

# 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 2004.

## 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.

In 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.

In December 2003, the Group disposed of and discontinued its corporate finance, securities investment and investment advisory services business, further details of which are included in note 10 to the financial statements.

Subsequent to the year end, in July 2004, the Group discontinued its precision components processing equipment trading business, further details of which are included in note 10 to the financial statements.

In December 2003, the Group has diversified its businesses into property development in Mainland China.

## RESULTS AND DIVIDENDS

The Group's loss for the year ended 31 March 2004 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 18 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.

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## RESULTS

	Year ended 31 March				
	2004 HK\$'000	2003 HK\$'000	2002 HK\$'000	2001 HK\$'000	2000 HK\$'000
TURNOVER	<u>23,643</u>	<u>36,417</u>	<u>36,102</u>	<u>48,478</u>	<u>132,606</u>
PROFIT/(LOSS) BEFORE TAX	<u>(36,902)</u>	<u>(76,692)</u>	<u>(39,826)</u>	<u>12,793</u>	<u>41,584</u>
Tax	<u>(435)</u>	<u>612</u>	<u>(140)</u>	<u>(1,988)</u>	<u>(6,060)</u>
PROFIT/(LOSS) BEFORE MINORITY INTERESTS	<u>(37,337)</u>	<u>(76,080)</u>	<u>(39,966)</u>	<u>10,805</u>	<u>35,524</u>
Minority interests	<u>-</u>	<u>-</u>	<u>82</u>	<u>-</u>	<u>-</u>
NET PROFIT/(LOSS) FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS	<u>(37,337)</u>	<u>(76,080)</u>	<u>(39,884)</u>	<u>10,805</u>	<u>35,524</u>

## ASSETS AND LIABILITIES

	At 31 March				
	2004 HK\$'000	2003 HK\$'000	2002 HK\$'000	2001 HK\$'000	2000 HK\$'000
TOTAL ASSETS	<u>168,417</u>	<u>186,123</u>	<u>266,960</u>	<u>289,137</u>	<u>465,016</u>
TOTAL LIABILITIES	<u>(14,303)</u>	<u>(40,952)</u>	<u>(46,612)</u>	<u>(23,649)</u>	<u>(238,566)</u>
NET ASSETS	<u>154,114</u>	<u>145,171</u>	<u>220,348</u>	<u>265,488</u>	<u>226,450</u>

## 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.

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## **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 26 and 27 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 28 to the financial statements and in the consolidated statement of changes in equity, respectively.

## **DISTRIBUTABLE RESERVES**

At 31 March 2004, the Company's reserves of approximately HK\$17,872,000 (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\$94,471,000 as at 31 March 2004, may be distributed in the form of fully paid bonus shares.

## **MAJOR CUSTOMERS AND SUPPLIERS**

During the year ended 31 March 2004, the five largest customers of the Group accounted for approximately 19% (2003: 33%) of the Group's turnover for the year while the five largest suppliers accounted for approximately 18% (2003: 21%) of the Group's purchases. In addition, the largest customer of the Group accounted for approximately 6% (2003: 12%) of the Group's turnover for the year while the largest supplier accounted for approximately 6% (2003: 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.

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## DIRECTORS

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

### Executive directors

Ms. Zhou Wei ( <i>Chairman</i> )	(appointed on 4 May 2004)
Mr. Liu Jicheng ( <i>Deputy Chairman</i> )	
Mr. Lam Kwan Sing	
Mr. Cheong Tin Yau	(resigned on 4 May 2004)

### Non-executive director

Ms. Huang Ning	(appointed on 21 November 2003)
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### Independent non-executive directors

Mr. Lo Kwok Hung, John	
Mr. Lau Man Tak	(appointed on 5 February 2004)
Ms. Lau Ching Yin, Judy	(resigned on 5 February 2004)

In accordance with the Company's bye-law no. 86(2) and no. 87(1), Ms. Zhou Wei, Ms. Huang Ning, Mr. Lau Man Tak, Mr. Lo Kwok Hung, John and Mr. Lam Kwan Sing shall retire by rotation from office and, being eligible, offer themselves for re-election. Mr. Lo has already informed the Company that he will not offer himself for re-election in the coming annual general meeting.

## BIOGRAPHICAL DETAILS OF DIRECTORS

Biographical details of the directors of the Company of the Group are set out on page 9 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.

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## **DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION**

As at 31 March 2004, the interests and short positions of the directors and or their associates in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO"), as recorded in the register maintained by the Company under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited ("the Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO and the Model Code for the Securities Transactions by Directors of Listed Companies were as follows:

### **Long position in ordinary shares of the Company:**

<b>Name of director</b>	<b>Nature of interest</b>	<b>Number of ordinary shares held</b>	<b>Percentage of the Company's issued share capital</b>
Ms. Huang Ning	Corporate	141,712,500	32.71

*Note:* 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 in which Victory Rider Limited is interested by virtue of the SFO.

Save as disclosed above, as at 31 March 2004, none of the directors had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO, as recorded in the register maintained by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO and the Model Code for the Securities Transactions by Directors of Listed Companies.

## **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 minor children, 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.

## **SUBSTANTIAL SHAREHOLDERS**

In November 2003, the Company's shareholders received a voluntary conditional cash offers from Kingston Securities Limited on behalf of Victory Rider Limited to acquire all the issued shares of the Company. The Offer was completed on 12 December 2003 and Victory Rider Limited became the major controlling shareholder of the Company.

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## DISCLOSABLE INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS UNDER THE SFO

At 31 March 2004, 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 5% 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:

### Long positions:

Name of shareholder	Notes	Nature of interest	Number of ordinary shares held	Percentage of the Company's issued share capital
Victory Rider Limited	(i)	Corporate	141,712,500	32.71
Huang Ning	(i)	Corporate	141,712,500	32.71
Kistefos Investment A.S.	(ii)	Corporate	62,400,000	14.40

### Notes:

- (i) As at 31 March 2004, Ms. Huang Ning was the beneficial owner of Victory Rider Limited. Details of the interest of Ms. Huang Ning in the shares of the Company are set out in the section "Directors' and chief executives' interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporation" of this report.
- (ii) So far as is known to the Directors, Kistefos Investment A.S. is wholly-owned by A.S. Kistefos Traesliberi, in which Mr. Christen Sveaas has an 85% beneficial interest.

Save as disclosed above, the directors are not aware of any person 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 5% 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.

## POST BALANCE SHEET EVENTS

Details of the significant post balance sheet events of the Group are set out in note 33 to the financial statements.

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## 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 Mr. Lo Kwok Hung, John and Mr. Lau Man Tak. The audit committee has been delegated the authority from the board to review the financial reporting and internal control procedures of the Company.

## AUDITORS

The financial statements for the year ended 31 March 2002 was audited by Arthur Andersen & Co.. Ernst & Young have acted as auditors of the Company for the years ended 31 March 2003 and 2004. There have been no other changes of auditors in the past three years. Ernst & Young 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

**Zhou Wei**

*Chairman*

Hong Kong

27 July 2004