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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
IN RESPECT OF THE POSSIBLE ACQUISITION**

This announcement is made pursuant to Rule 13.09(2)(a) of the Listing Rules and the Inside Information Provisions.

Memorandum of Understanding in respect of the Possible Acquisition

The Board is pleased to announce that on 12 August 2013 (after trading hours), the Company entered into a non-legally binding MOU with the Vendor pursuant to which the Company intended to acquire and the Vendor intended to sell 100% of the issued share capital of the Target.

The consideration for the Possible Acquisition will be satisfied by the Company by a combination of consideration shares and convertible notes to be issued by the Company to the Vendor and other form of consideration.

Shareholders of the Company should note that the Possible Acquisition may or may not proceed. Shareholders of the Company and potential investors are advised to exercise caution when dealing in the shares of the Company.

This announcement is made by Sino Distillery Group Limited (the “**Company**”) pursuant to Rule 13.09(2)(a) 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 under the Listing Rules) under Part XIVA of the Securities and Future Ordinance (Chapter 571 of the Laws of Hong Kong) (the “**Inside Information Provisions**”).

The board of directors of the Company (the “**Board**”) is pleased to announce that on 12 August 2013 (after trading hours), the Company entered into a non-legally binding memorandum of understanding (the “**MOU**”) with a third party (the “**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**”). The Target and its subsidiary are in the process of acquiring a company (“**PRC Company**”) incorporated in China which is holding a piece of multipurpose agricultural land (the “**Land**”) in the Yinchuan City of Ningxia Province, China. The Company intended to acquire the Land for the development of an eco-pasture base. The aforesaid possible transaction is referred to as the “**Possible Acquisition**” and the Target, its subsidiary and PRC Company are collectively referred to in this announcement as the “**Target Group**”.

The consideration for the Possible Acquisition will be satisfied by the Company by a combination of consideration shares and convertible notes to be issued by the Company to the Vendor and other form of consideration.

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 Possible Acquisition within 6 month(s) after the date of the MOU (“**Relevant Period**”). The Company will conduct and the Vendor will provide assistance to the Company to conduct due diligence exercise on the Target Group and its business and affairs. The Vendor has undertaken that during the Relevant Period, it will not (i) solicit, initiate, encourage or accept 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 statement of intent or understanding with any person or entity other than the Company with respect to the sale or other disposition of the share capital or any business of the Target Group directly or indirectly.

Save for the matters disclosed above, the entering into the MOU does not constitute the parties’ legally binding commitments as to the Possible Acquisition.

To the best knowledge of the directors of the Company and having made all reasonable enquiries, the Vendor and its ultimate shareholder(s) are third parties independent of and not connected with the directors, chief executive or substantial shareholder(s) of the Company or any of its subsidiaries or any of their respective associates as defined in the Listing Rules. In the event that the Possible Acquisition proceeds, the Company will comply with the relevant disclosure and shareholder approval requirements of the Listing Rules as and when appropriate.

Shareholders of the Company should note that the Possible Acquisition may or may not proceed. Shareholders of the Company and potential investors are advised to 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, 12 August 2013

As at the date of this announcement, the Executive Directors are Mr. Jiang Jianjun, Mr. Qu Shuncaï 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.