

**ZIDA COMPUTER TECHNOLOGIES LTD :
VERY UNLIKELY TO BE A WINNER, ANYWHERE**

It would seem impossible to believe that a manufacturer of computer motherboards*, with a plant in Shekou, the People's Republic of China (PRC), could ever hope to compete with the likes of the manufacturing giants from the US, Europe, or the biggest economy and economic power in Asia, Japan.

This must be especially true for a company whose turnover from the manufacture and sales of its motherboards ranged between \$HK430.32 million and \$HK512.74 million, over a period of the past 3 financial years.

And it would seem impossible to believe that such a company could claim that the valuation of its trademark was worth \$HK151 million, representing about 55 percent of its Adjusted Net Tangible Assets.

But that is the case in respect of Zida Computer Technologies Ltd (Code: 859), one of the 2 newest companies to seek a listing on The Stock Exchange of Hongkong Ltd.

Zida Computer Technologies offered a total of 47 million shares in its flotation with 36 million shares, being Placed, while 11 million were New Issue Shares. In both cases, the 10-cent shares were sold at a Premium of 97 cents per share.

The Company admits, openly, that it faces stiff competition from other similar manufacturers in Taiwan, but that its motherboards are cheap and have limited capabilities, unlike its competition, which have a range of motherboards, but their prices are higher than those of Zida Computer Technologies.

The Company is suffering from declining profits from the sales of motherboards so it has decided to seek a listing on The Stock Exchange of Hongkong Ltd.

The following is the Company's financial results from 1997:

	<i>All Figures are Denominated in \$HK'000</i>			
	1997	1998	1999	7 Months to October 31, 1999
	Year Ended March 31			
<u>Turnover:</u>				
Manufacturing motherboards	430,318	477,182	512,742	301,234
Trading in Personal Computer Components	586,883	626,430	808,710	494,244
Manufacturing Personal Computer Systems	Nil	Nil	Nil	7,297
TOTALS	1,017,201	1,103,612	1,321,452	802,775
Gross Profits	56,259	46,705	56,961	48,319
Profit before Taxation and Minority Interests	29,173	17,993	24,990	29,138

Taxation	4,482	2,320	2,805	2,860
Minority Interests	3,125	263	Nil	Nil
Net Profit Attributable to Shareholders	21,566	15,410	22,185	26,278

Not very impressive, is it?

For the Financial Year, ended March 31, 2000, the Company claims that the Net Profits, Attributable to Shareholders, will be '*not less than \$42.8 million.*'

On the basis of the forecast Net Profit for the Financial Year, ended March 31, 2000, it would appear that the Company is looking at a Bottom Line, equal to an increase of about 89 percent, Year-on-Year.

How the Company was able to achieve this result was due to the ability of Management to increase its Gross Profit Margin, from the 1999 Year's figure of about 8.50 percent, to the 2000 Year's figure of 13.10 percent.

It is seen that the Turnovers for the 1999 Year and the 2000 Year were very similar so that, actually, the Company is going nowhere, very fast.

It is unlikely, logic dictates, to think that Zida Computer Technologies can continue to achieve such a high Gross Profit Margin in the face of rising competition.

However, we shall see.

The Company estimates that it will net about \$HK40 million, after paying off everybody who made it possible to launch the Share Offer and Placement.

This \$HK40 million is earmarked to be used as follows:

1. \$HK10 million to be used in research and development;
2. \$HK6 million to be used for networking hardware product development;
3. \$HK15 million to be used for the development of Personal Computer business development;
4. \$HK3 million to be used for Enterprise Resource Planning; and,
5. \$HK6 million to be used as General Working Capital.

According to Page 63 of this Company's Prospectus, the Company had total borrowings of about \$HK33.91 million, as at ... [CLICK TO ORDER FULL ARTICLE](#)

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