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)

TERMINATION OF ACQUISITION OF 51% INTEREST IN BEIDAHUANG FOOD INDUSTRY PARK CO. LTD AND MAJOR TRANSACTION IN RESPECT OF ACQUISITION OF 50% INTEREST IN SHENZHEN BEIDAHUANG GREEN FOOD DISTRIBUTION LIMITED*

TERMINATION OF THE INDUSTRY PARK SHARE TRANSFER AGREEMENT

On 25 August 2014, the Company and the Industry Park Vendors entered into a termination agreement to terminate the Industry Park Share Transfer Agreement with immediate effect. As disclosed in the Previous Announcement, the Industry Park Share Transfer Agreement, the JV Agreement and the Subscription Agreement are not inter-conditional upon one another. Therefore, the Company will continue to proceed with the JV Formation and the Subscription.

ACQUISITION OF 50% INTEREST IN SHENZHEN BEIDAHUANG GREEN FOOD DISTRIBUTION LIMITED AND CAPITAL INJECTION

On 25 August 2014, Meiming, a wholly-owned subsidiary of 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 50% equity interest in the Target Company at an aggregate Consideration of RMB2,500,000. Upon completion of the Acquisition, Beidahuang Marketing Co. and Meiming, being the remaining shareholders of the Target Company, have agreed to increase the registered capital of the Target Company from RMB500,000 to RMB10,000,000. The increased capital will be contributed by Beidahuang Marketing Co. and Meiming in equal shares in the amount of RMB4,750,000 each.

Following completion of the Acquisition, the Target Company will be held as to 50% by the Company and the Company will have the right to appoint 3 directors on the board of directors of the Target Company which will comprise of 5 directors. Accordingly, the Target Company will be a non-wholly owned subsidiary of the Company upon completion of the Acquisition.

LISTING RULES IMPLICATIONS

Since Beidahuang Marketing Co. (one of the Vendors under the Acquisition) and Harbin China Distillery (the other party under the JV Agreement) are associated with one another, pursuant to Rule 14.22 of the Listing Rules, the Transactions 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.

TERMINATION OF THE INDUSTRY PARK SHARE TRANSFER AGREEMENT

Reference is made to the announcement dated 11 July 2014 of the Company in relation to the Industry Park Acquisition, the JV Formation and the Subscription.

As disclosed in the Previous Announcement, completion of the Industry Park Share Transfer Agreement is conditional upon the fulfillment or waiver (where applicable) of the conditions precedent contained in the Industry Park Share Transfer Agreement. In the course of the due diligence review conducted by the Company regarding the Industry Park Acquisition, it has come to the attention of the Company and the Industry Park Vendors that it is uncertain as to when and whether certain conditions precedent can be fulfilled. After careful consideration of all the circumstances surrounding the Industry Park Acquisition, the Board decided not to proceed with the Industry Park Acquisition. As such, on 25 August 2014, the Company and the Industry Park Vendors entered into a termination agreement to terminate the Industry Park Share Transfer Agreement with immediate effect. Upon such termination, neither party shall have any further obligations or liabilities towards the other nor any claims against the other in connection with the Industry Park Share Transfer Agreement.

The Board considers that the termination of the Industry Park Share Transfer Agreement is in the interest of the Company and the Shareholders as a whole and has no material adverse impact on the existing business position of the Group.

JV FORMATION AND SUBSCRIPTION OF UNLISTED WARRANTS

As disclosed in the Previous Announcement, the Industry Park Share Transfer Agreement, the JV Agreement and the Subscription Agreement are not inter-conditional upon one another. Therefore, the Company will continue to proceed with the JV Formation and the Subscription.

THE SHARE TRANSFER AGREEMENT

Date

25 August 2014

Parties

Purchaser: Meiming, a wholly-owned subsidiary of the Company

Vendors:
(1) 北大荒營銷股份有限公司 (Beidahuang Marketing Co. Ltd.*); and

(2) Mr. Hu

Beidahuang Marketing Co. is a limited liability company incorporated in the PRC and is a subsidiary of Beidahuang Group. It is principally engaged in the marketing business and management of all the products of Beidahuang Group, including the setting up of distribution channel, promotion, advertisement and logistics. Mr. Hu is a businessman.

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

Asset to be acquired

Pursuant to the Share Transfer Agreement, (i) the Company has conditionally agreed to acquire and Beidahuang Marketing Co. has conditionally agreed to sell 10% equity interest in the Target Company and (ii) the Company has conditionally agreed to acquire and Mr. Hu has conditionally agreed to sell 40% equity interest in the Target Company.

Consideration and payment terms

The aggregate Consideration for the Acquisition is RMB2,500,000 and shall be payable by the Company as to (i) RMB500,000 to Beidahuang Marketing Co. and (ii) RMB2,000,000 to Mr. Hu by telegraphic transfer.

The Consideration has been determined after arm's length negotiations among the parties to the Share Transfer Agreement with reference to (i) the valuation report issued by an independent professional valuer, 深圳市玄德資產評估事務所 (Shenzhen Yunde Appraisal Firm*), appointed by the Target Company showing that the shareholder's equity value of the Target Company was RMB4.39 million as at 31 July 2014 and (ii) the benefits of the Acquisition to the Group as detailed in the paragraph headed "Reasons for the Acquisition" in this announcement. The Valuation is prepared using discounted cash flow method under the income approach. Therefore, the Valuation is regarded as a profit forecast under Rule 14.61 of the Listing Rules. The Valuation has been prepared on the following major assumptions:

1. that subsequent to the valuation date, there will be no material change in the political and macroeconomic environment where the Target Company is located that will affect the operation of the Target Company;

2. that other than the laws and regulations in relation to the operation of the Target Company that have already been enacted or that have already been issued but not enacted by the government as at valuation date, there will be no material change in the laws and regulations relevant to the Target Company during the return period;

3. that changes in the factors such as exchange rate, interest rate, taxation, commodity pricing and inflation subsequent to the valuation date will have no material impact on the operation of the Target Company during the return period;

4. that no occurrence of force majeure or occasional event subsequent to the valuation date will affect the operation of the Target Company;

5. that the assets will continue to be used. That is, the Valuation assumes that subsequent to the valuation date, the subject assets will continue to be used under the same methods, capacity and environment as at their current state being used;

6. public market assumption. That is, it is assumed that the subject assets will be traded in a relatively matured public market and that the basis of determining the consideration and the valuation conclusion will be available and substantiated in the public market;

7. transaction assumption. That is, it is assumed that the subject assets are already in trading and the valuer is assessing the valuation of the subject assets based on the trading conditions of a simulating market;

8. that there will be no material change in government macroeconomic policies as well as the social and economic environment of the region where the subject assets are located, nor there will be any material change in industrial policies, laws and regulations, administration system, taxation policies and credit interest rates;

9. that the Target Company possesses full rights in relation to the ownership, management, disposition and returns on the subject assets reported;

10. that the information provided by the Target Company are true, legal, complete and valid; and

11. that the valuation report shall only be used for the purposes stated therein.

The Directors have confirmed that they have made the forecast after due and careful enquiry, and the auditor of the Company, Cheng & Cheng Limited, has confirmed and reported on the accounting policies and calculations of the profit forecast on which the Valuation is based.

A letter from each of the Board and Cheng & Cheng Limited has been submitted to the Stock Exchange, and is included in Appendix I and II respectively to this announcement pursuant to Rule 14.60A of the Listing Rules.

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 the 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 the Company; and

(ii) Meiming having satisfied with the results of the due diligence review on the Target Company.

In the event that the conditions to the Acquisition are not fulfilled on or before 30 November 2014 (or such other date as may be agreed between Meiming 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. Meiming may waive the condition set out in (ii) above.

Completion

Completion shall take place within three business days after the date on which the conditions precedent have been satisfied.

Capital Injection

Upon completion of the Acquisition, Beidahuang Marketing Co. and Meiming have agreed to execute the Joint Venture Agreement pursuant to which the registered capital of the Target Company will be increased from RMB500,000 to RMB10,000,000. The increased capital in the sum of RMB9,500,000 will be contributed by Beidahuang Marketing Co. and Meiming in equal shares in the sum of RMB4,750,000 each by cash. Upon completion of the Capital Injection, the shareholdings of Beidahuang Marketing Co. and Meiming in the enlarged registered capital of the Target Company will remain unchanged at 50% and 50% respectively.

Set out below is (i) the registered capital of and equity interest in the Target Company to be held by the respective parties after completion of the Acquisition and before the Capital Injection; and (ii) the registered capital of and equity interest in the Target Company to be held by the respective parties after completion of the Capital Injection:

Name of shareholder	Immediately after completion of the Acquisition and before the Capital Injection		Immediately after completion of the Capital Injection	
	Registered capital of the Target Company	Equity interest in the Target Company	Registered capital of the Target Company	Equity interest in the Target Company
	(RMB)	*(%)*	*(RMB)*	*(%)*
Beidahuang Marketing Co.	250,000.00	50.00	5,000,000.00	50.00
Meiming	250,000.00	50.00	5,000,000.00	50.00
Total	500,000.00	100.00	10,000,000	100.00

Pursuant to the Joint Venture Agreement, both parties will settle the capital contribution within 30 business days from the date of execution of the Joint Venture Agreement by transferring their respective entire amount of the capital contribution to a specified bank account. The Meiming Capital Injection will be funded from the Company's internal resources.

Under the Joint Venture Agreement, if any party fails to make its contribution for more than 10 days from the payment due date, it will constitute a breach of the Joint Venture Agreement and the defaulting party will have to pay the non-defaulting party a penalty equivalent to 20% of the outstanding amount, in addition to other rights of the non-defaulting party under the Joint Venture Agreement.

The amount of the Capital Injection was determined after arm's length negotiations between Beidahuang Marketing Co. and Meiming with reference to, among other things, the financial condition and funding needs of the Target Company. The Directors (including the independent non-executive Directors) consider that the Capital Injection is fair and reasonable and on normal commercial terms.

Board of Directors of the Target Company

Upon completion of the Acquisition, the board of directors of the Target Company will consist of 5 directors. Meiming will have the right to nominate 3 directors and Beidahuang Marketing Co. will have the right to nominate 2 directors.

Information of the Target Company

The Target Company was established in the PRC with limited liability on 23 March 2009 with a registered and paid up capital of RMB500,000. The Target Company is principally engaged in wholesaling and retailing of staple food, cooking oil, alcohol and beverage, frozen and fresh food manufactured by Beidahuang Group which is the ultimate holding company of Beidahuang Marketing Co.. As at the date of this announcement, each of Beidahuang Marketing Co. and Mr. Hu holds 60% and 40% equity interest in the Target Company respectively.

The audited net liabilities of the Target Company as at 31 December 2013 was approximately RMB406,796.

A summary of the financial information of the Target Company for the two financial years ended 31 December 2012 and 31 December 2013 prepared in accordance with PRC Accounting Standard is set out below:

	For the year ended 31 December	
	2012	**2013**
	(audited)	(audited)
	RMB	*RMB*
Revenue	9,035,806	22,296,558
Profit before taxation and extraordinary items	151,929	53,643
Profit after taxation and extraordinary items	151,929	53,643

Following completion of the Acquisition, the Target Company will be held as to 50% by Meiming and 50% by Beidahuang Marketing Co. and the Company will have the right to appoint 3 directors on the board of directors of the Target Company which will comprise of 5 directors. Accordingly, upon completion of the Acquisition the Target Company will be a non-wholly owned subsidiary of the Company and the results of the Target Company 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 Group also has its own distribution channel in Guangdong. By acquiring the Target Company, the Group can run the existing chain store business more effectively and efficiently by distributing the products currently sold by the Target Company in its wholesaling and retailing business. The Acquisition can also diversify the Group's business model, reduce its risk and increase its market shares in Guangdong and Shenzhen.

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

Listing Rules Implications

Since Beidahuang Marketing Co. (one of the Vendors under the Acquisition) and Harbin China Distillery (the other party under the JV Agreement) are both subsidiaries of Beidahuang Group and therefore associated with one another, pursuant to Rule 14.22 of the Listing Rules, the Transactions 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.

GENERAL

The EGM will be convened and held for the purpose of considering and, if thought fit, approving the Acquisition, the Meiming Capital Injection, the JV Formation, the Subscription and the grant of the Specific Mandate. To the best knowledge of the Directors, no Shareholder has any material interest in the Acquisition, the Meiming Capital Injection, the JV Formation 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 Acquisition, the Meiming Capital Injection, the JV Formation, the Subscription and the grant of the Specific Mandate.

The Company has previously announced on 31 July 2014 that a circular in respect of the Industry Park Acquisition, the JV Formation and the Subscription will be despatched to the Shareholders on or before 29 August 2014. Due to the termination of the Industry Park Acquisition and the introduction of the new Acquisition, the despatch of the circular will be further delayed. A circular containing, amongst other things, further details of the Acquisition, the Meiming Capital Injection, the JV Formation, the Subscription and the notice of the EGM will be despatched to the Shareholders on or before 16 September 2014.

Shareholders and potential investors who wish to deal in the securities of the Company should note that the Acquisition, the Meiming Capital Injection, 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.

EXPERTS AND CONSENTS

The following are the qualifications of the experts who have given their opinion in this announcement:

Name	**Qualification**
Cheng & Cheng Limited	Certified Public Accountant
深圳市玄德資產評估事務所 (Shenzhen Yunde Appraisal Firm*)	Independent Professional Valuer

As at the date of this announcement, neither Cheng & Cheng Limited nor 深圳市玄德資產評估事務所 (Shenzhen Yunde Appraisal Firm*) has any shareholding, directly or indirectly, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate person(s) to subscribe for the securities in any member of the Group.

To the best knowledge, information and belief of the Board and having made all reasonable enquiries, each of Cheng & Cheng Limited and 深圳市玄德資產評估事務所 (Shenzhen Yunde Appraisal Firm*) is a third party independent of and not connected with the Company or the connected persons (as defined in the Listing Rules) of the Group.

Each of Cheng & Cheng Limited and 深圳市玄德資產評估事務所 (Shenzhen Yunde Appraisal Firm*) has given and has not withdrawn its consent to the publication of this announcement with inclusion of its letter and/or references to its name in the form and context in which it respectively appears in this announcement.

DEFINITIONS

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

"Acquisition"	the acquisition of the Sale Capital by the Company from the Vendors pursuant to the Share Transfer Agreement
"Beidahuang Group"	黑龍江北大荒農墾集團總公司(Heilongjiang Beidahuang Agribusiness Group Corporation*), a limited liability company incorporated in the PRC
"Beidahuang Marketing Co."	北大荒營銷股份有限公司 (Beidahuang Marketing Co. Ltd.*, a limited liability company incorporated in the PRC
"Board"	the board of Directors
"Capital Injection"	the Meiming Capital Injection and the capital contribution of RMB4,750,000 into the Target Company to be made by Beidahuang Marketing Co. pursuant to the Joint Venture Agreement
"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 RMB2,500,000
"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 Acquisition, the Meiming Capital Injection, the JV Formation, the Subscription 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 sino-foreign joint venture 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
"Industry Park Acquisition"	the acquisition of 51% equity interest in北大荒食品產業園有限公司 (Beidahuang Food Industry Park Co. Ltd.*) by the Company pursuant to the Industry Park Share Transfer Agreement
"Industry Park Share Transfer Agreement"	the agreement dated 7 July 2014 entered into between the Company and the Industry Park Vendors in respect of the Industry Park Acquisition
"Industry Park Vendors"	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 黑龍江農墾北大荒物流集團有限公司 (Heilongjiang Nongken Beidahuang Logistics Group Limited*), being the vendors under the Industry Park Share Transfer Agreement
"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, details of which are set out in the Previous Announcement
"Joint Venture Agreement"	the agreement to be entered into between Beidahuang Marketing Co. and Meiming upon completion of the Acquisition in relation to, amongst others, the Capital Injection
"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
"Meiming Capital Injection"	the capital contribution of RMB4,750,000 into the Target Company to be made by Meiming pursuant to the Joint Venture Agreement
"Mr. Hu"	Hu Guang Sheng, an Independent Third Party and one of the Vendors
"PRC"	the People's Republic of China
"Previous Announcement"	the announcement dated 11 July 2014 of the Company in relation to the Industry Park Acquisition, the JV Formation and the Subscription.
"Sale Capital"	50% equity interest in the Target Company
"Share(s)"	ordinary share(s) of the Company of HK$0.10 each

"Shareholder(s)"	the shareholder(s) of the Company
"Share Transfer Agreement"	the agreement dated 25 August 2014 entered into amongst the Company and the Vendors in respect of the Acquisition
"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, details of which are set out in the Previous Announcement
"Subscription Agreement"	the agreement dated 7 July 2014 entered into between the Company and the Subscriber in respect of the Subscription
"Subscription Share(s)"	the Share(s) which may fall to be allotted and issued upon exercise of the subscription rights attached to the Warrants
"Target Company"	深圳北大荒綠色食品配送有限公司 (Shenzhen Beidahuang Green Food Distribution Limited *), a limited liability company established under the laws of the PRC
"Transactions"	the Acquisition, the Meiming Capital Injection and the JV Formation

"Valuation"	the valuation prepared by 深圳市玄德資產評估事務所 (Shenzhen Yunde Appraisal Firm*) on 20 August 2014 regarding the shareholders' equity value of the Target Company as at 31 July 2014
"Vendors"	Beidahuang Marketing Co. and Mr. Hu, 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$0.70 per Subscription Share, subject to the terms and conditions set out in the deed poll constituting the Warrants to be executed by the Company upon completion of the Subscription
"HK$"	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, 25 August 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.

The following is the text of a letter from the Board of the Company prepared for the purpose of incorporation in this announcement.

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)

25 August 2014

The Stock Exchange of Hong Kong Limited
11th Floor,
One International Finance Centre,
1 Harbour View Street,
Hong Kong

Dear Sir/Madam,

We refer to the announcement of the Company dated 25 August 2014 ("Announcement") of which this letter forms part. Unless the context otherwise requires, terms defined in the Announcement shall have the same meanings when used herein.

We, hereby confirm that, in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, we have reviewed the calculations for discounted cash flow forecast ("Profit Forecast") in the valuation report issued by 深圳市玄德資產評估事務所 (Shenzhen Yunde Appraisal Firm*) ("Valuer") regarding the shareholder's equity value of 深圳北大荒綠色食品配送有限公司 (Shenzhen Beidahuang Green Food Distribution Limited*) as at 31 July 2014 ("Valuation Report"). Pursuant to Rule 14.62 of the Listing Rules, the Auditor of the Company have examined the accounting policies and the calculation of the Profit Forecast in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 500 "Reporting on Profit Forecasts, Statements of Sufficiency of Working Capital and Statements of Indebtedness" and with reference to Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" issued by the Hong Kong Institution of Certified Public Accountants.

We hereby confirm that the Profit Forecast made pursuant to the Valuation Report is made after due and careful enquiry.

Yours faithfully,
For and on behalf of the board of directors of
Sino Distillery Group Limited

Jiang Jianjun
Chairman

* *For identification purpose only*

APPENDIX II – LETTER FROM CHENG & CHENG LIMITED

The following is the text of the letter received by the Directors from the Auditor of our Company, Cheng & Cheng Limited, prepared for the purpose of incorporation in this announcement in connection with the profit forecast.

CHENG & CHENG LIMITED
CERTIFIED PUBLIC ACCOUNTANTS
鄭 鄭 會 計 師 事 務 所 有 限 公 司
10/F., Allied Kajima Building,
138 Gloucester Road, Wanchai, Hong Kong

25 August 2014

The Board of Directors
Sino Distillery Group Limited
Room 2509, 25/F.,
Tower One, Lippo Center,
89 Queensway,
Admiralty, Hong Kong.

Dear Sirs,

Profit forecast in connection with the major transaction of Sino Distillery Group Limited (the "Company")

We have been engaged to review the accounting policies adopted and calculations of the underlying profit forecast (the "Profit Forecast") to the valuation dated 20 August 2014 (the "Valuation") prepared by 深圳市玄德資產評估事務所(Shenzhen Yunde Appraisal Firm*) in respect of the shareholders' equity value of 深圳北大荒綠色食品配送有限公司 (Shenzhen Beidahuang Green Food Distribution Limited*)(the "Target Company") as at 31 July 2014 in connection with the proposed acquisition of 50% equity interests in the Target Company, as published in the Company's announcement dated 25 August 2014.

The Valuation, which is determined based on the discounted cash flows, is regarded as a profit forecast under Rule 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

Responsibilities

The Company's and Target Company's directors (the "Directors") are solely responsible for the preparation of the Profit Forecast, including the assumptions, based on discounted cash flow method. The Profit Forecast has been prepared using a set of assumptions that include hypothetical assumptions about future events and management's actions that are not necessarily expected to occur. Even if the events anticipated occur, actual results are still likely to be different from the Profit Forecast and the variation may be material. The Directors are responsible for the reasonableness and validity of the assumptions.

It is our responsibility to form an opinion on the accounting policies and calculations of the Profit Forecast based on our procedures solely to you, as a body, solely for the purpose of reporting under Rule 14.62 (2) of the Listing Rules.

Basis of opinion

We carried out our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 500 "Reporting on Profit Forecasts, Statements of Sufficiency of Working Capital and Statements of Indebtedness" and with reference to Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" issued by the Hong Kong Institution of Certified Public Accountants ("HKICPA"). Those standards require that we plan and perform our work to obtain reasonable assurance as to whether, so far as the accounting policies and calculations are concerned, the Company's directors have properly compiled the Profit Forecast in accordance with the assumptions made by the directors and as to whether the Profit Forecast is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group. Our work is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Accordingly, we do not express an audit opinion.

Opinion

In our opinion, so far as the accounting policies and calculations are concerned, the Profit Forecast has been properly compiled in accordance with the bases and assumptions adopted by the Directors and is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Company.

Yours faithfully,
Cheng & Cheng Limited
Certified Public Accountants

Hong Kong

* *For identification purpose only*