CHAIRMAN'S STATEMENT

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 2004.

Turnover of the Group for the year ended 31 March 2004 was about HK$23.6 million (2003: HK$36.4 million), a decrease of about 35% which are mainly due to the cessation of the manufacturing business of the Group at the end of the first half of the financial year and the poor performance of the trading business during the period under review. The Group recorded a consolidated loss attributable to shareholders of about HK$37.3 million (2003: HK$76.1 million). The loss was mainly attributed to the provision for unrealized loss on listed investments which amounted to about HK$6.1 million (2003: HK$20.2 million), together with the loss on disposal of listed investment which amounted to about HK$20 million (2003: HK$19.3 million). Nevertheless, the Group was able to reduce the loss by approximately 51% as compared to last year and was mainly due to the write-back of the provision for legal and professional costs of HK$13 million and the decrease in the provision for unrealized loss on listed investments by about HK$14.1 million, together with reduction in the administrative expenses of the Group of about HK$5.9 million as a result of a more stringent control of the Group's overheads.

Loss per share for the year was HK$0.09 (2003: HK$0.25) and the Board does not recommend any final dividends for this financial year (2003: Nil).

BUSINESS OVERVIEW

Financial year 2004 has been a special year for the Group. At the start of this financial year, the name of the Company was changed to New Times Group Holdings Limited. With a redefined corporate strategy, the Group has extended its business to the field of property investment and development through two acquisitions in July 2003 and March 2004. The Group also disposed the manufacturing and the corporate finance and investment advisory businesses during the year, and decided to discontinue the trading business recently. And the most important of all, the legal proceedings against the Company has finally come to an end in July 2004.

By a special resolution in a special general meeting of the Company in April 2003, the name of the Company was changed from Pacific Challenge Holdings Limited to New Times Group Holdings Limited. The management considered the new name appropriately heralds a new era for the Group to bring in a fresh outlook and strategies for the Group's coming businesses and directions.

In April/May 2003, the Group successfully raised approximately HK$43.3 million under a rights issue exercise. The net proceeds was originally planned for the investment in a group based in PRC which was engaged in the research, development and manufacturing of bio-agricultural pesticide products, but the transactions were subsequently terminated in June 2003.

In July 2003, the Group entered into a conditional agreement for the acquisition of the entire issued share capital of a company holding 100% interest in certain commercial properties in Beijing, PRC at a total consideration of HK$70 million. The acquisition earmarked the first move of the Group into the property investment business which broadened the earnings base of the Group through rental income.

Since the last financial year, the management had been closely monitoring the performance of the manufacturing business of the Group. In order to minimize the continuing loss suffered from the manufacturing operations, the management decided to cease the manufacturing business which was subsequently disposed at a consideration of HK$25 million before the end of the first half of the financial year, and a disposal gain of approximately HK$0.2 million was recorded in the financial statements for the period under review.

In addition, due to the competitions from other market practitioners and the enhanced regulations of sponsors and independent financial advisers which greatly increase the operating costs of the Group's corporate finance and investment advisory business, the division was disposed at a consideration of HK$7 million and a disposal gain of approximately HK$1.9 million was recorded for the period under review.

In September 2003, Victory Rider Limited and the Board 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 at a price of HK$0.3 per share. The offer was closed in 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 became the largest shareholder of the Company and was interested in 141,712,500 shares, representing 32.71% in the issued share capital of the Company.

In March 2004, the Company entered into a conditional agreement for the acquisition of the entire issued share capital of, and the benefit of a shareholder's loan due from an investment holding company whose principal asset was an indirect equity interest in certain industrial land situated at Shenzhen, PRC at a total consideration of HK$55 million. While the management sees great potential in the PRC property market which price would grow with the increase in domestic gross product in PRC as well as the increasing demand for quality industrial complex, the management believes in the development potential of the land acquired and is optimistic that the acquisition would bring profits to the Group in due course.

Since the last financial year, the management had been closely monitoring the performance of the trading business of the Group, and the performance of the trading operations had been disappointing for the period under review due to fierce competitions. As mentioned in the Company's last annual and interim reports, the Group had failed to introduce strategic partners to rejuvenate the trading business. Accordingly, in a recent Board meeting in July 2004, the management decided to cease the trading operations so as to save further resources and focus on the Group's property investment and development business and other potential businesses in the coming future. As a result, an impairment loss of approximately HK$5.5 million was recorded retrospectively in the financial statements for the period under review.

Finally, the legal proceedings brought against the Company by a substantial shareholder of the Company since March 2001 has come to an end subsequent to the balance sheet date. Mutual consensus have been reached between that substantial shareholder and the Company by way of a binding consent order signed between themselves and approved by the Supreme Court of Bermuda on 8 July 2004. Accordingly, a notice of discontinuance was filed on 12 July 2004 and as a result, all proceedings against the Company was terminated, and a write-back of provision for legal and professional costs of HK$13 million was recorded in the financial statements for the period under review.

REVIEW OF BUSINESS OPERATIONS

Discontinued/Discontinuing Operations

Manufacturing

The performance of the manufacturing business has been deteriorating since the departure of the old management back in July 2002. Although the manufacturing operations brought to the Group a turnover of HK$18.1 million (2003: HK$28.8 million) which contributed to 76.5% (2003: 79.1%) of the Group's total turnover of HK$23.6 million (2003: HK$36.4 million), the Group continued to suffer losses derived from this operations; loss of HK$1 million for the current period and up to August 2003 (2003: loss of HK$7.3 million). The decrease in turnover and loss was due to the downsize of the manufacturing operations so as to minimize the operating losses, and the subsequent disposal before the end of the first half of the financial year. Geographically, the Taiwan market decreased dramatically; from a turnover of HK$17.3 million in last year to a turnover of HK$9.3 million this year, as the downsize of the division was focus on this market primarily. The downsize of the division also sees the PRC market performance deteriorated from a turnover of HK$14 million in last year to a turnover of HK$8.8 million this year. In order to minimize the continuing loss suffered from the manufacturing operations, the management finally decided to cease the manufacturing operations and subsequently disposed at a consideration of HK$25 million. As a result, a disposal gain of approximately HK$0.2 million was recorded.

Corporate finance and investment advisory

Turnover of the corporate finance and investment advisory operations for the period under review was approximately HK$2.2 million (2003: HK$2.2 million), about the same as for last year. A loss of HK$1.4 million was recorded (2003: profit of HK$2.3 million) and was mainly due to the reduction of advisory fees as a result of keen competitions in the market. Due to the enhanced regulations of sponsors and independent financial advisers which greatly increase the operating costs of the division and to avoid further impairment on the Group's overall performance, the corporate finance and investment advisory business was disposed at a consideration of HK$7 million and a disposal gain of approximately HK$1.9 million was recorded for the period under review.

Trading

The Group's trading business had been disappointing under the extensive competitions from other market participants; turnover decreased by approximately 90.8% to HK$0.5 million as compared to the corresponding period of HK$5.4 million. The decrease in turnover was due to the downsize of the operations to reduce further operating loss from the division. Loss from trading operations was HK$11.6 million for the period under review (2003: loss of HK$11.3 million), about the same as for last year. As the Group had failed to introduce strategic partners to rejuvenate the trading business, the management decided to cease the trading operations so as to save further resources and focus on the Group's property investment and development business and other potential businesses in the coming future. As a result, an impairment loss of approximately HK$5.5 million was recorded retrospectively in the financial statements for the period under review.

Continuing Operations

Property Investments and Development

In order to broaden the earning base of the Group, 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 at a consideration of HK$70 million. Accordingly, the property investments business started to generate turnover for the Group in the second half of the financial year and a rental income of HK$1.6 million was recorded. According to an independent valuation of those properties, the capital value was about RMB80 million as at year end date, and the management sees the PRC property market would grow steadily in the coming future. When opportunities arise and at reasonable terms, the management may dispose part of the properties so as to capitalize the appreciation of the value of the properties and release capital for further investments in the PRC property market and brings profits to the Group in due course.

In March 2004, the Group entered into a conditional agreement for the acquisition of the entire issued share capital of a company holding 100% interest in certain industrial land in Shenzhen, PRC. The total consideration of the transaction was HK$55 million where a deposit of HK$15 million was paid before the year end date and the remaining HK$40 million was paid in July 2004 at completion of the conditional agreement. The management believes that the abundant manpower supply at competitive price in PRC and its improving infrastructure would continue to attract industrialists, hence enhancing the demand for quality industrial complex, and the acquisition would enable the Group to tap this opportunity. While the management sees great potential in the PRC property market which price would grow with the increase in domestic gross product in PRC as well as the increasing demand for quality industrial complex, the management believes in the development potential of the land acquired and is optimistic that the acquisition would bring profits to the Group in due course.

Investments and Financial Services

The performance of the investment business had been disappointing for the period under review. Due to the outbreak of SARS in Hong Kong, the investment environment for the first half of the financial year had been unfavourable. As most of the Group's loss-making listed investments were disposed in this period, a loss on disposal of short term listed investments of approximately HK$20 million (2003: HK$19.3 million) was recorded. As the investment environment in the second half of the financial year recovers due to the hot reception of IPO activities in Hong Kong, provision for unrealized loss on short term listed investments was reduced from approximately HK$20.2 million in last year to approximately HK$6.1 million this year. In April 2003, the Group invested approximately HK$17.2 million (representing about 12.27% in the issued share capital of Starbow Holdings Limited ("Starbow") as at to-date) in Starbow, shares of which are listed on The Stock Exchange of Hong Kong Limited.

With the disappointing performance of the investment activities, the management had adopted a more conservative approach in the second half of the financial year, and in the meantime, the Group had re-activated the financial services operations as the management considers the financial services business can provide a steady flow of interest income to the Group as compared to the investments business. Accordingly, interest income derived from the operations of approximately HK$1.2 million was recorded for the period under review (2003: nil).

LIQUIDITY AND FINANCIAL RESOURCES

Financial Position

The financial position of the Group remains healthy for the period under review. As at 31 March 2004, the Group maintained a cash level of about HK$6.4 million, with a current ratio of about 5.7 (total current assets to total current liabilities) (2003: 3.8). The increase in current ratio was mainly due to the write-back of the provision of legal and professional costs during the financial year which reduced the current liabilities of the Group. Since the Group had invested a substantial amount of cash resources in the Group's property investments, the Group may look into the equity or debt market to raise further working capital in the near future when appropriate or when opportunities arise.

As at 31 March 2004, the Group did not pledge any of the Group's assets and has no borrowings significant in amount as at the period end date.

Contingent Liability

The Group did not have any material contingent liabilities as at 31 March 2004.

Capital Investments and Commitments

During the financial year under review, except for the capital expenditures in relation to the acquisition of certain commercial properties in Beijing, PRC and the acquisition of certain industrial land in Shenzhen, PRC, the Group did not incur or commit any material capital investment or expenditure.

Capital Structure

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 approximately HK$43.3 million. The net proceeds from the rights issue were subsequently employed to finance the Group's acquisition of certain commercial properties in July 2003 for investment purpose.

Foreign exchange and interest rate 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.

EMPLOYMENT, TRAINING AND REMUNERATION POLICY

As at 31 March 2004, 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 based on individual experience and qualifications as well as the job responsibilities and market conditions at the relevant time. 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

Forward looking, as PRC has commenced its membership to the World Trade Organisation and the continuous growth in foreign and domestic investments in PRC as well as the coming Olympic Games in Beijing, the management believes that the potential in the PRC property market will be enormous, and the Group's investments in the PRC property market through the two acquisitions made during this financial year will bring in steady earnings to the Group in the coming future. The management will continue to look for any potential investments in the PRC property market and believes that further investments in the PRC property market will benefit the Group in the long run.

In order to broaden the earnings base and diversify the Group's business into any potential area of growth in addition to the PRC property market, the management will continue to search for any potential investment opportunities that can benefit the Group in the long term. In general, the Board is optimistic that the Group, with a redefined corporate strategy and the management expertise, will benefit from continued growth and development in the coming future.

ACKNOWLEDGEMENTS

On behalf of the directors, I would like to express my heartfelt thanks to our shareholders for their continued support and to our staff for their hard work. We will carry on dedicating our efforts towards the Group's long term development.

Zhou Wei
Chairman and Executive Director

Hong Kong
27 July 2004