HARBIN BREWERY GROUP LIMITED
哈爾濱啤酒集團有限公司
(Incorporated in the Cayman Islands with limited liability)

PLACING OF EXISTING SHARES AND SUBSCRIPTION FOR NEW SHARES

Sole Bookrunner and Lead Manager

CAZENOVE
Cazenove Asia Limited

The Placing and Subscription Agreement was entered into on 26 February 2003 pursuant to which (i) the Sole Bookrunner and Lead Manager has agreed to use its best efforts to place the Placing Shares held by the Vendor to not less than six independent placees at the Placing Price; and (ii) the Vendor has agreed to subscribe for and the Company has agreed to allot and issue to the Vendor the New Shares subject to, among other things, the granting of the listing of, and permission to deal in, the New Shares by the Listing Committee and completion of the Placing.

The Vendor is the largest shareholder of the Company and currently holds approximately 37.02% of the Company's existing issued share capital. Assuming the maximum number of Placing Shares are placed to the placees and the maximum number of New Shares are subscribed by the Vendor, the Vendor will hold approximately 35.35% of the issued share capital of the Company as enlarged by the allotment of the New Shares immediately after completion of the Placing and the Subscription.

Assuming the maximum number of New Shares are subscribed by the Vendor, the net proceeds from the Subscription are estimated to be approximately HK$90 million. It is the current intention of the Directors to use the net proceeds from the Subscription to acquire (i) 5% interests in HB Hegang from Harbin Brewery Factory, (ii) 30% interests in HB Songjiang from Harbin Songjiang Electrical and Mechanical Factory, and (iii) breweries in the northeastern region of the PRC. After completion of the Hegang Songjiang Acquisitions, the Company would own 100% interests in HB Hegang and HB Songjiang respectively. The Company is currently in negotiations with Harbin Brewery Factory and Harbin Songjiang Electrical and Mechanical Factory and has not yet finalized the terms of, or entered into any acquisition agreements in relation to the Hegang Songjiang Acquisitions. There is therefore no assurance that the Hegang Songjiang Acquisitions will proceed. To the extent that the net proceeds of the Subscription are not used for such acquisitions, the net proceeds will be used as general working capital of the Group. The Company will comply with the Listing Rules and will make further announcements regarding any captioned acquisitions as and when required, including compliance with the connected transaction requirements under the Listing Rules.

PLACING UNDER THE PLACING AND SUBSCRIPTION AGREEMENT DATED 26 FEBRUARY 2003

Vendor:	CEDF (Brewery) Holdings Limited, a company incorporated in the British Virgin Islands.
Number of Placing Shares:	a maximum of 44,000,000 Shares, representing approximately 4.75% of the existing issued share capital of the Company and approximately 4.53% of the issued share capital as enlarged by the issue of the New Shares (assuming the maximum number of Placing Shares are placed to the placees and the maximum number of New Shares are subscribed by the Vendor).
Placing Price:	HK$2.10 per Share, which represents a discount of approximately 8.7% to the closing price of HK$2.30 per Share quoted on the Stock Exchange on 26 February 2003, the latest trading day prior to the date of the Placing and Subscription Agreement and a discount of approximately 9.9% to the average closing price of the Shares of approximately HK$2.33 per Share over the last ten consecutive trading days up to and including 26 February 2003. The Placing Price has been determined after arms length negotiations between the Vendor, the Company and the Sole Bookrunner and Lead Manager.
Rights:	The Placing Shares will be sold free of any encumbrances and third party rights. The placees will receive all dividends and distributions declared, made or paid after the completion of the Placing.
Placees:	The Sole Bookrunner and Lead Manager has agreed to use its best efforts to procure that there will be not less than six independent placees (which will be professional or institutional investors).
Sole Bookrunner and Lead Manager:	Cazenove being the Sole Bookrunner and Lead Manager has agreed to use its best efforts to procure placees for the Placing Shares. Assuming the maximum number of Placing Shares are placed by the Sole Bookrunner and Lead Manager, the Company expects that the total amount of the expenses to be borne by the Company in relation to the Placing and the Subscription is approximately HK$2.5 million.
Placing commission:	2% of the aggregate Placing Price of the Placing Shares placed by the Sole Bookrunner and Lead Manager

Independence of placees and the Sole Bookrunner and Lead Manager:	The placees and the Sole Bookrunner and Lead Manager (and its beneficial owners) are not connected persons (as defined in the Listing Rules) of the Company. None of the placees will become substantial shareholders (as defined in the Listing Rules) of the Company as a result of their acquisition of Shares pursuant to the Placing.
Completion of the Placing:	Completion of the Placing is expected to take place on 3 March 2003 or such later date as may be agreed by the Company, the Vendor and the Sole Bookrunner and Lead Manager.
Force Majeure:	The Sole Bookrunner and Lead Manager is entitled, on the occurrence of certain events (including a material breach of any of the undertakings, representations and warranties set out in the Placing and Subscription Agreement, and material adverse change in the financial position of the Company), to terminate the Placing and Subscription Agreement by giving notice to the Company at any time prior to completion of the Placing.
Lock-up:	Pursuant to the Underwriting Agreements, the Vendor has undertaken to the Company and Underwriters that within 12 months from the Listing Date, it will not and will procure that none of its nominees will sell or otherwise dispose of (either conditionally or unconditionally, or directly or indirectly, or otherwise) any Shares or any interests therein of which it was the beneficial owner or which were registered in its name as at the date of the Underwriting Agreements, without the prior written consent of the IPO Global Co-ordinator (on behalf of the Underwriters). The IPO Global Co-ordinator has given the consent (on behalf of the Underwriters) to the Vendor in relation to the Placing. Pursuant to the Placing and Subscription Agreement, the Vendor has undertaken to the Sole Bookrunner and Lead Manager that, prior to the expiry of the lock-up period set out in the Underwriting Agreements (which period will expire on 27 June 2003), it will not and will procure that none of its nominees will sell or otherwise dispose of (either conditionally or unconditionally, or directly or indirectly, or otherwise) any Shares (including the New Shares but excluding the Placing Shares) or any interests therein, without the prior written consent of the Sole Bookrunner and Lead Manager.

SUBSCRIPTION UNDER THE PLACING AND SUBSCRIPTION AGREEMENT DATED 26 FEBRUARY 2003

Parties

Subscriber:	The Vendor
Issuer:	The Company
Number of New Shares:	The Company has agreed to allot and issue to the Vendor and the Vendor has agreed, conditionally as referred to below, to subscribe for the New Shares. Assuming the maximum number of New Shares are subscribed by the Vendor, the New Shares represent approximately 4.75% of the existing issued share capital of the Company and approximately 4.53% of the issued share capital of the Company as enlarged by the issue of the New Shares. The number of New Shares to be subscribed by the Vendor will be exactly the same as the number of Placing Shares placed by the Sole Bookrunner and Lead Manager.
Subscription Price:	HK$2.10 per Share, which is equivalent to the Placing Price. All the commission, costs, and expenses incurred in relation to the Placing and the Subscription will be borne by the Company and interest accrued on the net Placing proceeds from the date of completion of the Placing to the date of completion of the Subscription will be for the benefit of the Company.
General mandate to issue New Shares:	The New Shares will be issued under the general mandate granted to the Directors pursuant to a resolution passed by the shareholders of the Company on 3 June 2002.
Ranking:	The New Shares, when fully paid, will rank pari passu with all the existing Shares of the Company in issue as at the date of issue of the New Shares.
Conditions and completion of the Subscription:	The Subscription by the Vendor of the New Shares is conditional upon the satisfaction of the following conditions by not later than 10 March 2003 (or such later date as may be agreed between the Sole Bookrunner and Lead Manager, the Vendor and the Company): (i) completion of the Placing; (ii) the granting of the listing of, and permission to deal in, such New Shares by the Listing Committee; and

	(iii) the granting of a waiver to the Vendor from strict compliance with Rule 26.1(c) of the Code by the Securities and Futures Commission.
Completion of the Subscription:	The Subscription is expected to be completed on or before 11 March 2003, being the date falling fourteen days from the date of the Placing and Subscription Agreement. In the event that the Subscription is not completed within fourteen days from the date of the Placing and Subscription Agreement, the Company will fully comply with the requirements of Chapter 14 of the Listing Rules.
Lock-up:	Pursuant to the Underwriting Agreements, the Company has undertaken to the Underwriters that within 12 months from the Listing Date, it will not (without the prior written consent of the IPO Global Co-ordinator on behalf of the Underwriters) allot or issue or agree to allot or issue (either conditionally or unconditionally, or directly or indirectly, or otherwise) any Shares or any interests in Shares. The IPO Global Co-ordinator has given the consent (on behalf of the Underwriters) to the Company in relation to the Subscription. Pursuant to the Placing and Subscription Agreement, the Company has undertaken to the Sole Bookrunner and Lead Manager that, prior to the expiry of the lock-up period set out in the Underwriting Agreements (which period will expire on 27 June 2003), it will not allot or issue or agree to allot or issue (either conditionally or unconditionally, or directly or indirectly, or otherwise) any Shares or any interests in Shares, without the prior written consent of the Sole Bookrunner and Lead Manager.
Principal business:	The principal business activity of the Company is brewing, distribution and sale of beer in the PRC.
Application for listing:	Application will be made to the Listing Committee for the granting of the listing of, and permission to deal in, the New Shares.
Application for waiver from strict compliance with Rule 26.1(c) of the Code	Pursuant to Rule 26.1(c) of the Code, where a person holding more than 30%, but not more than 50%, of the voting rights of a company acquires shares in the company so as to increase its holding of the voting rights of that company by more than 2% from the lowest percentage holding of such person in the last 12 months prior to such acquisition, such person is obliged to make a mandatory offer for all of the issued shares of that company unless a waiver is obtained

from the SFC. Pursuant to the Subscription, assuming that the maximum number of Shares are placed under the Placing and subscribed under the Subscription, the Vendor's interests in the registered capital of the Company will increase from 32.28% to 35.35%. The Vendor will apply to the SFC for a waiver from strict compliance with the requirements of Rule 26.1(c) of the Code.

EFFECT OF THE PLACING AND THE SUBSCRIPTION

The effects on the shareholding structure of the Company pursuant to the Placing and the Subscription are as follows:

	At present		**Immediately after completion of the Placing but before Subscription***		**Immediately after completion of the Placing and Subscription****	
	Number of Shares *(000)*	*%*	**Number of Shares** *(000)*	*%*	**Number of Shares** *(000)*	*%*
Vendor	343,200	37.02%	299,200	32.28%	343,200	35.35%
HBF (BVI)	291,500	31.45%	291,500	31.45%	291,500	30.02%
Placees	0	0.00%	44,000	4.74%	44,000	4.53%
Public	292,274	31.53%	292,274	31.53%	292,274	30.10%
Total	926,974	100.00%	926,974	100.00%	970,974	100.00%

* Assuming the maximum number of Placing Shares are placed to the placees.

** Assuming the maximum number of Placing Shares are placed to the placees and the maximum number of New Shares are subscribed by the Vendor.

REASONS FOR THE PLACING AND THE SUBSCRIPTION AND USE OF PROCEEDS

The net proceeds of the IPO on 27 June 2002 and the over-allotment option exercised on 15 July 2002 were approximately HK$345 million. Of that amount, approximately HK$130 million has been utilized by the Company for the repayment of shareholders' and bank loans. A further HK$90 million has been used for the acquisition of three breweries in August 2002 (HK$70 million was used for the acquisition of the entire interests of Ballantine Management Limited ("Ballantine"), which holds 100%, 63.02% and 60% interest in Jinzhou Jingpingquan Brewery Co., Ltd., Tangshan Brewery Co., Ltd. and Daqing Xiaoxue Brewery Co., Ltd. respectively and HK$20 million was used for capital expenses of the above three breweries). Approximately HK$87 million of the proceeds have been used for the Group's working capital requirements, of which approximately HK$70 million has been used for the purchase and downpayment of raw materials, such as barley. Approximately HK$38 million of the net proceeds of the IPO remains available.

As a result of the acquisition of Ballantine referred to above, the Company has already substantially used the amount of the net proceeds of the IPO allocated for possible future acquisitions.

The Directors estimate that assuming the maximum number of New Shares are subscribed by the Vendor, the net proceeds of the Subscription will amount to approximately HK$90 million. It is the current intention of the Directors to use the net proceeds from the Subscription to acquire (i) 5% interests in HB Hegang from Harbin Brewery Factory, (ii) 30% interests in HB Songjiang from Harbin Songjiang Electrical and Mechanical Factory, and (iii) breweries in the northeastern region of the PRC. After completion of the Hegang Songjiang Acquisitions, the Company would own 100% interests in HB Hegang and HB Songjiang respectively. The Company is currently in negotiations with Harbin Brewery Factory and Harbin Songjiang Electrical and Mechanical Factory and has not yet finalized the terms of, or entered into any acquisition agreements in relation to, the Hegang Songjiang Acquisitions. There is therefore no assurance that the Hegang Songjiang Acquisitions will proceed. To the extent that the net proceeds of the Subscription are not used for such acquisitions, the net proceeds will be used as general working capital of the Group. The Company will comply with the Listing Rules and will make further announcements regarding any captioned acquisitions as and when required, including compliance with the connected transaction requirements under the Listing Rules.

DEFINITIONS

"Cazenove"	Cazenove Asia Limited, an investment adviser and a dealer registered under the Securities Ordinance (Chapter 333 of the Laws of Hong Kong)
"Code"	the Hong Kong Code on Takeovers and Mergers
"Company"	Harbin Brewery Group Limited
"Director(s)"	the director(s) of the Company
"Group"	the Company and its subsidiaries at the relevant point of time
"Harbin Brewery Factory"	哈爾濱啤酒廠, a stated owned enterprise. Harbin Brewery Factory is not a connected person (as defined in the Listing Rules)
"Harbin Songjiang Electrical and Mechanical Factory"	哈爾濱松江電機廠, Harbin Songjiang Electrical and Mechanical Factory is not a connected person (as defined in the Listing Rules)
"HB Hegang"	哈爾濱啤酒(鶴崗)有限公司 (Harbin Brewing (Hegang) Company Limited), a limited liability company established in the PRC on 8 August 1999 and is indirectly owned as to 95% by the Company and as to 5% by Harbin Brewery Factory

"HB Songjiang"	哈爾濱啤酒(松江)有限公司 (Harbin Brewing (Songjiang) Company Limited), a sino-foreign equity joint venture established in the PRC on 25 August 1994 which is owned as to 70% indirectly by the Company and as to 30% by Harbin Songjiang Electrical and Mechanical Factory
"HBF (BVI)"	Harbin Brewery Factory (BVI) Limited, a company incorporated in the British Virgin Islands with limited liability
"Hegang Songjiang Acquisitions"	the proposed acquisitions of 5% interests in HB Hegang from Harbin Brewery Factory and 30% interests in HB Songjiang from Harbin Songjiang Electrical and Mechanical Factory by the Group
"HK$"	Hong Kong Dollars, the lawful currency of the Hong Kong Special Administrative Region of the PRC
"IPO"	the initial public offer of the Company
"IPO Global Co-ordinator"	Cazenove
"IPO Placing Underwriters"	the underwriters of the placing under the IPO named in the Prospectus
"IPO Public Offer Underwriters"	the underwriters of the public offer under the IPO named in the Prospectus
"Listing Committee"	the Listing Committee of the Stock Exchange
"Listing Date"	the date of listing of the Company on the Stock Exchange, being 27 June 2002
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"New Shares"	up to a maximum of 44,000,000 new Shares to be subscribed by the Vendor under the Placing and Subscription Agreement and is equal to the number of Placing Shares sold under the Placing and Subscription Agreement
"Placing"	the placing of the Placing Shares by the Sole Bookrunner and Lead Manager, on behalf of the Vendor pursuant to the Placing and Subscription Agreement
"Placing and Subscription Agreement"	the placing and subscription agreement entered into on 26 February 2003 between the Vendor, the Company and the Sole Bookrunner and Lead Manager in relation to the Placing and the Subscription

"Placing Price"	HK$2.10 per Placing Share
"Placing Shares"	up to a maximum of 44,000,000 Shares currently owned by the Vendor
"PRC"	the People's Republic of China
"Prospectus"	the prospectus of the Company dated 18 June 2002
"Share(s)"	Share(s) of nominal value of HK$0.10 each in the capital of the Company
"Sole Bookrunner and Lead Manager"	Cazenove, the Sole Bookrunner and Lead Manager of the Placing
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subscription"	The subscription for the New Shares by the Vendor pursuant to the Placing and Subscription Agreement
"Subscription Price"	HK$2.10 per New Share
"Underwriters"	the IPO Placing Underwriters and the IPO Public Offer Underwriters
"Underwriting Agreements"	the placing and underwriting agreement relating to the placing under the IPO and entered into between, among others, the Company and the IPO Placing Underwriters on 21 June 2002 and the public offer underwriting agreement relating to the public offer under the IPO entered into between, among others, the Company and the IPO Public Offer Underwriters on 17 June 2002
"Vendor"	CEDF (Brewery) Holdings Limited, a company incorporated under the laws of British Virgin Islands and being the largest shareholder of the Company

By Order of the Board
Harbin Brewery Group Limited
Li Wentao
Chairman

Hong Kong, 26 February 2003

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

Please also refer to the published version of this announcement in South China Morning Post.