
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Sino Distillery Group Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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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)

**MAJOR DISPOSAL
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

A notice convening an extraordinary general meeting of Sino Distillery Group Limited to be held at 11:00 a.m. on Thursday, 17 April 2014 at 2509, Tower One, Lippo Centre, 89 Queensway, Hong Kong is set out on pages 21 to 22 of this circular. Whether or not you intend to attend the meeting, you are advised to complete the form of proxy enclosed in accordance with the instructions printed thereon and return it to the Company's branch share registrar in Hong Kong, Tricor Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong (which will be relocated to Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong with effect from 31 March 2014) as soon as practicable but in any event no less than 48 hours before the time appointed for holding of the meeting or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or any adjourned meeting (as the case may be) should you so wish.

27 March 2014

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DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions shall have the following meanings:

“Agreement”	the sale and purchase agreement dated 24 February 2014 (as supplemented by the Supplemental Agreement) entered into amongst the Vendor and the Purchasers in relation to the Disposal
“Announcement”	the announcement of the Company dated 28 February 2014
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Beidahuang”	肇東北大荒生物科技有限公司 (Zhaodong Beidahuang Biotechnology Limited*), a limited liability company incorporated in the PRC
“Board”	the board of Directors
“Company”	Sino Distillery Group Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the main board of the Stock Exchange
“Completion”	completion of the sale and purchase of the Sale Capital in accordance with the terms and conditions of the Agreement
“Completion Date”	the third business day immediately after the date on which the conditions precedent have been satisfied
“connected person(s)”	has the meaning ascribed to it in the Listing Rules, and “connected” shall be construed accordingly
“Consideration”	the cash consideration for the Sale Capital in the sum of RMB40 million
“Directors”	directors of the Company
“Disposal”	the disposal of the Sale Capital by the Vendor to the Purchasers pursuant to the Agreement

DEFINITIONS

“Disposed Company”	哈爾濱中國釀酒有限公司 (Harbin China Distillery Company Limited*), a sino-foreign joint venture established under the laws of the PRC
“EGM”	the extraordinary general meeting of the Company to be convened and held on Thursday, 17 April 2014 at 11:00 a.m. for the Shareholders to consider and, if thought fit, approve the Agreement and the transactions contemplated thereunder
“Group”	the Company and its subsidiaries
“Huayin”	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*), a limited liability company incorporated in the PRC
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	a party(ies) who is/are not connected person(s) (as defined in the Listing Rules) of the Company and who together with its/their ultimate beneficial owner(s) are independent of the Company and of connected persons of the Company
“Latest Practicable Date”	means 20 March 2014, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“MOU”	the memorandum of understanding entered into between the Company and China New Energy Limited dated 18 December 2013 in respect of the possible disposal of the Sale Capital and the Ningxia Facility by the Company through the sale of 100% issued share capital of BAPP Ethanol Holdings Limited to China New Energy Limited, details of which are set out in the announcements of the Company dated 18 December 2013 and 24 February 2014

DEFINITIONS

“Ningxia Facility”	an ethanol production facility located in Ningxia, the PRC owned by the Group
“Possible Acquisition”	the possible acquisition of a piece of multipurpose agricultural land in the Yinchuan City of Ningxia Province, the PRC by the Company through the purchase of 100% issued share capital of a target company, details of which are set out in the announcements of the Company dated 12 August 2013 and 24 February 2014
“PRC”	the People’s Republic of China
“Purchasers”	Beidahuang and Huayin, being the purchasers under the Agreement
“Sale Capital”	75% equity interest in the Disposed Company
“Shareholder(s)”	shareholder(s) of the Company
“Shares”	ordinary shares of the Company of HK\$0.10 each
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“SFO”	Securities and Futures Ordinance (Cap.571, Laws of Hong Kong)
“Supplemental Agreement”	the supplemental agreement dated 26 February 2014 entered into amongst the Vendor and the Purchasers in relation to the Disposal
“Vendor”	深圳市美名問世商貿有限公司 (Shenzhen Meiming Wenshi Trading Limited*), a wholly foreign-owned enterprise registered under the laws of the PRC and a wholly-owned subsidiary of the Company
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

DEFINITIONS

“RMB” Renminbi, the lawful currency of the PRC

“%” per cent.

* *For identification purpose only*

LETTER FROM THE BOARD



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)

Executive Directors:

Mr. Jiang Jianjun (*Chairman and Managing Director*)
Mr. Qu Shunca
Mr. Song Shaohua

Non-executive Director:

Mr. Huang Qingxi

Independent Non-executive Directors:

Dr. Loke Yu (alias Loke Hoi Lam)
Mr. Zhang Yonggen
Mr. Li Xiaofeng

Registered Office:

P.O. Box 309GT
Ugland House
South Church Street
George Town
Grand Cayman
Cayman Islands

*Head office and principal place of
business in Hong Kong:*

2509, Tower One
Lippo Centre, 89 Queensway
Hong Kong

27 March 2014

*To the Shareholders and, for information only,
the holders of the share options of the Company*

Dear Sir/Madam,

**MAJOR DISPOSAL
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

INTRODUCTION

Reference is made to the Announcement issued by the Company dated 28 February 2014 in relation to the Disposal.

The purpose of this circular is to give you further details of the Disposal, the Agreement and notice of the EGM at which a resolution will be proposed to consider and, if thought fit, approve the Agreement and the transactions contemplated thereunder.

LETTER FROM THE BOARD

THE AGREEMENT

Date

24 February 2014 (after trading hours) (as supplemented by the Supplemental Agreement)

Parties

- Vendor: 深圳市美名問世商貿有限公司 (Shenzhen Meiming Wenshi Trading Limited*)
- Purchasers: (1) 肇東北大荒生物科技有限公司 (Zhaodong Beidahuang Biotechnology Limited*); and
- (2) 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*)

Beidahuang is a limited liability company incorporated in the PRC and a subsidiary of 黑龍江農墾北大荒商貿集團 (Heilongjiang Nongken Beidahuang Business Trade Group*), a company with principal business in refined oil, production and distribution of agricultural products, and logistics. Beidahuang is principally engaged in the production and distribution of agricultural products in the North East of the PRC.

Huayin is a limited liability company incorporated in the PRC. Its principal business is industrial investment, property selling agency, intermediary advisory and fund guarantee service.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of the Purchasers and its ultimate beneficial owner(s) are Independent Third Parties.

Assets to be disposed of

Pursuant to the Agreement, (i) the Company has conditionally agreed to sell and Beidahuang has conditionally agreed to acquire 60% equity interest in the Disposed Company and (ii) the Company has conditionally agreed to sell and Huayin has conditionally agreed to acquire 15% equity interest in the Disposed Company.

LETTER FROM THE BOARD

Consideration and payment terms

The aggregate Consideration for the Disposal is RMB40 million and shall be payable as to (i) RMB32 million by Beidahuang and (ii) RMB8 million by Huayin on the Completion Date, in cash or by telegraphic transfer to a bank account specified by the Vendor or to any nominee(s) specified by the Vendor.

The Consideration has been determined after arm's length negotiations among the parties to the Agreement with reference to (i) the reasons for the Disposal as discussed in the section headed "Reasons for the Disposal" below and (ii) the historical performance of the Disposed Company for the financial year ended 31 December 2012 and the six months ended 30 June 2013.

The Directors (including the independent non-executive Directors) consider that the Consideration is fair and reasonable and on normal commercial terms.

Conditions precedent

Completion of the Agreement is conditional upon satisfaction of the following conditions:

- (i) the Purchaser having been satisfied with and accepted the results of the due diligence review on the Disposed Company;
- (ii) the obtaining of all necessary approvals and consents in relation to the Agreement and the transactions contemplated thereunder; and
- (iii) the approval of the Agreement and the transactions contemplated thereunder by the Shareholders at the EGM.

The above conditions precedent shall be completed before 30 June 2014 or such later date as the Vendor and the Purchasers may agree in writing. As at the Latest Practicable Date, none of the above conditions precedent has been satisfied.

Completion

Completion shall take place on the third business day immediately after the date on which the conditions precedent have been satisfied.

LETTER FROM THE BOARD

Upon Completion, the Company and Beidahuang agreed that the strategic cooperation arrangement regarding (i) the supply of corns needed by the Disposed Company and (ii) the sale of ethanol, distillers dried grains with solubles and fuel ethanol produced by the Disposed Company, by Beidahuang will not continue. Details of the cooperation arrangement are set out in the announcement of the Company dated 14 January 2014.

INFORMATION OF THE DISPOSED COMPANY

The Disposed Company is a sino-foreign equity joint venture established in the PRC on 23 June 2006 with a registered and paid up capital of RMB318,000,000. It is principally engaged in the production and sale of ethanol products and ethanol by-products in the PRC. As at the Latest Practicable Date, the Vendor holds 75% equity interest in the Disposed Company and the remaining 25% equity interest is held by 哈爾濱工業投資集團有限公司 (Harbin Industry Investment Group Limited*).

The unaudited net liability of the Disposed Company as at 30 June 2013 was approximately RMB27.8 million. A summary of the financial information of the Disposed Company for the two financial years ended 31 December 2011 and 2012 and the six months ended 30 June 2013 prepared in accordance with the Hong Kong Financial Reporting Standards is set out below:

	For the year ended 31 December 2011 (audited) RMB	For the year ended 31 December 2012 (audited) RMB	For the six months ended 30 June 2013 (unaudited) RMB
Revenue	188,046,055	44,401,121	81,852,769
Loss before taxation and impairment of assets	31,870,477	57,742,036	50,568,947
Loss after taxation and impairment of assets	49,605,665	145,637,036	50,568,947

LETTER FROM THE BOARD

FINANCIAL EFFECTS OF THE DISPOSAL AND USE OF PROCEEDS

As a result of the Disposal, it is estimated that the Group will realize a gain of approximately RMB95 million attributable to the Disposal for the financial year during which the Disposal is completed and a corresponding increase in the net assets of the Group. Such estimated gain was calculated by reference to (i) the Consideration of RMB40 million for the Disposal and (ii) the unaudited net liability of the Disposed Company attributable to the Group of approximately RMB55 million as at 31 December 2013. Accordingly, the Board considers that the Disposal will have positive impact on the Group's financial position. Subject to audit, the actual amount of the gain on the Disposal to be recognised by the Group will depend on the net liability of the Disposed Company as at Completion and therefore may be different from the amount mentioned above.

Upon completion of the Disposal, the Company will not have any interest in the Disposed Company and the Disposed Company will cease to be a subsidiary of the Company and its assets and liabilities and its profits and losses will no longer be consolidated into the consolidated financial statements of the Company. Apart from the Disposed Company, the Ethanol segment in the Company's financial statements also consists of the Ningxia Facility. However, since the size of the Ningxia Facility is small and it is currently dormant and does not have any operation, the Ningxia Facility itself is not individually being reviewed as a segment for management purpose. The Disposal will result in a loss of total segment revenue and segment results for the Ethanol segment. In addition, the segment assets and segment liabilities will be decreased by 96% and 97% respectively.

The sale proceeds from the Disposal will be utilized as the general working capital of the Company and for future investment in potential projects when opportunity arises. As at the Latest Practicable Date, the Company has not identified any potential project which requires the use of the sale proceeds from the Disposal.

REASONS FOR THE DISPOSAL

The Group is principally engaged in the production and sale of ethanol products and ethanol by-products, the sale and distribution of wine and liquor and the production and sale of forages. The Disposed Company accounted for approximately 49% and 84% of the aggregate loss of the Group for the year ended 31 December 2012 and the six months ended 30 June 2013. In light of the expected slowdown in the demand and prices for ethanol products due to the weak liquor market in the PRC, the Directors consider that the Disposal, if materializes, provides a good opportunity for the Group to realize the assets of the Disposed Company and improve the financial performance of the Group as a whole. Moreover, the sale proceeds from the Disposal 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. Therefore, the Directors consider the Disposal is in line with the Group's overall business strategy.

LETTER FROM THE BOARD

The Directors (including the independent non-executive Directors) also consider that the terms of the Agreement are fair and reasonable and the entering into the Agreement is in the interests of the Company and the Shareholders as a whole.

Reference is also made to the announcement issued by the Company dated 18 December 2013 regarding the MOU. As disclosed in the announcement issued by the Company dated 24 February 2014, after several rounds of negotiation subsequent to the execution of the MOU, the Company and China New Energy Limited considered that there had not been any substantial progress in the transaction. Therefore, the parties entered into a termination agreement on 24 February 2014 to terminate the MOU. The proposed consideration under the MOU of RMB150 million was only an initial figure proposed by the parties when the MOU was executed and included the Ningxia Facility. Such proposed consideration was subject to further negotiation between the parties and the results of due diligence. In the course of negotiation, the parties were unable to agree on the terms, including the consideration, for the proposed transaction and the MOU was terminated. To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, there is no relationship between China New Energy Limited and the Purchasers.

IMPLICATIONS OF THE LISTING RULES

Since certain applicable percentage ratios for the Disposal are more than 25% but less than 75%, the Disposal constitutes a major transaction for the Company under Chapter 14 of the Listing Rules and is subject to the reporting, announcement and shareholders' approval requirements under the Listing Rules.

Each of the Purchasers has confirmed that it, its ultimate beneficial owner(s) and their respective associates (as defined under the Listing Rules) do not hold any Shares. As at the date of this circular, to the best knowledge, information and belief of the Directors, as no Shareholder has a material interest in the Disposal, no Shareholder nor its associates is required to abstain from voting on the Disposal at the EGM.

EGM

The EGM will be held for considering and, if thought fit, passing the ordinary resolution to approve the Agreement and the transactions contemplated thereunder. A notice convening the EGM to be held at 11:00 a.m. on Thursday, 17 April 2014 at 2509, Tower One, Lippo Centre, 89 Queensway, Hong Kong is set out on pages 21 to 22 of this circular.

LETTER FROM THE BOARD

A form of proxy for use at the EGM is enclosed with this circular. Whether or not you intend to attend the meeting, you are advised to complete the form of proxy enclosed in accordance with the instructions printed thereon and return it to the Company's branch share registrar in Hong Kong, Tricor Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong (which will be relocated to Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong with effect from 31 March 2014) as soon as practicable but in any event no less than 48 hours before the time appointed for holding of the meeting or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or any adjourned meeting (as the case may be) should you so wish.

Article 80 of the Articles of Association of the Company provides that at any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is demanded. However, under Rule 13.39(4) of the Listing Rules, any vote of the shareholders at a general meeting must be taken by poll except where the chairman of the meeting, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. Accordingly, the Directors intend that the Chairman of the EGM shall demand voting of the resolution put forward at the EGM by way of poll.

An announcement of the results of the EGM will be published on the date of the EGM or not later than 30 minutes before the earlier of either the commencement of the morning trading session or any pre-opening session on the business day following the EGM as prescribed under Rule 13.39(5) of the Listing Rules.

RECOMMENDATION

The Board considers that the terms and conditions of the Agreement are fair and reasonable and the Disposal is in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Shareholders to vote in favour of the resolution as set out in the notice of the EGM.

ADDITIONAL INFORMATION

Beidahuang has also expressed an interest to subscribe for convertible securities in the Company which are convertible into no less than 150 million Shares. As at the Latest Practicable Date, no details (including but not limited to the principal amount and the conversion price) has yet been agreed between the parties on the possible subscription. The Company will issue further announcement on the possible subscription as and when appropriate in accordance with the Listing Rules. **As the possible subscription may or may not proceed, Shareholders and potential investors should therefore exercise caution when dealing in the Shares or any other securities of the Company.**

LETTER FROM THE BOARD

Your attention is also drawn to the additional information set out in the appendices to this circular.

As Completion is subject to the fulfillment of conditions precedent which are detailed in this circular under the paragraph headed “Conditions Precedent”, the Disposal may or may not be completed. Shareholders and potential investors of the Company should exercise caution when dealing in the Shares or any other securities of the Company.

Yours faithfully
For and on behalf of the Board
Sino Distillery Group Limited
Jiang Jianjun
Chairman and Managing Director

* *For identification purpose only*

1. STATEMENT OF INDEBTEDNESS**Borrowings**

At the close of business on 31 January 2014, being the latest practicable date for the purpose of preparing this indebtedness statement prior to the printing of this circular, the Group had outstanding bill payables of approximately RMB15,300,000, secured bank loans of approximately RMB123,000,000, unsecured other loans of approximately RMB36,513,000, unsecured amount due to a minority shareholder of a subsidiary of approximately RMB25,133,000 and unsecured amount due to a related party of approximately RMB8,777,000.

Securities and guarantees

At the close of business on 31 January 2014, the Group's bill payables were secured by bank deposits of approximately RMB6,120,000. The secured loan amounted to RMB70,000,000 was secured by the Group's property, plant and equipment and leasehold land, which had an aggregate carrying value of approximately RMB75,167,000 and RMB12,577,000 respectively. The Group's bank loan amounted to RMB3,000,000 and RMB50,000,000 were secured by a property held by related party and a property held by an Independent Third Party respectively.

Disclaimer

Save as aforesaid or otherwise mentioned herein, and apart from intra-group liabilities and normal trade payables in the ordinary course of the business, the Group did not have any other outstanding borrowings, mortgages, charges, debentures, loan capital and overdraft, debt securities or other similar indebtedness, finance leases or hire purchase commitment, liabilities under acceptances or acceptance credits or any guarantees or other material contingent liabilities at the close of business on 31 January 2014, being the latest practicable date for the purpose of this statement of indebtedness prior to printing of this circular.

2. WORKING CAPITAL

The Directors, after due and careful consideration, are of the opinion that, in the absence of unforeseen circumstances, and taking into consideration of the financial resources available to the Group including, internally generated cash flows, the existing banking and credit facilities available and the estimated net proceeds generated from the Disposal, the Group will have sufficient working capital for its present requirements for the next twelve months from the date of this circular.

3. FINANCIAL AND TRADING PROSPECTS

Upon completion of the Disposal, the Group will continue to carry on the business of the sale and distribution of wine and liquor in the PRC. The Group currently has 28 wine and liquor specialty stores and 22 franchise stores in Guangdong. The Group is also the exclusive distributor of Diancang Jiugui and Meiming Wenshi in China until May 2020.

As for the production and sale of forages business, the Group will continue to pursue additional potential locations for future facilities, which 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 Possible Acquisition materialises, the Company intends to utilise the land for development of an eco-pasture base. As at the Latest Practicable Date, the Company is still conducting due diligence on the target group and the terms of the formal agreement for the Possible Acquisition have not yet been finalized.

Regarding the remaining asset in the Ethanol segment of the Group, the Ningxia Facility, the Company intends to dispose of the facility when opportunity arises.

During the current financial year, the Directors expect that with cash and available credit facilities, the Group's financial position will remain stable and the Group's revenue will be maintained. The Group will closely monitor the market situations and trends and 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 China and will continue to explore the new markets and increase the area of promotion and marketing in the existing business. The Group will also look for other business and related profitable business for acquisition purpose.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

(a) Directors' interests and short positions in the securities of the Company and its associated corporation

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company and its associated corporation(s) (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, were as follows:

(i) Long positions in the Shares

Name of Director	Capacity	Number of Shares	Approximate percentage of shareholding (%)
Mr. Jiang Jianjun	Beneficial owner	105,728,000	7.30
	Interest of spouse	2,920,000 ^(a)	0.20
Mr. Qu Shuncaï	Beneficial owner	<u>3,680,000</u>	<u>0.25</u>
		<u>112,328,000</u>	<u>7.75</u>

Note:

(a) The Shares are held by Ms. Li Zhuoxun, the spouse of Mr. Jiang Jianjun.

(ii) Interest in share options

Name of Director	No. of options outstanding	Approximate percentage of shareholding (%)	Date of grant	Exercise period	Exercise price per share (HK\$)
Mr. Qu Shuncaï	2,250,000	0.155	13-9-10	13-9-11 – 12-9-14	0.83
	2,250,000	0.155	13-9-10	13-9-12 – 12-9-15	0.83
Dr. Loke Yu	50,000	0.003	26-4-10	26-4-12 – 25-4-15	0.73
	50,000	0.003	13-9-10	13-9-11 – 12-9-14	0.83
	50,000	0.003	13-9-10	13-9-12 – 12-9-15	0.83
Mr. Zhang Yonggen	100,000	0.007	4-5-11	4-5-12 – 3-5-15	1.152
	100,000	0.007	4-5-11	4-5-13 – 3-5-16	1.152
	<u>4,850,000</u>	<u>0.333</u>			

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executives of the Company had any interests and short positions in the Shares, underlying Shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), the Model Code for Securities Transactions by Directors of Listed Companies and which were required to be entered into the register required to be kept under section 352 of the SFO.

As at the Latest Practicable Date, so far as was known to any Director or chief executive of the Company, none of the Directors is a director or employee of a company, which has an interest or short position in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

(b) Substantial Shareholder's interests

So far as is known to the Directors, as at the Latest Practicable Date, the following persons (not being Directors or chief executive of the Company) had, or were deemed to have, interest or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or who were directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group:

Long positions in the Shares

Name	Capacity	Number of Shares	Approximate percentage of shareholding (%)
Chen Hua	Interest of controlled corporations	179,118,000 ^(a)	12.36
Able Turbo Enterprises Limited	Beneficial owner	102,945,737	7.10
	Interest of controlled corporation	76,172,263 ^(b)	5.26

Notes:

- (a) The Shares are held by Able Turbo Enterprises Limited as to 102,945,737 Shares and China Food and Beverage Group Limited as to 76,172,263 Shares. Able Turbo Enterprises Limited and China Food and Beverage Group Limited are owned by Chen Hua as to 60.3% directly and 100% indirectly, respectively.
- (b) The Shares are held by China Food and Beverage Group Limited, which is wholly owned by Able Turbo Enterprises Limited.

Save as disclosed above, as at the Latest Practicable Date, so far as was known to the Directors, no person (other than a Director or chief executive of the Company) had any interests or short positions in the Shares and the underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 or Part XV of the SFO or who were directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

3. COMPETING INTEREST

As at the Latest Practicable Date, none of the Directors and his respective associates was considered to have an interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group, other than those businesses to which the Directors and his associates were appointed to represent the interests of the Company and/or the Group.

4. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors has entered into any service agreement with any member of the Group which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

5. DIRECTORS' INTERESTS IN THE GROUP'S ASSETS OR CONTRACTS OR ARRANGEMENTS

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which have been, since 31 December 2012, being the date to which the latest published audited accounts of the Group were made up, acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement subsisting at the date of this circular which is significant in relation to the business of the Group.

6. LITIGATION

As at the Latest Practicable Date, neither the Company nor any member of the Group was engaged in any litigation or claim of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened against any member of the Group.

7. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2012, the date to which the latest published audited consolidated financial statements of the Group were made up.

8. MATERIAL CONTRACTS

As at the Latest Practicable Date, the following contracts (not being contracts entered into in the ordinary course of business) have been entered into by members of the Group within the two years preceding the issue of this circular and are or may be material:

- (i) the Agreement;
- (ii) the Supplemental Agreement;
- (iii) the subscription agreement entered into between the Company and Sino Insight Holdings Limited dated 21 January 2014 in relation to the subscription of 100,593,220 Shares by Sino Insight Holdings Limited at a consideration of HK\$0.405 per Share;
- (iv) the subscription agreement entered into between the Company and King Wei Group (China) Investment Development Limited dated 21 January 2014 in relation to the subscription of 73,439,259 Shares by King Wei Group (China) Investment Development Limited at a consideration of HK\$0.405 per Share;
- (v) the subscription agreement entered into between the Company and Ms. Zhang Hai Xiu dated 21 January 2014 in relation to the subscription of 13,000,000 Shares by Ms. Zhang Hai Xiu at a consideration of HK\$0.405 per Share;
- (vi) the subscription agreement entered into between the Company and Mr. Mo Chao Wen dated 21 January 2014 in relation to the subscription of 13,000,000 Shares by Mr. Mo Chao Wen at a consideration of HK\$0.405 per Share;
- (vii) the subscription agreement entered into between the Company and Ms. Pan Hui Zhen dated 21 January 2014 in relation to the subscription of 13,000,000 Shares by Ms. Pan Hui Zhen at a consideration of HK\$0.405 per Share;
- (viii) the subscription agreement entered into between the Company and Mr. Li Xiang Gen dated 21 January 2014 in relation to the subscription of 13,000,000 Shares by Mr. Li Xiang Gen at a consideration of HK\$0.405 per Share;
- (ix) the subscription agreement entered into between the Company and Mr. Deng Wei Quan dated 21 January 2014 in relation to the subscription of 13,000,000 Shares by Mr. Deng Wei Quan at a consideration of HK\$0.405 per Share; and
- (x) the equity transfer agreement entered into between 深圳市美名問世商貿有限公司 (Shenzhen Meiming Wenshi Trading Limited*) as the purchaser and Ms. Zhou Xiaojian as the vendor dated 5 July 2013 in relation to the acquisition of 51% equity interest in 寧夏科隆實業有限公司 (Ningxia Kelong Industrial Co. Limited*) at a consideration of RMB5,100,000.

* For identification purpose only

9. MISCELLANEOUS

- (i) The registered office of the Company is P.O. Box 309GT, Ugland House, South Church Street, George Town, Grand Cayman, Cayman Islands.
- (ii) The head office and principal place of business of the Company in Hong Kong is 2509, Tower One, Lippo Centre, 89 Queensway, Hong Kong.
- (iii) The company secretary of the Company is Mr. Chan Kwong Leung, Eric, who is an associate member of The Institute of Chartered Secretaries and Administrators in the United Kingdom and The Hong Kong Institute of Chartered Secretaries.
- (iv) The branch share registrar and transfer office of the Company in Hong Kong is Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong (which will be relocated to Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong with effect from 31 March 2014).
- (v) This circular has been prepared in both English and Chinese. In the case of any discrepancy, the English text shall prevail.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours at the head office and principal place of business of the Company in Hong Kong at 2509, Tower One, Lippo Centre, 89 Queensway, Hong Kong, up to and including the date of the EGM:

- (i) the memorandum and articles of association of the Company;
- (ii) the material contracts referred to in the paragraph headed "8. Material Contracts" in this appendix;
- (iii) the Company's annual reports for the two years ended 31 December 2011 and 31 December 2012, respectively; and
- (iv) this circular.

NOTICE OF EGM



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)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of Sino Distillery Group Limited (the “Company”) will be held at 11:00 a.m. on Thursday, 17 April 2014 at 2509, Tower One, Lippo Centre, 89 Queensway, Hong Kong for the purpose of considering and, if thought fit, passing, with or without amendments, the following resolution as ordinary resolution:

ORDINARY RESOLUTION

1. “THAT:-

- (A) the sale and purchase agreement dated 24 February 2014 and as supplemented by the supplemental agreement dated 26 February 2014 (together the “Agreement”) entered into amongst (i) 深圳市美名問世商貿有限公司 (Shenzhen Meiming Wenshi Trading Limited*), a wholly-owned subsidiary of the Company, as vendor (ii) 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 in connection with the sale and purchase of 75% equity interest in 哈爾濱中國釀酒有限公司 (Harbin China Distillery Company Limited*) (a copy of which has been produced to the meeting marked “A” and initialled by the chairman of the meeting for identification purpose), and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified; and
- (B) any one or more of the directors of the Company be and is/are hereby generally and unconditionally authorized to do all such acts and things, to sign and execute all such documents for and on behalf of the Company and to take such steps as he/they may in his/their absolute discretion consider necessary, appropriate, desirable or expedient to give effect to or in connection with the Agreement and the transactions contemplated thereunder.”

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

Hong Kong, 27 March 2014

* For identification purpose only

NOTICE OF EGM

Notes:

1. Any member of the Company entitled to attend and vote at the meeting convened by the above notice shall be entitled to appoint another person (who must be an individual) as his proxy to attend and vote instead of him. A proxy need not be a member of the Company.
2. Where there are joint registered holders of any share, any one of such person may vote at the meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto. However, if more than one of such joint holders by present at the meeting personally or by proxy, that one of the said persons so present being the most or, as the case may be, the more senior shall alone be entitled to vote in respect of the relevant joint holding. For this purpose, seniority shall be determined by reference to the order in which the names of the joint holders stand on the register in respect of the relevant joint holding.
3. The instrument appointing a proxy and (if required by the Board) the power of attorney or other authority, if any, under which it is signed or a certified copy of such power or authority must be delivered at the Company's branch share registrar and transfer office in Hong Kong, Tricor Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong (which will be relocated to Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong with effect from 31 March 2014) no less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.
4. Delivery of any instrument appointing a proxy shall not preclude a member from attending and voting in person at the meeting or poll concerned and, in such event, the instrument appointing a proxy shall be deemed to be revoked.
5. The Register of Members of the Company will be closed from Tuesday, 15 April 2014 to Thursday, 17 April 2014 (both days inclusive) during which period no transfer of shares of the Company will be registered and effected. In order to qualify for attending and voting at this meeting, all transfers of shares of the Company accompanied by the relevant share certificates and the appropriate share transfer forms must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong (which will be relocated to Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong with effect from 31 March 2014) for registration not later than 4:30 p.m. on Monday, 14 April 2014.