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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)

MEMORANDUM OF UNDERSTANDING RELATING TO PROPOSED ACQUISITION

This announcement is made pursuant to Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

MEMORANDUM OF UNDERSTANDING

The board (the “**Board**”) of directors (the “**Directors**”) of Sino Distillery Group Limited (the “**Company**”) announces that on 16 May 2013 (after trading hours), the Company entered into a memorandum of understanding (the “**MOU**”) with Ms. Zhou Xiaojian (the “**Vendor**”) in relation to the proposed acquisition (the “**Proposed Acquisition**”) of 51% issued share capital of 寧夏科隆實業有限公司 (the “**Target Company**”) held by the Vendor. The Target Company is incorporated in the People’s Republic of China and is principally engaged in the research and development, promotion and application of plant bioengineering techniques; the promotion and application of plant clone techniques; the cultivation, planting and sales of vegetables and flowers as well as green foods businesses. Pursuant to the MOU, the Vendor and the Company will negotiate in good faith the terms of the formal agreement (the “**Formal Agreement**”) for the Proposed Acquisition on the following guiding principles:

- (i) the Formal Agreement will be entered into within six months from the date of the MOU or such later date as the Company and the Vendor may agree; and
- (ii) the consideration of the Proposed Acquisition shall be determined after conducting the due diligence exercise on the Vendor and the Target Company, and obtaining information from an independent professional valuation report,

whereas nothing in the paragraphs above constitutes a legally binding obligation on the parties.

The Company will conduct and the Vendor will provide assistance to the Company to conduct due diligence exercise on the Vendor and the Target Company. The Vendor has undertaken that during the period of six (6) calendar months from the date of the MOU, she will not (i) solicit, initiate or encourage inquiries or offers from, or (ii) initiate or continue negotiations or discussions with or furnish any information to, or (iii) enter into any agreement or letter of intent or memorandum of understanding, with any person or entity other than the Company with respect to the sale or other disposition of the registered capital or any interest in the Target Company.

Save for the matters disclosed above, the entering into the MOU does not constitute the parties' legally binding commitments as to the Proposed Acquisition. The Proposed Acquisition is subject to the execution and completion of the Formal Agreement.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Vendor is third party independent of the Company and its connected persons (as defined under the Listing Rules).

TERMINATION OF THE MOU

Unless the Company or the Vendor amends in writing, the MOU will be terminated automatically upon the earlier of any of the followings:

- (i) Expiration of valid period (i.e. Six (6) calendar months from the date of MOU, both days inclusive); or
- (ii) The execution date of the Formal Agreement by both parties.

REASONS FOR THE PROPOSED ACQUISITION

The Group is principally engaged in the production and sale of ethanol products and ethanol by-products; sales and distribution of wine and liquor; and production and sale of forages.

In order to seek for more business opportunities and to maximise return to the Company and the shareholders of the Company (the "**Shareholders**") in the long run, the Company has decided to enter into the MOU with the Vendor to explore the possibility of diversification of the business of the Group.

GENERAL

Shareholders and potential investors should note that the Proposed Acquisition may or may not materialize. Further announcement(s) in relation to the Proposed Acquisition will be made by the Company in accordance with all applicable requirements of the Listing Rules as and when appropriate. **Shareholders and potential investors should exercise caution when dealing in the shares of the Company.**

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

Hong Kong, 16 May 2013

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