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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)**

# MAJOR TRANSACTION

# SUBSCRIPTION OF UNLISTED WARRANTS UNDER SPECIFIC MANDATE

# AND

# RESUMPTION OF TRADING

## MAJOR TRANSACTION

**Acquisition of 51% equity interest in the Target Company**

On 7 July 2014, the Company entered into the Share Transfer Agreement with the Vendors, whereby the Company has conditionally agreed to purchase and the Vendors have conditionally agreed to sell the Sale Capital, representing 51% equity interest in the Target Company at the consideration of RMB300 million.

Following completion of the Acquisition, the Target Company will be held as to 51% by the Company and accordingly the Target Company will be a non-wholly owned subsidiary of the Company.

**Formation of Joint Venture Company**

On 7 July 2014, Meiming, a wholly-owned subsidiary of the Company, entered into the JV Agreement with Harbin China Distillery pursuant to which Meiming and Harbin China Distillery agreed to form the JV Company to be principally engaged in developing logistic business in Southern China, such as Hong Kong and Shenzhen. Pursuant to the JV Agreement, the estimated total registered capital of the JV Company will be RMB20,000,000. Each of Meiming and Harbin China Distillery is expected to contribute RMB10,200,000 and RMB9,800,000, representing 51% and 49% of the estimated total registered capital of the JV Company respectively.

**Listing Rules Implications**

Since the Vendors and Harbin China Distillery are associated with one another, pursuant to Rule 14.22 of the Listing Rules, the Acquisition and the JV Formation will be aggregated and treated as if they were one transaction. As certain applicable percentage ratios for the Transactions exceed 25% but are less than 100%, the Transactions constitute a major transaction for the Company and is subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

## SUBSCRIPTION OF UNLISTED WARRANTS

On 7 July 2014, the Company entered into the Subscription Agreement with the Subscriber for the subscription of the Warrants at an issue price of HK$0.01 per Warrant. The Warrants will entitle the holders thereof to subscribe in cash up to an aggregate amount of HK$126 million for the Subscription Shares and each Warrant will carry the right to subscribe for one Subscription Share at an initial Subscription Price of HK$0.70 per Subscription Share, for a period of 2 years commencing from the date of issue of the Warrants.

Based on the initial Subscription Price of HK$0.70 per Subscription Share, a maximum of 180,000,000 Subscription Shares will be allotted and issued by the Company upon full exercise of the Subscription Rights. The maximum number of Subscription Shares represent approximately 11.65% of the existing issued share capital of the Company and approximately 10.44% of the Company's issued share capital as enlarged by the allotment and issue of the Subscription Shares (assuming there will not be any change in the issued share capital of the Company before the exercise of the Subscription Rights).

The Subscription Shares will be issued under the Specific Mandate to be sought at the EGM. No listing of the Warrants will be sought on the Stock Exchange or any other stock exchanges. Application will be made to the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares.

The net proceeds from the issue of the Warrants and the full exercise of the Warrants of approximately HK$1,500,000 and HK$126 million will be used for the Group's settlement of loans, business development, investments and general working capital purposes.

The Share Transfer Agreement, the JV Agreement and the Subscription Agreement 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 Acquisition, the JV Formation and the Subscription may or may not proceed and therefore are advised to exercise caution when dealing in the securities of the Company.**

## RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange has been halted from 9:00 a.m. on 8 July 2014 pending the publication of this announcement. Application has been made by the Company to the Stock Exchange for resumption of trading in the Shares with effect from 9:00 a.m. on 14 July 2014.

## THE SHARE TRANSFER AGREEMENT

**Date**

7 July 2014

**Parties**

Purchaser: the Company

Vendors:

(1) 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.*); and

(2) 黑龍江農墾北大荒物流集團有限公司 (Heilongjiang Nongken Beidahuang Logistics Group Limited*)

Beidahuang Business Group is a limited liability company incorporated in the PRC and is principally engaged in refined oil, production and distribution of organic green agricultural products, and logistics.

Beidahuang Logistics Group is a limited liability company incorporated in the PRC and is a subsidiary of Beidahuang Business Group. It is a multifunctional modern logistics enterprise integrated with features of procurement, transportation, warehousing, packaging, logistics equipment, distribution processing, delivery and information processing.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of the Vendors and its ultimate beneficial owner(s) are Independent Third Parties.

**Asset to be Acquired**

Pursuant to the Share Transfer Agreement, (i) the Company has conditionally agreed to acquire and Beidahuang Business Group has conditionally agreed to sell 31% equity interest in the Target Company and (ii) the Company has conditionally agreed to acquire and Beidahuang Logistics Group has conditionally agreed to sell 20% equity interest in the Target Company.

**Consideration and Payment Terms**

The aggregate Consideration for the Acquisition is RMB300 million and shall be payable by the Company as to (i) RMB182.35 million to Beidahuang Business Group and (ii) RMB117.65 million to Beidahuang Logistics Group or to any nominee(s) specified by the respective Vendor, in cash or by telegraphic transfer to a bank account specified by the respective Vendor.

The Consideration has been determined after arm's length negotiations among the parties to the Share Transfer Agreement with reference to the net asset value together with the preliminary valuation of the land use rights of the Target Group. The Company intends to finance the Consideration from its internal resources and borrowings.

The Directors (including the independent non-executive Directors) consider that the Consideration is fair and reasonable and on normal commercial terms.

**Conditions Precedent**

Completion of the Share Transfer Agreement is conditional upon satisfaction of the following conditions:

(i) the obtaining of all necessary approvals and consents in relation to the Share Transfer Agreement and the transactions contemplated thereunder by each of the Vendors;

(ii) the obtaining of all necessary approvals and consents in relation to the Share Transfer Agreement and the transactions contemplated thereunder by the Company; and

(iii) the Company having satisfied with the results of the due diligence review on the Target Group.

In the event that the conditions to the Acquisition are not fulfilled or waived on or before 30 November 2014 (or such other date as may be agreed between the Company and the Vendors), the Share Transfer Agreement shall lapse and shall cease to have any force and effect and the parties will be released from all obligations thereunder, save for any liability arising out of any antecedent breaches thereof. The Company may waive the condition set out in (iii) above.

**Completion**

Completion shall take place on the third Business Day immediately after the date on which the conditions precedent have been satisfied. Upon completion, the board of directors of the Target Company will comprise 5 directors and the Company shall have the right to nominate 3 directors to the board of directors of the Target Company.

**Information of the Target Group**

The Target Company is a limited liability company established in the PRC on 27 February 2012 with a registered and paid up capital of RMB100 million. The Target Group is principally engaged in wholesale and retail of organic green food products, grain procurement, and development and operation of industrial parks and logistic business. As at the date of this announcement, Beidahuang Business Group holds 80% equity interest in the Target Company and the remaining 20% equity interest is held by Beidahuang Logistics Group.

The audited net asset value of the Target Group as at 31 December 2013 was approximately RMB90.25 million.

A summary of the financial information of the Target Group for the two financial years ended 2012 and 2013 prepared in accordance with the PRC accounting standard is set out below:

| | **For the year ended 31 December** | |
|---|---|---|
| | **2012** | **2013** |
| | **(audited)** | **(audited)** |
| | *RMB (million)* | *RMB (million)* |
| Revenue | 61.54 | 72.14 |
| (Loss)/Profit before taxation and extraordinary items | (4.43) | (16.02) |
| Profit after taxation and extraordinary items | 85.78 | 4.16 |

Following completion of the Acquisition, the Target Company will be held as to 51% by the Company and 49% by Beidahuang Business Group. Accordingly, the Target Company will be a non-wholly owned subsidiary of the Company and the results of the Target Group will be consolidated into the financial statements of the Group.

### Reasons for the Acquisition

The Group is principally engaged in sale and distribution of wine and liquor; and production and sale of forages. The transactions contemplated under the Share Transfer Agreement align with the Company's growth strategy of seeking new development opportunities in the PRC. The Acquisition enables the Group to participate in the establishment and construction of a logistics park for green food processing base and play a leadership role in production of green food, and build a green food industry flagship.

The Directors (including the independent non-executive Directors) also consider that the terms of the Share Transfer Agreement are fair and reasonable and the entering into the Share Transfer Agreement is in the interests of the Company and the Shareholders as a whole.

## JV AGREEMENT

### Date

7 July 2014

### Parties

(1) Meiming, a wholly-owned subsidiary of the Company

(2) Harbin China Distillery

Harbin China Distillery is a limited company incorporated in the PRC and is principally engaged in production of ethanal products and by-products. Harbin China Distillery is a subsidiary of Beidahuang Business Group. Harbin China Distillery was previously a subsidiary of the Company, held as to 75% by Meiming. On 18 June 2014, Meiming disposed of 60% and 15% equity interest in Harbin China Distillery to (i) 肇東北大荒生物科技有限公司 (Zhaodong Beidahuang Biotechnology Limited*), a subsidiary of Beidahuang Business Group and (ii) an Independent Third Party respectively. Details of the disposal were set out in the announcement of the Company dated 28 February 2014. To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, Harbin China Distillery and its ultimate beneficial owners are Independent Third Parties.

## Establishment of the JV Company

The JV Company will be a limited liability company established in accordance with the company law of the PRC, any other relevant PRC laws and regulations, and the provisions of the JV Agreement.

The proposed name of the JV Company is 深圳北大荒生物科技有限公司 (Shenzhen Beidahuang Biological Technology Co. Ltd.*).

## Capital Contribution

The estimated total registered capital of the JV Company will be RMB20,000,000. Each of Meiming and Harbin China Distillery is expected to contribute RMB10,200,000 and RMB9,800,000, representing 51% and 49% of the estimated total registered capital of the JV Company respectively. The contribution of the JV Parties shall be paid in cash.

The amount of the registered capital of the JV Company was determined with reference to the prospective business development and working capital requirements of the JV Company. Save as mentioned above, there is no other capital commitment to be borne by the Group in respect of the JV Formation under the JV Agreement.

Upon establishment of the JV Company, the JV Company will be a non-wholly owned subsidiary of the Company and the results of the JV Company will be consolidated into the financial statements of the Group.

## Board of Directors and Supervisors

The board of directors of the JV Company will consist of 3 directors comprising 1 chairman and 1 vice-chairman. Meiming will nominate 2 directors one of whom will be the chairman and Harbin China Distillery will nominate 1 director as the vice-chairman. The chairman will be the legal representative of the company. The JV Company will have 2 supervisors with 1 supervisor to be nominated by each of Meiming and Harbin China Distillery.

## Conditions Precedent

Completion of the JV Agreement is conditional upon satisfaction of the following conditions:

(i) the obtaining of all necessary approvals and consents in relation to the JV Agreement and the transactions contemplated thereunder by the Company;

(ii) the obtaining of all necessary approvals and consents in relation to the JV Agreement and the transactions contemplated thereunder by Harbin China Distillery; and

(iii) the JV Agreement and the articles of association of the JV Company having been approved by the relevant authorities.

In the event that the conditions to the JV Formation are not fulfilled on or before 30 November 2014 (or such other date as may be agreed between Meiming and Harbin China Distillery), the JV Agreement shall lapse and shall cease to have any force and effect and the parties will be released from all obligations thereunder, save for any liability arising out of any antecedent breaches thereof.

**Term**

The JV Agreement shall come into force as from the date of fulfillment of the conditions precedent. The JV Company will have a term of 50 years commencing from the date of issuance of the initial business licence of the JV Company.

**Business Scope of the JV Company**

It is intended that the scope of business of the JV Company will principally include the development of logistic business in Southern China, such as Hong Kong and Shenzhen.

**Reasons for and Benefits of the Formation of the JV Company**

As the Target Group plays a leadership role in wholesale and retail green food products and logistic business, the formation of JV Company can assist the Company to diversify the business and provide the benefits to the Shareholders as a whole.

The Directors (including the independent non-executive Directors) consider that the JV Agreement and the transaction contemplated thereunder have been made on normal commercial terms and that such terms are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The capital contribution to the JV Company by the Company will be funded by internal resources.

**Listing Rules Implications**

Since the Vendors and Harbin China Distillery are associated with one another, pursuant to Rule 14.22 of the Listing Rules, the Acquisition and the JV Formation will be aggregated and treated as if they were one transaction. As certain applicable percentage ratios for the Transactions exceed 25% but are less than 100%, the Transactions constitute a major transaction for the Company and is subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

## SUBSCRIPTION OF UNLISTED WARRANTS

The Board is pleased to announce that on 7 July 2014, the Company entered into the Subscription Agreement with the Subscriber for the subscription of the Warrants.

**The Subscription Agreement**

***Date***

7 July 2014

***Parties***

(1) the Company

(2) the Subscriber

The Subscriber is a limited liability company incorporated in Hong Kong and a subsidiary of Beidahuang Business Group. To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, the Subscriber and its ultimate beneficial owner are Independent Third Parties.

**Conditions of the Subscription Agreement**

Completion of the Subscription is conditional upon (i) the listing of and permission to deal in the Subscription Shares being granted by the Listing Committee of the Stock Exchange; and (ii) the passing of resolution(s) by the Shareholders to approve the Subscription Agreement and the transactions contemplated thereunder including the issue of the Warrants and the grant of the Specific Mandate.

In the event that the conditions to the Subscription are not fulfilled on or before 30 November 2014 (or such other date as may be agreed between the Company and the Subscriber in writing), the Subscription Agreement shall lapse and shall cease to have any force and effect and the parties will be released from all obligations thereunder, save for any liability arising out of any antecedent breaches thereof.

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.

**Completion of the Subscription**

Completion of the Subscription will take place on the third Business Day (or such other date as the parties may agree in writing) after the conditions precedent have been fulfilled.

**Principal Terms of the Warrants**

The principal terms of the Warrants were determined after arm's length negotiations between the parties and are summarized below:

| | |
|---|---|
| Issuer: | The Company |
| Number of Warrants: | 180,000,000 Warrants conferring the rights to the holders thereof to subscribe up to HK$126 million in aggregate for the Subscription Shares. |
| Issue Price of Warrants: | HK$0.01 per Warrant payable in cash. |
| Status: | The Warrants will be constituted by way of deed poll to be executed by the Company and the Warrants will rank pari passu in all respects among themselves. |
| Form: | The Warrants will be issued upon completion in registered form. Definitive certificates will be issued to the holders of the Warrants. |

Subscription Price: Each Warrant will carry the right to subscribe for one Subscription Share at an initial Subscription Price of HK$0.70 per Subscription Share, subject to adjustments upon occurrence of the following events:

(i) consolidation, subdivision or reclassification of Shares;

(ii) capitalisation of profits or reserves;

(iii) capital distribution;

(iv) offer of new Shares for subscription by way of rights issue or grant of options or warrants to Shareholders, to subscribe for Shares, at a price per Share which is less than 80% of the market price per Share at the relevant time;

(v) issue wholly for cash any securities which by their terms of issue carry rights of conversion into, or exchange or subscription for, Shares to be issued by the Company upon conversion, exchange or subscription at a consideration per Share receivable by the Company which is less than 80% of the market price per Share at the relevant time;

(vi) issue wholly for cash being made by the Company of new Shares (other than as mentioned in (iv) and (v) above) at a price per Share which is less than 80% of the market price per Share at the relevant time;

(vii) issue of Shares for the acquisition of any asset at a consideration per Share receivable by the Company which is less than 80% of the market price per Share at the relevant time; or

(viii) other events or circumstances not mentioned in (i) to (vii) above which the Company or the holder of the Warrants may determine that a consequential adjustment should be made to the Subscription Price.

Based on the initial Subscription Price of HK$0.70 per Subscription Share and assuming there will not be any change in the issued share capital of the Company before the exercise of the Subscription Rights in full (other than the issue of the Subscription Shares), upon the exercise of the Subscription Rights in full, 180,000,000 Subscription Shares will be issued, representing approximately 11.65% of the existing issued share capital of the Company and approximately 10.44% of the Company's issued share capital as enlarged by the allotment and issue of the Subscription Shares. On such basis, the nominal value of the Subscription Shares under the Subscription will be HK$18,000,000.

Subscription Period: The period of 2 years commencing from the date of issue of the Warrants.

Subscription Rights: Any subscription for the Subscription Shares must be in integral multiples of 1,000,000 Warrants (or the whole but not part of the outstanding Warrants if the number of outstanding Warrants is less than 1,000,000 Warrants). The holder of the Warrants shall neither (i) dispose of, (ii) enter into any agreement to dispose of, nor (iii) otherwise create any encumbrances in respect of any direct or indirect interest in the Shares allotted and issued on exercise of the Subscription Rights at any time within the period of two (2) years from the date of allotment and issue of the Subscription Shares.

Ranking of Subscription Shares: The Subscription Shares will rank pari passu in all respects with the Shares then in issue.

| | |
|---|---|
| Transferability: | The Warrants may only be transferred to Independent Third Party(ies) with prior written consent of the Company. |
| Voting: | The holders of the Warrants will not be entitled to attend and vote at the general meetings of the Company by reason of only being a holder of the Warrants. |

**Basis of Pricing of the Warrants**

The initial Subscription Price of HK$0.70 per Subscription Share represents:

(i) a discount of approximately 9.09% to the closing price of HK$0.77 per Share as quoted on the Stock Exchange on 7 July 2014, being the last trading day of the Shares prior to the date of this announcement; and

(ii) a discount of approximately 8.62% to the average closing price of HK$0.766 per Share as quoted on the Stock Exchange for the last five trading days up to and including 7 July 2014, being the last trading day of the Shares prior to the date of this announcement.

The aggregate of the Issue Price of HK$0.01 per Warrant and the initial Subscription Price of HK$0.70 per Subscription Share is HK$0.71 and represents:

(i) a discount of approximately 7.79% to the closing price of HK$0.77 per Share as quoted on the Stock Exchange on 7 July 2014, being the last trading day of the Shares prior to the date of this announcement; and

(ii) a discount of approximately 7.31% to the average closing price of HK$0.766 per Share as quoted on the Stock Exchange for the last five trading days up to and including 7 July 2014, being the last trading day of the Shares prior to the date of this announcement.

The Subscription Price and the aggregate of it with the Issue Price were determined after arm's length negotiation between the Subscriber and the Company with reference to the recent trading performance of the Shares and the current financial position of the Group. The Directors consider that each of the Subscription Price and the Issue Price are fair and reasonable under the current market conditions and are in the interests of the Company and the Shareholders as a whole.

**Mandate to Allot and Issue the Subscription Shares**

The Subscription Shares will be issued under the Specific Mandate to be sought at the EGM.

**Application for Listing**

No listing of the Warrants will be sought on the Stock Exchange or any other stock exchanges. Application will be made to the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares.

**Reasons for the Subscription and Use of Proceeds**

The Group is principally engaged in the sale and distribution of wine and liquor; and production and sale of forages.

The Group has been suffering loss over the past few years. As at 31 December 2013, the Group recorded audited consolidated net current liabilities of approximately HK$86.6 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 92.1% as at 30 June 2013 to approximately 139.2% as at 31 December 2013.

The Directors consider that the Subscription is an appropriate means of raising further capital for the Company because the Warrants are not interest bearing and it provides the Company with funding without immediate dilution effect on the shareholding of the existing Shareholders. The Subscription also represents an opportunity to strengthen the capital base and financial position for the Group's future business developments.

Gross proceeds and net proceeds derived from the issue of the Warrants will be HK$1,800,000 and approximately HK$1,500,000 respectively and are intended to be used as working capital.

The Company will receive an additional amount of HK$126 million upon exercise in full of the Subscription Rights at the initial Subscription Price. The Company intends to use such proceeds for the Group's settlement of loan, business development, investments and general working capital purposes.

The net price of each Subscription Share to be issued upon the exercise of the Warrants, taking into account the Issue Price after deducting the expenses and based on the full exercise of the Subscription Rights will be approximately HK$0.7083.

The Directors (including the independent non-executive Directors) consider the terms of the Subscription Agreement, 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.

## EFFECT ON THE SHAREHOLDING STRUCTURE

As at the date of this announcement, the Company has 1,544,694,876 Shares in issue. Assuming there being no other changes in the share capital of the Company from the date of this announcement up to the issue of the Subscription Shares, the shareholdings in the Company (i) as at the date of this announcement and (ii) immediately after the exercise in full of the Subscription Rights are as follows:

| **Shareholders** | **Shareholding as at the date of this announcement** | | **Shareholding immediately after the exercise in full of the Subscription Rights** | |
|---|---|---|---|---|
| | *Number of Shares* | *Approximate %* | *Number of Shares* | *Approximate %* |
| **Directors:** | | | | |
| Mr. Jiang Jianjun | 108,648,000 | 7.03 | 108,648,000 | 6.30 |
| Mr. Qu Shuncai | 3,680,000 | 0.24 | 3,680,000 | 0.21 |
| | 112,328,000 | 7.27 | 112,328,000 | 6.51 |
| **Substantial Shareholder:** | | | | |
| Able Turbo Enterprises Limited *(Note)* | 179,938,000 | 11.65 | 179,938,000 | 10.43 |
| **Public Shareholders:** | | | | |
| Subscriber | – | – | 180,000,000 | 10.44 |
| Other public | 1,252,428,876 | 81.08 | 1,252,428,876 | 72.62 |
| Total | 1,544,694,876 | 100.00 | 1,724,694,876 | 100.00 |

*Note:*

The Shares are held by Able Turbo Enterprises Limited ("**Able Turbo**") as to 102,945,737 Shares and China Food and Beverage Group Limited ("**China Food**") as to 76,992,263 Shares. As China Food is 100% owned by Able Turbo, Able Turbo is deemed to be interested in the 76,992,263 Shares owned by China Food by virtue of the SFO. Able Turbo is 60.31% owned by Chen Hua and 39.69% owned by Lin Xi. Accordingly, each of Chen Hua and Lin Xi is deemed to be interested in the 179,938,000 Shares in which Able Turbo is interested or deemed to be interested by virtue of SFO.

Taking into account the Shares Subscription and the CB Subscription (which transactions are not yet completed as at the date of this announcement), the Company will have 1,754,694,876 Shares in issue upon completion of the Shares Subscription and full conversion of the Convertible Bonds at the initial conversion price. Assuming there being no other changes in the share capital of the Company from the date of this announcement up to the issue of the Subscription Shares (apart from the issue of the new Shares under the Shares Subscription and upon full conversion of the Convertible Bonds), the shareholdings in the Company (i) as at the date of this announcement and (ii) immediately after the completion of the Shares Subscription, the full conversion of the Convertible Bonds and the exercise in full of the Subscription Rights are as follows:

| **Shareholders** | **Shareholding as at the date of this announcement** | | **Shareholding immediately after the completion of the Shares Subscription, the full conversion of the Convertible Bonds and the exercise in full of the Subscription Rights** | |
|---|---|---|---|---|
| | *Number of Shares* | *Approximate %* | *Number of Shares* | *Approximate %* |
| **Directors:** | | | | |
| Mr. Jiang Jianjun | 108,648,000 | 7.03 | 108,648,000 | 5.62 |
| Mr. Qu Shuncai | 3,680,000 | 0.24 | 3,680,000 | 0.19 |
| | 112,328,000 | 7.27 | 112,328,000 | 5.81 |

| Shareholders | Shareholding as at the date of this announcement | | Shareholding immediately after the completion of the Shares Subscription, the full conversion of the Convertible Bonds and the exercise in full of the Subscription Rights | |
|---|---|---|---|---|
| | *Number of Shares* | *Approximate %* | *Number of Shares* | *Approximate %* |
| **Substantial Shareholder:** | | | | |
| Able Turbo Enterprises Limited *(Note)* | 179,938,000 | 11.65 | 179,938,000 | 9.30 |
| **Public Shareholders:** | | | | |
| Subscribers under the Shares Subscription | 21,470,000 | 1.39 | 103,470,000 | 5.35 |
| Subscriber of the Convertible Bonds | – | – | 128,000,000 | 6.62 |
| Subscriber | – | – | 180,000,000 | 9.30 |
| Other public | 1,230,958,876 | 79.69 | 1,230,958,876 | 63.62 |
| Total | 1,544,694,876 | 100.00 | 1,934,694,876 | 100.00 |

*Note:*

The Shares are held by Able Turbo Enterprises Limited ("**Able Turbo**") as to 102,945,737 Shares and China Food and Beverage Group Limited ("**China Food**") as to 76,992,263 Shares. As China Food is 100% owned by Able Turbo, Able Turbo is deemed to be interested in the 76,992,263 Shares owned by China Food by virtue of the SFO. Able Turbo is 60.31% owned by Chen Hua and 39.69% owned by Lin Xi. Accordingly, each of Chen Hua and Lin Xi is deemed to be interested in the 179,938,000 Shares in which Able Turbo is interested or deemed to be interested by virtue of SFO.

Pursuant to Rule 15.02(1) of the Listing Rules, the securities to be issued on exercise of the Warrants must not, when aggregated with all other equity securities which remain to be issued on exercise of any other subscription rights, if all such rights were immediately exercised, whether or not such exercise is permissible, exceed 20% of the issued equity capital of the Company at the time the Warrants are issued. Options granted under employee or executive share schemes which comply with Chapter 17 of the Listing Rules are excluded for the purpose of this limit.

As at the date of this announcement, apart from the 16,850,000 outstanding options granted under the share option scheme of the Company adopted on 23 May 2007, the Company did not have any outstanding options, derivatives, warrants or securities which are convertible or exchangeable into Shares. Assuming at the time the Warrants are issued, (i) the CB Subscription is completed and the full principal amount of the Convertible Bonds are outstanding and (ii) the Company has 1,544,694,876 Shares in issue, a maximum of 308,000,000 Shares will be issued upon full conversion of the Convertible Bonds and exercise in full of the Subscription Rights, representing approximately 19.94% of the then existing issued share capital of the Company.

## FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

Set out below are the equity fund raising activities conducted by the Company in the past 12 months immediately preceding the date of this announcement:

| Date of announcement | Event | Net proceeds | Intended use of proceeds | Actual use of proceeds up to the date of this announcement |
|---|---|---|---|---|
| 21 January 2014 | Subscription of 239,032,479 new Shares at a price of HK$0.405 per subscription share | Approximately HK$96.5 million | To finance business development and general working capital of the Group | Approximately RMB35 million was applied as refundable earnest deposit for potential business development and remaining balance was applied as working capital of the Group |

| Date of announcement | Event | Net proceeds | Intended use of proceeds | Actual use of proceeds up to the date of this announcement |
|---|---|---|---|---|
| 29 April 2014 | Subscription of 80,000,000 new Shares at a price of HK$0.7 per subscription share | Approximately HK$55.97 million | To settle loans, finance business development, investments and general working capital of the Group | The fund was applied to finance business development and general working capital of the Group |
| 24 June 2014 | Subscription of 82,000,000 new Shares at a price of HK$0.7 per subscription share | Approximately HK$57.1 million | For the Group's settlement of loans, business developments, investments and general working capital | Not yet completed |
| 24 June 2014 | Subscription of convertible bonds in an aggregate principal amount of HK$89,600,000 | Approximately HK$89.3 million | For the Group's settlement of loans, business developments, investments and general working capital | Not yet completed |

## GENERAL

The EGM will be convened and held for the purpose of considering and, if thought fit, approving the Transactions, the issue of the Warrants and the grant of the Specific Mandate. To the best knowledge of the Directors, no Shareholder has any material interest in the Transactions and the Subscription as at the date of this announcement. Accordingly, no Shareholder will be required to abstain from voting at the EGM on the resolutions to approve the Transactions, the issue of the Warrants and the grant of the Specific Mandate.

A circular containing, amongst other things, further details of the Transactions and the Subscription and the notice of the EGM will be despatched to the Shareholders on or before 1 August 2014.

## RESUMPTION OF TRADING IN THE SHARES

At the request of the Company, trading in the Shares on the Stock Exchange has been halted from 9:00 a.m. on 8 July 2014 pending the publication of this announcement. Application has been made by the Company to the Stock Exchange for resumption of trading in the Shares with effect from 9:00 a.m. on 14 July 2014.

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

## DEFINITIONS

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

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| "Acquisition" | the acquisition of the Sale Capital by the Company from the Vendors pursuant to the Share Transfer Agreement |
| "Beidahuang Business Group" | 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.*), a limited liability company incorporated in the PRC |
| "Beidahuang Logistics Group" | 黑龍江農墾北大荒物流集團有限公司 (Heilongjiang Nongken Beidahuang Logistics Group Limited*), a limited liability company incorporated in the PRC |
| "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 |

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| "CB Subscription" | the proposed subscription of the Convertible Bonds by Baibao Investments Limited, details of which are set out in the announcement of the Company dated 24 June 2014 |
| "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 |
| "Consideration" | the consideration for the Acquisition in the aggregate sum of RMB300 million |
| "Convertible Bonds" | the 8% convertible bonds due 2016 in the aggregate principal amount of HK$89,600,000 to be issued by the Company |
| "Director(s)" | director(s) of the Company |
| "EGM" | the extraordinary general meeting of the Company to be convened and held to approve, among others, the Transactions, the Subscription Agreement and the Specific Mandate |
| "Group" | the Company and its subsidiaries |
| "Harbin China Distillery" | 哈爾濱中國釀酒有限公司 (Harbin China Distillery Company Limited*), a limited company established under the laws of the PRC |
| "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 |

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| "Instrument" | the deed poll constituting the Warrants to be executed by the Company upon completion of the Subscription |
| "Issue Price" | HK$0.01 per unit of Warrant to be issued pursuant to the Subscription |
| "JV Agreement" | the agreement dated 7 July 2014 entered into between Meiming and Harbin China Distillery in respect of the formation of the JV Company |
| "JV Company" | a company to be incorporated in the PRC pursuant to the JV Agreement |
| "JV Formation" | the formation of the JV Company pursuant to the JV Agreement |
| "JV Parties" | Meiming and Harbin China Distillery |
| "Listing Committee" | the listing committee of the Stock Exchange |
| "Listing Rules" | the Rules Governing the Listing of Securities on the Stock Exchange |
| "Meiming" | 深圳市美名問世商貿有限公司 (Shenzhen Meiming Wenshi Trading Limited*), a wholly foreign-owned enterprise registered under the laws of the PRC and a wholly-owned subsidiary of the Company |
| "PRC" | the People's Republic of China |
| "Sale Capital" | 51% equity interest in the Target Company |
| "SFO" | the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong |
| "Share(s)" | ordinary share(s) of the Company of HK$0.10 each |

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| "Share Transfer Agreement" | the agreement dated 7 July 2014 entered into between the Company and the Vendors in respect of the Acquisition |
| "Shareholder(s)" | the shareholder(s) of the Company |
| "Shares Subscription" | the proposed subscription of an aggregate of 82,000,000 new Shares by Independent Third Parties, details of which are set out in the announcement of the Company dated 24 June 2014 |
| "Specific Mandate" | the specific mandate required to be granted to the Directors by the Shareholders at the EGM for the issue of the Subscription Shares |
| "Stock Exchange" | The Stock Exchange of Hong Kong Limited |
| "Subscriber" | Beidahuang (HK) International Trade Co., Limited (北大荒(香港)國際貿易有限公司), a company incorporated in Hong Kong with limited liability |
| "Subscription" | the subscription of the Warrants by the Subscriber or its nominee as contemplated under the Subscription Agreement |
| "Subscription Agreement" | the agreement dated 7 July 2014 entered into between the Company and the Subscriber in respect of the Subscription |
| "Subscription Price" | the initial subscription price of HK$0.70 per Subscription Share (subject to adjustment) |
| "Subscription Rights" | subscription rights that are attached to the Warrants |
| "Subscription Share(s)" | the Share(s) which may fall to be allotted and issued upon exercise of the Subscription Rights |

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| "Target Company" | 北大荒食品產業園有限公司 (Beidahuang Food Industry Park Co. Ltd.*), a limited company established under the laws of the PRC |
| "Target Group" | the Target Company and its subsidiaries |
| "Transactions" | the Acquisition and the JV Formation |
| "Vendors" | Beidahuang Business Group and Beidahuang Logistics Group, being the vendors under the Share Transfer Agreement |
| "Warrant(s)" | an aggregate of 180,000,000 non-listed warrants entitling the holder to subscribe for up to an aggregate amount of HK$126 million for the Subscription Shares at an initial subscription price of HK$0.70 per Subscription Share, subject to the terms and conditions set out in the Instrument |
| "HK$" | Hong Kong dollar, the lawful currency of Hong Kong |
| "RMB" | Renminbi, the lawful currency of the PRC |
| "%' | per cent. |

* *For identification purpose only*

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

Hong Kong, 11 July 2014

*As at the date of this announcement, the Executive Directors are Mr. Jiang Jianjun, Mr. Li Jianqing, Mr. Qu Shuncai 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. Li Xiaofeng and Mr. Ho Man Fai.*