

Mansion House Group Limited ("the Company") and its subsidiaries (collectively "the Group") have, in 2001, encountered difficulties in implementing its strategy with respect to its line of business: a decrease in the turnover of the local securities market has severely affected the commission income of the securities subsidiary. The development of the Corporate Finance subsidiary would require a substantial amount of capital commitment in place. In addition, the current income produced by the Asset Management subsidiary is insufficient for the subsidiary to expand its scope of operations.

Nevertheless, the Group remained focus on the rapid development in China's financial and direct investments. The Group will continue to commit a substantial amount of resources in its major subsidiaries to enhance their ability to implement the strategies. As mentioned, it has become apparent that the revenue from current operations would be insufficient in generating the income needed for these plans. Therefore it would be prudent to invite strategic investors who share the Group's view in its expansion plans. They would not only strengthen the profile of the Group, but also provide the necessary capital to achieve that goal. Meanwhile the processes to achieve the goals are ongoing. Once these goals have been realized, they would be able to add value to the shareholders as well as the Group's reputation and business as a prominent local investment house.

BUSINESS REVIEW AND LOOKING FORWARD

Brokerage

In the year 2001 the value of transactions of the Group's brokerage subsidiary decreased 60% from last year. The fragile local economy continued to experience deflation and the investors' confidence haven't been fully restored due to pressure in earnings on major property companies and banks. The terrorist attack on 11th September 2001 in New York City has a profound global impact on the economy as well as all major equity markets. Furthermore, Hong Kong faces stiff competition from China as China enters the World Trade Organization. A substantial amount of capital investment is anticipated to be diverted to major cities such as Shanghai and Beijing. The combined effects of all of the above have caused a decrease in the turnover of the market.

As for the Group, AMS/3 has been fully implemented and transition was smooth. The clients of the Group are now able to access directly to the exchange via the Internet Trading system or our experienced Account Executives. The goal for the brokerage's future remains to be on the increase in accessibility and efficiency of different markets through Internet (including China), and on the service enhancements to our customers.

Corporate Finance

Mansion House International Limited has continued to provide advisory services to our clients in Hong Kong and PRC region, on a retainer and success fee basis. Throughout the year, we have been actively pursuing investment management business in China by engaging strategic alliance with several renowned financial institutions of different regions. In addition, we have entered the Business Cooperation Agreement with Chongqing International Trust & Investment Corporation of Chongqing Municipal for establishing sino-foreign joint venture on investment management services, and for establishing Investment Company in Hong Kong. For Shanghai, we have been discussing with renowned Securities Company for forming strategic alliance to capture the enormous capital market opportunities therein. Mansion House International Limited shall continue to endeavor its best effort to strengthen its presence in China in view of the high yet stable return in the long run.

CHAIRMAN'S STATEMENT

Asset Management

Our subsidiary, Mansion House Investment Management Services Limited, is actively pursuing business cooperation opportunities with our different partners in the fund management area apart from managing the existing Hong Kong authorized unit trust. One such initiative is the discretionary asset management service offered to our high net-worth clients. Our goal 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 opens the door for equity fund management.

Real Estate

Phase Five of the property project in Guangzhou was completed and the sales were satisfactory. Preliminary work on the final phase (Phase Six) has commenced and that building and construction should begin shortly after proposed designs have been finalized.

PROSPECT FOR 2002

After the downturn followed the September 11th attack, the United States Congress have signed one of the biggest aid/relief/war packages to help the victims as well as to pay for the military campaign that followed shortly after the attack. These packages have essentially jump-started the economy and created spending through an injection of funds into the economy. Under such a low interest rate environment the United States economy should be on its pace for recovery. As for China, more foreign investment will flow to China and the need for companies to further raise capital will increase. In addition, the proposed QDII and QFII scheme currently under consideration by the China Securities Regulatory Commission (CSRC) would further enhance trading for both Hong Kong and China exchanges.

However, the property sector will continue to be sluggish due to an abundance of supply in the market. The potential homebuyers remain skeptical about the value of real estate as an investment. Salary cuts and the threat of unemployment have made flat purchases via mortgage even slower. The prudent decision of the Chief Executive to postpone the abolishment of minimum commission for brokerage houses has given more time for the industry to consolidate and encourage mergers. However, it is anticipated that the minimum commission scheme will finally be abolished and that a period initially where pressure to lower commissions will decrease the revenue of the brokerage subsidiary.

Therefore, in 2002 our focus remains intact: our cooperation with various institutions on different business ventures in China. The Company will seek to further develop these connections with each of the Group's major subsidiary so that the full potential of the Group can be realized.

ACKNOWLEDGEMENT

On behalf of the Board, I would like to thank our staff for their hard work and dedication to the Group for this past year, which was a very difficult year indeed. We would continue to improve and work hard as an appreciation for our shareholders and customers.

By Order of the Board

Evans C Lowe

Chairman and Chief Executive Officer

Hong Kong, 25th April 2002