

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 2003, the Group recorded a turnover of HK\$1,387,089,000 (2002: HK\$1,461,292,000) and the loss attributable to shareholders was HK\$28,828,000 (2002: profit attributable to shareholders of HK\$1,751,000).

### FINAL DIVIDEND

The Director do not recommend the payment of a dividend for the year.

### BUSINESS REVIEW AND PROSPECTS

The year under review had been a very challenging and difficult year for the Group. As a result of the war against Iraq by the US as well as the sluggish global economy, we experienced an overall economic downturn for the year and the results of the Group were also adversely affected. In response to the market changes of the computer industry, the Group refocused its target market from the components sector to the finished product sector. The management envisaged such market changes and acted preemptively to reallocate part of its resources from its businesses of motherboards, memory products and other related components to the market of finished computer products. However, continuous efforts are needed so as to keep pace with the rapid market changes. Furthermore, competition within the computer industry has been intense while the information technology sector has not fully recovered. Therefore, the profit margin of the Group decreased significantly.

The Group recorded a loss for the year, which included the loss of HK\$2,630,000 incurred from the disposal of some dispensable production plants and equipment. Depreciation of property, plant and equipment amounted to HK\$7,566,000 and allowance for inventories increased by HK\$2,280,000. All of these items were fully charged to the results of the Group for the year.

Looking ahead, the management expects to make adjustments based on current forecasts and prevailing market conditions and in response to the general trend of the computer market. The Group has refocused itself from the operations of development and design, manufacture and trading of components to the development and design, manufacture and trading of finished products. Also, resources are placed on core products, including network switches and related systems, wireless network products and flash products, for example, flash memory cards. These products are targeted towards consumers of electronics products, such as digital cameras. We also strive maintain and strengthen the Group's business operations by an effective allocation of resources of the Company.

As for market development, the original design manufacturers ("ODM") continue to be the major customers of the overseas operations of the Group. The overseas markets of our products include Japan, Europe and the US, etc. In addition, in view of the rapid market development of the PRC, the Group is optimistic about the development of the computer market in general. The Group will also strengthen and further develop its established brand of "VCT維思達" where persistent efforts will be made to produce high quality products. Besides that, the Group expect to establish a distribution channel with its own brandname.

## CHAIRMAN'S STATEMENT (Continued)

Meanwhile, the Group will adhere to its strict cost control measures and inventory management. The inventory level will be closely monitored in order to achieve cost-effectiveness. With continuous enhancement of productivity and production capacity, combined with flexibility in the development of diversified products and provision of high quality products as well as our service commitment, the Group is expected to embrace a promising future.

### FINANCIAL ANALYSIS

As at 31st March 2003, the Group had a total of HK\$24,676,000 of cash and bank balances. The Group's trade and other receivables amounted to HK\$8,414,000. As at 31st March 2003, the Group had total assets of HK\$89,715,000 while bank borrowings and financial lease obligations were HK\$16,945,000.

### 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 year ended 31st March, 2003, 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 24% of the Group's total sales and the sales attributable to the Group's largest customer were approximately 3% of total sales.

The aggregate purchase attributable to the Group's five largest suppliers during the year accounted for approximately 53% of the total cost of sales of the Group and the largest supplier accounted for approximately 31% 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 Monday, 1st September, 2003 to Wednesday, 3rd September, 2003, both days inclusive, during which period no transfer of shares will be effected. All transfers accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrars in Hong Kong, Standard Registrars Limited, Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong for registration no later than 4:00 p.m. on Friday, 29th August, 2003.

### 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, 2003, the Company had a total of 195 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 Company has established an audit committee according to the Code of Best Practice to review and supervise financial reporting and internal control of the Group. The audit committee of the Company comprises two independent non-executive directors.

### CODE OF BEST PRACTICE

The Company has 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 period under review, except that the independent non-executive directors of the Company have no fixed terms of office, but are required to resign by rotation.

### DISCLOSURE OF INFORMATION 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, 2003 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, 22nd July, 2003