

New Times Group

New Times Group Holdings Limited

新時代集團控股有限公司

(Incorporated in Bermuda with limited liability)

Holdings Limited

Interim Report **2003**

The board of directors (the "Board") of New Times Group Holdings Limited (the "Company") announces the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 September 2003 as follows.

CONDENSED CONSOLIDATED INCOME STATEMENT – UNAUDITED

For the six months ended 30 September 2003

(Expressed in Hong Kong dollars)

	Notes	Six months ended 30 September 2003 \$'000	Six months ended 30 September 2002 \$'000
Turnover	(3)		
Continuing operations		179	5,650
Discontinuing operations	(7)	18,666	14,189
		18,845	19,839
Cost of sales		(16,398)	(14,376)
Gross profit		2,447	5,463
Other revenue and gain		8,447	2,507
Selling and distribution expenses		(551)	(233)
Administrative expenses		(15,496)	(18,337)
Other operating expenses		(22,737)	(17,255)
Loss from operating activities		(27,890)	(27,855)
Gain on disposal of subsidiaries		213	-
Finance costs		(70)	-
		(27,747)	(27,855)
Loss before taxation	(4)		
Continuing operations		(26,313)	(26,396)
Discontinuing operations		(1,434)	(1,459)
		(27,747)	(27,855)
Taxation	(5)	-	-
Loss after taxation and before minority interest		(27,747)	(27,855)
Minority interest		-	(112)
NET LOSS FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		(27,747)	(27,967)
Loss per share	(8)		
– Basic		(6.8 cents)	(9.7 cents)
– Diluted		N/A	N/A

CONDENSED CONSOLIDATED BALANCE SHEET*(Expressed in Hong Kong dollars)*

	Notes	30 September 2003 (Unaudited) \$'000	31 March 2003 (Audited) \$'000
NON-CURRENT ASSETS			
Fixed assets		7,366	20,766
Property investments		47,980	4,480
Other investment		-	5,000
		55,346	30,246
CURRENT ASSETS			
Inventories		551	14,096
Deposits, prepayments and other receivables		26,772	17,297
Trade receivables	(9)	1,045	9,368
Short term investments		45,550	61,127
Tax receivable		494	494
Time deposits		-	3,753
Cash and bank balances		63,817	49,742
		138,229	155,877
CURRENT LIABILITIES			
Trade payable	(10)	1,128	10,357
Other payables and Accrued liabilities		17,373	13,068
Hire purchase creditor-within one year		50	-
Provisions		13,428	16,889
Tax payable		733	638
		32,712	40,952
NET CURRENT ASSETS			
		105,517	114,925
TOTAL ASSETS LESS CURRENT LIABILITIES			
		160,863	145,171
NON CURRENT LIABILITY			
Hire purchase creditor-over one year		158	-
		160,705	145,171
CAPITAL AND RESERVES			
Share capital	(11)	43,330	28,887
Reserves		117,375	116,284
		160,705	145,171

CONDENSED CONSOLIDATED STATEMENT OF CHANGE IN EQUITY – UNAUDITED

(Expressed in Hong Kong dollars)

	Six months ended 30 September 2003 \$'000	Six months ended 30 September 2002 \$'000
Total shareholders' fund at 1 April as previously reported	145,171	220,348
Issue of shares (Note a)	42,461	764
Translation adjustments	-	214
Write-back of exchange fluctuation reserve upon disposal of subsidiaries	820	-
Loss for the period	(27,747)	(27,967)
Total shareholders' fund at 30 September	<u>160,705</u>	<u>193,359</u>

Note:

- a. For details of issuance shares of the Company, please refer to Note 11 of this interim report.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT - UNAUDITED*(Expressed in Hong Kong dollars)*

	Six months ended 30 September 2003 \$'000	Six months ended 30 September 2002 \$'000
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES		
Continuing operations	18,171	1,530
Discontinuing operations	(6,326)	(19,000)
	11,845	(17,470)
NET CASH INFLOW/(OUTFLOW) FROM INVESTING ACTIVITIES		
Continuing operations	(40,172)	(63,956)
Discontinuing operations	8	(11,866)
	(40,164)	(75,822)
NET CASH INFLOW FROM FINANCING ACTIVITIES		
Continuing operations	42,394	764
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	14,075	(92,528)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF PERIOD	49,742	203,119
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD, REPRESENTED BY BANK BALANCES AND CASH	63,817	110,591
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and time deposits	63,817	110,591

NOTES TO THE INTERIM FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

1. BASIS OF PRESENTATION AND PREPARATION

The condensed consolidated interim financial statements are prepared in accordance with Hong Kong Statement of Standard Accounting Practice ("SSAP") No. 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants ("HKSA") and Appendix 16 of the Listing Rules of The Stock Exchange of Hong Kong Limited ("Listing Rules").

The accounting policies and basis of preparation used in the preparation of the unaudited condensed consolidated interim financial statements are the same as those used in the audited financial statements for the year ended 31 March 2003, except for the adoption of the following revised SSAP, which is effective for the first time in the preparation of the unaudited condensed consolidated interim financial statements for the period.

Income Taxes

In the current period, the Group has adopted SSAP 12 (Revised) on Income Taxes. The principal effect of the implementation of SSAP 12 (Revised) is in relation to deferred tax. In previous years, partial provision was made for deferred tax using the income statement liability method, i.e. a liability was recognised in respect of timing difference arising, except where those timing differences were not expected to reverse in the foreseeable future. SSAP 12 (Revised) requires the adoption of a balance sheet liability method, whereby deferred tax is recognised in respect of all temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profits, with limited exceptions. Deferred tax assets are recognized the extent that it is probable that future taxable profit will be available against which the temporary difference can be utilized. In the absence of a specific transitional requirement in SSAP 12 (Revised), the new accounting policy has been applied retrospectively. This change in accounting policy has not had any material effect on the results of the Group for the current or prior accounting period. Accordingly, no prior period adjustment has been made.

2. LITIGATION

On 8 March 2001, Kistefos Investment A.S. ("Kistefos"), a substantial shareholder, filed a petition ("the Petition") against the Company and a former director of the Company, in the Supreme Court of Bermuda (the "Court") under Section 111 (1) of the Companies Act 1981 of Bermuda. The Petition was based on a claim that certain affairs of the Company had been conducted in a manner which was oppressive or unfairly prejudicial to the interests of certain shareholders, including Kistefos itself.

In the Petition, Kistefos sought an order from the Court to:-

- (i) compel the Company or the former director to purchase Kistefos' shareholding in the Company at a fair value to be determined by the Court; or
- (ii) wind up the Company.

The Company and the former director sought to strike out the Petition. In October 2001, the Court struck out the claim of Kistefos to wind up the Company but refused to strike out the claim of Kistefos for an order compelling the Company or the former director to repurchase the shareholding of Kistefos. This latter claim remains to be tried in the Court.

In June 2002, following the hearing of an appeal brought by the Company against the decision of October 2001, the Court of Appeal of Bermuda (the "Court of Appeal") confirmed the earlier order of the Court. Accordingly, the claim of Kistefos to wind up the Company remains struck out, but the claim of Kistefos to compel the Company or the former director to repurchase its shareholding remains to be tried.

Following the decision of the Court of Appeal in June 2002, the proceedings were dormant until recently. Kistefos filed a summons dated 7 March 2003 in the Court seeking directions for the future conduct of the litigation. In addition, Kistefos sought in its summons to re-amend the Petition. The application by Kistefos to make the amendments to the Petition was heard by the Court on 27 March 2003. On 28 March 2003, the Company announced that it was informed by its legal adviser in Bermuda that Kistefos did not proceed with the summons for directions at the Court hearing of 27 March 2003 but had instead asked that the existing Petition, as it currently stands, be set down for trial. Consequently, the Petition was not re-amended and the Court ordered that the Petition, as it currently stands, be set down for trial. The Company was informed by its legal adviser in Bermuda on 26 September 2003 that the trial of the Petition will take place commencing 21 June 2004.

The Petition remains at a preliminary stage. The Board, after considering the advice from the Company's Bermuda legal advisers, consider that the Company has a reasonably good defence to the original claim by Kistefos that the Company or the former director should buy out the shareholding of Kistefos in the Company. Accordingly, the Company has not provided for any claim arising from the Petition, other than the related legal costs.

3. PRINCIPAL ACTIVITIES AND SEGMENT INFORMATION

Segment information is presented by way of two segment formats: (a) on a primary segment reporting basis, by business segment; and (b) on a secondary segment reporting basis, by geographical segment.

The Group's operating businesses are structured and managed separately, accordingly to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments. Summary details of the business segments are as follow:

Continuing operations

- i. the trading of precision components processing equipment;
- ii. the provision of securities investment and financial services;
- iii. the property investment; and

Discontinuing operations

- i. the provision of corporate finance and investment advisory services;
- ii. the manufacture and distribution of precision components processing equipment.

In determining the Group's geographical segments, revenues and results are attributed to the segment's based on the location of the customers, and assets are attributed to the segments based on the location of the assets.

a. Business segment

The following tables present revenue, results and certain asset, liability information for the Group's business segments.

	Continuing operations						Discontinuing operations				Consolidated	
	Trading of precision components processing equipment		Securities investment and financial services		Property investment		Corporate finance and investment advisory services		Manufacture and distribution of precision components processing equipment		Six months ended 30 September 2003 (Unaudited) \$'000	Six months ended 30 September 2002 (Unaudited) \$'000
	Six months ended 30 September 2003 (Unaudited) \$'000	Six months ended 30 September 2002 (Unaudited) \$'000	Six months ended 30 September 2003 (Unaudited) \$'000	Six months ended 30 September 2002 (Unaudited) \$'000	Six months ended 30 September 2003 (Unaudited) \$'000	Six months ended 30 September 2002 (Unaudited) \$'000	Six months ended 30 September 2003 (Unaudited) \$'000	Six months ended 30 September 2002 (Unaudited) \$'000	Six months ended 30 September 2003 (Unaudited) \$'000	Six months ended 30 September 2002 (Unaudited) \$'000		
Segment revenue:												
Sales and services to external customers	179	4,867	-	-	-	-	577	1,030	18,089	13,159	18,845	19,056
Interest income	-	-	-	783	-	-	-	-	-	-	-	783
Total	179	4,867	-	783	-	-	577	1,030	18,089	13,159	18,845	19,839
Segment results	(2,784)	271	(98)	783	-	-	(241)	(833)	(1,193)	(626)	(4,316)	(405)
Unallocated revenue											7,493	2,507
Unallocated expenses											(31,067)	(29,957)
Loss from operating activities											(27,890)	(27,855)
Gain on disposal of subsidiaries (Note 7)											213	-
Finance costs											(70)	-
Loss before tax											(27,747)	(27,855)
Tax											-	-
Loss before minority interests											(27,747)	(27,855)
Minority interests											-	(112)
Net loss from ordinary activities attributable to shareholders											(27,747)	(27,967)
	Six months ended 30 September 2003 (Unaudited) \$'000	As at 31 March 2003 (Audited) \$'000	Six months ended 30 September 2003 (Unaudited) \$'000	As at 31 March 2003 (Audited) \$'000	Six months ended 30 September 2003 (Unaudited) \$'000	As at 31 March 2003 (Audited) \$'000	Six months ended 30 September 2003 (Unaudited) \$'000	As at 31 March 2003 (Audited) \$'000	Six months ended 30 September 2003 (Unaudited) \$'000	As at 31 March 2003 (Audited) \$'000	Six months ended 30 September 2003 (Unaudited) \$'000	As at 31 March 2003 (Audited) \$'000
Segment assets	10,684	13,487	488	591	43,500	-	8,015	14,253	-	42,464	62,687	70,795
Unallocated assets											130,888	115,328
Total assets											193,575	186,123
Segment liabilities	276	284	212	246	-	-	3,315	3,159	-	17,304	3,803	20,993
Unallocated liabilities											29,067	19,959
Total liabilities											32,870	40,952
Capital expenditure	-	8,009	-	441	43,500	-	-	136	-	12,094	43,500	20,680
Unallocated capital expenditure											275	5,315
Total											43,775	25,995

b. Geographical segments

The following table presents revenue, results and certain asset, liability and expenditure information for the Group's geographical segments.

	Hong Kong		Mainland China		Taiwan		Consolidated	
	Six months ended 30 September 2003 (Unaudited) \$'000	Six months ended 30 September 2002 (Unaudited) \$'000	Six months ended 30 September 2003 (Unaudited) \$'000	Six months ended 30 September 2002 (Unaudited) \$'000	Six months ended 30 September 2003 (Unaudited) \$'000	Six months ended 30 September 2002 (Unaudited) \$'000	Six months ended 30 September 2003 (Unaudited) \$'000	Six months ended 30 September 2002 (Unaudited) \$'000
Segment revenues:								
Sales and services to external customers	756	6,671	8,772	5,085	9,317	8,083	18,845	19,839
Other revenues	7,493	1,140	10	89	944	1,278	8,447	2,507
Total:	<u>8,249</u>	<u>7,811</u>	<u>8,782</u>	<u>5,174</u>	<u>10,261</u>	<u>9,361</u>	<u>27,292</u>	<u>22,346</u>
	Six months ended 30 September 2003 (Unaudited) \$'000	As at 31 March 2003 (Audited) \$'000	Six months ended 30 September 2003 (Unaudited) \$'000	As at 31 March 2003 (Audited) \$'000	Six months ended 30 September 2003 (Unaudited) \$'000	As at 31 March 2003 (Audited) \$'000	Six months ended 30 September 2003 (Unaudited) \$'000	As at 31 March 2003 (Audited) \$'000
Other segment information:								
Segment assets	150,075	142,183	43,500	21,051	-	22,889	193,575	186,123
Capital expenditure	<u>275</u>	<u>13,901</u>	<u>43,500</u>	<u>12,012</u>	<u>-</u>	<u>82</u>	<u>43,775</u>	<u>25,995</u>

4. LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging and crediting the following:

	Six months ended 30 September 2003 (Unaudited) \$'000	Six months ended 30 September 2002 (Unaudited) \$'000
After charging –		
Depreciation	2,338	310
Staff cost (including directors' emoluments)	5,615	9,206
Operating lease rentals for rented premises	<u>1,819</u>	<u>1,163</u>
After crediting –		
Interest income from		
– bank deposits	22	1,082
– other loans	<u>-</u>	<u>9</u>

5. TAXATION

No Hong Kong profit tax had been provided during the period ended 30 September 2003 as the Company, its subsidiaries, associate and jointly-controlled entity had no assessable profit arising in Hong Kong during the period.

No deferred tax assets have been recognised as it is uncertain whether there will be assessable profit in the future.

6. DIVIDENDS

No dividend was paid during the period, the Board did not recommend the payment of interim dividend for the six months ended 30 September 2003 (30 September 2002: nil).

7. DISCONTINUING OPERATIONS

Pursuant to a sale and purchase agreement dated 22 July 2003 and 22 August 2003, the Group disposed of its entire interests in certain subsidiaries engaging in manufacture and distribution of precision components processing equipment and corporate finance and investment advisory services to independent third parties for a cash consideration of \$25 million and \$7 million respectively.

	Manufacture and distribution of precision components processing equipment		Corporate finance and investment advisory services		Total	
	Six months ended 30 September 2003 (Unaudited) \$'000	Six months ended 30 September 2002 (Unaudited) \$'000	Six months ended 30 September 2003 (Unaudited) \$'000	Six months ended 30 September 2002 (Unaudited) \$'000		
TURNOVER	18,089	13,159	577	1,030	18,666	14,189
Cost of sales	(16,214)	(9,781)	-	-	(16,214)	(9,781)
Gross profit	1,875	3,378	577	1,030	2,452	4,408
Other revenue and gains	954	-	-	-	954	-
Selling and distribution expenses	(551)	(213)	-	-	(551)	(213)
Administrative expenses	(3,471)	(3,791)	(818)	(1,863)	(4,289)	(5,654)
LOSS BEFORE TAX	(1,193)	(626)	(241)	(833)	(1,434)	(1,459)
Tax	-	-	-	-	-	-
NET LOSS FROM ORDINARY ACTIVITIES TO SHAREHOLDERS	(1,193)	(626)	(241)	(833)	(1,434)	(1,459)

The carrying amount of the total assets and liabilities relating to the discontinuing operations were as follows:

	Manufacture and distribution of precision components processing equipment		Corporate finance and investment advisory services		Total	
	Six months ended 30 September 2003 (Unaudited) \$'000	As at 31 March 2003 (Audited) \$'000	Six months ended 30 September 2003 (Unaudited) \$'000	As at 31 March 2003 (Audited) \$'000	Six months ended 30 September 2003 (Unaudited) \$'000	As at 31 March 2003 (Audited) \$'000
Total assets	-	42,464	8,015	14,253	8,015	56,717
Total liabilities	-	(17,304)	(3,315)	(3,159)	(3,315)	(20,463)
Net assets	-	25,160	4,700	11,094	4,700	36,254

8. LOSS PER SHARE

The calculation of basic loss per share was based on the consolidated loss attributable to shareholders of \$27,747,000 (30 September 2002 – \$27,967,000) and on the weighted average number of approximately 409,249,000 (30 September 2002 – 288,271,000) shares in issue during the period.

Diluted loss earnings per share for the six months ended 30 September 2003 and 2002 have not been calculated because no potential dilutive ordinary shares existed during such periods.

9. TRADE RECEIVABLES

Credit is offered to customers following a financial assessment of the customers or to those customers which have an established payment record. The Group usually allows an average credit period of 90 days to its customers and seeks to maintain strict control over its outstanding receivables. The following is an aging analysis of trade receivables, based on the invoice date.

	As at 30 September 2003 (Unaudited) \$'000	As at 31 March 2003 (Audited) \$'000
Less than 90 days	120	6,719
91-180 days	177	1,774
Over 181 days	5,944	6,550
	6,241	15,043
Less: Provision for doubtful receivables	(5,196)	(5,675)
	1,045	9,368

10. TRADE PAYABLES

The following is an aging analysis of trade payables, based on the invoice date.

	As at 30 September 2003 (Unaudited) \$'000	As at 31 March 2003 (Audited) \$'000
Less than 90 days	128	8,141
91-180 days	-	1,615
181-360 days	1,000	601
	<u>1,128</u>	<u>10,357</u>

11. SHARE CAPITAL

	As at 30 September 2003 (Unaudited)		As at 31 March 2003 (Audited)	
	Number of shares '000	Nominal value \$'000	Number of shares '000	Nominal value \$'000
Authorised – shares of \$0.10 each	<u>900,000</u>	<u>90,000</u>	<u>900,000</u>	<u>90,000</u>
Issued and fully paid – shares of \$0.10 each	<u>433,302</u>	<u>43,330</u>	<u>288,868</u>	<u>28,887</u>

During the period, a rights issue on the basis of one rights share for every two existing shares held by shareholders on the register of shareholders on 8 April 2003 was made, at an issue price of \$0.30 per rights share, resulting in the issue of 144,434,000 shares of \$0.10 each for a total cash consideration, before share issue expenses, of approximately \$43,330,200. The net proceeds of approximately \$42,461,000 from the rights issue were subsequently employed to finance the Group's acquisition of certain commercial properties in July 2003 for investment purpose.

12. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified. A summary of significant reclassification of such comparative amounts is as follows:

- a. Turnover of discontinuing operations of \$14,189,000 which was disclosed as "Turnover" in the condensed consolidated income statement for the period ended 30 September 2002 has been reclassified as "Discontinuing operations" under the headings of "Turnover".
- b. Loss before taxation of discontinuing operations of \$1,459,000 which was disclosed as "Loss before taxation" in the condensed consolidated income statement for the period ended 30 September 2002 has been reclassified as "Discontinuing operations" under the headings of "Loss before taxation".
- c. Net cash outflow operating activities of discontinuing operations of \$19,000,000 which was disclosed as "Net cash outflow from operating activities" in the condensed consolidated cash flow statement for the period ended 30 September 2002 has been reclassified as "Discontinuing operations" under the headings of "Net cash inflow/(outflow) from operating activities".
- d. Net cash outflow from investing activities of discontinuing operations of \$11,866,000 which was disclosed as "Net cash outflow from investing activities" in the condensed consolidated cash flow statement for the period ended 30 September 2002 has been reclassified as "Discontinuing operations" under the headings of "Net cash inflow/(outflow) from investing activities".
- e. Gain on disposal of marketable securities of \$1,426,000 which was separately disclosed in the condensed consolidated income statement for the period ended 30 September 2002 have been reclassified as "Other revenue".
- f. Selling and distribution expenses of \$233,000 which was disclosed as "Administrative expenses" in the condensed consolidated income statement for the period ended 30 September 2002 has been reclassified as "Selling and distribution expenses".

As a result of the above reclassification, the 30 September 2002 comparative segment information has also been changed to conform to the current period's presentation.

13. RELATED PARTY TRANSACTIONS

There is no transaction with related parties during the period.

MANAGEMENT DISCUSSION AND ANALYSIS

General Overview

For the six months ended 30 September 2003, the Group's turnover decreased to approximately HK\$18,845,000 as compared to HK\$19,839,000 for the corresponding period in 2002, an insignificant decrease of about 5%. The manufacturing business was disposed of at a gain of HK\$213,000 and such gain on disposal was recorded in the condensed consolidated income statement during the period. The Group recorded a loss attributable to shareholders of approximately HK\$27.7 million as compared to HK\$28 million for the corresponding period in 2002. The loss was mainly attributed to the loss on listed investments which amounted to HK\$16.7 million.

Loss per share for the period was 6.8 cents (30 September 2002: 9.7 cents) and the Board did not recommend any interim dividend for the six months ended 30 September 2003 (30 September 2002: nil).

Review of Business Operations

Discontinued Operations

14 Manufacturing business

The performance of the manufacturing business has been deteriorating since the departure of the old management back in July 2002. Although the manufacturing operations contributed to most of the Group's turnover over the past year, in order to minimize the continuing loss suffered from the manufacturing operations, the management decided to cease the manufacturing operations which was subsequently disposed to an independent third party for a consideration of HK\$25 million during the period under review. The disposal was completed before the end of September 2003 and a disposal gain of HK\$213,000 was recorded. During the period under review, the manufacturing operations brought to the Group a turnover of HK\$18.1 million and an operating loss of HK\$1.2 million.

Corporate finance and investment advisory

The performance of the corporate finance and investment advisory operations had been disappointing. During the period under review, turnover of the corporate finance and investment advisory operations decreased to approximately HK\$577,000 from approximately HK\$1 million in the corresponding period of last year, a decrease of 44%. The decrease was due to reduction of advisory fees as a result of keen competitions from other market practitioners. Loss for the corporate finance and investment advisory operations was HK\$241,000 for the period under review (30 September 2002: loss of HK\$833,000).

Due to the enhanced regulations of sponsors and independent financial advisers which may be effective from 2004 and hence greatly increase the operating costs of the division and to avoid further impairment on the Group's overall performance, the management entered into a sale and purchase agreement in August 2003 which disposed the entire interests in a subsidiary engaging in the corporate finance and investment advisory services for a cash consideration of \$7 million to Celestial Capital Limited, a wholly owned subsidiary of Cash Financial Services Group Limited, the shares of which are listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited.

Continuing Operations

Trading business

The Group's trading business had been disappointing under fierce competitions from other market participants; turnover decreased by approximately 96% to HK\$179,000 as compared to the corresponding figure for 2002. Loss for the trading operations was HK\$2.8 million for the period under review (30 September 2002: profit of HK\$271,000). With a significant reduction of selling prices which eventually resulted in gross loss on sales, the operations were kept to a minimum to avoid further trading losses. Since the takeover by the new management back in July 2002, the management had failed to introduce strategic partners to rejuvenate the trading business and the management will re-access the future of the trading business in the near future.

Investments

The investment environment in Hong Kong is still under the impact of weak economic conditions. The outbreak of SARS in Hong Kong further weakens the investment environment during the period under review. The Group recorded a loss on listed investments which amounted to HK\$16.7 million for the period under review. In April 2003, the Group invested approximately HK\$17.2 million (representing 16.85% in the issued share capital of Starbow Holdings Limited as at to date) in Starbow Holdings Limited, shares of which are listed on The Stock Exchange of Hong Kong Limited. With the hot reception of the Initial Public Offering activities in Hong Kong recently, the management believe the capital market and the investment environment will improve in the coming future.

Property Investments

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 at a total consideration of HK\$70 million. Although the acquisition did not bring in any revenue to the Group for the period under review, it will contribute in the latter half of the financial year. 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 approximately HK\$6.7 million). The management will further look into the PRC property market for potential property investments in the coming future.

Review of Financial Position

The financial position of the Group remains healthy for the period under review. As at 30 September 2003, the Group maintained a cash level of about HK\$63.8 million, with a current ratio of about 4.2 (total current assets to total current liabilities) (31 March 2003: 3.8). Except for the hire-purchase of certain fixed assets acquired during the period under review, the Group has no borrowings and not pledged any of the Group's assets as at the period end date.

In May 2003, 144,434,000 new shares were issued to subscribers, through a rights issue exercise of 1 rights share at HK\$0.3 per rights share for every 2 existing shares held, raised net proceeds (after expenses) of HK\$42.5 million. The proceeds from the rights issue were subsequently employed to finance the Group's acquisition of certain commercial properties in July 2003 for investment purpose.

As at 30 September 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. During the period under review, save for the property investment, the Group did not incur or commit any material capital investment or expenditure.

16 Foreign exchange exposure

The Group mainly earned revenue and incurred cost in Hong Kong Dollar and Renminbi. The directors consider the impact of foreign exchange of the Group is minimal. Although the management believes the impact will be minimal, the management will closely monitor the fluctuation in this currency and take appropriate actions when condition arises.

Change of Company Name

In April 2003, the name of the Company was changed from Pacific Challenge Holdings Limited to New Times Group Holdings Limited.

Employment, training and remuneration policy

As at 30 September 2003, the Group's operations engaged a total of about 25 staffs and workers. The remuneration policy of the Group's employees are reviewed and approved by the executive directors. Discretionary bonus is linked to the profit performance of the Group as well as individual performance. During the period, no share options were granted to any director or employee of the group. Benefits include staff accommodation, medical schemes and Mandatory Provident Fund Scheme for Hong Kong employees, and state-sponsored retirement plans for employees in PRC.

Prospects

In order to broaden the earnings 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 coming Olympic Game in Beijing, and the continuous growth in foreign investment activities in PRC, the management will continue to actively search for any potential investment opportunities to broaden the earning base and diversify the Group's business into potential area, property market in PRC in particular.

The Board is optimistic that the Group, with a healthy financial position together with the management expertise as well as the redefined business focus and strategy. The Group will benefit from continued growth and development in the coming future.

OTHER INFORMATION

Directors' interests and short positions

As at 30 September 2003, the following director has interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Future Ordinance ("SFO") which are required (a) to be notified to the Company or the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which he is taken or deemed to have under such provisions of the SFO); (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; (c) pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules, to be notified to the Company and the Stock Exchange:

Name of Director	Nature of interests	Number of Shares
Mr. Cheong Tin Yau	Corporate (<i>Note</i>)	120,700,000 (long position)

Note: The interests in Shares are held by Kandy Profits Limited, an associated corporation of the Company. Mr. Cheong Tin Yau is beneficially interested in all the share of Kandy Profits Limited. Accordingly, Mr. Cheong is deemed to be interested in all the Shares which Kandy Profits Limited is interested by virtue of the SFO.

Save as disclosed above, as at 30 September 2003, none of the directors have any interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which are required (a) to be notified to the Company or the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which he is taken or deemed to have under such provisions of the SFO); (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules, to be notified to the Company and the Stock Exchange.

Directors' rights to acquire shares or debentures

At no time during the period under review was the Company or its subsidiaries a party to any arrangements to enable the directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Share Options

The Company had adopted a share option scheme approved at an extraordinary general meeting of the Company held on 30 August 2002 under which the Company may grant options to those eligible persons (including directors of the Company) to subscribe for shares of the Company.

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The following share options were outstanding as at 30 September 2003:

Date of grant	Exercise period	Exercise price	Price of Company's shares at grant date of options	Number of share options			Balance as at 30 September 2003
				Balance as at 31 March 2003	Granted during the period	Exercised during the period	
15 October 2002	1 February 2003 to 31 January 2008	HK\$0.67	HK\$0.67	28,887	-	-	28,887

The exercise in full of the share options would, under the present capital structure of the Company, result in the issue of 28,886,800 additional ordinary shares of the Company and additional share capital of HK\$2,888,680 and share premium of HK\$16,465,476 (before issue expenses).

Directors' interests in contracts

No contract of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which any of the Company's director or members of its management had a material interest, whether directly or indirectly, subsisted at the end of the period or at any time during the period under review.

Disclosable interests and short positions of shareholders under the SFO

As at 30 September 2003, according to the register kept by the Company pursuant to section 336 of SFO, and so far as is known to any directors or chief executive of the Company, the following persons had, or were deemed or taken to have, an interest or short position in the shares or underlying shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or will be directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group:

Name of shareholder	<i>Note</i>	Type of interests	Number of shares	Percentage of voting power
Victory Rider Limited	1	Corporate	121,666,000	28.08%
Kandy Profits Limited	2	Corporate	120,700,000	27.86%
Kistefos Investment A.S.	3	Corporate	62,400,000	14.40%

Notes:

1. The interests in these Shares are held by Victory Rider Limited, the entire issued share capital of which is wholly and beneficially owned by Ms. Huang Ning. Accordingly, Ms. Huang Ning is deemed to be interested in all the Shares which Victory Rider Limited is interested by virtue of the SFO.
2. The interests in these Shares are held by Kandy Profits Limited, the entire issued share capital of which is wholly and beneficially owned by Mr. Cheong Tin Yau. Accordingly, Mr. Cheong is deemed to be interested in all the Shares which Kandy Profits Limited is interested by virtue of the SFO.
3. So far as is known to the Directors, Kistefos Investment A.S. is wholly owned by A.S. Kistefos Traesliberi, in which Christen Sveaas has an 85% beneficial interest.

Save as disclosed above, the directors and chief executive of the Company were not aware of any persons who has an interest or short position in the shares or underlying shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or will be directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group.

On 26 September 2003, Victory Rider Limited and the Board, upon notification by Victory Rider Limited announced an unconditional voluntary cash offer to be made, on behalf of Victory Rider Limited, by Kingston Securities Limited for all the shares of the Company, not already owned by Victory Rider Limited (or parties acting in concert with it including Kandy Profits Limited) at a price of HK\$0.3 per share. The offer was closed on 12 December 2003 where acceptances under the offer was received in respect of 20,046,500 shares. As a result and as at to-date, Victory Rider Limited was interested in 141,712,500 shares, representing 32.71% in the issued share capital of the Company.

Appointment of Director

On 21 November 2003, Ms. Huang Ning, beneficial owner of the entire issued share capital of Victory Rider Limited was appointed as non-executive director of the Company.

Purchase, sale and redemption of the Company's listed shares

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed shares during the period under review.

20 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, including a review of the accounts for the six months ended 30 September 2003 with the Board.

Code of Best Practice

None of the Directors of the Company is aware of any information that would reasonably indicate that the Company has not complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules of The Stock Exchange of Hong Kong Limited throughout the period ended 30 September 2003, except that the independent non-executive directors of the Company are not appointed for a specific term but are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the provisions of the Company's Bye-laws.

By Order of the Board
Cheong Tin Yau
Chairman

Hong Kong, 23 December 2003