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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 DISPOSAL**

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

The Board is pleased to announce that on 18 December 2013 (after trading hours), the Company entered into the MOU with the Purchaser pursuant to which the Company intended to dispose of and the Purchaser intended to acquire 100% of the issued share capital of the Target Company. The Target Company and its subsidiaries will undergo the Reorganisation, after which the Target Company will indirectly hold 75% of the registered capital of the PRC Company. The completion of the Possible Disposal is subject to the completion of the Reorganisation.

Subject to further negotiation between the Purchaser and the Company and the results of the due diligence on the Target Group, the proposed consideration for the Possible Disposal is RMB150 million, which is proposed to be satisfied by the Purchaser by a combination of consideration shares and convertible bonds to be issued by the Purchaser to the Company.

The MOU, save for provisions relating to confidentiality, exclusivity, governing law and jurisdiction provisions, is non-legally binding in nature. As such, the Possible Disposal may or may not proceed.

The Possible Disposal, if materializes, may constitute a very substantial disposal and the acquisition of consideration shares and convertible bonds of the Purchaser may constitute a very substantial acquisition under the Listing Rules and the Company shall comply with the relevant disclosure and/or shareholders' approval requirements under the Listing Rules where appropriate.

Shareholders and potential investors of the Company should 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 Futures 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 18 December 2013 (after trading hours), the Company entered into a non-legally binding memorandum of understanding (the “**MOU**”) with China New Energy Limited (the “**Purchaser**”) pursuant to which the Company intended to dispose of and the Purchaser intended to acquire 100% of the issued share capital of BAPP Ethanol Holdings Limited, a company incorporated in the British Virgin Islands with limited liability (the “**Target Company**”). The Target Company and its subsidiaries will undergo certain reorganisation (the “**Reorganisation**”), after which the Target Company will indirectly hold 75% of the registered capital of Harbin China Distillery Company Limited (哈爾濱中國釀酒有限公司, the “**PRC Company**”), a company incorporated in China and engaged in managing and operating an ethanol production facility located in Harbin, PRC with an annual production capacity of 60,000 tonnes.

The aforesaid possible transaction is referred to as the “**Possible Disposal**” and the Target Company, its subsidiaries and the PRC Company are collectively referred to as the “**Target Group**”. The completion of the Possible Disposal is subject to the completion of the Reorganisation.

The Purchaser is a company incorporated in Jersey of the Channel Islands with limited liability and its shares are listed on AIM of the London Stock Exchange. The Purchaser provides process technology, engineering designs, plant manufacturing and operational services in connection with the production of, inter alia, fuel ethanol, edible ethanol, biobutanol, bioacetic acid and other chemicals from agricultural plant materials and waste. The Purchaser currently owns more than 24 invention patents and multiple proprietary technologies in China, while having overwhelming superiority in energy saving of ethanol and biobutanol distillation section in the industry.

Subject to further negotiation between the Purchaser and the Company and the results of the due diligence on the Target Group, the proposed consideration for the Possible Disposal is RMB150 million, which is proposed to be satisfied by the Purchaser by a combination of consideration shares and convertible bonds to be issued by the Purchaser to the Company.

Pursuant to the MOU, the Purchaser and the Company will negotiate in good faith the terms of a formal sale and purchase agreement for the Possible Disposal within 3 month(s) after the date of the MOU (the “**Effective Period**”). The Purchaser will conduct and the Company will provide assistance to the Purchaser to conduct due diligence exercise on the Target Group and its business and affairs. The Company has undertaken that during the Effective Period, it shall not negotiate with any party about the disposal of equity interest in or business of the Target Group.

The MOU, save for provisions relating to confidentiality, exclusivity, governing law and jurisdiction provisions, is non-legally binding in nature. As such, the Possible Disposal may or may not proceed.

The Board considers that the Possible Disposal provides a good opportunity for the cooperation between the Purchaser and the Company in the production of anhydrous ethanol.

The Possible Disposal, if materializes, may constitute a very substantial disposal and the acquisition of consideration shares and convertible bonds of the Purchaser may constitute a very substantial acquisition under the Listing Rules and the Company shall comply with the relevant disclosure and/or shareholders’ approval requirements under the Listing Rules where appropriate.

Shareholders and potential investors of the Company 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, 18 December 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.