



CHAIRMAN'S STATEMENT

On behalf of the Board of Directors of Zida Computer Technologies Limited (the "Company") and its subsidiaries, I am pleased to present the annual report of the Group.

FINANCIAL RESULTS

For the year ended 31st March 2002, the Group's turnover was HK\$1,461,292,000 (2001: HK\$1,366,211,000), while profit attributable to shareholder was HK\$1,751,000 (2001: Loss attributable to shareholder of HK\$24,808,000).

FINAL DIVIDEND

The Board of Directors has proposed a final dividend of HK1 cents each. It is expected that after the annual general meeting to be held on 18th July, 2002. The final dividend will be paid on 30th July, 2002 to the shareholders whose names appear in the register of the Company on 18th July, 2002.

BUSINESS REVIEW AND PROSPECTS

The Group recorded a slight profit in the past year, mainly as a result of its suitable market positioning together with an aggressive and effective operating strategy by the management and proper utilization of resources. The huge investment in the research and development department is expected to bear fruit in the foreseeable future though little return would be reflected in the short-term.

The core business of the Group is the design and sales of motherboards and wired/wireless internet products and routers. The future development of motherboard will be focused on the research and development of Pentium 4 related products, making use of the new 478 pin Pentium 4 CPU to develop an innovative Intel 845 series of motherboard. Apart from developing products which aim at the education market, as well as the design and production of motherboard and server motherboard specifically used in schools, efforts have also been made to expand the special applications of motherboard (such as being applied to dynamic advertising system and charge-free telephone system, etc.) so as to achieve further diversification of its products.

In terms of network products, the Group will focus on high-end wired and wireless product, including SNMP LAN switches and routers, while the main focus will be on wireless access points under the IEEE802.11b/a specification. The Group will indulge in R&D in advanced technologies to enhance competitiveness. In terms of market expansion, the Group will strive to develop the scope of application for network products, including the application solution relating to office networking, mobile network connection, games and educational multimedia. The management believes that such series of products will generate substantial profits for the Group.

Owing to the rapid development of the PRC market which gives rise to huge development potential for the PC market, the Group established its own brandname "VCTnet" in Hong Kong and the PRC (website: www.vctnet.com) in June last year, which is engaged in the development, design and manufacture of network products. With such initiative, the Group has built up the distribution channel for its own branded products.

CHAIRMAN'S STATEMENT (Continued)

In all, the Group will continue to keep abreast of the latest technological development in all areas so as to complement the Group's future investment in software development with a view to bringing the latest achievements into the development process of a wide range of products. Meanwhile, the Group is seeking to establish mutual development relationship with its co-operative partners so as to expand the sales network of the products which offer significant benefits to the Group's long-term development.

FINANCIAL ANALYSIS

The financial condition of the Group is healthy. As at 31st March, 2002, the Group had a total of HK\$62,540,000 (2001: HK\$104,005,000) in cash and bank balances. The Group had trade and other receivables of HK\$9,625,000 (2001: HK\$12,028,000). As at 31st March, 2002, total assets of the Group amounted to HK\$165,931,000 while bank borrowings and finance lease obligations were HK\$7,063,000. The Directors believe that the Group has sufficient cashflow to meet all its commitments and operating needs.

EXCHANGE RISK

The income earned and the cost incurred by the Group have been mainly in U.S. dollars and Hong Kong dollars whereas most cash and bank deposits are both in U.S. dollars. The management believes that the Group will continue to be subject to an insignificant foreign exchange exposure. As no material risk of exchange rate fluctuation was recorded for the year ended 31st March, 2002, the Group did not use any relevant financial instruments for hedging.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the aggregate sales attributable to the Group's five largest customers comprised approximately 19% of the Group's total sales and the sales attributable to the Group's largest customer were approximately 5% of total sales.

The aggregate purchase attributable to the Group's five largest suppliers during the year accounted for approximately 59% of the total cost of sales of the Group and the largest supplier accounted for approximately 41% of the total cost of sales of the Group.

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

CLOSURE OF REGISTER OF MEMBER

The register of members of the Company will be closed from 15th July, 2002 to 18th July, 2002 (both days inclusive). To qualify for the final dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Share Registrars in Hong Kong, Standard Registrars Limited, at 5th floor, Wing On Center, 111 Connaught Road Central, Hong Kong not later than 4:00 p.m. on 12th July, 2002.

CHAIRMAN'S STATEMENT (Continued)

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares.

EMPLOYEES AND REMUNERATION POLICY

As at 31st March, 2002, the Company had a total of 226 employees based in China and Hong Kong. Remuneration packages of employees are reviewed annually. Employees' salaries as well as their bonuses and share options are determined according to the assessment of individual performance.

AUDIT COMMITTEE

The audit committee of the Company comprises independent non-executive directors. The audit committee of the Company and the management audited the accounting practices and standards adopted by the Group, and discussed issues relating to the auditing, internal control and financial reporting, including the auditing of audited financial statements.

CODE OF BEST PRACTICE

The Directors of the Company are not aware of any information sufficient to prove reasonably that the Company failed to comply or has not complied with the requirements set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules") during the auditing period, except that the non-executive directors of the Company have no fixed terms of office, but are required to resign by rotation, subject to re-election in accordance with the articles of associations of the Company.

POSTING OF THE ANNUAL RESULTS ON THE STOCK EXCHANGE WEBSITE

Pursuant to Sections 45(1) to 45(3) in Appendix 16 of the Listing Rules of the Stock Exchange, all the information in respect of the results of the Group for the year ended 31st March, 2002 will be published on the website of the Stock Exchange in due course.

NOTE OF APPRECIATION

On behalf of all shareholders and the Board of Directors, I would like to thank all of our customers for their support of the Group, and to express our sincere appreciation to staff members of the Group for their contribution to the Group during the year and for their commitment to the future.

Chang Chung Wa, Eddie
Chairman

Hong Kong, 11th June, 2002