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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)

**SUBSCRIPTION OF NEW SHARES
UNDER GENERAL MANDATE**

On 21 January 2014 (after trading hours of the Stock Exchange), the Company entered into the Subscription Agreements with the Subscribers for the subscription of an aggregate 239,032,479 Subscription Shares at the Subscription Price of HK\$0.405 per Subscription Share.

The Subscription Shares represent approximately 20.00% of the existing issued share capital of the Company and approximately 16.67% of the Company's issued share capital as enlarged by the Subscription.

The Subscription is conditional upon the Stock Exchange granting the listing of, and permission to deal in, the Subscription Shares.

The Subscription Agreements are not inter-conditional upon one another.

Shareholders and potential investors who wish to deal in the securities of the Company should note that the Subscription may or may not proceed and therefore are advised to exercise caution when dealing in the securities of the Company.

INTRODUCTION

The Board is pleased to announce that on 21 January 2014 (after trading hours of the Stock Exchange), the Company entered into the Subscription Agreements with the Subscribers for the subscription of an aggregate 239,032,479 Subscription Shares at the Subscription Price of HK\$0.405 per Subscription Share.

THE SUBSCRIPTION AGREEMENTS

Date

21 January 2014

Parties

- (1) the Company; and
- (2) the Subscribers

Not less than six Subscribers (of which some of them are existing Shareholders holding an aggregate of approximately 8.44% of the existing issued share capital of the Company and for those subscribers who are existing shareholders, each of them holds less than 5% of the existing issued share capital of the Company), being individuals, institutional or other professional investors. Based on the information provided by the Subscribers, their principal activities, for the Subscribers which are corporations, are investment holding.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, each of the Subscribers and its ultimate beneficial owners (if any) is Independent Third Party. It is expected that none of the Subscribers will become a substantial shareholder (as defined in the Listing Rules) of the Company immediately upon completion of the Subscription.

Subscription Shares

An aggregate of 239,032,479 Subscription Shares, representing approximately 20.00% of the existing issued share capital of the Company, and approximately 16.67% of the issued share capital of the Company as enlarged by the Subscription. The aggregate nominal value of the Subscription Shares is HK\$23,903,247.90.

Subscription Price

The Subscription Price of HK\$0.405 per Subscription Share represents:

- (i) a discount of 19.00% to the closing price of HK\$0.50 per Share as quoted on the Stock Exchange on 21 January 2014, being the date of the Subscription Agreements; and
- (ii) a discount of approximately 17.68% to the average closing price of HK\$0.492 per Share as quoted on the Stock Exchange for the last five trading days up to and including 20 January 2014, being the date immediately preceding the date of the Subscription Agreements.

The Subscription Price was determined after arm's length negotiation between the Subscribers and the Company on the date of the Subscription Agreements with reference to the recent trading performance of the Shares and business prospects of the Group. The Directors consider that the Subscription Price is fair and reasonable under the current market conditions and the Subscription is in the interest of the Company and the Shareholders as a whole.

The Subscription Shares have a market value of approximately HK\$119.5 million, based on the closing price of HK\$0.50 per Share on 21 January 2014, being the date of the Subscription Agreements.

Based on the net proceeds of approximately HK\$96.5 million, the net price per Subscription Share is HK\$0.404.

General Mandate

The Subscription Shares will be allotted and issued under the General Mandate. As at the date of this announcement, the Company has not utilised any of the General Mandate and the General Mandate can issue up to 239,032,479 Shares. After completion of the Subscription, the General Mandate will be fully utilised. The issue of Subscription Shares is not subject to the approval of the Shareholders.

Condition of the Subscription Agreements

Completion of the Subscription is conditional upon the listing of and permission to deal in the Subscription Shares being granted by the Listing Committee of the Stock Exchange.

In the event that the condition to the Subscription is not fulfilled on or before 28 February 2014 (or such later date as may be agreed between the Company and the Subscribers), the Subscription Agreements and all rights and obligations thereunder will cease and terminate.

Application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares.

The Subscription Agreements are not inter-conditional upon one another.

Ranking of the Subscription Shares

The Subscription Shares, when issued and fully paid, will rank pari passu in all respects with the Shares in issue on the completion date of the Subscription, including the right to any dividends or distribution after the date of completion of the Subscription.

Completion of the Subscription

Completion of the Subscription will take place within two Business Days (or such other time as the Company and the Subscribers may agree) immediately after the fulfillment of the condition of the Subscription set out above.

Shareholders and potential investors who wish to deal in the securities of the Company should note that the Subscription may or may not proceed and therefore are advised to exercise caution when dealing in the securities of the Company.

EFFECT ON THE SHAREHOLDING OF THE COMPANY FOLLOWING COMPLETION OF THE SUBSCRIPTION

Set out below is the table of the shareholdings in the Company before and after completion of the Subscription:

Shareholders	Shareholding as at the date of this announcement		Shareholding upon completion of the Subscription	
	<i>Number of Shares</i>	<i>Approximate %</i>	<i>Number of Shares</i>	<i>Approximate %</i>
Directors:				
Mr. Jiang Jianjun	108,648,000	9.09	108,648,000	7.57
Mr. Qu Shuncaï	3,680,000	0.31	3,680,000	0.26
	112,328,000	9.40	112,328,000	7.83
Substantial Shareholder:				
Chen Hua (<i>Note</i>)	179,118,000	14.99	179,118,000	12.49
Public Shareholders:				
Subscribers	100,888,000	8.44	339,920,479	23.70
Other public	802,828,397	67.17	802,828,397	55.98
Total	<u>1,195,162,397</u>	<u>100.00</u>	<u>1,434,194,876</u>	<u>100.00</u>

Note:

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 Mr. Chen Hua as to 60.31% directly and 100% indirectly, respectively.

FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

The Company did not conduct any fund raising activities in the past twelve months immediately preceding the date of this announcement.

REASONS FOR THE SUBSCRIPTION AND USE OF PROCEEDS

The Group is principally engaged in the production and sale of ethanol products and ethanol by-products; sale and distribution of wine and liquor; and production and sale of forages. The Group operates a production facility in Harbin, PRC for premium consumable ethanol.

The Group has been suffering loss over the past few years. As at 30 June 2013, the Group recorded unaudited consolidated net current liabilities of approximately HK\$240.6 million. The gearing ratio of the Group, calculated as net debt divided by equity attributable to owners of Company plus net debt increased from approximately 81.5% as at 31 December 2012 to approximately 92.1% as at 30 June 2013.

The Directors consider that the Subscription represents an opportunity to raise additional funding for the Group's business operation and it will also strengthen the capital base and financial position for the Group's future business developments and broaden the Shareholder base of the Company. Furthermore, the Directors considers that the Subscription is a preferred method of fund raising as compared with other equity fund raising exercises based on time and costs involved.

Gross proceeds from the Subscription will be approximately HK\$96.8 million. The net proceeds from the Subscription, after deducting the expenses payable by the Company is expected to be approximately HK\$96.5 million. It is expected that the net proceeds from the Subscription will be used by the Company for the Group's business development and general working capital purposes.

The Directors (including the independent non-executive Directors) consider the terms of the Subscription Agreements, which were negotiated on an arm's length basis and agreed on normal commercial terms between the parties involved, are fair and reasonable, and the Subscription is in the interests of the Company and the Shareholders as a whole.

DEFINITIONS

In this announcement, the following expressions shall have the meanings set out below unless the context requires otherwise:

“Board”	the board of Directors
“Business Day(s)”	any day(s) (excluding Saturday, Sunday and public holiday) on which banks are generally open for business in Hong Kong
“Company”	Sino Distillery Group Limited, a company incorporated in the Cayman Islands with limited liability, whose Shares are listed on the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	director(s) of the Company
“General Mandate”	the general mandate granted to the Directors pursuant to an ordinary resolution passed at the annual general meeting of the Company held on 7 May 2013
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	third party(ies) who is/are independent of, and not connected with, the Company and its connected persons
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China

“Share(s)”	ordinary share(s) of HK\$0.1 each in the capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscribers”	subscribers who respectively entered into the Subscription Agreements with the Company on 21 January 2014
“Subscription”	the subscription of the Subscription Shares by the Subscribers pursuant to the terms and conditions of the Subscription Agreements
“Subscription Agreements”	the conditional subscription agreements dated 21 January 2014 entered into between the Company and each of the Subscribers in relation to the Subscription subject to the terms and conditions contained therein
“Subscription Price”	HK\$0.405 per Subscription Share
“Subscription Share(s)”	an aggregate of 239,032,479 new Shares to be issued by the Company to the Subscribers pursuant to the Subscription Agreements
“%”	per cent

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

Hong Kong, 21 January 2014

As at the date of this announcement, 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.