

Mansion House Group Limited ("the Company") has, in the previous year, positioned itself to prepare for the country's entry into the World Trade Organization (WTO). Focusing on the rapid development in China's financial and direct investments, the Group has committed a substantial amount of resources in its major subsidiaries to strengthen its ability to identify investment opportunities and to establish strategic partnerships.

As part of the effort to reinforce the Group's commitment towards the opportunities in China. The Directors has decided to make provision on non-core business to reflect the Group as a focused financial services and investment firm. The efforts are ongoing, and will be beneficial to the Group's reputation and business as a prominent local investment house.

BUSINESS REVIEW AND LOOKING FORWARD

The consolidated turnover of the Group for the year was down substantially at HK\$89,922,287, compared to HK\$164,525,495 in the previous year. The decrease in turnover and cost of sales were due mainly to the fact that presale of the Phase 5 of the Wanhua Garden Property Project in Guangzhou only commenced towards the end of 2000. The Group posted an operating profit, before exceptional provisions and financing cost, of HK\$4,759,077. The exceptional provisions represent provisions made to the Group on its Internet venture, doubtful loans and an insurance claim.

Brokerage

In the year 2000 the turnover of the Group's brokerage subsidiary increased 40% from last year due to a surge in interest in the information technology sector from both institutional and individual investors. Telecommunications and Technology Issues from the newly introduced Growth Enterprise Market (GEM) and the main board propelled the market turnover in the first half. However, the driving force from the NASDAQ slowed down in the second half due to a change in focus towards earnings ability. As a result the market quickly corrected, affecting not only the technology companies but also blue chips with technology investments. In the second half of last year, the investment focus turned to China's entry into the World Trade Organization (WTO) and the securitization of the Mass Transit Railways. Nevertheless, investors were extremely cautious as they slowly recovered from the Technology issues sell-off. As for the market for new issues, 47 companies from the GEM and 43 from the main board were listed during 2000.

As for the securities business, the preparation for the implementation of AMS/3 was on schedule. As soon as the implementation and thorough testing are completed, we are confident that the efficiency of the brokerage operation will be enhanced tremendously. The focus for the brokerage's future will be on the increase in accessibility of different markets through Internet (including China), and on the service enhancement to our customers.

Corporate Finance

Mansion House International Limited has played an active role in the placing and underwriting of Lingyun Zhensheng B shares (Shanghai), Shangdong Airlines B shares and Guangdong Rieys B shares (Shenzhen) in the second half of 2000. We expect to have more corporate finance activities in both China B shares and Hong Kong GEM board IPOs placing and underwriting in 2001. Apart from offering corporate finance services, Mansion House International Limited will continue to work on building strategic alliances with financial institutions in China which will be beneficial to the Group in the long run.



CHAIRMAN'S STATEMENT

Asset Management

Apart from the existing unit trust managed by our subsidiary, Mansion House Investment Management Services Limited, the Group has also actively pursue business cooperation opportunities with our existing partners in the fund management area. Our principal aim for the fund management subsidiary is to develop a strong fund management company with our partners so that we will be well positioned when China officially declares the new investment funds regulations.

Real Estate

The construction work for Phase 5 of the Wanhua Garden Project has progressed satisfactorily. The first 3 blocks of Phase 5 is 59% completed with an anticipated completion in June of 2001. The completion rate for the construction on the remaining 5 blocks of Phase 5 also approached 44% as of December 2000. Although there are less than two percent remaining inventories for the previous phases, presale of Phase 5 has not been satisfactory due to a slowdown in the Guangzhou property market. Under such an economic environment, the management will devise strategies to enhance sales of Phase 5 and revise its development and sales strategy in Phase 6.

A recent valuation performed by S.H. NG & Co., Ltd, an independent real estate surveyor, values the Wanhua Garden project, assuming available for sale, at HK\$115,000,000 as at 31st March, 2001.

PROSPECT FOR 2001

After a long period of strong economic growth, the United States has finally showed signs of a slowdown. The Federal Reserve in the United States has lowered interest rates quickly and substantially in the beginning of the year to act in accord with the Bush administration's tax cut plan in saving the economy. These measures will likely affect Hong Kong in a positive way: a decrease in interest rates will further accelerate Hong Kong's economy recovery by stimulating consumption and encouraging corporate investments. Lower interest rates will also increase the disposable income for families with a mortgage. In addition, the capital markets will ultimately be of interest to institutional and private investors as a result of corporate earnings increase due to a decrease in interest expense and an increase in business volume.

However, the property sector still has an abundance of supply in the market, which will affect potential homebuyers' sentiment and made them question the decision to purchase real estate as an investment. The decision of the Financial Secretary to abolish minimum commission for brokerage houses will also intensify the competition within the industry. Therefore, in 2001 our focus will be to develop our business in China and cooperate with various securities house in different business ventures.

China's Opportunities

China's economy recorded a remarkable 8.0% GDP growth in 2000 full year driven by the booming external trade activities, the accelerating domestic investment and improving domestic consumption. Although the talks of China's accession to the WTO has yet to achieve much progress in the second half of last year, a large amount of foreign capital seemed to be well prepared for injecting into the mainland's markets. Contractual foreign direct investment increased by 52% in 2000 compared with a year ago, a contrast to the 20% drop in 1999. For the year 2001, we project that the economy will continue to accelerate but at a slower pace, with a steady 7.6% GDP growth in real terms.



CHAIRMAN'S STATEMENT

As for the financial sector, the Government has taken steps to liberalize the financial market over the past year in face of growing competition after China gains its WTO membership. One of the major moves is the opening-up of China's B-shares market.

The China Securities Regulatory Commission announced on 19th February, 2001 to allow Chinese residents with foreign currencies to open B-shares trading accounts. This has generated a broad-based optimistic view on the outlook of China's B-share and has reversed the sluggish investment sentiment in the B-share market. The pouring of liquidity has led to a strong rally in the B-share market both in Shenzhen and Shanghai. The total turnover of B-shares in the Shanghai stock market recorded 34.42 billion yuan in the single month in March this year (the first month after the opening-up of China's B-share market), which was equivalent to 1.73 times of the total turnover in 2000 full year. The opening-up of China's B-share market is only the initial step of the capital markets reform in the Mainland. To keep pace with the international development, particularly after joining as a WTO member, it is anticipated the Chinese Government will take the financial services and stock market reforms further. The Group will seek to develop alliances with Chinese financial institutions to join forces with each of the Group's major subsidiary so that the full potential of the Group can be realized.

PURCHASE, SALE OR REDEMPTION OF LISTED SHARES

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

EMPLOYEES

As at 31st December, 2000, the Group employed 77 staff. Remuneration is reviewed annually and a discretionary bonus is declared based on the performance of the staff. In addition to basic salary payments, other staff benefits include medical and provident fund arrangements.

ACKNOWLEDGEMENT

On behalf of the board, I thank our shareholders and clients for their continued support and our staff members for their dedication and hard work during the past year.

By Order of the Board

Evans C Lowe

Chairman and Chief Executive Officer

Hong Kong, 23rd April, 2001