



ZIDA COMPUTER TECHNOLOGIES LIMITED

華基電腦科技有限公司

(incorporated in Bermuda with limited liability)

Interim Report of the Results for the Six Months Ended 30th September, 2002

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

		Six months ended 30th September,	
		2002	2001
	Notes	HK\$'000	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			
– Basic	6	(4.50 cents)	(1.96 cents)

Notes:

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.

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>

3. Loss from Operations

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

4. Finance Costs

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

5. Taxation

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

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.

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.

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.

PUBLICATION OF DETAILED INTERIM RESULTS ON THE STOCK EXCHANGE’S WEBSITE

The Group’s interim results containing all the information required by the paragraph 46(1) to 46(6) of Appendix 16 of the Listing Rules will be published on the website of The Stock Exchange of Hong Kong Limited in due course.

By order of the Board
Chang Chung Wa, Eddie
Chairman

Hong Kong, 12th December, 2002