013: 21.37%) of the total revenue. Gross profit was approximately HK$11.10 million (2013: HK$15.84 million), representing a decrease of 29.90% from last year.

Animal Feed Business

During the Year, as the Group directed most of its resources to the development of the Group's wine and liquor business, as a result the development of the Group's animal feed business was hindered.

The Group will continue to pursue additional potential locations for future facilities, which would involve consideration of a number of criteria including availability of raw materials and infrastructure, potential strategic partnerships, logistics and other market factors. In addition, if the memorandum of understanding mentioned in the paragraph headed Memorandum of Understanding of this announcement materialises, the Company intends to utilise the land for development of an eco-pasture base.

Additional Information

The Group will continue to explore the new markets and increase the promotion and marketing activities to expand the existing business. The Group would also look for other business and related profitable business for acquisition purpose.

Acquisition

(i) On 7 July 2014, the Company entered into a share transfer agreement ("**Share Transfer Agreement**") with 黑龍江農墾北大荒商貿集團有限責任公司 (Heilongjiang Nongken Beidahuang Business Trade Liability Group Co., Ltd.*, "**Beidahuang Business Group**") and 黑龍江農墾北大荒物流集團有限公司 (Heilongjiang Nongken Beidahuang Logistics Group Limited*, "**Beidahuang Logistics Group**") (collectively, the "**Vendors**"), whereby the Company has conditionally agreed to purchase an aggregate of 51% equity interest in 北大荒食品產業園有限公司 (Beidahuang Food Industry Park Co. Ltd.*) at the consideration of RMB300 million.

During the course of the due diligence review conducted by the Company, it had come to the attention of the Company and the Vendors that it was uncertain as to when and whether certain conditions precedent could be fulfilled. After careful consideration of all the circumstances surrounding the acquisition, the Board decided not to proceed with the acquisition. On 25 August 2014, the Company and the Vendors entered into a termination agreement to terminate the Share Transfer Agreement with immediate effect. Upon such termination, neither party shall have any further obligations or liabilities towards the other, nor any claims against the other in connection with the Share Transfer Agreement.

The Board considered that the termination of the Share Transfer Agreement is in the interest of the Company and the Shareholders as a whole and has no material adverse impact on the existing business position of the Group.

(ii) On 25 August 2014, SZMM entered into a share transfer agreement with 北大荒營銷股份有限公司 (Beidahuang Marketing Co. Ltd.*,"**Beidahuang Marketing Co.**") and Mr. Hu Guang Sheng (as vendors) whereby (i) the Company has conditionally agreed to acquire 10% equity interest in 深圳北大荒綠色食品配送有限公司 (Shenzhen Beidahuang Green Food Distribution Limited*, the "**Target Company**") from Beidahuang Marketing Co. and (ii) the Company has conditionally agreed to acquire 40% equity interest in the Target Company from Mr. Hu Guang Sheng at an aggregate consideration of RMB2.5 million. Upon completion of the acquisition (the "**Acquisition**"), Beidahuang Marketing Co. and SZMM increase the registered capital of the Target Company from RMB0.5 million to RMB10 million. The increased capital were contributed by Beidahuang Marketing Co. and SZMM in equal shares in the amount of RMB4.75 million each (the "**SZMM Capital Injection**"). Following completion of the Acquisition, the Company appointed 3 directors to the board of directors to the Target Company which will comprise of 5 directors.

The consideration has been determined with reference to (i) the valuation report issued by an independent professional valuer, 深圳市玄德資產評估事務所 (Shenzhen Yunde Appraisal Firm*), appointed by the Target Company showing that the shareholder's equity value of the Target Company was RMB4.39 million as at 31 July 2014 and (ii) the Company also has its own distribution channel in Guangdong. By acquiring the Target Company, the Company can run the existing chain store business more effectively and efficiently by distributing the products currently sold by the Target Company in its wholesaling and retailing business. The Acquisition can also diversify the Group's business model, reduce its risk and increase its market shares in Guangdong and Shenzhen.

The ordinary resolution to approve the Acquisition was duly passed by the Shareholders by way of poll at the extraordinary general meeting held on 17 February 2015 and SZMM Capital Injection was completed on 4 March 2015 and after that day, the Target Company becomes a subsidiary of the Group.

Disposal

(i) On 24 February 2014, SZMM (as vendor) entered into an agreement (as supplemented by the supplemental agreement dated 26 February 2014) with 肇東北大荒生物科技有限公司 (Zhaodong Beidahuang Biotechnology Limited*) and 臨湘市華銀長江中小企業擔保有限公司 (Linxiang Huayin Changjiang Small and Medium Enterprises Guarantee Limited*) (as purchasers), pursuant to which SZMM has conditionally agreed to sell all its 75% equity interest in Harbin China to the purchasers at the consideration of RMB40 million.

The ordinary resolution to approve the Harbin Disposal was duly passed by the Shareholders by way of poll at the adjourned extraordinary general meeting held on 6 June 2014 and after that date, Harbin China ceased to be a subsidiary of the Company.

(ii) On 16 December 2014, SZMM disposed the entire issued share capital of Ningxia Kelong Industrial Company Limited ("**Kelong Disposal**") to an independent third party for a cash consideration of RMB6 million.

(iii) On 26 March 2014, BAPP entered into an agreement with an independent third party, pursuant to which BAPP has conditionally agreed to sell all its 100% equity interest in BAPP (Northwest) Limited, which held 100% equity interest of 寧夏西部光彩新能源高新技術有限公司 (Ningxia West Bright New Resource Technology Co., Ltd.*), at the consideration of RMB40 million.

The Harbin Disposal, Kelong Disposal and BAPP Disposal provide good opportunities for the Group to improve its financial position and the sale proceeds could enhance the Group's working capital position as well as providing additional capital resources for the Group to make future investment in potential projects when opportunity arises and the disposals are in line with the Group's overall business strategy.

Memorandum of Understanding

On 12 August 2013, the Company entered into a non-legally binding memorandum of understanding ("**MOU**") with an independent third party ("**Vendor**") pursuant to which the Company intended to acquire and the Vendor intended to sell 100% of the issued share capital of a company (the "**Target**") ("**Possible Acquisition**"). The Target and its subsidiary ("**Target Group**") are in the process of acquiring a company incorporated in the PRC which is holding a piece of multipurpose agricultural land (the "**Land**") in the Yinchuan City of Ningxia Province, the PRC. The Company intended to acquire the Land for the development of an eco-pasture base.

Pursuant to the MOU, the Vendor and the Company would negotiate in good faith the terms of a formal agreement for the Possible Acquisition within 6 months after the date of the MOU. The terms for the formal agreement for the Possible Acquisition have not yet been finalized at the end of the 6 months, pending the results of the due diligence on the Target Group. After negotiation, the Company and the Vendor agreed that additional time was needed for the Company to complete its due diligence on the Target Group.

Accordingly, the Company and the Vendor entered into the first extension agreement on 24 February 2014, the second extension agreement on 22 August 2014 and the third extension agreement on 23 February 2015 respectively to further extend the MOU for 6 months to 22 August 2015 in order to enable the Company to complete its due diligence on the Target Group. Save as aforesaid, all other terms of the MOU remain unchanged. The Company will make further announcement on the progress of the Possible Acquisition as and when appropriate.

Business Co-operation

As announced on 28 January 2014, the Group has started to explore co-operation opportunity with 中電華通通信有限公司 (CECT-Chinacomm Communications Co., Limited*, "**CECT-Chinacomm**"), a company incorporated in the PRC with limited liability. CECT-Chinacomm and its ultimate beneficial owners are independent of and not connected with the Company and its connected persons. CECT-Chinacomm has the development right in respect of a parcel of land in the Beijing Economic and Technological Development Area and will construct a project known as Beijing Wireless Broadband Industrial Park (the "**Project**") on the parcel of land. An indirect subsidiary of CECT-Chinacomm is appointed as the operating company of the Project, and has legally obtained the Land Use Right Certificate, the Planning Permit and the Construction Land Use Permit.

The co-operation is still in the discussion stage and no formal agreement has been entered into by the parties at the date of this announcement. The Board expects that the Company will be able to join CECT-Chinacomm and its subsidiary to develop the Project for commercial benefits.

Formation of Joint Venture Company

(i) On 7 July 2014, SZMM entered into a joint venture agreement ("**JV Agreement 1**") with Harbin China to form a joint venture company (the "**JV Formation**") that principally engaged in developing logistic business in Southern China, such as Hong Kong and Shenzhen. The estimated total registered capital of the joint venture company will be RMB20 million. Each of SZMM and Harbin China is expected to contribute RMB10.2 million and RMB9.8 million, representing 51% and 49% of the estimated total registered capital of the joint venture company respectively. As announced on 11 July 2014 and 25 August 2014, the JV Formation is subjected to (among others) the Shareholders' approval requirement.

    On 24 November 2014, the parties to the JV Agreement 1 have decided not to proceed with the JV Formation. SZMM and Harbin China entered into a termination agreement to terminate the JV Agreement 1 with immediate effect. Pursuant to the termination agreement, neither party shall have any further obligations or liabilities towards the other, nor any claims against the other in connection with the JV Agreement 1. The Board considered that the termination of the JV Agreement 1 has no material adverse impact on the operations of the Group.

(ii) On 22 January 2015, SZMM entered into a joint venture agreement (the "**JV Agreement 2**") with 深圳市深達恒業貿易有限公司 (Shenzhen Shenda Hengye Trading Company Limited*, "**Hengye**"), pursuant to which SZMM and Hengye agreed to form the Joint Venture Company ("**JV Company**") to be principally engaged in the E-commerce business in Qianhai area in the PRC, which would principally include food trading and electrical and mechanical equipment business. Pursuant to the JV Agreement 2, the estimated total registered capital of the JV Company will be RMB200 million. Each of SZMM and Hengye is expected to contribute RMB60 million and RMB140 million, representing 30% and 70% of the estimated total registered capital of the JV Company respectively.

Subscription of New Shares under General Mandate and Refreshed General Mandate

(i) On 21 January 2014, the Company entered into the subscription agreements with the independent subscribers for the subscription of an aggregate 239,032,479 subscription shares at the subscription price of HK$0.405 per subscription share.

The above subscription was completed on 7 February 2014 and the Company issued 239,032,479 shares of the Company to 7 independent subscribers. The net proceeds from the subscription were approximately HK$96.5 million which were used by the Company for the Group's business development and general working capital purposes.

(ii) On 29 April 2014, the Company entered into the subscription agreements with the independent subscribers for the subscription of an aggregate 80,000,000 subscription shares at the subscription price of HK$0.7 per subscription share.

The above subscription was completed on 16 May 2014 and the Company issued 80,000,000 shares of the Company to 4 independent subscribers. The net proceeds from the subscription were approximately HK$55.97 million which were applied to finance the business development and general working capital of the Group.

(iii) On 24 June 2014, the Company entered into the subscription agreements with the independent subscribers for the subscription of an aggregate 82,000,000 subscription shares at the subscription price of HK$0.7 per subscription share.

The above subscription was completed on 11 July 2014 and the Company issued 82,000,000 shares of the Company to 8 independent subscribers. The net proceeds from the subscription were approximately HK$57.10 million which were applied as refundable deposit for business development in Shenzhen area and general working capital of the Group.

Subscription of Convertible Bonds under Refreshed General Mandate

On 24 June 2014, the Company entered into the subscription agreement and the supplemental subscription agreement dated 31 July 2014 with a subscriber for the subscription of the convertible bonds ("**CB**") in an aggregate principal amount of HK$89.6 million in cash. Subject to adjustments, upon full conversion of the CB at the initial conversion price of HK$0.7 per share, the Company will issue 128,000,000 new shares of the Company.

The above subscription was completed on 7 August 2014 and the Company issued the CB in the aggregate principal amount of HK$89.6 million to the subscriber. The net proceeds from the CB subscription were approximately HK$89.30 million which was applied for the Group's settlement of loans, business developments, investments and general working capital purposes. None of the CB has been converted into shares of the Company up to the date of this announcement.

Subscription of Unlisted Warrants under Specific Mandate

On 7 July 2014, the Company entered into a subscription agreement with a subscriber for the subscription of an aggregate of 180,000,000 non-listed warrants at an issue price of HK$0.01 per warrant. The warrants will entitle the holder to subscribe in cash up to an aggregate amount of HK$126 million for the subscription shares at an initial subscription price of HK$0.70 per subscription share, for a period of 2 years commencing from the date of issue of the warrants.

Based on the initial subscription price of HK$0.70 per subscription share, a maximum of 180,000,000 subscription shares will be allotted and issued by the Company upon full exercise of the subscription rights.

The net proceeds from the issue of the warrants and the full exercise of the warrants of approximately HK$1.5 million and HK$126 million respectively will be used for the Group's settlement of loans, business development, investments and general working capital purposes.

As at the date of this announcement, the issue of the warrants is not yet completed.

Grant of Share Options

On 23 July 2014, the Company granted share options (the "**Options**") to certain eligible persons including Directors, employees and consultants of the Group to subscribe at the exercise price of HK$0.754 per share for a total of 78,600,000 ordinary shares of HK$0.1 each in the share capital of the Company pursuant to the share option scheme adopted by the Company on 23 May 2007. Among the total of 78,600,000 Options granted, 13,100,000 Options were granted to the Directors and the chief executive officer of the Company. Further details of the grant of the Options as referred to in the announcement of the Company dated 23 July 2014.

Financial Review

The continuing operations of the Group achieved a revenue of approximately HK$80.00 million (2013: HK$94.18 million), representing a decrease of 15.05% from last year. Gross profit for the continuing operations of the Group was approximately HK$11.10 million (2013: HK$15.84 million). The loss (net of taxation) from continuing operations was HK$41.82 million and the gain from discontinued operations (net of tax) was HK$142.88 million. The loss from continuing operations including the loss on fair value change on derivative financial assets HK$12.15 million. Profit attributable to owners of the parent was approximately HK$117.81 million (Loss attributable to owners of the parent for 2013: HK$126.77 million) which was mainly due to the disposal gain arosed from the Harbin Disposal. Profit per share from continuing operations and discontinued operations for the Year was HK7.73 cents (Loss per share from continuing operations and discontinued operations for 2013: HK10.61 cents).

Selling and distribution expenses were approximately HK$16.71 million (2013: HK$21.93 million), representing a decrease of 23.80% from last year and 20.89% (2013: 23.29%) of the Group's revenue.

Administrative expenses were approximately HK$25.43 million (2013: HK$19.73 million), representing an increase of 28.89% from last year.

Finance cost was approximately HK$8.7 million (2013: HK$4.97 million), representing an increase of 75.05% over last year. The increase was due to the increase in the loan interest.

Discontinued Operations

Since the Group has signed the sales and purchase agreements with independent third parties for the Harbin Disposal and the BAPP Disposal on 24 February 2014 and 26 March 2014 respectively, the Group reclassified the entire ethanol business segment of the Group from subsidiaries to assets held for sale in 2013 and 2014. The net liabilities directly associated with the BAPP Disposal were classified as held for sale and were amounted to approximately HK$17.19 million in 2014. The gain on disposal from Harbin Disposal was approximately HK$204.55 million was stated in this announcement. It is estimated that the Group will realize the gain from the BAPP Disposal during the period ending 30 June 2015.

Liquidity, Financial Resources and Capital Structure

Throughout the Year, the issued share capital of the Company increased 431,532,479 shares to 1,626,694,876 shares due to allotment and issue of subscription shares and exercise of share options by employees and consultants of the Group.

As at 31 December 2014, the Group had net asset to owners of the parent of approximately HK$293.79 million (2013: net liability to owners of the parent of approximately HK$41.19 million). Net current assets of the Group as at 31 December 2014 amounted to approximately HK$287.58 million (2013: net current liabilities of HK$86.61 million). The current ratio (calculated as current assets to current liabilities) for the Year was 3.50 (2013: 0.86).

The Group's unpledged cash and cash equivalents as at 31 December 2014 amounted to approximately HK$79.15 million (2013: HK$25.49 million), which were denominated in Hong Kong dollars and Renminbi. Harbin China Distillery Company Limited held cash and bank balances of approximately HK$2.83 million for the year ended 31 December 2013.

As at 31 December 2014, the Group's total borrowings amounted to approximately HK$72.35 million (2013: HK$136.42 million). The Group's borrowings included bank loans of approximately HK$61.22 million (2013: HK$67.41 million). Amounts due to related parties of approximately HK$11.14 million (2013: HK$69.00 million). All of the Group's borrowings were denominated in Renminbi with the rest in Hong Kong dollars. The bank loans, other borrowings and amounts due to related parties of approximately HK$11.14 million (2013: HK$69.00 million) are charged at fixed interest rates. The gearing ratio of the Group as at 31 December 2014, calculated as net debt divided by equity attributable to owners of the parent plus net debt, was 3.8% (2013: 139.2%).

These ratios were at reasonably adequate levels as at 31 December 2014. Having considered the Group's current unpledged cash and cash equivalents, bank and other borrowings, banking facilities, the management believes that the Group's financial resources are sufficient for its day-to-day operations. The Group did not use financial instruments for financial hedging purposes during the Year. The Group's business transactions, assets and liabilities are principally denominated in Renminbi and Hong Kong dollars. Fluctuations in Renminbi may impact the Group's results and net asset value as the Group's consolidated financial statements are presented in Hong Kong dollars. The Group's treasury policy is to manage its foreign currency exposure only when its potential financial impact is material to the Group. The Group will continue to monitor its foreign exchange position and, if necessary, utilize hedging tools, if available, to manage its foreign currency exposure.

Charge on Assets and Contingent Liabilities

As at 31 December 2013, certain of the Group's property, plant and equipment, leasehold land and bank deposits with aggregate net book value of approximately HK$96.08 million were pledged to banks to secure the Group's bank loans and bills payable. As at 31 December 2014, the Group did not pledge any assets to secure bank loans and bills payable and had no material contingent liabilities (2013: Nil).

Employee and Remuneration Policy

As at 31 December 2014, the Group had approximately 142 (2013: 504) employees in Hong Kong and the PRC with total staff costs amounted to approximately HK$21.34 million (2013: HK$36.79 million). Remuneration of employees is offered at competitive standards, generally structured with reference to market terms and individual qualifications.

The Company has adopted a share option scheme and the purpose of which is to provide incentives to participants for their contribution to the Group, and to enable the Group to recruit and retain quality employees to serve the Group on a long-term basis.

Proposed Change of Company Name

On 2 March 2015, the Company proposed to change the English name of the Company from "Sino Distillery Group Limited" to "China Beidahuang Industry Group Holdings Limited" and the Chinese name of the Company from "中國釀酒集團有限公司" to "中國北大荒產業集團控股有限公司". The proposed change of company name is subject to the Shareholders' approval at the extraordinary general meeting to be held on 10 April 2015 and the approval of the Registrar of Companies in the Cayman Islands. The Board considered that the proposed change of company name is to be in line with the Company's corporate strategy of expanding its business and promoting further development of the Company and the proposed change of company name will not affect any of the rights of the Shareholders.

SCOPE OF WORK OF CHENG & CHENG LIMITED

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2014 as set out in this preliminary announcement have been agreed by the Group's auditor, Cheng & Cheng Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Cheng & Cheng Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Cheng & Cheng Limited on this preliminary announcement.

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

The following is an extract of the independent auditor's report on the Group's annual audited financial statements for the year ended 31 December 2014:

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2014, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the Year.

REVIEW OF FINANCIAL STATEMENTS

The consolidated financial statements of the Group for the year ended 31 December 2014 have been reviewed by the audit committee of the Company.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company has complied with all code provisions of the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange during the year ended 31 December 2014, save as disclosed as follows.

In respect of code provision A.1.3 of the CG Code, notice of at least 14 days should be given of the regular board meeting to give all directors an opportunity to attend. During the Year, certain regular Board meetings were convened with less than 14 days' notice to enable the Board members to react timely and make expeditious decision making in respect of transactions which were of significance to the Group's business. As a result, the aforesaid regular Board meetings were held with a shorter notice period than required with the consent of all the Directors for that time being. The Board will do its best endeavours to meet the requirement of code provision A.1.3 of the CG Code in future.

In respect of code provision A.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Jiang Jianjun was the Chairman and the Managing Director of the Company (the Company regards the role of its Managing Director to be same as that of chief executive under the CG Code) during the period from 1 January 2014 to 28 March 2014. On 28 March 2014, Mr. Jiang Jianjun resigned as the Managing Director and Mr. Li Jianqing was appointed as the Chief Executive Officer of the Company. Following his resignation as the Managing Director, Mr. Jiang Jianjun remains as the Chairman and an Executive Director. Hence, the Company has duly complied with the code provision A.2.1 of the CG Code as from 28 March 2014.

In respect of code provision A.6.5 of the CG Code, all directors should participate in continuous professional development to develop and refresh their knowledge and skills, and should provide a record of the training they received to the issuer. Mr. Song Shaohua and Mr. Zhang Yonggen resigned as Executive Director and Independent Non-executive Director on 13 June 2014 respectively. The Company did not receive the training record from these two former Directors.

In respect of code provision A.6.7 of the CG Code, independent non-executive directors and other non-executive directors, as equal board members, should attend general meetings and develop a balanced understanding of the views of shareholders. Mr. Qu Shuncai, Mr. Zhang Yonggen and Mr. Li Xiaofeng were unable to attend the extraordinary general meeting of the Company held on 2 April 2014 due to their other business engagements. Mr. Qu Shuncai, Mr. Song Shaohua, Mr. Huang Qingxi, Dr. Loke Yu, Mr. Zhang Yonggen and Mr. Li Xiaofeng were unable to attend the extraordinary general meeting of the Company held on 17 April 2014 due to their other business engagements. Mr. Qu Shuncai, Mr. Song Shaohua, Mr. Jiang Jiancheng, Mr. Huang Qingxi, Dr. Loke Yu, Mr. Zhang Yonggen and Mr. Li Xiaofeng were unable to attend the adjourned extraordinary general meeting of the Company held on 6 June 2014 due to their other business engagements. Mr. Li Jianqing, Mr. Qu Shuncai, Mr. Jiang Jiancheng, Mr. Huang Qingxi, Dr. Loke Yu and Mr. Li Xiaofeng were unable to attend the annual general meeting of the Company held on 26 June 2014 due to their other business engagements.

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

Hong Kong, 27 March 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.

* *The English name is a translation of its Chinese name and is included for identification purposes only.*