On behalf of the Board of Directors (the "Board") of New Times Group Holdings Limited (the "Company"), I present herein the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 March 2003.

Turnover of the Group for the year ended 31 March 2003 was about HK$36.4 million (2002: HK$36.1 million), a minimal increase from the previous financial year. The Group recorded a consolidated loss attributable to shareholders of about HK$76.1 million (2002: HK$39.9 million). The loss was mainly attributed to the provision for unrealized loss on listed investments which amounted to HK$20.2 million (2002: HK$5.8 million), together with the loss on disposal of listed investments which amount to HK$19.3 million (2002: profit of HK$1.2 million), and the provision for doubtful receivables and slowing-moving stock of about HK$8.1 million (2002: HK$3.9 million).

Loss per share for the year was 25 cents (2002: 13 cents) and the Board does not recommend any final dividends for this financial year (2002: nil).

BUSINESS OVERVIEW

Since the change of controlling shareholder of the Company in July 2002, the new management had been reviewing the business operations and assets structure of the Group with a view to discover idle and under-performed assets or assets that borne no strategic and future value in developing the Group's future business. The new management had been closely monitoring the manufacturing and trading operations over this financial year. The performance of the manufacturing operations had been stable in the first half of the financial year, but with the departure of the old management, the performance deteriorated rapidly in the latter half of the year. Although the manufacturing operations contributed to most the Group's turnover for the current year, it had generated a loss of approximately HK$7.3 million over a turnover of HK$28.8 million. In order to minimize the continuing loss suffered from the manufacturing operations, the management decided to cease the manufacturing operations, and subsequent to the balance sheet date, it was disposed to an independent third party at a consideration of HK$25 million which was equivalent to the net assets value of the manufacturing group.

The performance of the corporate advisory operations had been disappointing for the financial year due to the unfavourable capital market conditions. In May 2003. the Securities & Futures Commission and the Hong Kong Exchanges and Clearing Limited had jointly released a consultation paper on the "Regulation of Sponsors and Independent Financial Advisers" with an aim to introduce measures to tighten the regulation of sponsors and independent financial advisers. The consultation paper proposes to set out the minimum resources requirements to be qualified as an approved sponsor and approved independent financial advisers, which will significantly increase the operating costs of the Group's corporate advisory operations. The results of this consultation is expected to be released by the end of October this year and the respective rules and guidelines be effective from 1 January 2004. The management will assess the future prospects of the corporate advisory operations once the new regime comes into place.

The capital market and investments environment for the financial year under review and at present had been difficult. The management had been looking for investment opportunities with an aim to benefit the Group from the appreciation in the market value of the investments. Subsequent to the balance sheet date, in April 2003, the Group acquired 20.17% in the issued share capital of Starbow Holdings Limited ("Starbow"), a Hong Kong listed company. Although the Group became the largest substantial shareholder of Starbow, the management has no current intention to participate in the management of Starbow nor any plan as to the future directions of the business of Starbow.

In April 2003, the name of the Company was changed from Pacific Challenge Holdings Limited to New Times Group Holdings Limited so as to reflect the change in control and management of the Company since July 2002. The management considered the new name appropriately heralds a new era for the Group to bring in a fresh outlook and alternative strategies for the Group's future businesses and directions.

In April/May 2003, the Group was able to successfully raise approximately HK$41.1 million, net of expenses under a rights issue exercise. As originally planned, the net proceeds were used to finance the subscription of shares in a PRC wholly foreign-owned enterprise engaged in the research, development and manufacturing of bio-agricultural pesticide products which will become an indirect subsidiary of the Company upon simultaneous acquisition of the holding company of that PRC enterprise. However, the transactions were subsequently terminated in June.

In July 2003, the Group entered into a conditional agreement for the acquisition of the entire issued capital of a company holding 100% interest in certain commercial properties in Beijing, PRC. The total consideration of the transaction was HK$70 million. The management considered the acquisition will broaden the earnings base of the Group through rental income received (estimated annual rental income generated from these commercial properties was about HK$6.7 million), and the most important of all, help to diversify the Group's business into the PRC property market.

REVIEW OF OPERATIONS

Manufacturing and trading

Turnover of the manufacturing operations for the year was approximately HK$28.8 million (2002: HK$13.5 million), representing a growth of approximately 113.3% from last financial year. The increase in turnover was mainly due the inclusion of a full year results as compared to the eight-months' results since the commencement of business of the manufacturing operations by the end of July 2001 under the old management. The loss from the manufacturing operations increased from HK$1.7 million last year to HK$7.3 million this financial year, an increase of 329.4%. The increase in loss was mainly due to reduced selling prices over keen market competitions and rising manufacturing overheads. Geographically, the Taiwan market improved significantly due to relatively strong market demand. However, as mentioned above, the performance of the manufacturing operations was not as desirable as expected where continuing losses were made. To avoid further impairment on the Group's overall performance, the management decided to cease the operations and dispose the business subsequently.

Due to fierce competitions from the new market participants, the performance of the Group's trading operations had been deteriorating; from a turnover of HK$17.4 million in the last corresponding period to HK$5.4 million for the period under review, representing a decrease of 222.2%. Loss from the trading operations was HK$11.3 million as compared to a profit of HK$1.9 million last year. The loss was mainly due to the provision of doubtful receivables and slow-moving stock which amounted to approximately HK$6.1 million in the current year. Performance across different geographical segments was quite even over the year. The new management is currently looking for new strategic partners to diversify the products base of the trading business with a view to turnaround the performance of the trading operations. In the meantime, the management will closely monitor the operations and further reduce the overheads of the operations.

Corporate finance and investment advisory

Due to poor capital market conditions and competitions from other market participants, the performance of the Group's corporate advisory operations had been disappointing; from a turnover of HK$5.2 million in the last corresponding year to HK$2.2 million for the period under review, a decrease of 57.7%. The decrease in turnover was mainly due to the shortage of job opportunities in the market and increasing competitions from other market participants. Nevertheless, the contributions from this division increased from HK$0.8 million in last year to HK$3.5 million for the current year, an increase of 337.5% due to successful reduction and control of overheads.

Investments

Due to the weak economic conditions, outbreak of Iraqi War and the disperse of SARS disease in Hong Kong, the investment environment in Hong Kong has not improved during the current period. Provision for unrealized loss on listed investments of approximately HK$20.2 million had been made for the period under review (2002: HK$5.8 million), and a loss on disposal of listed investments of HK$19.3 million was recorded (2002: a profit of HK$1.2 million).

LIQUIDITY AND FINANCIAL RESOURCES

Financial position

The financial position of the Group remains healthy for the year under review. As at 31 March 2003, the Group maintained a cash and bank balance of about HK$53.5 million, with a current ratio of about 3.8 (total current assets to total current liabilities) (2002: 5.7). The Group did not pledged any of the Group's assets, nor did the Group has any borrowings significant in amount as at the balance sheet date.

Contingent Liability

As at 31 March 2003, save for the potential claim under the petition filed against the Company in the Supreme Court of Bermuda by a shareholder of the Company of which in the opinion of the Board, no provision (save for the legal costs) is necessary at present, the Group had no contingent liability.

Capital Investments and Commitments

During the financial year under review, except for the capital expenditure in relation to the acquisition of certain manufacturing and office equipments by the manufacturing operations (which was subsequently disposed after the balance sheet date), the Group did not incur or commit any material investment or capital expenditure.

Capital Structure

During the year, the subscription rights attaching to 2,388,000 share options under the old share option scheme which was terminated in August 2002 were exercised at a subscription price of HK$0.32 per share, resulting in the issue of 2,388,000 share of HK$0.1 each for total cash consideration of about HK$764,000 before expenses.

Subsequent to the balance sheet date, in May 2003, 144,434,000 shares were issued to subscribers, through a rights issue exercise of 1 rights share at HK$0.30 per rights share for every 2 existing shares held, for a total cash consideration of about HK$43.3 million before expenses.

Foreign exchange and interest rate exposure

The Group expects to have a reasonable number of transactions conducted in Taiwan Dollars for turnover generated. Fluctuation in this currency may have an impact on the financial performance of the Group. Although the management believes the impact will be insignificant and does not employ any foreign exchange and interest rate risk management measure at present, the management will closely monitor the fluctuation in this currency and take appropriate actions when condition arises.

EMPLOYMENT, TRAINING AND REMUNERATION POLICY

As at 31 March 2003, the Group had approximately 100 staffs and workers. The remuneration policy of the Group's employees are reviewed and approved by the Board. Discretionary bonus is linked to the profit performance of the Group as well as individual performance. Share option scheme adopted by the Company on 11 September 1998 has been cancelled after 30 August 2002. A new share option scheme was approved in a shareholder meeting of the Company on 30 August 2002. Benefits include staff accommodation, medical schemes and Mandatory Provident Fund Scheme for Hong Kong employees, and state-sponsored retirement plans for employees in the People's Republic of China and Taiwan.

UPDATE ON THE LITIGATION

On 8 March 2001, Kistefos Investment, A.S. ("Kistefos"), a shareholder of the Company filed a petition (the "Petition") against the Company and one of its directors to The Supreme Court of Bermuda (the "Court") under Section 111(1) of the Companies Act 1981 of Bermuda. The Petition was based on an alleged claim that certain affairs of the Company had been conducted in a manner which is oppressive or unfairly prejudicial to the interests of certain shareholders of the Company, including Kistefos itself. Pursuant to the Petition, Kistefos intended to seek an order from the Court to either (i) enforce the Company or the director to purchase all shares in the Company held by Kistefos, at a fair value to be determined by the Court, or (ii) wind up the Company by the Court.

In October 2001, the relief of winding up the Company claimed by Kistefos was struck out while the remaining relief claimed by Kistefos in the Petition remains to be dealt with by the Court in subsequent hearings. In December 2001, the Company dissatisfied with the judgement made by the Court in relation to the remaining relief claimed by Kistefos in the Petition and appealed to the Court of Appeal of Bermuda to strike out the entire Petition. In February 2002, Kistefos filed a notice of intention to the Court of Appeal of Bermuda to contend the decision made by the Court to strike out the relief of winding up the Company. The hearing of the appeal was conducted in June 2002, and the Bermuda Court of Appeal dismissed both the appeal of the Company and the cross-appeal of Kistefos. As a result, the claim of Kistefos to wind up the Company remains struck out, while the remaining relief will be dealt with by the Court in subsequent trial. At the Court hearing in March 2003, the Court ordered that the Petition be set down for trial but no date had been fixed for any further Court hearing. The Board, after considering advice from its legal advisors, believes that the Company has a strong case to the remaining claimed relief in the Petition.

PROSPECTS

Although the uncertainties including possible deflation in many developed countries such as Europe and U.S., worldwide SARS and localized unemployment will directly affect our trading business and weaken the capital market and investment environment, the management has confidence that the uncertainties will slowly disappear and bring the Group back to a normal business track.

In order to broaden the earning base and diversify the Group's business into potential area of growth, the Group, through its acquisition into a business engaged in the property investment business in Beijing in July 2003 had taken its first step into the business of property investment. Forward looking, with the 2008 Olympic Game in Beijing, and the continuous growth in foreign investment activities in PRC, the management believes that the property investment made by the Group will provide a stable earnings stream for the Group, and the management will continue to look for any potential investment opportunities for the Group, in particular in property investment in the coming future.

ACKNOWLEDGEMENTS

I would like to take this opportunity to express gratitude to my fellow directors, the dedicated employees, and our loyal customers and suppliers for their confidence and continued support in the Group.

Cheong Tin Yau
Chairman and Executive Director

Hong Kong
25 July 2003