

CONTENTS AND CORPORATE INFORMATION

CONTENTS

	<i>Page</i>
CONDENSED CONSOLIDATED FINANCIAL STATEMENTS	
Condensed consolidated income statement	1
Condensed consolidated balance sheet	2
Condensed consolidated cash flow statement	4
Condensed consolidated statement of changes in equity	5
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS	6
REPORT OF THE BOARD	13

CORPORATE INFORMATION

Board of Directors

Executive directors

Mr. Chang Chung Wa, Eddie

Ms. Tang Kit Ching, Venus

Independent non-executive directors

Dr. Li Chi Kwong

Prof. Pan Xiao Mei

Audit committee

Dr. Li Chi Kwong

Prof. Pan Xiao Mei

Head office and principal place of business

8th Floor, Block A

Goodview Industrial Building

11 Kin Fat Street

Tuen Mun

New Territories

Hong Kong

Web-site: www.zida.com

Principal banker

The Hongkong and Shanghai Banking
Corporation Limited

Shop 1, Ground Floor

Tuen Mun Town Plaza Phase II

New Territories

Hong Kong

Auditors

Deloitte Touche Tohmatsu

Certified Public Accountants

26th Floor, Wing On Centre

111 Connaught Road Central

Hong Kong

Hong Kong branch share registrar and transfer office

Standard Registrars Limited

5th Floor, Wing On Centre

111 Connaught Road Central

Hong Kong

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

RESULTS

The Board of Directors of Zida Computer Technologies Limited (the “Company”) presents the unaudited financial statements of the Company and its subsidiaries (the “Group”) for the six months ended 30th September, 2002 together with the comparative figures of the corresponding period last year as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT – UNAUDITED

	<i>Notes</i>	Six months ended 30th September,	
		2002 HK\$'000	2001 HK\$'000
Turnover	2	806,277	676,322
Cost of sales		(800,604)	(662,684)
Gross profit		5,673	13,638
Other revenue		148	1,131
Impairment loss on property, plant and equipment		(739)	–
Selling expenses		(3,260)	(2,211)
Administrative expenses		(9,820)	(14,952)
Loss from operations	3	(7,998)	(2,394)
Finance costs	4	(464)	(1,284)
Loss before taxation		(8,462)	(3,678)
Taxation	5	1	–
Loss for the period		(8,461)	(3,678)
Loss per share	6		
– Basic		(4.50 cents)	(1.96 cents)

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED BALANCE SHEET

		Unaudited	Audited
		30th September,	31st March,
		2002	2002
	<i>Notes</i>	HK\$'000	HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		35,191	37,783
Unlisted investments		911	911
		36,102	38,694
CURRENT ASSETS			
Inventories		29,396	55,042
Trade and other receivables	7	11,694	9,625
Bills receivable		–	29
Tax recoverable		188	–
Pledged bank deposits		5,500	5,500
Bank balances and cash		56,840	57,040
		103,618	127,236
CURRENT LIABILITIES			
Trade and other payables	8	78,838	76,215
Bills payable		262	24,601
Taxation payable		–	990
Obligations under finance leases			
– due within one year	9	1,223	3,435
Secured bank borrowings			
– due within one year	10	12,650	3,596
		92,973	108,837
NET CURRENT ASSETS			
		10,645	18,399
TOTAL ASSETS LESS			
CURRENT LIABILITIES			
		46,747	57,093

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED BALANCE SHEET – (continued)

		Unaudited 30th September, 2002 <i>HK\$'000</i>	Audited 31st March, 2002 <i>HK\$'000</i>
	<i>Notes</i>		
NON-CURRENT LIABILITIES			
Obligations under finance leases			
– due after one year	9	–	32
		–	32
		46,747	57,061
CAPITAL AND RESERVES			
Share capital	11	18,812	18,800
Reserves		27,935	38,261
		46,747	57,061

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED CASH FLOW STATEMENT – UNAUDITED

	For the six months ended 30th September,	
	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	(4,456)	(28,319)
NET CASH (OUTFLOW)/INFLOW FROM INVESTING ACTIVITIES	(700)	893
NET CASH OUTFLOW FROM FINANCING ACTIVITIES	(4,098)	(23,095)
DECREASE IN CASH AND CASH EQUIVALENTS	(9,254)	(50,521)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	53,444	99,643
CASH AND CASH EQUIVALENTS AT END OF PERIOD	44,190	49,122
ANALYSIS OF BALANCES OF CASH AND CASH EQUIPMENTS:		
Bank balance and cash (other than pledged deposit HK\$5,500,000)	56,840	76,326
Trust receipt loans repayable within three months	(10,812)	(26,995)
Bank overdraft	(1,838)	(209)
	44,190	49,122

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Unaudited
For the six months ended 30th September, 2002

	Share capital	Share premium	Special reserve	Capital reserve	Retained profits (deficit)	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1st April, 2002	18,800	22,999	9,628	2,408	3,226	57,061
Share issued under share option scheme	12	-	-	-	-	12
Premium arising on share issue under share option scheme	-	16	-	-	-	16
Loss for the period	-	-	-	-	(8,461)	(8,461)
Dividends	-	-	-	-	(1,881)	(1,881)
At 30th September, 2002	<u>18,812</u>	<u>23,015</u>	<u>9,628</u>	<u>2,408</u>	<u>(7,116)</u>	<u>46,747</u>

Audited
For the year ended 31st March, 2002

	Share capital	Share premium	Special reserve	Capital reserve	Retained profits (deficit)	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1st April, 2001	18,800	22,999	9,628	2,408	20,275	74,110
Profit for the year	-	-	-	-	1,751	1,751
Dividends	-	-	-	-	(18,800)	(18,800)
At 31st March, 2002	<u>18,800</u>	<u>22,999</u>	<u>9,628</u>	<u>2,408</u>	<u>3,226</u>	<u>57,061</u>

1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The unaudited interim result of the Group are prepared in accordance with the requirements as set out in the Statements of Standard Accounting Practice (“SSAP”) No. 25 “Interim Financial Statements” as issued by the Hong Kong Society of Accountants and Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

The accounting policies and basis for the preparation of these condensed financial statements are the same as those adopted in the financial statements for the year ended 31st March 2002, except that the Group has adopted for the first time a number of new and revised SSAPs issued by the Hong Kong Society of Accountants during the period.

SSAP 1 (Revised)	:	“Presentation of financial statements”
SSAP 11 (Revised)	:	“Foreign currency translation”
SSAP 15 (Revised)	:	“Cash flow statements”
SSAP 34	:	“Employee benefits”

The adoption of the above new and revised SSAPs had no significant impact on the Group’s interim financial statements for the prior year.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

2. TURNOVER

An analysis of the Company's turnover by principal activity and region together with their respective profit/(loss) from operations is as follows:

By principal activity:

	Turnover (unaudited) Six months ended 30th September,		Profit/(Loss) from operations (unaudited) Six months ended 30th September,	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Design and manufacture of motherboards	88,725	82,442	172	4,325
Supply of PC components	717,552	593,880	4,963	9,313
	<u>806,277</u>	<u>676,322</u>	<u>5,135</u>	<u>13,638</u>
Unallocated corporate income			95	1,013
Unallocated corporate expenses			(13,228)	(17,045)
Loss from operations			(7,998)	(2,394)
Finance costs			(464)	(1,284)
Loss before taxation			<u>(8,462)</u>	<u>(3,678)</u>
By region:				
North America	104,857	128,172	721	2,019
Asia Pacific	86,099	128,427	518	3,691
China	270,347	235,567	1,583	4,261
Hong Kong	163,210	93,821	1,107	1,697
Europe	175,422	75,155	1,162	1,398
Others	6,342	15,180	44	572
	<u>806,277</u>	<u>676,322</u>	<u>5,135</u>	<u>13,638</u>
Unallocated corporate expenses			(13,133)	(16,032)
Loss from operations			<u>(7,998)</u>	<u>(2,394)</u>

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. LOSS FROM OPERATIONS

	Unaudited	
	Six months ended	
	30th September,	
	2002	2001
	HK\$'000	HK\$'000
Interest income	95	1,013
Depreciation and Amortisation	(3,388)	(3,798)
Impairment loss on property, plant and equipment	(739)	-
	<u> </u>	<u> </u>

4. FINANCE COSTS

	Unaudited	
	Six months ended	
	30th September,	
	2002	2001
	HK\$'000	HK\$'000
Interest on:		
Bank loans	399	1,030
Obligations under finance leases	65	254
	<u> </u>	<u> </u>
	<u>464</u>	<u>1,284</u>

5. TAXATION

	Unaudited	
	Six months ended	
	30th September,	
	2002	2001
	HK\$'000	HK\$'000
The charges comprise the following:		
The Company and its subsidiaries		
Overprovision of Hong Kong		
Profits Tax in previous years	1	-
	<u> </u>	<u> </u>

No provision of Hong Kong Profits Tax has been made in the financial statements as the Hong Kong subsidiaries of the Company had no assessable profit for the period.

6. LOSS PER SHARE

The calculation of the basic loss per share for the period is based on the net loss for the six months ended 30th September, 2002 of HK\$8,461,000 (2001: loss for the period of HK\$3,678,000) and on the weighted average number of 188,081,511 shares (2001: 188,000,000 shares) in issue during the period.

No amount has been presented for the diluted loss per share for both period as the exercise of the outstanding share options of the Company would result in a decrease in the loss per share.

7. TRADE AND OTHER RECEIVABLES

The Group has a policy of allowing an average credit period of 30 days to its trade customers. Included in trade and other receivables are trade receivables of HK\$7,211,000 (31st March 2002: HK\$4,945,000), the aged analysis of which at the balance sheet date is as follows:

	Unaudited 30th September, 2002 HK\$'000	Audited 31st March, 2002 HK\$'000
Up to 30 days	6,475	4,903
31 - 60 days	124	5
61 - 90 days	126	23
More than 90 days	486	14
	<u>7,211</u>	<u>4,945</u>

8. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of HK\$76,736,000 (31st March, 2002: HK\$70,554,000), the aged analysis of which at the balance sheet date is as follows:

	Unaudited 30th September, 2002 HK\$'000	Audited 31st March, 2002 HK\$'000
Up to 30 days	74,245	68,777
31 - 60 days	1,894	1,574
61 - 90 days	446	21
More than 90 days	151	182
	<u>76,736</u>	<u>70,554</u>

9. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments		Present value of minimum lease payments	
	Unaudited 30th September, 2002 HK\$'000	Audited 31st March, 2002 HK\$'000	Unaudited 30th September, 2002 HK\$'000	Audited 31st March, 2002 HK\$'000
The maturity of obligations under finance leases is as follows:				
Within one year	1,235	3,512	1,223	3,435
More than one year, but not exceeding two years	-	32	-	32
	<u>1,235</u>	<u>3,544</u>	<u>1,223</u>	<u>3,467</u>
Less: Future finance charges	(12)	(77)		
Present value of lease obligations	<u>1,223</u>	<u>3,467</u>		
Less: Amount due from settlement within one year (shown under current liabilities)			(1,223)	(3,435)
			<u>-</u>	<u>32</u>

It is the Group's policy to lease certain of its plant and machinery under finance leases. The average lease term is 3 years. Interest rates are fixed at the contract date. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

10. SECURED BANK BORROWINGS

	Unaudited 30th September, 2002 HK\$'000	Audited 31st March, 2002 HK\$'000
Secured Bank borrowings comprise:		
Trust receipt loans	10,812	1,521
Bank overdraft	1,838	2,075
	<u>12,650</u>	<u>3,596</u>
Bank borrowings are repayable within one year or on demand and shown under current liabilities	<u>12,650</u>	<u>3,596</u>

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

11. SHARE CAPITAL

	Unaudited 30th September, 2002 HK\$'000	Audited 31st March, 2002 HK\$'000
Authorised:		
1,000,000,000 ordinary shares of HK\$0.10 each (At 31st March, 2002: 1,000,000,000 shares)	<u>100,000</u>	<u>100,000</u>
Issued and fully paid:		
188,115,000 ordinary shares of HK\$0.10 each (At 31st March 2002: 188,000,000 Shares)	<u>18,812</u>	<u>18,800</u>
	<i>Number of Shares</i>	<i>Value HK\$000</i>
Summary of the changes in the Company's share capital are as follows:		
At 31st March, 2002	188,000,000	18,800
Issued under the employees' share option scheme	<u>115,000</u>	<u>12</u>
At 30th September, 2002	<u>188,115,000</u>	<u>18,812</u>

During the period, 115,000 new shares of the Company of HK\$0.10 each were issued under the employees' share option scheme at the price of HK\$0.24 per share, with an aggregate cash proceeds of HK\$27,600.

12. OPERATING LEASE ARRANGEMENTS

At the balance sheet date, the Group had commitments for future minimum lease payments under non-cancellable operating leases for premises which fall due as follows:

	Unaudited 30th September, 2002 HK\$'000	Audited 31st March, 2002 HK\$'000
Within one year	1,639	2,267
In the second to fifth year inclusive	6,554	6,741
Over five years	819	1,567
	<u>9,012</u>	<u>10,575</u>

Operating lease payments represent rentals payable by the Group for certain of its warehouses and factory premises. Leases are negotiated for an average term of six years and rentals are fixed during the lease period.

The Company had no significant operating lease commitments as at the balance sheet date.

13. OTHER COMMITMENTS

At the balance sheet date, the Group had annual commitments payable in the following year as follows:

	Unaudited 30th September, 2002 HK\$000	Audited 31st March, 2002 HK\$000
Contracted for the contribution of registered capital to PRC subsidiaries	18,720	19,929
Contracted for the payment of a management fee to a party in the PRC under a management agreement which expires over five years	47	47
	<u>18,767</u>	<u>19,976</u>

14. RELATED PARTY TRANSACTIONS

There were no material related party transaction during the period.

INTERIM DIVIDEND

The Directors do not recommend payment of interim dividend for the six months ended 30th September 2002 (2001: Nil).

BUSINESS REVIEW AND PROSPECTS

For the six months ended 30th September 2002, the Group's turnover was HK\$806,277,000 (2001: HK\$676,322,000), representing an increased of 19.2% as compared with the corresponding period of 2001, while loss attributable to shareholders was HK\$8,461,000 (2001: loss attributable to shareholders of HK\$3,678,000).

Due to the slow recovery of the global economy and the intense competition of the PRC market, the profit margins of the motherboard operations decreased despite a higher turnover recorded by the Group. On the other hand, as the Group is yet to launch its entire line of network products to the market during the first half of the year, the expected profits cannot be completely realised.

The core business of the Group is the design and manufacture of motherboards and wired/wireless Internet products and routers.

The Group will closely monitor the market trends and adjust its market strategy accordingly. The PC market has undergone two major transformations in the past: the first one is the launch of Win 95, which changed the computer's operating interface and makes PC easier to use. The second one is the Y2K effect, where market demands concentrated in the same period of time, and a huge number of users switched to new systems during the past two years, which completely changed the seasonal pattern of the PC industry. The current market trend is on stimulating demand to switch systems by price reduction and in corporation of multimedia functions.

The Group will adjust its Pentium 4 processor strategy according to the supply condition of CPU in order to match the operating interface of Windows XP, and will introduce the Intel 845 series of motherboards. Apart from developing products which aim at the education market, as well as design and production of motherboards specifically used in schools, the Group will continue to expand the special applications of motherboards so as to enhance the competitiveness of its products.

REPORT OF THE BOARD

In the area of networking, the delayed introduction of certain network products will generate profits for the Group during the second half of the year. The Group will also develop different models (which includes the wireless access points under the IEEE802.11g and the Gigabit Ethernet network products) and to launch them worldwide. The Group will continue to extend the scope of application of its network products, including the application solutions relating to office networking, mobile network connection, network games and educational multimedia.

Meanwhile, the management believes the PC market in the United States, Western Europe and Japan is reaching saturation. On the other hand, owing to the gradual improvement of the PRC's economy, the demand for PC will increase, which is expected to maintain a high annual growth rate of 10% to 20%. The Group will continue to employ its brandname strategy in the PRC, and will continue to contribute resources to fortify its brandname "**VCTnet**", which is engaged in the development, design and manufacture of network products.

In conclusion, during the second half of the year, the Group will improve the application and allocation of internal resources and enhance its operation efficiency, and will continue to develop, research and manufacture various range of products with a view to generating promising returns for the Group.

Liquidity and Financial Information

The financial condition of the Group is currently healthy and high level of liquidity is maintained. As at 30th September 2002, the Group had a total of HK\$62,340,000 (31st March 2002: HK\$62,540,000) of cash and bank balances. The Group had trade and other receivables of HK\$11,694,000 (31st March 2002: HK\$9,625,000). As at 30th September 2002, total assets of the Group amounted to HK\$139,720,000, while bank borrowings and finance lease obligations were HK\$13,873,000.

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 period ended 30th September, 2002, the Group did not use any relevant financial instruments for hedging.

DIRECTORS' INTERESTS IN SECURITIES

(I) *Shares*

At 30th September, 2002, the interests of the directors in the ordinary shares of the Company as recorded in the register maintained by the Company pursuant to Section 29 of the Hong Kong Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") were as follows:

Name of director	Type of interest	Number of ordinary shares held
Mr. Chang Chung Wa, Eddie ("Mr. Chang")	Family interest (<i>Note 1</i>)	112,800,000
Ms. Tang Kit Ching, Venus ("Ms. Tang")	Corporate interest (<i>Note 2</i>)	28,200,000

Notes:

- (1) Tactful Finance Limited, a company incorporated in the British Virgin Islands, held 112,800,000 ordinary shares of the Company. The entire issued share capital of Tactful Finance Limited is owned by Spiritrider Development Inc., a company incorporated in the British Virgin Islands and the entire issued share capital of which is owned by A-One International Limited. A-one International Limited was incorporated in the British Virgin Islands, the entire issued share capital of which is beneficially owned by Maple Securities Limited, a limited liability company incorporated in the British Virgin Islands, which is a discretionary trust set up by Mr. Chang, the trustee of which is HSBC International Trustee Limited. Beneficiaries of the trust include the family members of Mr. Chang.
- (2) Rubyrider Development Corp. held 28,200,000 ordinary shares of the Company and is a company incorporated in the British Virgin Islands, the entire issued share capital of which is owned by Ms. Tang.

Save as disclosed above and other than certain nominee shares in the Company's subsidiaries held in trust for the Group by certain directors, none of the directors or the chief executives, nor their associates, had any interests in any securities of the Company or any of its associated corporations as defined in the SDI Ordinance.

REPORT OF THE BOARD

(II) Share Option

The following table discloses movements in the Company's share options during the six months ended 30th September, 2002:

	Note	Option grant date	Exercise price HK\$	Outstanding at 1.4.2002	Granted during the period	Cancelled during the period	Exercised during the period	Outstanding 30.9.2002
Directors								
Dr. Li Chi Kwong	(1)	5th September, 2000	0.77	500,000	-	-	-	500,000
Prof. Pan Xiao Mei	(1)	5th September, 2000	0.77	100,000	-	-	-	100,000
Mr. Chang Chung Wa, Eddie	(2)	21st May, 2001	0.26	5,000,000	-	300,000	-	4,700,000
Ms. Tang Kit Ching, Venus	(2)	21st May, 2001	0.26	5,000,000	-	300,000	-	4,700,000
Total for Directors				<u>10,600,000</u>	<u>-</u>	<u>600,000</u>	<u>-</u>	<u>10,000,000</u>
Employees								
	(3)	15th July, 2000	0.568	3,050,000	-	850,000	-	2,200,000
	(4)&(5)	29th January, 2001	0.24	1,570,000	-	205,000	115,000	1,250,000
Total for Employees				<u>4,620,000</u>	<u>-</u>	<u>1,055,000</u>	<u>115,000</u>	<u>3,450,000</u>
Grand Total				<u>15,220,000</u>	<u>-</u>	<u>1,655,000</u>	<u>115,000</u>	<u>13,450,000</u>

Notes:

- (1) The exercise period is divided into two trenches with 50% exercisable during the period from 26th August, 2001 to 25th August, 2005 and the other 50% exercisable during the period 26th August, 2002 to 25th August, 2005.
- (2) The exercise period is 7th May, 2002 to 6th May, 2006.
- (3) The exercise period is divided into 3 trenches with 40% exercisable during the period from 15th January, 2001 to 14th July, 2005, 30% exercisable during the period from 15th July, 2001 to 14th July, 2005 and 30% exercisable during the period from 15th January, 2002 to 14th July, 2005.
- (4) The exercise period is divided into two trenches with 50% exercisable during the period from 29th January, 2002 to 28th January, 2006 and the other 50% exercisable during the period 29th July, 2002 to 28th January, 2006.
- (5) The closing price of the Company's shares immediately before 24th May, 2002, the date on which the options were exercised, was HK\$0.49.

SUBSTANTIAL SHAREHOLDERS

As at 30th September, 2002, the register of substantial shareholders maintained by the Company pursuant to Section 16(1) of the SDI Ordinance showed as of that date that, other than the interests disclosed under the heading "Directors' interests in securities", the Company had not been notified of any interests representing 10% or more of the Company's issued share capital.

PURCHASE, SALE AND REPURCHASE OF LISTED SECURITIES

During the period under review, neither the Company nor any of its subsidiaries purchased or redeemed any of the Company's listed shares.

EMPLOYEES AND REMUNERATION POLICY

As at 30th September 2002, the Company had a total of 218 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 and the management audited the accounting principles and practices adopted by the Group, and discussed issues relating to the auditing of internal control and financial reporting, including the auditing of unaudited interim financial reports.

CODE OF BEST PRACTICE

In the opinion of the Directors, except that the independent non-executive directors have no fixed term of office and they must resign by rotation and may be reappointed for successive terms as prescribed by the Company's bye-laws, none of the Directors is aware of any information which would indicate that the Company was not (or has not been) in compliance with the Code of Best Practice set out in Appendix 14 of the Rules governing the Listing of Securities on The Stock Exchange of Hong Kong Limited at any time during the six months ended 30th September, 2002.

By order of the Board
Chang Chung Wa, Eddie
Chairman

Hong Kong, 12th December, 2002