

# 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

The Group recorded a turnover of HK\$551,258,000 for the year ended 31st March, 2005 (2004: HK\$740,384,000). Loss attributable to shareholders amounted to HK\$7,206,000 (2004: loss attributable to shareholders of HK\$9,875,000). The net loss before deducting depreciation charges of HK\$4,294,000 for the year should be amounted to HK\$2,912,000.

## FINAL DIVIDEND

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

## BUSINESS REVIEW AND PROSPECTS

Last year, the Group has followed its business objective by actively engaged in the sales and promotion of IT consumer products with higher gross profits, so as to improve profit margin as a whole. Among those products, the turnover of Flash Memory Card, USB Pen Drive, Digital Photo Storage, MP3 and Internet Remote Video Camera recorded a remarkable increase. Computer motherboard and computer related products remain the Group's major sales products of the year, but there is keen competition in the market of these products. With the gradual improvement of the business environment, the operating loss of the Group has been reduced substantially.

The Group is actively undergoing discussions with various suppliers in order to lower the cost of sales. Rationalization of the production process, logistics process, and closely monitoring of inventory successfully reduced the operating cost and administrative expenses with a view to enhance economic effectiveness. The Group will strengthen and consolidate its existing business, devote more resources on the research and development of products with higher profit margin, expand overseas markets and exploring for development opportunities, with a view to raise its future turnover and profit margin.

The Company will continue its existing businesses of the Group which focus on information technology consumer products, including mobile storage and related products. The Group will strive to develop, manufacture and sell information technology consumer products which offer higher margins.

The Company will also seek to diversify the business of the Group in order to broaden the income source and revenue base. With the positive impact accrued from the introduction of the Closer Economic Partnership Arrangement and the strong sign of turnaround of the Hong Kong economy, the Board remains optimistic on the continued improvement in local economic performance and market sentiment. The continuous GDP growth in the PRC and Hong Kong in 2005 also provide numerous business opportunities. Under these circumstances, the Company will continue to seek for new investment opportunities in different industries and sectors which are favourable to the development of the Group and the enhancement of its earning base.

### FINANCIAL ANALYSIS

As at 31st March 2005, the Group had a total of HK\$10,503,000 of cash and bank balances. The Group had total assets of HK\$35,859,000. Inventories amounted to HK\$3,960,000, which have substantially decreased by 58% as compared with last year while bank borrowings were HK\$3,325,000, which has decreased by 45% 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, 2005, 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 34% of the Group's total sales and the sales attributable to the Group's largest customer were approximately 15% of total sales.

The aggregate purchase attributable to the Group's five largest suppliers during the year accounted for approximately 58% of the total cost of sales of the Group and the largest supplier accounted for approximately 27% 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.

### 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.

## Chairman's Statement (Continued)

### EMPLOYEES AND REMUNERATION POLICY

As at 31st March, 2005, the Company had a total of 90 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 Thursday, 25th August, 2005.

### 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 and one non-executive director.

### 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, 2005 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.

**Ng Chun For Henry**

*Chairman*

Hong Kong, 25th July, 2005