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)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2013

The board of directors (the "Board") of Sino Distillery Group Limited (the "Company") announces the audited consolidated results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2013 together with the comparative amounts for 2012 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2013

	Notes	**2013** **HK$'000**	2012 HK$'000 (Restated)
Continuing operations			
Revenue	*5*	**94,176**	144,738
Cost of sales		**(78,337)**	(107,789)
Gross profit		**15,839**	36,949
Other income and gains	*5*	**2,261**	3,581
Selling and distribution expenses		**(21,926)**	(30,470)
Administrative expenses		**(19,734)**	(43,585)
Other expenses		**–**	(116,177)
Finance costs	*7*	**(4,971)**	(1,238)
Share of loss of an associate		**(201)**	(120)
Loss before tax	*6*	**(28,732)**	(151,060)
Income tax (expenses)/credit	*8*	**(395)**	12,928
Loss from continuing operations		**(29,127)**	(138,132)
Discontinued operations			
Loss from discontinued operations, net of tax	*9*	**(132,862)**	(183,526)

	Notes	**2013**	2012
		HK$'000	*HK$'000*
			(Restated)
LOSS FOR THE YEAR		**(161,989)**	(321,658)
Other comprehensive income			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**(67)**	498
Total comprehensive loss for the year		**(162,056)**	(321,160)
Loss attributable to:			
Owners of the parent		**(126,770)**	(277,800)
Non-controlling interests		**(35,219)**	(43,858)
		(161,989)	(321,658)
Total comprehensive loss attributable to:			
Owners of the parent		**(128,409)**	(277,253)
Non-controlling interests		**(33,647)**	(43,907)
		(162,056)	(321,160)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted	*11*		
From continuing and discontinued operations		**HK(10.61) cents**	HK(23.31) cents
From continuing operations		**HK(2.24) cents**	HK(11.64) cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**18,982**	236,693
Prepaid land lease payments		**–**	32,170
Goodwill		**468**	–
Other intangible assets		**2,620**	12,140
Investment in an associate		**6,200**	3,612
Total non-current assets		**28,270**	284,615
CURRENT ASSETS			
Inventories		**59,348**	129,159
Trade and bills receivables	*12*	**4,630**	5,973
Prepayments, deposits and other receivables		**80,645**	44,843
Due from related parties		**15,310**	10,238
Pledged deposits		**7,784**	37,317
Cash and cash equivalents		**25,487**	8,398
		193,204	235,928
Assets of disposal groups classified as held for sale	*9*	**339,125**	–
Total current assets		**532,329**	235,928
CURRENT LIABILITIES			
Trade and bills payables	*13*	**28,401**	182,205
Other payables and accruals		**14,642**	128,132
Interest-bearing bank and other borrowings		**67,419**	36,087
Due to related parties		**68,996**	30,939
Due to a non-controlling shareholder of a subsidiary		**–**	31,263
Tax payable		**6,736**	6,886
		186,194	415,512
Liabilities directly associated with the assets classified as held for sale	*9*	**432,740**	–
Total current liabilities		**618,934**	415,512

	2013	2012
	HK$'000	*HK$'000*
NET CURRENT LIABILITIES	**(86,605)**	(179,584)
TOTAL ASSETS LESS CURRENT LIABILITIES	**(58,335)**	105,031
NON-CURRENT LIABILITIES		
Deferred tax liabilities	**107**	120
Deferred income	**–**	12,097
Total non-current liabilities	**107**	12,217
Net (liabilities)/assets	**(58,442)**	92,814
EQUITY		
Equity attributable to owners of the parent		
Issued capital	**119,516**	119,516
Reserves	**(160,705)**	(37,396)
	(41,189)	82,120
Non-controlling interests	**(17,253)**	10,694
Total equity	**(58,442)**	92,814

NOTES TO FINANCIAL STATEMENTS

31 December 2013

1. BASIS OF PRESENTATION

At 31 December 2013, the Group had net current liabilities of HK$86,605,000, inclusive of bank and other borrowings and other payables and accruals of HK$67,419,000 and HK$14,642,000, respectively, which were due for repayment or renewal within the next 12 months. The Group incurred a consolidated loss of HK$161,989,000 for the year ended 31 December 2013.

In order to strengthen the capital base of the Group and to improve the Group's financial position, immediate liquidity and cash flows, and otherwise to sustain the Group as a going concern, Able Turbo Enterprises Limited, Mr. Jiang Jianjun and King Wei Group (China) Investment Development Limited, all of which are shareholders of the Company, have agreed to jointly and severally provided continuous financial support to the Group.

Furthermore, the directors intend to negotiate for the deferral of repayment or renewal of the other payables, bank and other borrowings and the amount due to a non-controlling shareholder of a subsidiary when they fall due.

In light of the above, the directors are satisfied that the Group will be able to meet its financial obligations as and when they fall due for the foreseeable future, and are of the opinion that it is appropriate to prepare the consolidated financial statements on a going concern basis.

Should the Group be unable to operate as a going concern, adjustments would have to be made to write down the value of assets to their recoverable amounts, and to provide for any further liabilities which might arise. The effect of these adjustments has not been reflected in the consolidated financial statements.

2. BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention. These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

3. ADOPTION OF NEW OR AMENDED HKFRSs

In the current year, the Group has applied for the first time the following new standards, amendments and interpretations issued by the HKICPA, which are relevant to and effective for the Group's consolidated financial statements for the annual period beginning on 1 January 2013:

Amendments to HKFRSs	Annual improvements to HKFRSs 2009 – 2011 cycle
Amendments to HKFRS 1	First-time Adoption of Hong Kong Financial Reporting Standards – Government Loans
Amendments to HKFRS 7	Financial instruments: Disclosures – Offsetting financial assets and financial liabilities
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated financial statements, joint arrangements and disclosure of interests in other entities: Transition guidance
HKFRS 10	Consolidated financial statements
HKFRS 11	Joint arrangements
HKFRS 12	Disclosure of interests in other entities
HKFRS 13	Fair value measurement
Amendments to HKAS 1	Presentation of items of other comprehensive income
HKAS 19 (as revised in 2011)	Employee benefits
HKAS 27 (as revised in 2011)	Separate financial statements
HKAS 28 (as revised in 2011)	Investments in associates and joint ventures
HK(IFRIC) – INT 20	Stripping costs in the production phase of a surface mine

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impact of the adoption of other new or amended HKFRSs are discussed below:

Amendments to HKFRSs, Annual improvements to HKFRSs 2009 – 2011 cycle

This cycle of annual improvements contains amendments to five standards with consequential amendments to other standards and interpretations. The adoption of the amendments does not have an impact on these consolidated financial statements.

HKFRS 10, Consolidated financial statements

HKFRS 10 replaces the requirements in HKAS 27, Consolidated and separate financial statements relating to the preparation of consolidated financial statements and HK-SIC 12 Consolidation – Special purpose entities. It introduces a single control model to determine whether an investee should be consolidated, by focusing on whether the entity has power over the investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power to affect the amount of those returns.

As a result of the adoption of HKFRS 10, the Group has changed its accounting policy with respect to determining whether it has control over an investee. The adoption does not change any of the control conclusions reached by the Group in respect of its involvement with other entities as at 1 January 2013.

HKFRS 12, Disclosure of interests in other entities

HKFRS 12 brings together into a single standard all the disclosure requirements relevant to an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. The disclosures required by HKFRS 12 are generally more extensive than those previously required by the respective standards.

HKFRS 13, Fair value measurement

HKFRS 13 replaces existing guidance in individual HKFRSs with a single source of fair value measurement guidance. HKFRS 13 also contains extensive disclosure requirements about fair value measurements for both financial instruments and non-financial instruments. The adoption of HKFRS 13 does not have any material impact on the fair value measurements of the Group's assets and liabilities.

Amendments to HKAS 1, Presentation of financial statements – Presentation of items of other comprehensive income

The amendments require entities to present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss. The presentation of other comprehensive income in the statement of profit or loss and other comprehensive income in these consolidated financial statements has been modified accordingly. In addition, the Group has chosen to use the new titles "statement of profit or loss and other comprehensive income" as introduced by the amendments in these consolidated financial statements.

HKAS 19 (as revised in 2011), Employee benefits

HKAS 19 (as revised in 2011) includes a number of amendments that range from fundamental changes to simple clarifications and re-wording. The revised standard introduces significant changes in the accounting for defined benefit pension plans including removing the choice to defer the recognition of actuarial gains and losses. Other changes include modifications to the timing of recognition for termination benefits, the classification of short-term employee benefits and disclosures of defined benefit plans. As the Group does not have any defined benefit plan or employee termination plan and the Group does not have any significant employee benefits that are expected to be settled for more than twelve months after the reporting period, the adoption of the revised standard has had no effect on the financial position or performance of the Group.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has three reportable operating segments as follows:

(a) the ethanol segment is engaged in the production and sale of ethanol products and ethanol by-products;

(b) the wine and liquor segment is engaged in the sale and distribution of wine and liquor; and

(c) the animal feed segment is engaged in the production and sale of forages.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment results. Segment results are measured consistently with the Group's loss before tax except that interest income, finance costs as well as head office and corporate expenses are excluded from such measurement.

Segment assets exclude pledged deposits, cash and cash equivalents and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude interest-bearing bank and other borrowings, amounts due to related parties and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

No intersegment sale and transfer was transacted for the years ended 31 December 2013 and 2012.

	Wine and liquor *HK$'000*	Animal feed *HK$'000*	Continuing operations *HK$'000*	Discontinued operations *HK$'000*	Total *HK$'000*
Year ended 31 December 2013					
Segment revenue:					
Sales to external customers	**94,176**	**–**	**94,176**	**346,609**	**440,785**
Other revenue	**2,237**	**–**	**2,237**	**6,520**	**8,757**
	96,413	**–**	**96,413**	**353,129**	**449,542**
Segment results	**(16,077)**	**(326)**	**(16,403)**	**(126,545)**	**(142,948)**
Reconciliation:					
Interest income			**24**	**1,178**	**1,202**
Corporate and other unallocated expenses			**(7,382)**	**–**	**(7,382)**
Finance costs			**(4,971)**	**(7,495)**	**(12,466)**
Loss before tax			**(28,732)**	**(132,862)**	**(161,594)**
Income tax expenses			**(395)**	**–**	**(395)**
Loss for the year			**(29,127)**	**(132,862)**	**(161,989)**
Segment assets	**231,906**	**10,695**	**242,601**	**339,125**	**581,726**
Reconciliation:					
Elimination of intersegment receivables			**(22,153)**	**–**	**(22,153)**
Corporate and other unallocated assets			**1,026**	**–**	**1,026**
Total assets			**221,474**	**339,125**	**560,599**
Segment liabilities	**193,105**	**55**	**193,160**	**432,740**	**625,900**
Reconciliation:					
Elimination of intersegment payables			**(22,153)**	**–**	**(22,153)**
Corporate and other unallocated liabilities			**15,294**	**–**	**15,294**
Total liabilities			**186,301**	**432,740**	**619,041**
Other segment information					
Share of loss of an associate	**201**	**–**	**201**	**–**	**201**
Provision for inventories	**51**	**–**	**51**	**19,274**	**19,325**
Depreciation and amortisation	**1,858**	**45**	**1,903**	**31,103**	**33,006**
Investment in an associate	**6,200**	**–**	**6,200**	**–**	**6,200**
Capital expenditure*	**2,140**	**2**	**2,142**	**6,008**	**8,150**

	Ethanol (Restated) *HK$'000*	Wine and liquor (Restated) *HK$'000*	Animal feed (Restated) *HK$'000*	Continuing operations (Restated) *HK$'000*	Discontinued operations (Restated) *HK$'000*	Total (Restated) *HK$'000*
Year ended 31 December 2012						
Segment revenue:						
Sales to external customers	–	144,738	–	144,738	54,587	199,325
Other revenue	–	3,494	–	3,494	1,711	5,205
		148,232	–	148,232	56,298	204,530
Segment results		(56,004)	(65,756)	(121,760)	(177,720)	(299,480)
Reconciliation:						
Interest income				87	8	95
Corporate and other unallocated expenses				(28,149)	–	(28,149)
Finance costs				(1,238)	(5,814)	(7,052)
Loss before tax				(151,060)	(183,526)	(334,586)
Income tax credit				12,928	–	12,928
Loss for the year				(138,132)	(183,526)	(321,658)
Segment assets	320,943	137,697	31,111	489,751	–	489,751
Reconciliation:						
Elimination of intersegment receivables				(18,179)	–	(18,179)
Corporate and other unallocated assets				48,971	–	48,971
Total assets				520,543	–	520,543
Segment liabilities	327,932	30,375	18,480	376,787	–	376,787
Reconciliation:						
Elimination of intersegment payables				(18,179)	–	(18,179)
Corporate and other unallocated liabilities				69,121	–	69,121
Total liabilities				427,729	–	427,729
Other segment information						
Share of loss of an associate	–	120	–	120	–	120
Impairment losses recognised in the income statement	–	54,862	61,255	116,117	111,200	227,377
(Reversal of provision)/ provision for inventories	–	(2,708)	–	(2,708)	5,471	2,763
Provision for other receivables	–	6,657	–	6,657	427	7,084
Depreciation and amortisation	–	7,237	3,691	10,928	28,666	39,594
Investment in an associate	–	3,612	–	3,612	–	3,612
Capital expenditure*	–	1,802	62	1,864	29,155	31,019

* Capital expenditure consists of additions to property, plant and equipment.

Geographical information

Over 90% of the Group's customers are located in Mainland China and all revenue of the Group is derived from operations in Mainland China. The management considers that it is impracticable to allocate the revenue and segment results to geographical locations.

Information about a major customer

During the year, there was no external customer accounted for 10% or more of the Group's total revenue of continuing operations (2012: Nil). Revenue from discontinued operations of approximately HK$118,462,000 (2012: Nil) was derived from sales to a single customer.

5. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts.

An analysis of revenue, other income and gains is as follows:

	2013	2012
	HK$'000	*HK$'000*
		(Restated)
Continuing operations		
Revenue		
Sale of goods	**94,176**	144,738
Other income and gains		
Interest income	**24**	87
Others	**2,237**	3,494
	2,261	3,581
Discontinued operations		
Revenue		
Sale of goods	**346,609**	54,587
Other income and gains		
Amortisation of deferred income	**510**	498
Government grants*	**5,343**	1,168
Interest income	**1,178**	8
Others	**667**	45
	7,698	1,719

* The government grants represent the subsidies received by the Group from the local government for environmental protection and the transformation of new patterns of industrialisation. There are no unfulfilled conditions or contingencies relating to these grants.

6. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging/(crediting):

	2013	2012
	HK$'000	*HK$'000*
		(Restated)
Continuing operations		
Cost of inventories sold	**78,286**	110,497
Depreciation	**1,756**	1,190
Amortisation of other intangible assets	**147**	9,738
Minimum lease payments under operating leases in respect of land and buildings	**5,903**	5,356
Auditor's remuneration	**910**	1,150
Employee benefit expense (including directors' emoluments):		
Wages and salaries	**13,373**	16,498
Equity-settled share option expense	**5,101**	9,373
Pension scheme contributions	**1,189**	655
	19,663	26,526
Other expenses:		
Impairment of goodwill	**–**	4,073
Impairment of other intangible assets	**–**	112,104
	–	116,177
Foreign exchange differences, net	**8**	(25)
Provision/(reversal of provision) for inventories*	**51**	(2,708)
Provision for other receivables**	**–**	6,657
Loss on disposal of items of property, plant and equipment	**140**	26
Loss on disposal of subsidiaries**	**–**	3,367
Interest income	**(24)**	(87)

	2013	2012
	HK$'000	*HK$'000*
		(Restated)
Discontinued operations		
Cost of inventories sold	**428,927**	71,590
Depreciation	**29,642**	27,009
Amortisation of prepaid land lease payments	**1,076**	1,081
Amortisation of other intangible assets	**385**	576
Employee benefit expense (including directors' emoluments):		
Wages and salaries	**13,405**	9,236
Pension scheme contributions	**3,725**	1,794
	17,130	11,030
Other expenses:		
Impairment of items of property, plant and equipment	**–**	106,475
Impairment of other intangible assets	**–**	4,725
	–	111,200
Provision for inventories*	**19,274**	5,471
Provision for other receivables**	**–**	427
Loss on disposal of items of property, plant and equipment	**525**	20
Interest income	**(1,178)**	(8)

* The (reversal of provision)/provision for inventories for the year is included in "Cost of sales" in the consolidated statement of profit or loss and other comprehensive income.

** The provision for other receivables and loss on disposal of subsidiaries for the year are included in "Administrative expenses" in the consolidated statement of profit or loss and other comprehensive income.

7. FINANCE COSTS

	Group	
	2013	2012
	HK$'000	*HK$'000*
		(Restated)
Continuing operations		
Interest on bank loans and other loans wholly repayable within five years	**4,971**	1,238
Discontinued operations		
Interest on bank loans and other loans wholly repayable within five years	**1,310**	5,429
Interest on trade payables	**6,185**	385
	7,495	5,814

8. INCOME TAX

During the year, no Hong Kong profits tax has been provided as there was no assessable profit arising from Hong Kong. Taxes on profits assessable elsewhere have been calculated at the rate of tax prevailing in Mainland China in which the Group operates.

	2013	2012
	HK$'000	*HK$'000*
Continuing operations		
Under-provision in previous years	**410**	–
Current	**–**	1,298
Deferred	**(15)**	(14,226)
Total tax expenses/(credit) for the year	**395**	(12,928)

9. DISCONTINUED OPERATIONS

(i) On 24 February 2014, a wholly-owned subsidiary of the Company (the "Vendor"), entered into the Agreement with the Zhaodong Beidahuang Biotechnology Limited and Linxiang Huayin Changjiang Small and Medium Enterprises Guarantee Limited (the "Purchasers"), whereby the Purchasers have conditionally agreed to purchase and the Vendor has conditionally agreed to sell the Sale Capital, representing all 75% equity interest in Harbin China Distillery Limited held by the subsidiary at the consideration of RMB40 million.

(ii) On 26 March 2014, BAPP Ethanol Holdings Limited (the "BAPP"), a wholly-owned subsidiary of the Group, entered into the Agreement with an independent third party (the "Purchaser"), the BAPP has conditionally agreed to sell all 100% equity interest in the BAPP (Northwest) Limited held by the BAPP, which hold 100% equity interest of Ningxia West Bright New Resource Technology Company Limited at the consideration of RMB40 million (the "Disposal of BAPP").

The results of the discontinued operations for the year are presented below:

	2013	2012
	HK$'000	*HK$'000*
Revenue	**354,307**	56,306
Expenses	**(479,674)**	(234,018)
Finance costs	**(7,495)**	(5,814)
Loss before tax from the discontinued operations	**(132,862)**	(183,526)
Income tax	**–**	–
Loss for the year from the discontinued operations	**(132,862)**	(183,526)

The major classes of assets and liabilities of the discontinued operations classified as held for sale as at 31 December are as follows:

	2013
	HK$'000
Assets	
Property, plant and equipment	**198,372**
Prepaid land lease payments	**32,894**
Other intangible assets	**9,164**
Inventories	**65,732**
Trade and bills receivables	**11,120**
Prepayments, deposit and other receivables	**14,995**
Due from related parties	**4,019**
Cash and cash equivalents	**2,829**
Assets of disposal groups classified as held for sale	**339,125**
Liabilities	
Trade and bills payables	**(161,269)**
Other payables and accruals	**(131,420)**
Interest-bearing bank and other borrowings	**(92,863)**
Due to related parties	**(3,367)**
Due to a non-controlling shareholder of a subsidiary	**(31,967)**
	(420,886)
Non-current Liabilities	
Deferred income	**(11,854)**
Liabilities directly associated with the assets classified as held for sale	**(432,740)**
Net liabilities directly associated with the disposal groups	**(93,615)**

The net cash flows incurred by the discontinued operations are as follows:

	2013	2012
	HK$'000	*HK$'000*
Net cash (outflow)/inflow in operating activities	**(101,080)**	120,673
Net cash inflow/(outflow) in investing activities	**32,470**	(66,081)
Net cash inflow/(outflow) in financing activities	**68,735**	(52,850)
Effect of foreign exchange rate changes, net	**(919)**	(411)
Net cash (outflow)/inflow	**(794)**	1,331

10. DIVIDENDS

The directors do not recommend the payment of any dividend for the year ended 31 December 2013 (2012: Nil).

11. LOSS PER SHARE

Basic loss per share is calculated by dividing the loss attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

For continuing and discontinued operations

	2013	2012
Loss attributable to the equity holders of the Company *(HK$'000)*	**(126,770)**	(277,800)
Weighted average number of ordinary shares in issue *('000)*	**1,195,162**	1,191,660
Basic loss per share *(HK cents)*	**10.61**	23.31

For continuing operations

	2013	2012 (Restated)
Loss attributable to the equity holders of the Company *(HK$'000)*	**(126,770)**	(277,800)
Add: Loss attributable to the equity holders of the Company from discontinued operations *(HK$'000)*	**99,972**	139,111
Loss attributable to the equity holders of the Company from continuing operations *(HK$'000)*	**(26,798)**	(138,689)
Weighted average number of ordinary shares in issue *('000)*	**1,195,162**	1,191,660
Basic loss per share *(HK cents)*	**2.24**	11.64

For discontinued operations

Basic loss per share for the discontinued operations is HK8.37 (2012: HK11.67 cent) cent per share based on the loss attributable to shareholders of the Company from the discontinued operations of approximately HK$99,972,000 (2012: HK$139,111,000).

No diluted loss per share has been presented for the years ended 31 December 2013 and 2012 as there was no dilutive potential ordinary share outstanding during the year and the exercise price of the Company's outstanding share options was higher than the average market price for the Company's share during the year.

12. TRADE AND BILLS RECEIVABLES

Other than the cash and credit card sales, the Group allows a credit period which is generally one month, extending up to three months for major customers. Each customer has a maximum credit limit. The Group does not hold any collateral or other credit enhancements over its trade and bills receivable balances. Trade and bills receivables are non-interest-bearing.

None of the trade and bills receivables is impaired. An aged analysis of the trade and bills receivables as at the end of the reporting period, based on the invoice date, is as follows:

	Group	
	2013	2012
	HK$'000	*HK$'000*
Within 1 month	**4,332**	5,243
1 to 2 months	**133**	355
2 to 3 months	**–**	–
Over 3 months	**165**	375
	4,630	5,973

13. TRADE AND BILLS PAYABLES

An aged analysis of the trade and bills payables as at the end of the reporting period, based on the invoice date, is as follows:

	Group	
	2013	2012
	HK$'000	*HK$'000*
Within 1 month	**6,941**	50,044
1 to 2 months	**19,460**	52,842
2 to 3 months	**–**	192
Over 3 months	**2,000**	79,127
	28,401	182,205

At 31 December 2013, trade payables from discontinued operations of approximately HK$55,978,000 bore interest at 6% per annum and are settled on 300-day terms. The remaining trade and bills payables are non-interest-bearing and are normally settled on 30-day terms and 180-day terms, respectively. At 31 December 2013, bills payable from continuing operations of approximately HK$19,460,000 (2012: HK$74,634,000) were secured by the time deposits of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

Since the Group has signed the sales and purchase agreements with independent third parties for the disposal of Harbin China Distillery Company Limited and BAPP (Northwest) Limited on 24 February 2014 and 26 March 2014 respectively. It represented the entire ethanol business segment of the Group, so the Group reclassified the whole ethanol business segment as assets held for sale as at the reporting date. The revenue, cost of sales and various expenses related to the whole ethanol business segment for the year ended 31 December 2013 (the "Year") were included in the loss from discontinued operations (net of tax) in the consolidated statement of profit or loss and other comprehensive income for the Year, as comparative figures.

For the Year, the continuing operations of the Group achieved a revenue of approximately HK$94.18 million (2012: HK$144.74 million), representing a decrease of 34.93% from last year. Gross profit for the continuing operations of the Group was approximately HK$15.84 million (2012: HK$36.95 million). The loss (net of taxation) from continuing operations was HK$29.13 million and the loss from discontinued operations (net of tax) was HK$132.86 million. Loss attributable to owners of the parent was approximately HK$126.77 million (2012: HK$277.80 million), representing an decrease of 54.37% from last year. Loss per share for the Year was HK10.61 cents (2012: HK23.31 cents). For the Year, the Group's ethanol business constituted the key revenue generator of the Group.

The Group will continue to control the costs and focus on existing resources to further strengthen and grow the Group's businesses, both organically and through acquisitions when appropriate opportunities arise.

Segmental Information

Ethanol business

The Group's ethanol business is principally engaged in the production and sale of ethanol products and ethanol by-products in the PRC. Currently, Harbin China Distillery Company Limited ("Harbin Distillery"), a 75% owned subsidiary of the Group, manages and operates an ethanol production facility located in Harbin, PRC. This ethanol production facility is designed to have an annual production capacity of 60,000 tonnes.

During the Year, the profitability of Harbin Distillery is highly sensitive to ethanol and corn price and the demand for ethanol products is partly correlated to the downstream liquor industry. The ethanol business recorded revenue of approximately HK$346.61 million, up 534.97% over last year and accounted for 78.63% (2012: 27.39%) of the total revenue.

Wine and liquor business

The Group's wine and liquor business is principally engaged in the sale and distribution of wine and liquor in the PRC. Currently, the Group operates a retail and distribution network for selling wine and liquor in Guangzhou, Harbin and Hunan Province of the PRC. The Group had 28 wine and liquor specialty stores and 22 franchise stores in Guangzhou. The Group is the exclusive distributor of Diancang Jiugui and Meiming Wenshi in China until May 2020.

Since 2012, the revenue of this business was hit by PRC government calls for cracking down on extravagance in government departments and state-owned institutions and enterprises and plasticiser contamination scandal. The operating environment of the liquor industry in China remained difficult during the Year. The Group will closely monitor the market situations and trends and adopt corresponding measures of risk management to alleviate the negative impacts. Meanwhile, the Group will continue to improve the product mix and focus on higher margin products to grow its business. Apart from strengthening the established markets, the Group will strive to expand its retail and distribution network to other parts of China.

Due to the government policy, during the Year, the wine and liquor business recorded revenue of approximately HK$94.18 million (2012: HK$144.74 million), down 34.93% from last year and accounted for 21.37% (2012: 72.61%) of the total revenue. Gross profit was approximately HK$15.84 million (2012: HK$36.95 million), representing a decrease of 57.13% from last year.

Animal feed business

During the Year, as the Group directed most of its resources to the development of the Group's ethanol business and wine and liquor business, and as a result the development of the Group's animal feed business was hindered.

In 2014, the Group will continue to pursue additional potential locations for future facilities, which involve consideration of a number of criteria including availability of raw materials and infrastructure, potential strategic partnerships, logistics and other market factors. In addition, if the memorandum of understanding (the "MOU") mentioned in this results announcement materialises, the Company intends to utilise the land for development of an eco-pasture base.

Additional Information

The Group will continue to explore the new markets and increase the promotion and marketing activities to expand the existing business. The Group would also look for other business and related profitable business for acquisition purpose.

Acquisition and Disposal of Subsidiaries

Acquisition

In order to seek for more business opportunities and to maximize return to shareholders of the Company, on 5 July 2013, Shenzhen Meiming Wenshi Trading Limited ("SZMM"), an indirect wholly-owned subsidiary of the Company, entered into the equity transfer agreement with an independent third party to acquire 51% of the equity interest of Ningxia Kelong Industrial Co. Limited ("Target Company") to explore the possibility of diversification of the Group's business. The Target Company engages principally in promotion and application of research and development in plant biotechnology, promotion and application in plant cloning technology, cropping and marketing in vegetable and floriculture and operations in green food business.

Disposal

(i) On 24 February 2014, SZMM, an indirect wholly-owned subsidiary of the Company, entered into the agreement (as supplemented by the supplemental agreement dated 26 February 2014) with the Zhaodong Beidahuang Biotechnology Limited and Linxiang Huayin Changjiang Small and Medium Enterprises Guarantee Limited, SZMM has conditionally agreed to sell all 75% equity interest in Harbin China Distillery Company Limited held by SZMM at the consideration of RMB40 million ("Harbin Disposal"). The Directors considered that the Harbin Disposal provides a good opportunity for the Group to improve the financial performance of the Group. The sale proceeds from the Harbin Disposal could enhance the Group's working capital position as well as providing additional capital resources for the Group to make future investment in potential projects when opportunity arises. Therefore, the Directors considered the Harbin Disposal is in line with the Group's overall business strategy.

(ii) On 26 March 2014, BAPP Ethanol Holdings Limited ("BAPP"), a wholly-owned subsidiary of the Company, entered into the agreement with an independent third party, the BAPP has conditionally agreed to sell all 100% equity interest in BAPP (Northwest) Limited held by the BAPP, which hold 100% equity interest of Ningxia West Bright New Resource Technology Company Limited at the consideration of RMB40 million ("BAPP Disposal"). The Directors considered that the BAPP Disposal provides a good opportunity for the Group to improve the financial performance of the Group. The sale proceeds from the BAPP Disposal could enhance the Group's working capital position as well as providing additional capital resources for the Group to make future investment in potential projects when opportunity arises. Therefore, the Directors considered the BAPP Disposal is in line with the Group's overall business strategy.

Memorandum of Understanding

On 12 August 2013, the Company entered into a non-legally binding memorandum of understanding ("MOU") with an independent third party ("Vendor") pursuant to which the Company intended to acquire and the Vendor intended to sell 100% of the issued share capital of a company (the "Target") ("Possible Acquisition"). The Target and its subsidiary ("Target Group") are in the process of acquiring a company incorporated in China which is holding a piece of multipurpose agricultural land (the "Land") in the Yinchuan City of Ningxia Province, China. The Company intended to acquire the Land for the development of an eco-pasture base.

Pursuant to the MOU, the Vendor and the Company will negotiate in good faith the terms of the Formal Agreement for the Possible Acquisition within 6 months after the date of the MOU. The terms for the formal agreement for the Possible Acquisition have not yet been finalized at the end of the 6 months, pending the results of the due diligence on the Target Group. After negotiation, the Company and the Vendor agreed that additional time is needed for the Company to complete its due diligence on the Target Group. Accordingly, the Company and the Vendor have entered into an extension agreement on 24 February 2014 to extend the MOU for 6 months to 23 August 2014 in order to enable the Company to complete its due diligence on the Target Group. The Company will make further announcement on the progress of the Possible Acquisition as and when appropriate.

Business Co-operation

As announced on 28 January 2014, the Group has started to explore 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 People's Republic of China with limited liability. CECT-Chinacomm and its ultimate beneficial owners are independent of and not connected with the Company and its connected persons. 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 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. The co-operation is still in discussion stage and no formal agreement has been entered into by the parties at the date of this results announcement. The Board expects that the Company will be able to join CECT-Chinacomm and its subsidiary to develop the project for commercial benefits.

* *for identification purpose only*

Subscription of New Shares under General Mandate

On 21 January 2014, the Company entered into the Subscription Agreements with the independent Subscribers for the subscription of an aggregate 239,032,479 Subscription Shares at the Subscription Price of HK$0.405 per Subscription Share. These transactions represented an opportunity to raise additional funding for the Group's business operation and also helped strengthen the capital base and financial position for the Group's future business developments and broaden the shareholder base of the Company. Furthermore, the Subscriptions were a preferred method of fund raising as compared with other equity fund raising exercises based on time and costs involved. Gross proceeds from the Subscription were approximately HK$96.8 million. The net proceeds from the Subscription, after deducting the expenses payable by the Company were approximately HK$96.5 million. The proceeds will be used by the Company for the Group's business development and general working capital purposes.

Financial Review

The continuing operations of the Group achieved a revenue of approximately HK$94.18 million (2012: HK$144.74 million), representing a decrease of 34.93% from last year. Gross profit for the continuing operations of the Group was approximately HK$15.84 million (2012: HK$36.95 million). The loss (net of taxation) from continuing operations was HK$29.13 million and the loss from discontinued operations (net of tax) was HK$132.86 million. Loss attributable to owners of the parent was approximately HK$126.77 million (2012: HK$277.80 million), representing a decrease of 54.37% over last year. Loss per share for the Year was HK10.61 cents (2012: HK23.31 cents).

Selling and distribution expenses were approximately HK$21.93 million, (2012: HK$30.47 million) representing a decrease of 28.03% from last year and 23.29% (2012: 21.05%) of the Group's revenue.

Administrative expenses were approximately HK$19.73 million (2012: HK$43.59 million), representing an decrease of 54.74% from last year.

Finance cost was approximately HK$4.97 million (2012: HK$1.24 million), representing an increase of 301% over last year. The increase was due to increase in the loan interest.

Discontinued operations

Although the revenue from the entire ethanol business segment (including revenue and other revenue) generated by Harbin China Distillery Company Limited increased substantially from approximately HK$54.59 million in 2012 to approximately HK$346.61 million in 2013, the loss from this discontinued operation, net of tax for the year, excluding the impairment loss incurred in 2012, increased significantly from approximately HK$72.33 million in 2012 to approximately HK$132.86 million for 2013.

Since the Group has signed the sales and purchase agreements with independent third parties for the Harbin Disposal and BAPP Disposal on 24 February 2014 and 26 March 2014 respectively, the Group reclassified the entire ethanol business segment of the Group from subsidiaries to assets held for sale. The net liabilities directly associated with these disposal groups were classified as held for sale amounted to HK$93.62 million. As the Group only held 75% of equity interest in Harbin China Distillery Company Limited, the amount of net liabilities of Harbin China Distillery Company Limited shared by the Group as at 31 December 2013 was approximately HK$70.22 million. It is estimated that the Group will realize significant gain from the Harbin Disposal and BAPP Disposal for the year ending 31 December 2014.

Liquidity, Financial Resources and Capital Structure

Throughout the Year, the issued share capital of the Company comprised 1,195,162,397 shares and there were no other capital instruments in issue. As at 31 December 2013, the Group had net liability to owners of the parent of approximately HK$41.19 million (2012: equity attributable to owners of the parent HK$82.12 million). Net current liabilities of the Group as at 31 December 2013 amounted to approximately HK$86.61 million (2012: HK$179.58 million). The Group's unpledged cash and cash equivalents as at 31 December 2013 amounted to approximately HK$25.49 million (2012: HK$8.40 million), which were denominated in Hong Kong dollars and Renminbi. Harbin China Distillery Company Limited held cash and bank balances of approximately HK$2.83 million for the year ended 31 December 2013.

As at 31 December 2013, the Group's total borrowings amounted to approximately HK$136.42 million (2012: HK$98.29 million). The Group's borrowings included bank loans of approximately HK$67.41 million (2012: HK$32.34 million), other borrowings of approximately HK$0.009 million (2012: HK$3.75 million), amounts due to related parties of approximately HK$69.00 million (2012: HK$30.94 million) and an amount due to a non-controlling shareholder of a subsidiary of approximately HK$31.97 million, which has been reclassified under liabilities directly associated with the assets classified as held for sale (2012: HK$31.26 million). As at 31 December 2013, the Group's unsecured other borrowings of approximately HK$3.83 million were held by Harbin China Distillery Company Limited, which was classified as liabilities directly associated with the assets classified as held for sale of the Group as at 31 December 2013. Harbin China Distillery Company Limited also held bank borrowings of approximately HK$92.86 million as at 31 December 2013. Approximately 90.9% of the Group's borrowings were denominated in Renminbi with the rest in Hong Kong dollars. The bank loans, other borrowings and amounts due to related parties of approximately HK$69.00 million (2012: HK$30.94 million) are charged at fixed interest rates. The gearing ratio of the Group as at 31 December 2013, calculated as net debt divided by equity attributable to owners of the parent plus net debt, was 139.2% (2012: 81.5%).

Having considered the Group's current unpledged cash and cash equivalents, bank and other borrowings, banking facilities and the financial support from shareholders, the management believes that the Group's financial resources are sufficient for its day-to-day operations. The Group did not use financial instruments for financial hedging purposes during the Year. The Group's business transactions, assets and liabilities are principally denominated in Renminbi and Hong Kong dollars. Fluctuations in Renminbi may impact the Group's results and net asset value as the Company's consolidated financial statements are presented in Hong Kong dollars. The Group's treasury policy is to manage its foreign currency exposure only when its potential financial impact is material to the Group. The Group will continue to monitor its foreign exchange position and, if necessary, utilise hedging tools, if available, to manage its foreign currency exposure.

Charge on Assets and Contingent Liabilities

As at 31 December 2013, certain of the Group's property, plant and equipment, leasehold land and bank deposits with aggregate net book value of approximately HK$96.08 million (2012: HK$89.5 million) were pledged to banks to secure the Group's bank loans and bills payable. As at 31 December 2013, the Group had no material contingent liabilities (2012: Nil).

Employee and Remuneration Policy

As at 31 December 2013, the Group had approximately 504 (2012: 541) employees in Hong Kong and the PRC with total staff costs amounted to approximately HK$36.79 million (2012: HK$37.46 million). Remuneration of employees is offered at competitive standards, generally structured with reference to market terms and individual qualifications. The Company has adopted a share option scheme and the purpose of which is to provide incentives to participants for their contribution to the Group, and to enable the Group to recruit and retain quality employees to serve the Group on a long-term basis.

SCOPE OF WORK OF CHENG & CHENG LIMITED

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2013 as set out in this preliminary announcement have been agreed by the Group's auditor, Cheng & Cheng Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Cheng & Cheng Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Cheng & Cheng Limited on this preliminary announcement.

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

The following is an extract of the independent auditor's report on the Group's annual audited financial statements for the year ended 31 December 2013:

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2013, and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Emphasis of matter

Without qualifying our opinion, we draw attention to note 2.1 in the consolidated financial statements which indicates that the Group incurred a consolidated net loss of HK$161,989,000 during the year ended 31 December 2013, and, as at that date, the Group's consolidated current liabilities exceeded its consolidated current assets by HK$86,605,000. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the Year.

REVIEW OF FINANCIAL STATEMENTS

The consolidated financial statements of the Group for the year ended 31 December 2013 have been reviewed by the audit committee.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company has complied with all code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited during the year ended 31 December 2013, save as disclosed as follows.

In respect of code provision A.1.3 of the CG Code, notice of at least 14 days should be given of the regular board meeting to give all directors an opportunity to attend. During the Year, one of the regular Board meetings was convened with less than 14 days' notice to enable the Board members to react timely and make expeditious decision making in respect of transactions which were of significance to the Group's business. As a result, the aforesaid regular Board meeting was held with a shorter notice period than required with the consent of all the Directors for that time being. The Board will do its best endeavours to meet the requirement of code provision A.1.3 of the CG Code in future.

In respect of code provision A.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Jiang Jianjun is the Chairman and the Managing Director of the Company (The Company regards the role of its Managing Director to be same as that of chief executive under the CG Code) during the period from 8 May 2013 to 31 December 2013. On 28 March 2014, Mr. Jiang Jianjun resigned as the Managing Director of the Company and Mr. Li Jianqing has been appointed as the Chief Executive Officer of the Company. Following his resignation as the Managing Director, Mr. Jiang Jianjun will remain as the Chairman and an Executive Director. Hence, the Company has duly complied with the code provision A.2.1 as from 28 March 2014.

In respect of code provision A.6.5 of the CG Code, all directors should participate in continuous professional development to develop and refresh their knowledge and skills, and should provide a record of the training they received to the issuer. Mr. Chen Hua and Mr. Kong Hor Fai resigned as Non-executive Directors of the Company on 15 March 2013 and Mr. Han Dong retired as an Executive Director of the Company on 7 May 2013. The Company did not receive the training record from the three Directors.

In respect of code provision A.6.7 of the CG Code, independent non-executive directors and other non-executive directors, as equal board members, should attend general meetings and develop a balanced understanding of the views of shareholders. Mr. Han Dong, an Executive Director, Mr. Huang Qingxi, a Non-executive Director, Dr. Loke Yu and Mr. Li Xiaofeng, both being Independent Non-executive Directors, were unable to attend the extraordinary general meeting of the Company held on 6 February 2013 due to their other business engagements. In addition, Mr. Han Dong and Mr. Li Xiaofeng were unable to attend the annual general meeting of the Company held on 7 May 2013 due to their other business engagements.

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

Hong Kong, 28 March 2014

As at the date hereof, the Executive Directors are Mr. Jiang Jianjun, Mr. Qu Shuncai and Mr. Song Shaohua; the Non-executive Director is Mr. Huang Qingxi; and the Independent Non-executive Directors are Dr. Loke Yu alias Loke Hoi Lam, Mr. Zhang Yonggen and Mr. Li Xiaofeng.