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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)

THE CLARIFICATION AND THE ADJOURNED EGM

Reference is made to the circular of the Company dated 27 March 2014 (the “**Circular**”) and the announcements of the Company dated 16 April 2014 and 17 April 2014. Unless otherwise specified herein, all capitalised terms used in this announcement shall have the same meanings as those defined in the Circular.

THE CLARIFICATION

The Company received some inquiries from the Stock Exchange on 15 April 2014 in relation to a complaint lodged against the Company for the Disposal (the “**Complaint**”). In the Complaint, it is alleged, among others, that each of the Purchasers is a connected person of the Company and the Disposal should be subject to the connected transaction rules.

Beidahuang

It is alleged in the Complaint that:

- (1) Beidahuang is 49% owned by 哈爾濱天麥國際貿易有限公司 (Harbin Tianmai International Trading Limited*, “**Tianmai Co**”).

- (2) Mr. Gu Chun Yang (谷春陽, “**Mr. Gu**”) is a director of Beidahuang and the president of the Disposed Company.
- (3) The registered shareholders of Tianmai Co are Mr. Gu’s relatives. Therefore, Tianmai Co is controlled by Mr. Gu.
- (4) Mr. Gu, Beidahuang and Tianmai Co are all connected parties of the Company.

In fact, Mr. Gu is responsible for the business operation of the Group in the north of the PRC and is a senior management of the Company. However, he is not a director, legal representative, or substantial shareholder of the Disposed Company or the Company. According to the definition of “connected person” in the Listing Rules, Mr. Gu is not a connected person of the Company. Accordingly, Beidahuang and Tianmai Co are not connected persons of the Company.

Huayin

It is alleged in the Complaint that:

- (1) The registered shareholders of Huayin are 深圳市華欽投資發展有限公司 (Shenzhen Huaqin Investment and Development Limited*, “**Huaqin Co**”) and 深圳市華銀金沙江投資發展有限公司 (Shenzhen Huayin Jinshajiang Investment and Development Limited*, “**Jinshajiang Co**”).
- (2) Huaqin Co is 98% owned by Mr. Jiang Jiancheng (江建成), the brother of Mr. Jiang Jianjun (江建軍), an executive director of the Company. Jinshajiang Co is 30% owned by Mr. Jiang Jianjun.
- (3) Huayin is a connected person of the Company.

To the best of the Directors’ knowledge, information and belief and having made all reasonable enquiries, the details of the disposal of Huayin are as follows:

- (1) In early January 2014, the registered shareholders of Huayin were Huaqin Co and Jinshajiang Co. Huaqin Co is 98% owned by Mr. Jiang Jiancheng and Jinshajiang Co is 30% owned by Mr. Jiang Jianjun.

- (2) Mr. Jiang Jianjun, on behalf of Huaqin Co and Jinshajiang Co, commenced the negotiation with Mr. Song Yunxin (宋雲鑫) and Mr. Liu Yongbo (劉湧波) in connection with the disposal of Huayin in September 2013.
- (3) On 3 January 2014, Huaqin Co and Jinshajiang Co entered into equity transfer agreements with Mr. Song Yunxin and Mr. Liu Yongbo in connection with the disposal of Huayin, respectively. There is a term in the said agreements that Huaqin Co and Jinshajiang Co would cease to have any interest or obligation in Huayin and Mr. Song Yunxin and Mr. Liu Yongbo would assume such interest and obligation from the date of the said agreements.
- (4) On 9 January 2014, Huaqin Co and Jinshajiang Co received all the consideration for the disposal of Huayin.
- (5) The registration of change of registered shareholders of Huayin in Linxiang Administration for Industry and Commerce (臨湘市工商行政管理局) was completed on 16 April 2014.

湖南永發律師事務所 (Hunan Yongfa Law Office*) advised the Company that Huaqin Co and Jinshajiang Co ceased to have any controlling and management rights in Huayin and Mr. Song Yunxin and Mr. Liu Yongbo assumed such rights from 4 January 2014.

In addition, the Board noticed the following matters:

- (1) The said equity transfer agreements were signed before the commencement of the negotiation of the Disposal.
- (2) Huayin was introduced to the Company as one of the Purchasers by 黑龍江農墾北大荒商貿集團有限責任公司 (Heilongjiang Nongken Beidahuang Business Trade Liability Group Co., Ltd.*, “**Nongken Co**”), a PRC state-owned enterprise which indirectly controls 51% of equity interest of Beidahuang.
- (3) Nongken Co negotiated the terms of the Agreement on behalf of both of the Purchasers.
- (4) The Agreement was signed or affixed with the chop of Huayin by its authorised representative, Mr. Song Yunxin.

Having considered all the factors above, the Board is of the view that Huayin ceased to be a connected person of the Company from 4 January 2014 and it should not be deemed to be a connected person of the Company when the Agreement was signed.

Accordingly, the Board is of the view that each of the Purchasers is not a connected person of the Company and the Disposal should not be subject to the connected transaction rules.

The Adjourned EGM

As a result of the Complaint, the EGM was adjourned to a time, date and place to be further notified by the Company. As the Company has clarified all the matters in the Complaint, the Company proposes to convene the adjourned EGM for considering and, if thought fit, passing the ordinary resolution to approve the Agreement and the transactions contemplated thereunder, at 11:00 a.m. on Friday, 6 June 2014 at 2509, Tower One, Lippo Centre, 89 Queensway, Hong Kong. A notice convening the adjourned EGM (the “**Notice**”) and a form of proxy will be dispatched to the Shareholders on the date of this announcement.

The Register of Members of the Company will be closed from Wednesday, 4 June 2014 to Friday, 6 June 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 the adjourned EGM, 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 Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 3 June 2014.

The form of proxy enclosed with the Circular, if lodged with the Company’s branch share registrar in Hong Kong (i.e. Tricor Tengis Limited), remains valid for use at the adjourned EGM. However, where both of the form of proxy enclosed with the Circular and the form of proxy enclosed with the Notice are received by the Company’s branch share registrar in Hong Kong (i.e. Tricor Tengis Limited) from the same Shareholder, the form of proxy enclosed with the Circular shall be deemed revoked and the Shareholders shall be deemed to have exercised their voting rights in accordance with the proxy enclosed with the Notice.

Whether or not you intend to attend the adjourned EGM, if you have not yet lodged the form of proxy enclosed with the Circular with the Company's branch share registrar in Hong Kong, you are advised to complete the form of proxy enclosed with the Notice in accordance with the instructions printed thereon and return it to the Company's branch share registrar in Hong Kong, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as practicable but in any event no less than 48 hours before the time appointed for holding of the adjourned EGM. Completion and return of the form of proxy will not preclude you from attending and voting in person at the adjourned EGM should you so wish.

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

Hong Kong, 21 May 2014

As at the date hereof, the Executive Directors are Mr. Jiang Jianjun, Mr. Li Jianqing, Mr. Qu Shuncaï, Mr. Song Shaohua and Mr. Jiang Jiancheng; 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.

* *For identification purpose only.*