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If you have sold or transferred all your shares in Sino Distillery Group Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser(s) or transferee(s) or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

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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)

**REFRESHMENT OF EXISTING GENERAL MANDATE
TO ISSUE AND ALLOT SHARES
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

**Independent Financial Adviser to the Independent Board Committee and
the Independent Shareholders**



Astrum Capital Management Limited

A notice convening an extraordinary general meeting of the Company to be held at 2509, Tower One, Lippo Centre, 89 Queensway, Hong Kong on Wednesday, 2 April 2014, at 11:00 a.m. is set out on pages 22 to 25 of this circular. Whether or not you are able to attend such meeting in person, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Company's Hong Kong branch share registrar and transfer office, Tricor Tengis Limited of 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong (which will be relocated to Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong with effect from 31 March 2014), as soon as possible and in any event not less than 48 hours before the time appointed for holding such meeting or any adjourned meeting thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or any adjournment thereof (as the case may be) should you so wish.

17 March 2014

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DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions have the following meanings:

“associates”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“Company”	Sino Distillery Group Limited, a company incorporated in the Cayman Islands with limited liability, whose Shares are listed on the main board of the Stock Exchange (Stock code: 00039)
“Directors”	the directors of the Company
“EGM”	the extraordinary general meeting of the Company to be held on Wednesday, 2 April 2014 for the purpose of approving the refreshment of the Existing General Mandate
“Existing General Mandate”	the general mandate granted at the annual general meeting of the Company held on 7 May 2013 to the Directors by the Shareholders to allot, issue and deal with up to 239,032,479 Shares
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent committee of the Board established by all the independent non-executive Directors to advise the Independent Shareholders in respect of the refreshment of the Existing General Mandate

DEFINITIONS

“Independent Financial Adviser/Astrum”	Astrum Capital Management Limited, a licensed corporation to carry on type 1 (dealing in securities), type 2 (dealing in futures contracts), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong), being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the refreshment of the Existing General Mandate
“Independent Shareholders”	any Shareholders other than controlling Shareholders and their associates or, where there are no controlling Shareholders, any Shareholders other than Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates
“Latest Practicable Date”	13 March 2014, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China
“Shares”	ordinary share(s) of HK\$0.1 each in the share capital of the Company
“Shareholders”	shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“%”	percentage

LETTER FROM THE BOARD



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)

Executive Directors:

Mr. Jiang Jianjun (*Chairman and Managing Director*)
Mr. Qu Shuncaï
Mr. Song Shaohua

Non-executive Director:

Mr. Huang Qingxi

Independent Non-executive Directors:

Dr. Loke Yu
Mr. Zhang Yonggen
Mr. Li Xiaofeng

Registered Office:

P.O. Box 309GT
Ugland House
South Church Street
George Town
Grand Cayman
Cayman Islands

*Head office and principal place of
business in Hong Kong:*

2509, Tower One
Lippo Centre
89 Queensway
Hong Kong

17 March 2014

To the Shareholders

Dear Sir or Madam,

**REFRESHMENT OF EXISTING GENERAL MANDATE TO
ISSUE AND ALLOT SHARES
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

INTRODUCTION

The purpose of this circular is to provide you with, among other things, (i) further information regarding the proposed refreshment of the Existing General Mandate; (ii) the letter of recommendation from the Independent Board Committee; (iii) the letter from Astrum containing its advice to the Independent Board Committee and the Independent Shareholders; and (iv) a notice convening the EGM.

LETTER FROM THE BOARD

REFRESHMENT OF EXISTING GENERAL MANDATE TO ISSUE AND ALLOT SHARES

At the annual general meeting of the Company held on 7 May 2013, the Shareholders approved, among other things, the ordinary resolution in relation to the Existing General Mandate. As at the date of passing of such resolution, there were a total of 1,195,162,397 Shares in issue and the Directors were authorised to issue and allot 20% of the issued Shares, being 239,032,479 Shares under the Existing General Mandate.

Upon the issue and allotment of 239,032,479 Shares on 7 February 2014 pursuant to the Subscription Agreements dated 21 January 2014 (details of which are set out in the Company's announcement dated 21 January 2014), the Existing General Mandate has been fully utilised. As at the Latest Practicable Date, the Company has not made any refreshment of the Existing General Mandate since the annual general meeting of the Company held on 7 May 2013.

In order to allow financial flexibility for the Company to raise further funds for its future business development and expansion, the Board proposes to refresh the Existing General Mandate for the Directors to issue and allot new Shares not exceeding 20% of the issued share capital of the Company as at the date of passing of such resolution. Subject to the passing of the ordinary resolution for the approval of the refreshment of the Existing General Mandate and on the basis that no further Shares are issued and/or repurchased by the Company up to the date of the EGM, the Company would be allowed under the refreshed Existing General Mandate to issue and allot up to 289,838,975 Shares, being 20% of the 1,449,194,876 Shares in issue as at the Latest Practicable Date.

The Board considers that equity financing through the use of a general mandate is an important source to the Group, as it (i) does not create any payment of interest obligations on the Group as compared with bank financing; (ii) is less costly than raising funds by way of rights issue or open offer; and (iii) provides the Company with the capability to capture any fund raising or prospective investment opportunity as and when it arises. The Board considers that such ability is crucial in a competitive and rapidly changing investment environment and in times of volatile market conditions. As at the Latest Practicable Date, the Board has not yet formulated any concrete plan for raising capital by issuing new Shares.

As stated in the Interim Report 2013 of the Company, the Group will continue to explore the new markets and increase the area of promotion and marketing in the existing businesses, which include 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 would also look for other business and related profitable business for acquisition purpose.

LETTER FROM THE BOARD

The Company has been considering few possible investment/co-operation opportunities so as to broaden and strengthen the Group's business scope. On 12 August 2013, the Company entered into a non-legally binding memorandum of understanding with a third party pursuant to which the Company intended to acquire 100% of the issued share capital of a target company (the "**Target**"). The Target and its subsidiary are in the process of acquiring a company which holds a piece of multipurpose agricultural land (the "**Land**") in Yinchuan City of Ningxia Province, the PRC. The Company intends to use the Land for the development of an eco-pasture base. Details of the said possible acquisition (the "**Possible Acquisition**") were disclosed in the announcement of the Company dated 12 August 2013. Up to the Latest Practicable Date, the Possible Acquisition is still in due diligence progress and no formal agreement had been entered into by the relevant parties.

The Company also announced on 28 January 2014 that the Group is exploring co-operation opportunity with 中電華通通信有限公司 (CECT-Chinacomm Communications Co., Limited*, "**CECT-Chinacomm**"), a company incorporated in the PRC with limited liability. CECT-Chinacomm has the development right in respect of a parcel of land in Beijing Economic and Technological Development Area and will construct a project known as Beijing Wireless Broadband Industrial Park (the "**Project**") on the parcel of land. An indirect subsidiary of CECT-Chinacomm is appointed as the operating company of the Project, and has legally obtained the Land Use Right Certificate, the Planning Permit and the Construction Land Use Permit. Should the co-operation (the "**Potential Co-operation**") materialise, the Board expects that the Company will be able to join CECT-Chinacomm and its subsidiary to develop the Project for commercial benefits. Up to the Latest Practicable Date, the co-operation is still in discussion stage and no formal agreement has been entered into by the parties.

Notwithstanding the facts that both of the Possible Acquisition and the Potential Co-operation are still in the preliminary stage, the Board expected that once the respective negotiation becomes mature and comes to be concluded, there will be a funding need for the Group's investments. Hence, the Board considers that the refreshment of the Existing General Mandate may provide financial flexibility to the Company. The refreshment of the Existing General Mandate will also provide the Company with an additional financing alternative in a less costly and relatively flexible way. It is reasonable for the Company to have the flexibility in deciding the financing methods for its future business development. In view of the above, the Board considers that the refreshment of the Existing General Mandate is in the interests of the Company and the Shareholders as a whole.

* For identification purpose only

LETTER FROM THE BOARD

Apart from equity financing, the Company also considers viable financing methods including bank financing or debt financing, such as bank borrowings and issue of bonds, to be other possible fund raising sources available to the Company. However, the Directors are of the view that the ability of the Company to obtain bank borrowings usually depends on the Company's profitability, financial position and the then prevailing market conditions. Furthermore, such alternatives are time consuming and could result in opportunity cost as they may be subject to lengthy due diligence and negotiations with the banks. Given that debt financing will usually incur interest burden on the Company, the Directors consider that debt financing is relatively uncertain, time-consuming and places undue financial stress on the Company, as compared to equity financing, such as placing of new Shares, for the Company to obtain additional funding.

With respect to the other forms of pro-rata equity financing method such as rights issue and open offer, the Directors consider that such pro-rata equity financing would incur substantial costs in form of placing commission or underwriting commission, and the compilation and publication of prospectus documents. Although both rights issue and open offer may allow the Shareholders to maintain their respective pro-rata shareholdings in the Company, such fund raising alternatives would be relatively time consuming as compared to the equity financing through issue of new Shares under the general mandate and there would be no certainty that the Company would be able to procure favorable terms in such commercial underwriting.

The following table summarises the fund raising activities of the Group during the last 12 months prior to the Latest Practicable Date:

Date of announcement	Event	Net proceeds	Intended use of proceeds	Actual use of proceeds up to the Latest Practicable Date
21 January 2014	Subscription of 239,032,479 new Shares at a price of HK\$0.405 per Share	Approximately HK\$96.5 million	To finance business development and general working capital of the Group	Approximately RMB35 million is applied as refundable earnest deposit for potential business development and remaining balance is maintained at bank

Taking into account the cash position of the Group as of 31 December 2013 together with the remaining balance of the net proceeds from the subscription of approximately HK\$96.5 million, the management of the Company envisaged that the existing cash level is sufficient for the Group's day-to-day operation but probably not for the Possible Acquisition, the Potential Co-operation or other development plans of the Group. Should the Possible Acquisition and the Potential Co-operation or other development plans of the Group materialise and the Group may, if the Refreshment of the General is granted, in a readily favorable position to capture the investment/development opportunities. Moreover, In the event that any of the Possible Acquisition or the Potential Co-operation is materialised and to be financed by equity fund raising and/or to be settled by issuing consideration shares whilst the refreshed Existing General Mandate (the "Refreshed General Mandate"), if approved, is not sufficient for such purpose, the Company will

LETTER FROM THE BOARD

seek for a specific mandate from the Shareholders. Notwithstanding the aforesaid, the Directors noted that there can be no assurance that the Possible Acquisition and the Potential Co-operation or other development plans of the Group may or may not materialise. Hence, the Company had no present intention or concrete plans for any fund raising activities as at the Latest Practicable Date. Therefore, the Refreshed General Mandate, if approved, may or may not be utilised.

Potential dilution to shareholding of the Independent Shareholders

The table below sets out the shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) upon full utilisation of the Refreshed General Mandate (assuming that no Shares will be issued and/or repurchased by the Company during the period between the Latest Practicable Date and the date of EGM):

Name of Shareholders	As at the Latest Practicable Date		Upon full utilisation of the Refreshed General Mandate	
	No. of Shares	%	No. of Shares	%
Mr. Jiang Jianjun (<i>Note 1</i>)	108,648,000	7.50	108,648,000	6.25
Mr. Qu Shuncaï (<i>Note 2</i>)	8,180,000	0.56	8,180,000	0.47
Mr. Chen Hua (<i>Note 3</i>)	179,118,000	12.36	179,118,000	10.30
Public Shareholders	1,153,248,876	79.58	1,153,248,876	66.31
Shares that may be issued under the Refreshed General Mandate	–	–	289,838,975	16.67
Total	<u>1,449,194,876</u>	<u>100.00</u>	<u>1,739,033,851</u>	<u>100.00</u>

Notes:

- Mr. Jiang Jianjun is an executive Director.
- Mr. Qu Shuncaï is an executive Director.
- 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.

LETTER FROM THE BOARD

As illustrated in the table above, assuming no Shares will be issued and/or repurchased by the Company during the period between the Latest Practicable Date and the date of the EGM, 289,838,975 new Shares can be issued upon full utilisation of the Refreshed General Mandate, representing approximately 20% of the issued share capital of the Company as at the date of the EGM, and the aggregate shareholding of the existing public Shareholders will decrease from approximately 79.58% as at the Latest Practicable Date to approximately 66.31% upon full utilisation of the Refreshed General Mandate (assuming that none of the new Shares to be issued under the Refreshed General Mandate will be issued to any of the existing Shareholders). Such potential dilution to the shareholding of the existing public Shareholders represents a dilution of approximately 16.67%.

Taking into account that (i) the refreshment of the Existing General Mandate will provide an alternative to increase the amount of capital which may be raised under the Refreshed General Mandate; (ii) the refreshment of the Existing General Mandate provides more flexibility and options of financing to the Group for further business development as well as for other potential future investments as and when such opportunities arise; and (iii) the shareholding interests of all the Shareholders will be decreased in proportion to their respective shareholdings upon any utilisation of the Refreshed General Mandate assuming that none of the new Shares to be issued under the Refreshed General Mandate will be issued to any of the existing Shareholders, the Directors are of the view that the potential dilution of shareholdings of the public Shareholders is fair and reasonable.

EGM

As the proposed refreshment of the Existing General Mandate is being made prior to the Company's next annual general meeting, pursuant to Rule 13.36(4) of the Listing Rules, refreshment of the Existing General Mandate will be subject to the Independent Shareholders' approval by way of an ordinary resolution at the EGM at which any of the controlling Shareholders and their associates, or where there are no controlling Shareholders, Directors (excluding independent non-executive Directors) and the chief executives and their respective associates shall abstain from voting in favour of the resolution approving the refreshment of the Existing General Mandate. As at the Latest Practicable Date, the Company has no controlling Shareholders. Mr. Jiang Jianjun and Mr. Qu Shuncai, being the executive Directors with shareholding interest in the Company, together with their respective associates are required to abstain from voting in favour of the resolution approving the refreshment of the Existing General Mandate.

The EGM will be held at 2509, Tower One, Lippo Centre, 89 Queensway, Hong Kong on Wednesday, 2 April 2014, at 11:00 a.m. to consider and, if thought fit, approve the ordinary resolution by poll in respect of the refreshment of Existing General Mandate. A notice of EGM is set out on pages 22 to 25 of this circular.

LETTER FROM THE BOARD

You will find enclosed a form of proxy for use at the EGM. Whether or not you are able to attend the EGM in person, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Company's Hong Kong branch share registrar and transfer office, Tricor Tengis Limited of 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong (which will be relocated to Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong with effect from 31 March 2014), as soon as possible and in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof (as the case may be) should you so wish.

VOTING BY POLL

Pursuant to Rule 13.39 of the Listing Rules, any vote of the shareholders at a general meeting must be taken by poll. Therefore, the chairman of the EGM will demand a poll for the resolution put forward at the EGM pursuant to the articles of association of the Company. The Company will appoint scrutineers to handle vote-taking procedures at the EGM.

An announcement will be made by the Company following the conclusion of the EGM to inform the Shareholders of the results of the EGM.

RECOMMENDATION

The Directors (excluding the independent non-executive Directors) are of the view that the terms of the proposed refreshment of the Existing General Mandate are fair and reasonable and in the best interests of the Company and the Shareholders as a whole. Accordingly, the Directors (other than the independent non-executive Directors) recommend the Independent Shareholders to vote in favour of the proposed resolution at the EGM.

The Board has established an Independent Board Committee comprising all independent non-executive Directors to consider and, if appropriate, make a recommendation to the Independent Shareholders (i) as to whether the proposed refreshment of the Existing General Mandate is fair and reasonable and in the interests of the Company and the Shareholders as a whole; and (ii) to advise the Independent Shareholders on how to vote, taking into account the recommendations of the Independent Financial Adviser.

The Company has appointed Astrum as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the proposed refreshment of the Existing General Mandate.

LETTER FROM THE BOARD

After taking into account the terms of the proposed refreshment of the Existing General Mandate, the opinion of Astrum, the Independent Board Committee considers that the proposed refreshment of the Existing General Mandate is fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, the Independent Board Committee recommends that the Independent Shareholders vote in favour of the resolution to be proposed at the EGM to approve and confirm the proposed refreshment of the Existing General Mandate.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the letter from the Independent Board Committee set out on pages 11 to 12, the letter from Astrum set out on pages 13 to 21 of this circular.

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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



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)

17 March 2014

To the Independent Shareholders

Dear Sir or Madam,

REFRESHMENT OF GENERAL MANDATE

We refer to the circular dated 17 March 2014 (the “**Circular**”) issued by the Company to its Shareholders, of which this letter forms part. Unless the context otherwise requires, terms defined in the Circular have the same meanings when used in this letter.

We have been appointed as members of the Independent Board Committee to consider the proposed refreshment of the Existing General Mandate and to advise you as to the fairness and reasonableness of the same and to recommend how the Independent Shareholders should vote at the EGM. Astrum Capital Management Limited has been appointed to advise us, the Independent Board Committee, and the Independent Shareholders in relation to the proposed refreshment of the Existing General Mandate.

We wish to draw your attention to the letter from the Board, as set out on pages 3 to 10 of the Circular, and the letter from Astrum to us and the Independent Shareholders containing its advice in respect of the proposed refreshment of the Existing General Mandate as set out on pages 13 to 21 of the Circular.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Taking into account the principal factors and reasons considered by Astrum and its conclusion and advice, we concur with the views of Astrum and consider that the proposed refreshment of the Existing General Mandate is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend that the Independent Shareholders vote in favour of the ordinary resolution to be proposed at the EGM to approve the proposed refreshment of the Existing General Mandate.

Yours faithfully,

**The Independent Board Committee of
Sino Distillery Group Limited**

Dr. Loke Yu

*Independent Non-executive
Director*

Mr. Zhang Yonggen

*Independent Non-executive
Director*

Mr. Li Xiaofeng

*Independent Non-executive
Director*

LETTER FROM ASTRUM



Astrum Capital Management Limited
11/F, 122 QRC,
Nos. 122-126 Queen's Road Central, Hong Kong

17 March 2014

*To the Independent Board Committee and
the Independent Shareholders of
Sino Distillery Group Limited*

Dear Sirs,

REFRESHMENT OF EXISTING GENERAL MANDATE TO ISSUE AND ALLOT SHARES

INTRODUCTION

We refer to our engagement as the independent financial adviser to make recommendations to the independent board committee (the “**Independent Board Committee**”) and the independent shareholders (the “**Independent Shareholders**”) of Sino Distillery Group Limited (the “**Company**”) in relation to the proposed refreshment of the existing general mandate (the “**Existing General Mandate**”) granted to the directors of the Company (the “**Directors**”) by the shareholders of the Company (the “**Shareholders**”) at the annual general meeting of the Company held on 7 May 2013 (the “**2013 AGM**”) to allot, issue and deal with up to 239,032,479 Shares. Details of the proposed refreshment of the Existing General Mandate were disclosed in the letter from the board (the “**Letter from the Board**”) set out on page 3 to page 10 of the circular of the Company dated 17 March 2014 (the “**Circular**”) issued by the Company to the Shareholders, of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

LETTER FROM ASTRUM

The Board proposes to refresh the Existing General Mandate for the Directors to allot and issue new Shares not exceeding 20% of the issued share capital of the Company as at the date of passing of such resolution. As the proposed refreshment of the Existing General Mandate is being made prior to the next annual general meeting of the Company, pursuant to Rule 13.36(4) of the Listing Rules, the proposed refreshment of the Existing General Mandate will be subject to the Independent Shareholders' approval by way of an ordinary resolution at the EGM at which any of the controlling Shareholders and their associates or, where there are no controlling Shareholders, Directors (excluding independent non-executive Directors) and the chief executives and their respective associates shall abstain from voting in favour of the resolution approving the refreshment of the Existing General Mandate. As at the Latest Practicable Date, the Company had no controlling Shareholders. Mr. Jiang Jianjun and Mr. Qu Shuncaï, being the executive Directors with shareholding interest in the Company, together with their respective associates are required to abstain from voting in favour of the resolution approving the refreshment of the Existing General Mandate.

The Board has been advised by Mr. Jiang Jianjun and Mr. Qu Shuncaï and their respective associates that they have no intention to vote against the resolution to approve the refreshment of the Existing General Mandate.

The Independent Board Committee comprising all independent non-executive Directors, namely Dr. Loke Yu, Mr. Zhang Yonggen and Mr. Li Xiaofeng, has been formed to advise the Independent Shareholders on whether or not the proposed refreshment of the Existing General Mandate is fair and reasonable, and in the interests of the Company and the Shareholders as a whole and how to vote on the relevant resolution at the EGM. We, Astrum Capital Management Limited, have been appointed by the Company as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

BASIS OF OUR OPINION

In formulating our opinion and recommendations, we have relied on the information, facts and representations contained or referred to in the Circular and the information, facts and representations provided by, and the opinions expressed by the Directors, the Company and its management. We have assumed that all information, opinions and representations contained or referred to in the Circular are true, accurate and complete in all material respects as at the date hereof and that they may be relied upon in formulating our opinion.

LETTER FROM ASTRUM

The Directors have confirmed to us that no material facts have been withheld or omitted from the information provided and opinions expressed. We consider that we have been provided with, and we have reviewed, all currently available information and documents which are available under present circumstances to enable us to reach an informed view to provide a reasonable basis for our opinion. We have not, however, for the purpose of this exercise, conducted any independent detailed investigation or audit into the businesses or affairs or future prospects of the Group. Our opinion is necessarily based on the financial, economic, market and other conditions in effect, and the information made available to us, as at the Latest Practicable Date. We do not express any opinion as to the appropriateness, magnitude and frequency of, and the actual usages of the proceeds from, the fund raising exercises which may be undertaken by the Company which decision is made at the sole discretion of the Directors and the management of the Company.

All Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts not contained in the Circular, the omission of which would make any statement in the Circular misleading.

PRINCIPAL FACTORS CONSIDERED

In arriving at our opinion in respect of the proposed refreshment of the Existing General Mandate, we have considered the following principal factors and reasons:

Background of and reasons for the proposed refreshment of the Existing General Mandate

The Group is principally engaged in (i) the production and sale of ethanol products and ethanol by-products; (ii) the sale and distribution of wine and liquor; and (iii) the production and sale of forages.

At the 2013 AGM, the then Shareholders approved, among other things, the ordinary resolution in relation to the Existing General Mandate, under which the Directors were authorised to allot and issue up to 239,032,479 Shares (equivalent to 20% of the issued share capital of the Company as at the date of the 2013 AGM).

LETTER FROM ASTRUM

On 21 January 2014, the Company entered into subscription agreements (the “**Subscription Agreements**”) with several subscribers for the subscription of an aggregate of 239,032,479 Shares (the “**Subscription Shares**”) at the subscription price of HK\$0.405 each. The Subscription Shares would be allotted and issued under the Existing General Mandate. Details of such subscription were disclosed in the announcement of the Company dated 21 January 2014. According to the Letter from the Board, all Subscription Shares were duly allotted and issued on 7 February 2014 pursuant to the Subscription Agreements. After the allotment and issued of the Subscription Shares, the Existing General Mandate was fully utilised. It is expected that the next annual general meeting of the Company will be held in May 2014, which is about 2 months away from the Latest Practicable Date. In the event that the Existing General Mandate is not to be refreshed at the EGM, the Company may not have flexible fund raising availability, if so required, until a new general mandate is approved in the next annual general meeting.

We have discussed with the management of the Company regarding the Group’s business plan for the next twelve months and were given to understand that the Group will continue to explore new markets and strengthen promotion and marketing activities in the existing businesses in the near future. In the meanwhile, the Group will also look for other business and related profitable business for acquisition purpose. Indeed, the Company has been considering few possible investment/co-operation opportunities so as to broaden and strengthen the Group’s business scope. On 12 August 2013, the Company entered into a non-legally binding memorandum of understanding with a third party pursuant to which the Company intended to acquire 100% of the issued share capital of a target company (the “**Target**”). The Target and its subsidiary are in the process of acquiring a company which holds a piece of multipurpose agricultural land (the “**Land**”) in Yinchuan City of Ningxia Province, the PRC. The Company intended to use the Land for the development of an eco-pasture base. Details of the said possible acquisition (the “**Possible Acquisition**”) were disclosed in the announcement of the Company dated 12 August 2013. As advised by the management of the Company, the Possible Acquisition is still in due diligence progress and no formal agreement had been entered into between the relevant parties as at the Latest Practicable Date.

LETTER FROM ASTRUM

In addition, the Group is exploring co-operation opportunity with 中電華通通信有限公司 (CECT-Chinacomm Communications Co., Limited*, “**CECT-Chinacomm**”), a company incorporated in the PRC with limited liability. CECT-Chinacomm has the development right in respect of a parcel of land in Beijing Economic and Technological Development Area and will construct a project known as “Beijing Wireless Broadband Industrial Park” (the “**Project**”) on the parcel of land. An indirect subsidiary of CECT-Chinacomm is appointed as the operating company of the Project, and has legally obtained the Land Use Right Certificate, the Planning Permit and the Construction Land Use Permit. Should the said co-operation (the “**Potential Co-operation**”) materialise, the Board expected that the Company will be able to join CECT-Chinacomm and its subsidiary to develop the Project for commercial benefits. Details of the Potential Co-operation were disclosed in the announcement of the Company dated 28 January 2014. As advised by the management of the Company, the Potential Co-operation is still in discussion stage and no formal agreement had been entered into between the relevant parties as at the Latest Practicable Date.

Notwithstanding the facts that both of the Possible Acquisition and the Potential Co-operation are still in the preliminary stage, the Board expected that once the respective negotiation becomes mature and comes to the negotiation stage of settlement/payment terms, the available funding methods may affect the negotiation between the Company and the counterparties. According to the latest unaudited financial statement of the Group, the unaudited cash and cash equivalent of the Group as at 31 December 2013 was approximately HK\$36.1 million. Taking into account the cash position of the Group as of 31 December 2013 together with the net proceeds from the subscription of approximately HK\$96.5 million, the management of the Company envisaged that the existing cash level is sufficient for the Group’s day-to-day operation but probably not for the Possible Acquisition, the Potential Co-operation or other development plans of the Group. In the event that the Group identifies suitable investment opportunities (including but not limited to, materialisation of the Possible Acquisition and the Potential Co-operation) and does not have sufficient cash and credit resources on hand, and it fails to obtain loans on terms which the Directors consider acceptable to the Group or raise funds from the equity market, or it cannot find other alternatives to finance the business development or such investment opportunities in a timely and efficient manner, the Group may lose such opportunities in an otherwise favourable development/investment.

* For identification purpose only

LETTER FROM ASTRUM

In view of the above, the Directors proposed to seek the Independent Shareholders' approval for the refreshment of the Existing General Mandate so that the Directors will be granted the authority to allot and issue new Shares up to and not exceeding 20% of the issued share capital of the Company as at the date of passing of such resolution. On the basis of a total of 1,449,194,876 Shares in issue as at the Latest Practicable Date and assuming that no other Shares will be issued and/or repurchased by the Company between the Latest Practicable Date and the date of the EGM, the refreshment of the Existing General Mandate, if granted, will empower the Directors to allot and issue up to 289,838,975 Shares. Taking into consideration the facts (i) the Existing General Mandate has been fully utilised; (ii) it is expected that the next annual general meeting of the Company will be held in May 2014, which is about 2 months away from the Latest Practicable Date; (iii) the development plans of the Group in the next twelve months as discussed above; and (iv) the current financial position of the Group, the Board believes that the refreshment of the Existing General Mandate is in the interests of the Company and the Shareholders as a whole by increasing the financial flexibility necessary for the Group's future business development and expansion. Given the facts that both of the Possible Acquisition and the Potential Co-operation are still in the preliminary stage and the relevant major terms of such acquisition and cooperation have not yet been concluded, the ultimate funding method of the Possible Acquisition, the Potential Co-operation and/or other investment(s), if materialised, will be decided by the management of the Company based on, *inter alia*, the then Group's financial position, the funding size as well as the then financial and equity markets condition. In the event that any of the Possible Acquisition or the Potential Co-operation is materialised and to be financed by equity fund raising and/or to be settled by issuing consideration shares whilst the refreshed Existing General Mandate (the "**Refreshed General Mandate**"), if approved, is not sufficient for such purpose, the Company will seek for a specific mandate from the Shareholders.

As advised by the management of the Company, the Company had no present intention or concrete plans for any fund raising activities as at the Latest Practicable Date. Therefore, the Refreshed General Mandate, if approved, may or may not be utilised. Notwithstanding that, and given the ever-changing merger and acquisition market, we consider that it is important for the Group to maintain flexible fund raising availability so as to make prompt decisions and to solicit funding in a relatively short period of time when investment opportunities arise. With the availability of general mandate on hand, the Group will have more options for payment/settlement of the consideration of the investment opportunities in a timely and efficient manner such as undergoing equity fund raising exercise in the financial market for cash; or settling the consideration by issue of equity or convertible securities to the counterparties. In addition, it is considered equity financing to be an important avenue of financial resources to the Company since it does not create any interest payment obligations on the Group. As such, we are of the opinion that the refreshment of the Existing General Mandate would provide the Company with the necessary flexibility essential for fulfilling any possible funding needs or settlement methods for future business development and/or investment decisions and that the refreshment of the Existing General Mandate is in the interests of the Company and the Shareholders as a whole.

LETTER FROM ASTRUM

Equity fund raising activities of the Group in the past twelve months

The following table summarises the fund raising activities of the Group during the past 12 months immediately prior to the Latest Practicable Date:

Date of announcement	Event	Net proceeds	Intended use of proceeds	Actual use of proceeds up to the Latest Practicable Date
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 is applied as refundable earnest deposit for potential business development and remaining balance is maintained at bank

Other financing alternatives

Apart from equity fund raising, debt financing is common for most enterprises. According to the 2013 interim report of the Company, the interest-bearing bank and other borrowings of the Group as at 30 June 2013 was approximately HK\$110.7 million, which led the Group to a position of net current liabilities of approximately HK\$240.6 million. The interest rates of the secured bank loans ranged from 6.0 to 7.2% and unsecured loans ranged from HIBOR+1% to 12%. Given the heavy debt position, debt financing will be difficult for the Group unless the Group pays for higher interest rate.

Open offer and rights issue are also equity fund raising exercises. Both ways allow the Shareholders to maintain their respective pro-rata shareholdings in the Company. However, they would (a) probably incur commission; and (b) require lengthy discussion with potential commercial underwriters which may lead to the Group failing to finance the business development or acquisition of investment opportunities in a timely manner, and hence lose such opportunities.

LETTER FROM ASTRUM

We consider that equity financing such as issuance of new Shares for cash or equity swaps may be an appropriate means to fund such investments and/or acquisition and provide additional working capital for the future development and expansion of the Group, given the Group's financial position, capital structure and cost of funding. If the Existing General Mandate is refreshed, the Company will be able to undergo equity financing for up to 20% of the issued share capital of the Company as at the date of the EGM in a timely manner without Shareholder's approval. As such, we are of the view that the refreshment of the Existing General Mandate is in the interests of the Company and the Shareholders as a whole.

Potential dilution to shareholding of the Independent Shareholders

Set out below is the shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) upon full utilisation of the Refreshed General Mandate, assuming that no Shares will be issued and/or repurchased during the period between the Latest Practicable Date and the date of the EGM:

Name of Shareholders	As at the Latest Practicable Date		Upon full utilisation of the Refreshed General Mandate	
	No. of Shares	%	No. of Shares	%
Mr. Jiang Jianjun ^(Note 1)	108,648,000	7.50	108,648,000	6.25
Mr. Qu Shuncaï ^(Note 2)	8,180,000	0.56	8,180,000	0.47
Mr. Chen Hua ^(Note 3)	179,118,000	12.36	179,118,000	10.30
Public Shareholders	1,153,248,876	79.58	1,153,248,876	66.31
Shares that may be issued under the Refreshed General Mandate	–	–	289,838,975	16.67
Total	1,449,194,876	100.00	1,739,033,851	100.00

Notes:

- Mr. Jiang Jianjun is an executive Director.
- Mr. Qu Shuncaï is an executive Director.
- 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.

LETTER FROM ASTRUM

As illustrated in the table above, assuming no Shares will be issued and/or repurchased by the Company during the period between the Latest Practicable Date and the date of the EGM, 289,838,975 new Shares can be issued upon full utilisation of the Refreshed General Mandate, representing approximately 20% of the issued share capital of the Company as at the date of the EGM, and the aggregate shareholding of the existing public Shareholders will decrease from approximately 79.58% as at the Latest Practicable Date to approximately 66.31% upon full utilisation of the Refreshed General Mandate (assuming that none of the new Shares to be issued under the Refreshed General Mandate will be issued to any of the existing Shareholders). Such potential dilution to the shareholding of the existing public Shareholders represents a dilution of approximately 16.67%.

Taking into account that (i) the refreshment of the Existing General Mandate will provide an alternative to increase the amount of capital which may be raised under the Refreshed General Mandate; (ii) the refreshment of the Existing General Mandate provides more flexibility and options of financing to the Group for further business development as well as for other potential future investments as and when such opportunities arise; and (iii) the shareholding interests of all the Shareholders will be decreased in proportion to their respective shareholdings upon any utilisation of the Refreshed General Mandate assuming that none of the new Shares to be issued under the Refreshed General Mandate will be issued to any of the existing Shareholders, we are of the opinion that the potential dilution of shareholdings of the public Shareholders is justifiable.

RECOMMENDATION

Having taken into account the principal factors and reasons referred to the above, we are of the opinion that the proposed refreshment of the Existing General Mandate is fair and reasonable so far as the Company and the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. We therefore advise the Independent Shareholders and recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the ordinary resolution approving the refreshment of the Existing General Mandate at the EGM.

Yours faithfully,

For and on behalf of

Astrum Capital Management Limited

Hidulf Kwan

Executive Director

Jackie Pan

Executive Director

NOTICE OF EGM



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)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “**EGM**”) of Sino Distillery Group Limited (the “**Company**”) will be held at 2509, Tower One, Lippo Centre, 89 Queensway, Hong Kong on Wednesday, 2 April 2014, at 11:00 a.m. for the purposes of considering and, if thought fit, passing the following resolution as an ordinary resolution of the Company, with or without amendment:

ORDINARY RESOLUTION

“THAT

- (a) subject to paragraph (c) of this resolution, the exercise by the directors of the Company (the “**Directors**”) during the Relevant Period (as defined below) of all the powers of the Company to allot, issue and deal with new shares in the capital of the Company, and to make or grant offers, agreements and options which might require the exercise of such powers be and is hereby generally and unconditionally approved;
- (b) the approval in paragraph (a) of this resolution shall authorise the Directors during the Relevant Period (as defined below) to make or grant offers, agreements and options which would or might require the exercise of such powers after the end of the Relevant Period (as defined below);

NOTICE OF EGM

- (c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) and issued by the Directors pursuant to the approval in paragraph (a) of this resolution, shall not exceed 20% of the aggregate nominal amount of the share capital of the Company in issue as at the date of the passing of this resolution; and the said approval shall be limited accordingly, otherwise than pursuant to the following:
- (i) a Rights Issue (as defined below);
 - (ii) any shares issued pursuant to the exercise of rights of subscription or conversion under the terms of any warrants or any debentures, bonds, notes issued by the Company or any securities which are convertible into shares of the Company;
 - (iii) any share options granted or exercised pursuant to any option scheme or, any option scheme or similar arrangement for the time being adopted for the grant or issue to officers and/or employees of the Company and/or any of its subsidiaries of shares or rights to acquire shares of the Company; and
 - (iv) any scrip dividend or similar arrangement providing for the allotment of shares in lieu of the whole or part of a dividend on shares of the Company in accordance with the articles of association of the Company; and
- (d) for the purpose of this resolution:

“Relevant Period” means the period from the passing of this resolution until whichever is the earlier of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the articles of association of the Company or any applicable law to be held; or
- (iii) the passing of an ordinary resolution by the shareholders of the Company in general meeting revoking or varying the authority given to the Directors; and

NOTICE OF EGM

“**Rights Issue**” means an offer of shares, open for a period fixed by the Directors to shareholders of the Company on the register on a fixed record date in proportion to their then holdings of such shares (subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in any territory outside Hong Kong).”

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

Hong Kong, 17 March 2014

*Head office and principal place of
business in Hong Kong:*

2509, Tower One
Lippo Centre
89 Queensway
Hong Kong

NOTICE OF EGM

Notes:

1. The register of members of the Company will be closed from Monday, 31 March 2014 to Wednesday, 2 April 2014, both days inclusive, during which period no transfer of shares can be registered. In order to qualify for the entitlement to attend and vote at the EGM, all transfer of documents, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong branch share registrar and transfer office, Tricor Tengis Limited of 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong (which will be relocated to Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong with effect from 31 March 2014), for registration not later than 4:30 p.m. on Friday, 28 March 2014.
2. Any member of the Company entitled to attend and vote at the EGM is entitled to appoint another person as his proxy to attend and vote in his stead. A member who is the holder of two or more shares may appoint more than one proxy to attend and vote on his behalf. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed. A proxy need not be a member of the Company, but must attend the EGM in person to represent you.
3. To be valid, a form of proxy, together with the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy thereof, must be deposited with the Company's Hong Kong branch share registrar and transfer office, Tricor Tengis Limited of 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong (which will be relocated to Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong with effect from 31 March 2014), as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjourned meeting thereof (as the case may be).
4. Completion and delivery of an instrument appointing a proxy should not preclude a member from attending and voting in person at the EGM or any adjournment thereof and, in such event, the instrument appointing a proxy shall be deemed to be revoked.
5. In the case of joint holders of a share of the Company, any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he/she were solely entitled thereto; but if more than one of such joint holders are present at the EGM, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders. For this purpose, seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.