

REPORT OF THE DIRECTORS

The directors present their report and the audited financial statements of New Times Group Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") for the year ended 31 March 2003.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the principal subsidiaries are set out in note 14 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

Subsequent to the balance sheet date on 22 July 2003, the Group disposed of and discontinued its precision components processing equipment manufacturing business, further details of which are included in note 10 to the financial statements.

RESULTS AND DIVIDENDS

The Group's loss for the year ended 31 March 2003 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 21 to 64.

The directors do not recommend the payment of any dividend in respect of the year.

SUMMARY FINANCIAL INFORMATION

Set out below is a summary of the results and a statement of net assets of the Group for the last five financial years, as extracted from the audited financial statements and reclassified as appropriate.

RESULTS

	Year ended 31 March				
	2003 HK\$'000	2002 HK\$'000	2001 HK\$'000	2000 HK\$'000	1999 HK\$'000
TURNOVER	<u>36,417</u>	<u>36,102</u>	<u>48,478</u>	<u>132,606</u>	<u>82,385</u>
PROFIT/(LOSS) BEFORE TAX	(76,692)	(39,826)	12,793	41,584	31,211
Tax	<u>612</u>	<u>(140)</u>	<u>(1,988)</u>	<u>(6,060)</u>	<u>(175)</u>
PROFIT/(LOSS) BEFORE MINORITY INTERESTS	(76,080)	(39,966)	10,805	35,524	31,036
Minority interests	<u>-</u>	<u>82</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET PROFIT/(LOSS) FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS	<u>(76,080)</u>	<u>(39,884)</u>	<u>10,805</u>	<u>35,524</u>	<u>31,036</u>

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ASSETS AND LIABILITIES

	2003 HK\$'000	2002 HK\$'000	At 31 March		
			2001 HK\$'000	2000 HK\$'000	1999 HK\$'000
TOTAL ASSETS	186,123	266,960	289,137	465,016	345,498
TOTAL LIABILITIES	(40,952)	(46,612)	(23,649)	(238,566)	(150,725)
NET ASSETS	145,171	220,348	265,488	226,450	194,773

CHANGE OF COMPANY NAME

Pursuant to a special resolution passed in a special general meeting of the Company held on 17 April 2003, together with the approval granted by the Register of Companies in Bermuda, the name of the Company was changed from "Pacific Challenge Holdings Limited" to "New Times Group Holdings Limited", and "新時代集團控股有限公司" was adopted as the Company's Chinese name.

FIXED ASSETS

Details of movements in the fixed assets of the Group during the year are set out in note 13 to the financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the Company's share capital and share options during the year, together with the reasons therefore, are set out in notes 24 and 25 to the financial statements, respectively.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's bye-laws or the laws of Bermuda, being the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 26 to the financial statements and in the consolidated statement of changes in equity, respectively.

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DISTRIBUTABLE RESERVES

At 31 March 2003, the Company's reserves of approximately HK\$41,987,000 (subject to the provisions under the Companies Act of Bermuda) were available for distribution to its shareholders. In addition, the Company's share premium account of HK\$66,453,000 as at 31 March 2003, may be distributed in the form of fully paid bonus shares.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 March 2003, the five largest customers of the Group accounted for approximately 33% of the Group's turnover for the year while the five largest suppliers accounted for approximately 21% of the Group's purchases. In addition, the largest customer of the Group accounted for approximately 12% of the Group's turnover for the year while the largest supplier accounted for approximately 9% of the Group's purchases.

None of the directors of the Company, their associates or shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital), had any beneficial interest in the Group's five largest customers or five largest suppliers.

DIRECTORS

The directors of the Company during the year and up to the date of this report were:

Executive directors

Mr. Cheong Tin Yau (<i>Chairman</i>)	(appointed on 29 July 2002)
Mr. Liu Jicheng (<i>Deputy Chairman</i>)	(appointed as an executive director on 6 June 2003 and appointed as Deputy Chairman on 4 July 2003)
Mr. Lam Kwan Sing	(appointed on 29 July 2002)
Dr. Chiang Lily	(resigned on 29 July 2002)
Ms. Chan Yim Fong, Teli	(resigned on 29 July 2002)
Mr. Shah Tahir Hussain	(resigned on 29 July 2002)
Mr. Chak Hubert	(appointed as alternate director to Dr. Chiang Lily on 15 July 2002 and ceased to be alternate director on 29 July 2002)

Independent non-executive directors

Ms. Lau Ching Yin, Judy	(appointed on 29 July 2002)
Mr. Lo Kwok Hung, John	(appointed on 20 November 2002)
Mr. Chau Oi Ching, Samuel	(appointed on 29 July 2002 and resigned on 4 July 2003)
Mr. Woo Ping Tao, Pedro	(resigned on 29 July 2002)
Mr. Tzang Hing Chung, Alexander	(resigned on 29 July 2002)
Mr. Mitsuishi Mitsuo	(resigned on 29 July 2002)

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In accordance with the Company's bye-law no. 86(2) and no. 87(1), Mr. Liu Jicheng, Mr. Lo Kwok Hung, John and Ms. Lau Ching Yin, Judy shall retire by rotation from office and, being eligible, offer themselves for re-election.

BIOGRAPHICAL DETAILS OF DIRECTORS

Biographical details of the directors of the Company are set out on page 13 of the annual report.

DIRECTORS' SERVICE CONTRACTS

No director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

No director had a significant beneficial interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

DIRECTORS' INTERESTS IN SHARES

At 31 March 2003, the interests of the directors in the share capital of the Company or its associated corporations, as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance"), were as follows:

Interest in the Company

Name of director	Nature of interest	Number of ordinary shares held	Percentage of voting power
Mr. Cheong Tin Yau	Corporate	154,244,000	53.4

Note: Corporate interest represents shares held by Kandy Profits Limited, which is wholly owned by Mr. Cheong Tin Yau.

Save as disclosed above, as at 31 March 2003, none of the directors or their associates had any personal, family, corporate or other interests in the securities of the Company or any of its associated corporations (within the meaning of the SDI Ordinance) or in any rights to subscribe for the securities of the Company, which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited ("the Stock Exchange") pursuant to Section 28 of the SDI Ordinance and the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") (including interests which they are deemed or taken to have under Section 31 or Part I of the Schedule to that Ordinance) or which were required, pursuant to Section 29 of the SDI Ordinance, to be entered in the register referred to therein.

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DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

SHARE OPTION SCHEMES

Due to the adoption of Statement of Standard Accounting Practice No. 34 "Employee benefits" during the year, most of the detailed disclosures relating to the Company's share option schemes have been moved to note 25 to the financial statements.

Concerning the share options granted during the year to the directors, employees, suppliers and others, as detailed in note 25, the directors do not consider it appropriate to disclose a theoretical value of the options granted, because it is not practical to do so.

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SUBSTANTIAL SHAREHOLDERS

In May 2002, the Company's shareholders received a voluntary conditional cash offers from TingKong – RexCapital Securities International Limited on behalf of Kandy Profits Limited to acquire all the issued shares of the Company and outstanding options to subscribe for shares of the Company. The Offer was completed on 2 August 2002 and Kandy Profits Limited became the major controlling shareholder of the Company.

At 31 March 2003, the following parties having an interest of 10% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 16(1) of the SDI Ordinance:

Name of shareholder	Notes	Nature of interest	Number of shares held	Percentage of voting power
Kandy Profits Limited	(i)	Corporate	154,244,000	53.4
Mr. Cheong Tin Yau	(i)	Corporate	154,244,000	53.4
Kistefos Investment A.S.	(ii)	Corporate	62,400,000	21.6

Notes:

- (i) As at 31 March 2003, Mr. Cheong Tin Yau was the beneficial owner of Kandy Profits Limited. Details of the interest of Mr. Cheong Tin Yau in the shares of the Company are set out in the section "Directors' interests in shares" of this report.
- (ii) Kistefos Investment A.S. is wholly-owned by A.S. Kistefos Traesliberi, in which Mr. Christen Sveaas has an 85% beneficial interest.

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Save as disclosed above, the directors are not aware of any person being interested in at least 10% of the total issued share capital of the Company as at 31 March 2003 as recorded in the register required to be kept by the Company under Section 16(1) of the SDI Ordinance.

POST BALANCE SHEET EVENTS

Details of the significant post balance sheet events of the Group are set out in note 31 to the financial statements.

CODE OF BEST PRACTICE

In the opinion of the directors, the Company had complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules throughout the year covered by this annual report, except that the non-executive directors of the Company are not appointed for a specific term. However, the non-executive directors are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Company's bye-laws.

AUDIT COMMITTEE

The Company's audit committee comprises two independent non-executive directors of the Company, namely Ms. Lau Ching Yin, Judy and Mr. Lo Kwok Hung, John. The audit committee has been delegated the authority from the board to review the financial reporting and internal control procedures of the Company.

AUDITORS

During the year, Messrs. Arthur Andersen & Co resigned as auditors of the Company, and Ernst & Young were appointed by the directors to fill the casual vacancy so arising. Ernst & Young now retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the board

Cheong Tin Yau

Chairman

Hong Kong
25 July 2003