

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

The Group recorded a turnover of HK\$740,384,000 for the year ended 31st March, 2004 (2003: HK\$1,387,089,000). Loss attributable to shareholders amounted to HK\$9,875,000 (2003: loss attributable to shareholders of HK\$28,828,000). The net loss before deducting depreciation charges of HK\$6,235,000 for the year should be amounted to HK\$3,640,000.

FINAL DIVIDEND

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

BUSINESS REVIEW AND PROSPECTS

During the year under review, as a result of the maturing globalization and keen competition in the market and of computer related products, both the sales market and its price of the products have been under pressure which affected the turnover of the Group. However, the Group made great efforts to develop, manufacture & supply IT consumer products with higher gross profits, including mobile storage & related products, to raise its gross profit margin.

Looking ahead, the Group will continue to research and develop new network products, including mass-produce Gigabit LAN Switch and Gigabit LAN Card for mass production, keep pace with the market demand and enhance the function of its distribution network in the PRC, in order to provide customers with a wider range of supporting services.

In addition, to satisfy the huge market demand for Electronics Manufacturing Services ("EMS"), the Group successfully upgraded the production model in the Shekou plant, and is identifying a quality partner to manufacture consumer electronics such as Digital Photo Storage, MP3, Flash Memory Card, USB Pen Drive and Internet Remote Video Camera in order to expand its product mix.

As for internal control, the management will continue its policy of rationalizing the production process and logistics, closely monitor the consumption of raw materials and adopt a prudent inventory policy with a view to enhancing productivity and to produce more quality products.

In conclusion, it is expected the diversified products and marketing strategy, together with the internal control implemented by the Group, will return in profitability of the Group in the next year.

CHAIRMAN'S STATEMENT (Continued)

FINANCIAL ANALYSIS

As at 31st March 2004, the Group had a total of HK\$7,470,000 of cash and bank balances. The Group had total assets of HK\$45,300,000. Inventories amounted to HK\$9,434,000, were substantially decreased by 65% as compared with last year while bank borrowings were HK\$5,998,000 has decreased by 65% as compared with the corresponding period last year.

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, 2004, 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 23% of the Group's total sales and the sales attributable to the Group's largest customer were approximately 7% of total sales.

The aggregate purchase attributable to the Group's five largest suppliers during the year accounted for approximately 44% of the total cost of sales of the Group and the largest supplier accounted for approximately 18% 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 Wednesday, 8th September, 2004 to Friday, 10th September, 2004, 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 Tuesday, 7th September, 2004.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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, 2004, the Company had a total of 130 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.

ANNUAL GENERAL MEETING

The Annual General Meeting of the Company will be held on Friday, 10th September, 2004.

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 Directors believe that the Company has complied with the requirements of the Code of Best Practice set out in Appendix 14 of the Listing Rules during the year under review.

DISCLOSURE OF INFORMATION ON THE STOCK EXCHANGE WEBSITE

Pursuant to Sections 45(1) to 45(3) in Appendix 16 of the Listing Rules, all the information in respect of the results of the Group for the year ended 31st March, 2004 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, 14th July, 2004