

Chairman's Statement



The successful listing of Harbin Brewery Group Limited ("Harbin Brewery" or the "Group") on the Main Board of The Hong Kong Stock Exchange Limited on 27 June 2002 marked the beginning of a new era for the Group. On behalf of the Board of Directors, I am pleased to announce the first annual results of Harbin Brewery since its listing.

The Group recorded solid performances during the year as a result of increased sales volumes, enhanced product mix and improved efficiency of the newly acquired breweries. Turnover and net profit amounted to approximately HK\$1,119 million and HK\$109 million respectively, both increasing 34% over 2001.

Consumers in China are now pursuing higher living standards and having stronger brand consciousness, thus demanding higher quality of various consumer products, including beer products. As a leading brewery brand in the PRC, Harbin Brewery has been serving quality products to leverage the excellent growth potential of the middle-income and premium markets, raising the turnover of the Group's "Classic" and "Premium" products by 54%. During the year, Harbin Brewery's overall sales volumes increased approximately 30%, generating a corresponding growth in the Group's turnover.

In addition, the Group adopted the centrally co-ordinated, process-based management system in the three breweries acquired in June 2001, enhancing their operating efficiencies. These breweries have turned around into profitable ones during the year and have reported favorable financial performances. This demonstrated once again the Group's competence in consistently integrating the newly acquired businesses into its existing operations.

To further consolidate the market in the Northeast Region and to prepare for market expansion outside the region, the Group took another strategic corporate move in August 2002. Three breweries in the Liaoning, Hebei and Heilongjiang Provinces were acquired respectively. Through these acquisitions, the Group is able to tap into new markets more directly, which is crucial for its long-term geographical penetration.

Looking forward, the Group will seek further acquisition opportunities in the Northeast Region of the PRC, in particular its southern part, as well as the Tangshan/Tianjin Region, to elevate its scale of production and extend its market coverage. Production capacities for the newly acquired breweries will be further enhanced through capital investment and their efficiencies will be raised through the implementation of the centrally coordinated marketing and procurement measures, driving the organic growth of the Group.

With China being one of the largest beer consuming nations in the world, together with the industry consolidation taking place in China's beer market, the Group is well positioned to capture valuable opportunities arising to enhance its ability for creating more fruitful shareholder value.

I would like to extend my sincere thanks to Harbin Brewery's management and staff for their hard work and dedication, as well as to our shareholders, customers and suppliers for their continuous support for the Group in the past year. In the coming year, we will work with concerted efforts to bring the Group's business to new heights.

Li Wentao
Chairman

Hong Kong, 15 April 2003