

Chairman's Statement

I am pleased to present the Annual Report of Mansion House Group Limited (the "Company") and its subsidiaries (the "Group") for the financial year ended 31st December, 2002.

BUSINESS REVIEW

The Group achieved a turnover of HK\$55.8 million, despite a very difficult year, compared to the turnover of HK\$57.2 million in the previous year, representing a decrease of approximately 2.4%. Due mainly to an impairment loss recognised in respect of the property development in Guangzhou, the loss attributable to shareholders for the year was HK\$88.9 million against a loss of HK\$56.5 million for the previous year. Loss per share, however, improved from HK\$0.151 for the previous year to HK\$0.125 for the current year.

The year 2002 was a difficult and challenging one, and the Group's brokerage operations continued to suffer the effects of a sluggish economy, battered investor confidence as well as downward pressure on commissions in anticipation of the Securities and Futures Ordinance which ended minimum commissions on 30th April, 2003.

Despite the difficult market conditions, the Group's asset management business performed satisfactorily, and the Mansion House Hong Kong Trust performed largely in line with the Hang Seng Index.

As a result of an internal review of operations vis-a-vis costs, the corporate finance operations were suspended in the second half of the year, and the management will re-evaluate its future and potential contribution to the Group at a later date.

The real estate market in Guangzhou stagnated in 2002 and sales of the units in the Guangzhou property development were significantly slower than in previous years due to an oversupply of quality housing in the region. After much effort by management, the entire project was successfully sold in February 2003.

PROSPECTS

During the year, the Group successfully secured China United Telecom Limited as an investor and new major shareholder. China United Telecom Limited has provided much-needed financial support to the Group and contributed to its management and strategy planning, including reviewing the financial position and operations of the Group with a view to strengthening the Group such as by broadening and expanding its income stream and asset base.

The shareholders of China United Telecom Limited have interests, experience and contacts in the media and telecommunications sectors in the People's Republic of China (the "PRC") which are valuable resources that the Group may capitalise for future growth. The Board of Directors (the "Board") will explore potential diversification into these sectors by the Group if beneficial. In this regard, the Company has entered into a non-legally binding letter of intent for the sole distribution rights for television programmes in regions other than the PRC in May 2003.



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In addition, following the successful disposal of the Guangzhou property development, the Company is currently in negotiations for a possible injection into the Group of an income generating property development in Beijing, PRC. The negotiations are, however, still at an infant stage.

It is the intention of the Board to strive to improve Group's profits and enhance shareholder value, whether by expansion, diversification or otherwise.

ACKNOWLEDGEMENT

On behalf of the Board, I would like to sincerely thank all staff for their dedication and hard work, and our customers, bankers and shareholders for their support.

I would also like to extend the Board's gratitude to the ex-Chairman, Mr. Evans Carrera Lowe who retired during the year, and the ex-directors for their valuable contribution to the Group during their tenures.

By Order of the Board

Lu Ruifeng

Chairman

Hong Kong, 13th June, 2003

