

# 2020



J.I.C. Technology Company Limited

(Incorporated in the Cayman Islands with limited liability)  
(Stock Code: 0987)

## KEY HIGHLIGHTS

- Comparing the results of 2006 to 2005,
  - 2Q sales up 2.5% and net profit down 23.7%; and
  - 1H sales up 2.3% and net profit down 18.4%
- No interim dividends will be declared for the six months ended 30 June 2006

### 1. Summarised Statement of Income

*(In thousands of HK Dollars, except as otherwise stated)*

|  | Quarterly Results |         |         | 6 months Results            |                       |         |
|--|-------------------|---------|---------|-----------------------------|-----------------------|---------|
|  | 2Q 2006           | 2Q 2005 | YoY (%) | 1H 2006                     | 1H 2005               | YoY (%) |
| Sales (Revenue)                            | <b>127,512</b>    | 124,366 | 2.5     | <b>226,534</b>              | 221,545               | 2.3     |
| Gross Profit                               | <b>23,837</b>     | 26,233  | (9.1)   | <b>40,608</b>               | 43,424                | (6.5)   |
| % of sales                                 | <b>18.7%</b>      | 21.1%   |         | <b>17.9%</b>                | 19.6%                 |         |
| Operating Income <sup>(a)</sup>            | <b>10,463</b>     | 13,358  | (21.7)  | <b>17,672<sup>(b)</sup></b> | 20,790 <sup>(c)</sup> | (15.0)  |
| % of sales                                 | <b>8.2%</b>       | 10.7%   |         | <b>7.8%</b>                 | 9.4%                  |         |
| Per share (HK cent(s))                     | <b>1.37</b>       | 1.75    | (21.7)  | <b>2.31</b>                 | 2.72                  | (15.0)  |
| Net Profit                                 | <b>9,361</b>      | 12,269  | (23.7)  | <b>15,578</b>               | 19,078                | (18.4)  |
| % of sales                                 | <b>7.3%</b>       | 9.9%    |         | <b>6.9%</b>                 | 8.6%                  |         |
| Basic earnings per share<br>(HK cent(s))   | <b>1.23</b>       | 1.61    | (23.7)  | <b>2.04</b>                 | 2.50                  | (18.4)  |
| Diluted earnings per share<br>(HK cent(s)) | <b>1.23</b>       | 1.61    | (23.7)  | <b>2.04</b>                 | 2.50                  | (18.4)  |
| Number of shares ('000)                    |                   |         |         |                             |                       |         |
| Basic                                      | <b>763,535</b>    | 763,535 |         | <b>763,535</b>              | 763,535               |         |
| Diluted                                    | <b>763,535</b>    | 763,535 |         | <b>763,535</b>              | 763,535               |         |

Notes:

- (a) Operating Income excludes Bank interest income and Interest on bank borrowings.
- (b) Operating Income for the six months ended 30 June 2006 included a net loss on foreign currency exchange in the sum of HK\$0.9 million.
- (c) Operating Income for the six months ended 30 June 2005 included (i) a one-off settlement amounting to HK\$1.1 million being compensation for loss of gross profit from an insurance company regarding a small fire occurred in November 2004; and (ii) a net gain on foreign currency exchange in the sum of HK\$1.4 million.

## 2. Quarterly Sales Breakdown

*(In thousands of HK Dollars, except percentages)*

| Quarter     | 2006                  | 2005           | YoY (%)<br>(Quarterly) | YoY (%)<br>(Quarterly<br>accumulated) |
|-------------|-----------------------|----------------|------------------------|---------------------------------------|
| 1st Quarter | <b>99,022</b>         | 97,179         | 1.9                    | 1.9                                   |
| 2nd Quarter | <b>127,512</b>        | 124,366        | 2.5                    | 2.3                                   |
| 3rd Quarter | -                     | 126,990        | -                      | -                                     |
| 4th Quarter | -                     | 109,963        | -                      | -                                     |
| Total       | <b><u>226,534</u></b> | <u>458,498</u> |                        |                                       |

### 3. Key Highlights of Financial Position

*(In thousands of HK Dollars, except ratio and percentage)*

|                                       | As at 30 June |        | As at<br>31 December |
|---------------------------------------|---------------|--------|----------------------|
|                                       | 2006          | 2005   | 2005                 |
| Cash on Hand                          | <b>31,012</b> | 26,550 | 40,565               |
| Cash/Current Liabilities              | <b>0.21</b>   | 0.20   | 0.27                 |
| Current Ratio                         | <b>1.22</b>   | 1.32   | 1.19                 |
| Total Assets/Total Liabilities        | <b>1.96</b>   | 1.91   | 1.92                 |
| Return on Equity (%)                  | <b>19.94</b>  | 26.59  | 25.78                |
| Total Liabilities/Equity              | <b>1.05</b>   | 1.10   | 1.09                 |
| Debtors Turnover Day <sup>(a)</sup>   | <b>73</b>     | 86     | 65                   |
| Inventory Turnover Day <sup>(b)</sup> | <b>50</b>     | 39     | 47                   |
| Creditors Turnover Day <sup>(c)</sup> | <b>59</b>     | 67     | 60                   |

*Notes:*

- (a) The calculation of debtors turnover days is based on the amount of trade debtors as at the relevant period end divided by sales of the same period and multiplied by 365 days and the number of months in that period over 12.
- (b) The calculation of inventory turnover days is based on the amount of inventories as at the relevant period end divided by cost of sales of the same period and multiplied by 365 days and the number of months in that period over 12.
- (c) The calculation of creditors turnover days is based on the amount of trade creditors as at the relevant period end divided by cost of sales of the same period and multiplied by 365 days and the number of months in that period over 12.

## UNAUDITED INTERIM RESULTS

The board (the "Board") of directors (the "Directors") of J.I.C. Technology Company Limited (the "Company") is pleased to announce the unaudited condensed consolidated financial statements of the Company and its subsidiaries (collectively the "Group") for the three months and six months ended 30 June 2006.

## CONDENSED CONSOLIDATED INCOME STATEMENT

For the three months and six months ended 30 June 2006

(In thousands of HK Dollars, except as otherwise stated)

|   | Notes | Unaudited<br>Three months ended<br>30 June |          | Unaudited<br>Six months ended<br>30 June |           |
|---|-------|--|----------|--|-----------|
|   |       | 2006                                       | 2005     | 2006                                     | 2005      |
| Revenue   | 4     | <b>127,512</b>                             | 124,366  | <b>226,534</b>                           | 221,545   |
| Cost of sales   |       | <b>(103,675)</b>                           | (98,133) | <b>(185,926)</b>                         | (178,121) |
| Gross profit  |       | <b>23,837</b>                              | 26,233   | <b>40,608</b>                            | 43,424    |
| Bank interest income  |       | <b>184</b>                                 | 67       | <b>437</b>                               | 103       |
| Other income  |       | –  | –        | –  | 1,106     |
| Selling and distribution costs                                      |       | <b>(2,169)</b>                             | (2,101)  | <b>(4,009)</b>                           | (4,019)   |
| Administrative expenses   |       | <b>(8,233)</b>                             | (8,608)  | <b>(13,363)</b>                          | (15,646)  |
| Research and development expenditure                                |       | <b>(2,972)</b>                             | (2,166)  | <b>(5,564)</b>                           | (4,075)   |
| Interest on bank borrowings   |       | <b>(1,196)</b>                             | (793)    | <b>(2,415)</b>                           | (1,431)   |
| Profit before taxation  | 5     | <b>9,451</b>                               | 12,632   | <b>15,694</b>                            | 19,462    |
| Taxation  | 6     | <b>(90)</b>                                | (363)    | <b>(116)</b>                             | (384)     |
| Profit for the period attributable to equity holders of the Company |       | <b>9,361</b>                               | 12,269   | <b>15,578</b>                            | 19,078    |
| Dividends paid  | 7     | <b>(15,271)</b>                            | –        | <b>(15,271)</b>                          | –         |
| Earnings per share (HK cent(s))                                     | 8     |  |          |  |           |
| Basic   |       | <b>1.23</b>                                | 1.61     | <b>2.04</b>                              | 2.50      |



# 2006

## CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2006  
(In Thousands of HK Dollars)

|   | Notes | Unaudited<br>30 June<br>2006 | Audited<br>31 December<br>2005 |
|---|-------|------------------------------|--------------------------------|
| <b>Non-current assets</b>   |       |                              |                                |
| Property, plant and equipment   | 9     | 135,151                      | 141,548                        |
| Machinery under installation and deposits<br>paid for the acquisition of plant and<br>equipment |       | 3,544                        | 7,911                          |
| Intangible asset  |       | 381                          | 381                            |
|   |       | <u>139,076</u>               | <u>149,840</u>                 |
| <b>Current assets</b>   |       |                              |                                |
| Inventories   |       | 50,764                       | 47,170                         |
| Trade and other receivables   | 10    | 92,062                       | 83,000                         |
| Amount due from a fellow subsidiary   |       | 1,059                        | 1,149                          |
| Taxation recoverable  |       | 6,100                        | 4,683                          |
| Bank balances and cash  |       | 31,012                       | 40,565                         |
|   |       | <u>180,997</u>               | <u>176,567</u>                 |
| <b>Current liabilities</b>  |       |                              |                                |
| Trade and other payables  | 11    | 72,276                       | 73,203                         |
| Taxation payable  |       | 2,439                        | 2,200                          |
| Bank borrowings – due within one year   | 12    | 73,683                       | 72,854                         |
|   |       | <u>148,398</u>               | <u>148,257</u>                 |
| <b>Net current assets</b>   |       | <u>32,599</u>                | <u>28,310</u>                  |
| <b>Total assets less current liabilities</b>  |       | <u>171,675</u>               | <u>178,150</u>                 |
| <b>Non-current liabilities</b>  |       |                              |                                |
| Bank borrowings – due after one year  | 12    | 15,306                       | 22,088                         |
|   |       | <u>156,369</u>               | <u>156,062</u>                 |
| <b>Capital and reserves</b>   |       |                              |                                |
| Share capital   | 13    | 7,635                        | 7,635                          |
| Reserves  |       | 148,734                      | 148,427                        |
| <b>Equity attributable to equity holders<br/>of the Company</b>                                 |       | <u>156,369</u>               | <u>156,062</u>                 |



# 2006

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2006

|  | Share<br>capital<br>HK\$'000 | Share<br>premium<br>HK\$'000 | Goodwill<br>reserve<br>HK\$'000 | Special<br>reserve<br>HK\$'000 | Accumulated<br>profits<br>HK\$'000 | Total<br>HK\$'000 |
|--|------------------------------|------------------------------|---------------------------------|--------------------------------|------------------------------------|-------------------|
| At 1 January 2005 (audited)  | 7,635                        | 175                          | (8,351)                         | (6,774)                        | 141,267                            | 133,952           |
| Profit for the period and total<br>recognised income for<br>the period | -                            | -                            | -                               | -                              | 19,078                             | 19,078            |
| At 30 June 2005 (unaudited)  | 7,635                        | 175                          | (8,351)                         | (6,774)                        | 160,345                            | 153,030           |
| Profit for the period and total<br>recognised income for<br>the period | -                            | -                            | -                               | -                              | 18,303                             | 18,303            |
| Dividends paid   | -                            | -                            | -                               | -                              | (15,271)                           | (15,271)          |
| At 31 December 2005<br>(audited)                                       | 7,635                        | 175                          | (8,351)                         | (6,774)                        | 163,377                            | 156,062           |
| Profit for the period and total<br>recognised income for<br>the period | -                            | -                            | -                               | -                              | 15,578                             | 15,578            |
| Dividends paid   | -                            | -                            | -                               | -                              | (15,271)                           | (15,271)          |
| <b>At 30 June 2006 (unaudited)</b>                                     | <b>7,635</b>                 | <b>175</b>                   | <b>(8,351)</b>                  | <b>(6,774)</b>                 | <b>163,684</b>                     | <b>156,369</b>    |



# 2006

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2006

(In Thousands of HK Dollars)

|  | Unaudited                |          |
|--|--------------------------|----------|
|  | Six months ended 30 June |          |
|  | 2006                     | 2005     |
| Net cash from operating activities   | <b>18,171</b>            | 11,114   |
| Net cash used in investing activities  | <b>(4,086)</b>           | (20,815) |
| Net cash (used in) from financing activities   | <b>(23,638)</b>          | 14,071   |
| Net (decrease) increase in cash and cash equivalents                                   | <b>(9,553)</b>           | 4,370    |
| Cash and cash equivalents at beginning of the period                                   | <b>40,565</b>            | 22,180   |
| Cash and cash equivalents at end of the period,<br>representing bank balances and cash | <b>31,012</b>            | 26,550   |





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## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the three and six months ended 30 June 2006*

### 1. GENERAL

The Company is an exempted company incorporated in the Cayman Islands with limited liability with its registered office at Century Yard, Cricket Square, Hutchins Drive, P.O. Box 2681 GT, George Town, Grand Cayman, British West Indies. Its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Its ultimate holding company is Nam Tai Electronics, Inc. ("NTE Inc."), a company incorporated in the British Virgin Islands with its shares listed on the New York Stock Exchange.

The Group is mainly engaged in the manufacture and trading of liquid crystal display products.

The financial statements are presented in Hong Kong dollars, which is the functional currency of the Company.

### 2. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 of the Rules (the "Listing Rules") Governing the Listing of Securities on the Stock Exchange and with Hong Kong Accounting Standard ("HKAS") 34 "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

### 3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared under the historical cost convention.

The accounting policies adopted in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's financial statements for the year ended 31 December 2005, except as described below.

In the current interim period, the Group has adopted, for the first time, a number of new standards, amendments and interpretations (hereinafter collectively referred to as the "new HKFRSs") issued by the HKICPA, which are effective for accounting periods beginning on or after 1 December 2005 or 1 January 2006.

The adoption of these new HKFRSs has had no material effect on how the results of operations and financial position of the Group are prepared and presented.

The Group has not early applied the following new HKFRSs that have been issued but are not yet effective. The Group is in the process of assessing the potential impact of these new HKFRSs but is not yet in a position to determine whether these new HKFRSs will have a significant impact on how its results of operations and financial position are prepared and presented. These new HKFRSs may result in changes in the future as to how the results and financial position of the Group are prepared and presented.

|                    |  |
|--------------------|--|
| HKAS 1 (Amendment) | Capital disclosures <sup>1</sup>   |
| HKFRS 7            | Financial instruments: Disclosures <sup>1</sup>  |
| HK(IFRIC) – INT 7  | Applying the restatement approach under HKAS 29<br>Financial Reporting in Hyperinflationary Economies <sup>2</sup> |
| HK(IFRIC) – INT 8  | Scope of HKFRS 2 <sup>3</sup>  |
| HK(IFRIC) – INT 9  | Reassessment of embedded derivatives <sup>4</sup>  |

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2007.

<sup>2</sup> Effective for annual periods beginning on or after 1 March 2006.

<sup>3</sup> Effective for annual periods beginning on or after 1 May 2006.

<sup>4</sup> Effective for annual periods beginning on or after 1 June 2006.

#### 4. SEGMENT INFORMATION

##### Geographical segments

The Group's primary format for reporting segment information is geographical segments. The Group reports its primary segment information based on the initial destination of shipment of its products, principally Hong Kong and the People's Republic of China (the "PRC"). The Group's subsidiary in the PRC remains as an export based enterprise in the PRC.

The following tables provide an analysis of the Group's sales by geographical markets:

### Three months ended 30 June 2006 (unaudited)

|  | Hong Kong<br>HK\$'000 | The PRC<br>HK\$'000 | Europe<br>HK\$'000 | Japan<br>HK\$'000 | Others<br>HK\$'000 | Consolidated<br>HK\$'000 |
|--|-----------------------|---------------------|--------------------|-------------------|--------------------|--------------------------|
| External revenue   | <u>72,574</u>         | <u>47,078</u>       | <u>5,010</u>       | <u>1,185</u>      | <u>1,665</u>       | <u>127,512</u>           |
| Segment results  | <u>7,131</u>          | <u>9,083</u>        | <u>1,177</u>       | <u>535</u>        | <u>196</u>         | <u>18,122</u>            |
| Unallocated expenses   |                       |                     |                    |                   |                    | (7,659)                  |
| Bank interest income   |                       |                     |                    |                   |                    | 184                      |
| Interest on bank borrowings  |                       |                     |                    |                   |                    | (1,196)                  |
| Profit before taxation   |                       |                     |                    |                   |                    | <u>9,451</u>             |
| Taxation   |                       |                     |                    |                   |                    | (90)                     |
| Profit for the period attributable<br>to equity holders of the Company |                       |                     |                    |                   |                    | <u><u>9,361</u></u>      |

### Three months ended 30 June 2005 (unaudited)

|  | Hong Kong<br>HK\$'000 | The PRC<br>HK\$'000 | Europe<br>HK\$'000 | Japan<br>HK\$'000 | Others<br>HK\$'000 | Consolidated<br>HK\$'000 |
|--|-----------------------|---------------------|--------------------|-------------------|--------------------|--------------------------|
| External revenue   | <u>51,966</u>         | <u>70,640</u>       | <u>365</u>         | <u>582</u>        | <u>813</u>         | <u>124,366</u>           |
| Segment results  | <u>13,218</u>         | <u>6,205</u>        | <u>216</u>         | <u>284</u>        | <u>295</u>         | <u>20,218</u>            |
| Unallocated expenses   |                       |                     |                    |                   |                    | (6,860)                  |
| Bank interest income   |                       |                     |                    |                   |                    | 67                       |
| Interest on bank borrowings  |                       |                     |                    |                   |                    | (793)                    |
| Profit before taxation   |                       |                     |                    |                   |                    | <u>12,632</u>            |
| Taxation   |                       |                     |                    |                   |                    | (363)                    |
| Profit for the period attributable to<br>equity holders of the Company |                       |                     |                    |                   |                    | <u><u>12,269</u></u>     |

### Six months ended 30 June 2006 (unaudited)

|   | Hong Kong<br>HK\$'000 | The PRC<br>HK\$'000 | Europe<br>HK\$'000 | Japan<br>HK\$'000 | Others<br>HK\$'000 | Consolidated<br>HK\$'000 |
|---|-----------------------|---------------------|--------------------|-------------------|--------------------|--------------------------|
| External revenue  | <u>130,927</u>        | <u>84,064</u>       | <u>7,836</u>       | <u>1,649</u>      | <u>2,058</u>       | <u>226,534</u>           |
| Segment results   | <u>13,607</u>         | <u>15,955</u>       | <u>2,238</u>       | <u>738</u>        | <u>343</u>         | <u>32,881</u>            |
| Unallocated expenses  |                       |                     |                    |                   |                    | (15,209)                 |
| Bank interest income  |                       |                     |                    |                   |                    | 437                      |
| Interest on bank borrowings   |                       |                     |                    |                   |                    | <u>(2,415)</u>           |
| Profit before taxation  |                       |                     |                    |                   |                    | <u>15,694</u>            |
| Taxation  |                       |                     |                    |                   |                    | <u>(116)</u>             |
| Profit for the period attributable to equity holders of the Company |                       |                     |                    |                   |                    | <u><u>15,578</u></u>     |

### Six months ended 30 June 2005 (unaudited)

|   | Hong Kong<br>HK\$'000 | The PRC<br>HK\$'000 | Europe<br>HK\$'000 | Japan<br>HK\$'000 | Others<br>HK\$'000 | Consolidated<br>HK\$'000 |
|---|-----------------------|---------------------|--------------------|-------------------|--------------------|--------------------------|
| External revenue  | <u>81,328</u>         | <u>136,953</u>      | <u>733</u>         | <u>1,453</u>      | <u>1,078</u>       | <u>221,545</u>           |
| Segment results   | <u>19,277</u>         | <u>12,359</u>       | <u>413</u>         | <u>687</u>        | <u>374</u>         | <u>33,110</u>            |
| Unallocated expenses  |                       |                     |                    |                   |                    | (12,320)                 |
| Bank interest income  |                       |                     |                    |                   |                    | 103                      |
| Interest on bank borrowings   |                       |                     |                    |                   |                    | <u>(1,431)</u>           |
| Profit before taxation  |                       |                     |                    |                   |                    | <u>19,462</u>            |
| Taxation  |                       |                     |                    |                   |                    | <u>(384)</u>             |
| Profit for the period attributable to equity holders of the Company |                       |                     |                    |                   |                    | <u><u>19,078</u></u>     |

## 5. PROFIT BEFORE TAXATION

|   | Unaudited<br>Three months ended<br>30 June |              | Unaudited<br>Six months ended<br>30 June |              |
|---|--|--------------|--|--------------|
|   | 2006                                       | 2005         | 2006                                     | 2005         |
|   | HK\$'000                                   | HK\$'000     | HK\$'000                                 | HK\$'000     |
| Profit before taxation has been arrived<br>at after charging (crediting): |  |              |  |              |
| Depreciation of property, plant<br>and equipment                          | <b>7,680</b>                               | 6,401        | <b>15,269</b>                            | 11,922       |
| Loss on disposal of property, plant<br>and equipment                      | <b>17</b>                                  | 522          | <b>18</b>                                | 524          |
| (Write back of) allowance for bad<br>and doubtful debts, net              | <b>(425)</b>                               | 204          | <b>(3,532)</b>                           | 99           |
| (Write back of) allowance for<br>inventories, net                         | <b>(52)</b>                                | 1,925        | <b>(690)</b>                             | 1,563        |
|   | <u><b>52</b></u>                           | <u>1,925</u> | <u><b>(690)</b></u>                      | <u>1,563</u> |

## 6. TAXATION

|                                 | Unaudited<br>Three months ended<br>30 June |            | Unaudited<br>Six months ended<br>30 June |            |
|---------------------------------|--|------------|--|------------|
|                                 | 2006                                       | 2005       | 2006                                     | 2005       |
|                                 | HK\$'000                                   | HK\$'000   | HK\$'000                                 | HK\$'000   |
| PRC income tax                  |  |            |  |            |
| Current period                  | <b>90</b>                                  | 139        | <b>116</b>                               | 160        |
| Under provision in prior period | <b>-</b>                                   | 224        | <b>-</b>                                 | 224        |
|                                 | <u><b>90</b></u>                           | <u>363</u> | <u><b>116</b></u>                        | <u>384</u> |



In view of the reduced profits for the six months ended 30 June 2006 and having considered a need to retain the Company's cash for working capital in coming quarters, the Board decided not to declare any interim dividend for the six months ended 30 June 2006 (1 January 2005 to 30 June 2005: HK\$0.02).

## 8. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the following data:

|   | Unaudited<br>Three months ended<br>30 June |                    | Unaudited<br>Six months ended<br>30 June |                    |
|---|--|--------------------|--|--------------------|
|   | 2006<br>HK\$'000                           | 2005<br>HK\$'000   | 2006<br>HK\$'000                         | 2005<br>HK\$'000   |
| Profit for the period   | <u>9,361</u>                               | <u>12,269</u>      | <u>15,578</u>                            | <u>19,078</u>      |
| Earnings for the purposes of<br>basic earnings per share                  | <u>9,361</u>                               | <u>12,269</u>      | <u>15,578</u>                            | <u>19,078</u>      |
|   | <b>Number of shares</b>                    |                    |  |                    |
| Number of ordinary shares for the purposes<br>of basic earnings per share | <u>763,534,755</u>                         | <u>763,534,755</u> | <u>763,534,755</u>                       | <u>763,534,755</u> |

No diluted earnings per share has been presented as there was no potential ordinary share in issue during the three months and six months ended 30 June 2006.

## 9. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the period, the Group acquired property, plant and equipment amounting to approximately HK\$8,890,000, out of which approximately HK\$4,367,000 was already paid as deposits before 1 January 2006. In addition, the Group has written off certain of its property, plant and equipment with an aggregate net book value of approximately HK\$18,000.

## 10. TRADE AND OTHER RECEIVABLES

The Group's policy is to allow credit periods ranging from 30 days to 90 days (31 December 2005: 30 days to 90 days) to its trade customers.

The following is an aged analysis of trade receivables at the balance sheet dates, prepared on the basis of sales invoice date:

|                                      | <b>30 June<br/>2006<br/>HK\$'000</b> | 31 December<br>2005<br>HK\$'000 |
|--------------------------------------|--------------------------------------|---------------------------------|
| Trade receivables:                   |                                      |                                 |
| Within 30 days                       | <b>43,777</b>                        | 27,586                          |
| More than 30 days and within 60 days | <b>24,940</b>                        | 29,702                          |
| More than 60 days and within 90 days | <b>14,949</b>                        | 15,519                          |
| More than 90 days                    | <b>7,225</b>                         | 9,185                           |
|                                      | <b>90,891</b>                        | 81,992                          |
| Other receivables                    | <b>1,171</b>                         | 1,008                           |
|                                      | <b>92,062</b>                        | 83,000                          |



## 11. TRADE AND OTHER PAYABLES

The following is an aged analysis of trade payables at the balance sheet dates, prepared on the basis of supplier invoice date:

|                                      | <b>30 June<br/>2006<br/>HK\$'000</b> | 31 December<br>2005<br>HK\$'000 |
|--------------------------------------|--------------------------------------|---------------------------------|
| Trade payables:                      |                                      |                                 |
| Within 30 days                       | <b>51,110</b>                        | 35,012                          |
| More than 30 days and within 60 days | <b>5,965</b>                         | 10,843                          |
| More than 60 days and within 90 days | <b>3,081</b>                         | 2,349                           |
| More than 90 days                    | <b>4</b>                             | 10,952                          |
|                                      | <hr/>                                | <hr/>                           |
| Other payables                       | <b>60,160</b>                        | 59,156                          |
|                                      | <b>12,116</b>                        | 14,047                          |
|                                      | <hr/>                                | <hr/>                           |
|                                      | <b>72,276</b>                        | 73,203                          |
|                                      | <hr/> <hr/>                          | <hr/> <hr/>                     |

## 12. BANK BORROWINGS

The borrowings are at semi-variable interest rates ranging from 0.55% to 0.75% over Hong Kong/London Interbank Offered Rate for both periods. During the period ended 30 June 2006, the Group repaid bank loans (excluding documentary credits) of approximately HK\$30,682,000 and raised new bank loans (excluding documentary credits) of approximately HK\$26,910,000.

### 13. SHARE CAPITAL

|  | <b>Number<br/>of shares</b> | <b>Amount<br/>HK\$'000</b> |
|--|-----------------------------|----------------------------|
| Authorised:  |                             |                            |
| At 1 January 2006 and at 30 June 2006                              |                             |                            |
| – Ordinary shares of HK\$0.01 each                                 | 2,000,000,000               | 20,000                     |
| – Non-redeemable convertible preference<br>shares of HK\$0.01 each | <u>600,000,000</u>          | <u>6,000</u>               |
|  | <u><u>2,600,000,000</u></u> | <u><u>26,000</u></u>       |
| Issued and fully paid:   |                             |                            |
| At 1 January 2006 and at 30 June 2006                              |                             |                            |
| – Ordinary shares of HK\$0.01 each                                 | <u>763,534,755</u>          | <u>7,635</u>               |

### 14. CAPITAL COMMITMENTS

|   | <b>30 June<br/>2006<br/>HK\$'000</b> | <b>31 December<br/>2005<br/>HK\$'000</b> |
|---|--------------------------------------|--|
| Capital expenditure in respect of acquisition of<br>property, plant and equipment:      |                                      |  |
| – Contracted for but not provided in the<br>condensed consolidated financial statements | <u>1,319</u>                         | 3,203                                    |
| – Authorised but not contracted for   | <u>974</u>                           | <u>8,037</u>                             |
|   | <u><u>2,293</u></u>                  | <u><u>11,240</u></u>                     |

## 15. RELATED PARTY TRANSACTIONS

During the period, the Group entered into transactions with the following related party or fellow subsidiaries owned by NTE Inc.:

| Name of related party                  | Nature of transaction                     | Three months ended 30 June |                  |
|--|---|----------------------------|------------------|
|  |   | 2006<br>HK\$'000           | 2005<br>HK\$'000 |
| Namtai Electronic (Shenzhen) Co., Ltd. | Sales of finished goods by the Group, net | 1,233                      | 1,866            |
| Nam Tai Group Management Limited       | Service fees paid by the Group            | -                          | 720              |
| Directors of the Company               | Remuneration paid by the Group            | 1,497                      | 1,172            |
| Name of related party                  | Nature of transaction                     | Six months ended 30 June   |                  |
|  |   | 2006<br>HK\$'000           | 2005<br>HK\$'000 |
| Namtai Electronic (Shenzhen) Co., Ltd. | Sales of finished goods by the Group, net | 2,291                      | 3,314            |
| Nam Tai Group Management Limited       | Service fees paid by the Group            | -                          | 1,440            |
| Directors of the Company               | Remuneration paid by the Group            | 2,794                      | 2,221            |

During the period ended 30 June 2005, the Group had entered into an agreement with a director of the Company to sell to the director, without recourse, trade receivables of the Group amounting to approximately HK\$849,000 for a cash consideration of the same amount.

## INTERIM DIVIDEND

In view of the reduced profits for the six months ended 30 June 2006 and having considered a need to retain the Company's cash for working capital in the coming quarters, the Board decided not to declare any interim dividend for the six months ended 30 June 2006.

## MANAGEMENT DISCUSSION & ANALYSIS

### Business Review

The Group recorded a slight increase of sales for the second quarter of 2006 by 2.5% from HK\$124.4 million to HK\$127.5 million when compared with the same period last year. The slow growth was mainly due to the unexpected weak sales of LCD modules in the category of cordless phone applications. Although the sales in LCD modules had recovered in June 2006, it was not sufficient to make an impact on the second quarter sales performance. The Group had been persistent in focusing on the higher value and margin products to leverage the increasing factory overheads since last year. The gross profit margin recorded in the second quarter was 18.7%, an increase of approximately 1.8% when compared with the last quarter. However, when compared with the same period last year, the gross profit margin dropped approximately 2.4% from 21.1% to 18.7%.

Although the sales for the six months ended 30 June 2006 increased 2.3% from HK\$221.5 million to HK\$226.5 million when compared with the same period last year, the management of the Group was not satisfied with the results of the Group for the six months ended 30 June 2006 because as a result of the rising operating costs (due to external factors such as rising oil prices, costs of raw materials and labour costs), the gross profit margin dropped from 19.6% to 17.9% for the six months ended 30 June 2006. The operating income also reduced by 15.0% to HK\$17.7 million. It was understood that the growth in revenue was not sufficiently fast enough to overcome the rising production costs to yield a better profit. Whilst if the items set out in notes (b) and (c) to the Summarised Statement of Income on page 1 of this report had been excluded, there would be an increase of 1.8% in operating income for the six months ended 30 June 2006 when compared with the same period last year. The management of the Group will implement measures intended to improve the financial results of the Group for the coming quarters as discussed in the section "Future Outlook" below.

### **Future Outlook**

The Group shall continue to face challenging market conditions, especially pricing pressure. In order to accelerate the competitiveness of the Group in the market, the Group will focus on improving manufacturing efficiency and yield. In addition, the combined efforts of the Research and Development Department and Purchasing Department shall provide even lower cost solutions for customers. Although the growth in sales for the first six months of 2006 has been flat, the Company continues to look positively into the future and is confident that the growth in sales of LCD modules will materialise in the later quarters of 2006. In order to prepare for this growth, the Group increased its Chip On Glass bonding capacity in the second quarter of 2006.

The Group is currently preparing for the compliance of TS16949 (an automotive quality management system) which will take place in the fourth quarter of 2006. The focus on improving further in the quality management system helps the Group in taking one more important step towards becoming a preferred global supplier, especially in the automotive sector.

Based on the current order situation and barring unforeseen circumstances, the Company expects to deliver satisfactory results in sales and profits in later quarters of 2006.

### **Liquidity, Financial Resources and Financial Ratios**

The Group had, as at 30 June 2006, cash per share was 4.06 HK cents (June 2005: 3.48 HK cents) and net asset per share was 20.48 HK cents (June 2005: 20.04 HK cents), based on 763,534,755 (June 2005: 763,534,755) issued ordinary shares.

The Group had, as at 30 June 2006, a cash to current liabilities ratio of 0.21 (June 2005: 0.20), a current ratio of 1.22 (June 2005: 1.32) and a total assets to total liabilities ratio of 1.96 (June 2005: 1.91), and approximately HK\$31.0 million (June 2005: HK\$26.5 million) of bank balances and cash.

As at 30 June 2006, the Company had issued corporate guarantees amounting to approximately HK\$140.0 million (June 2005: HK\$39.0 million) to certain banks in respect of banking facilities granted to its subsidiaries. The extent of banking facilities utilised by the Group amounted to approximately HK\$89.0 million (June 2005: HK\$88.0 million). The banking facilities were utilised to fund trade and to improve production facilities.



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The banking facilities are in either United States dollars, Hong Kong dollars or Japanese Yen, of which 83%, 15% and 2% are repayable on demand within one year, in the second year and in the third to fifth years inclusive respectively. All of the facilities are on floating interest rates.

The Company's gearing ratio, which was calculated on the basis of total bank borrowings to the shareholders' equity, was 0.57 (June 2005: 0.58).

During the six months ended 30 June 2006, the Group has acquired a total of approximately HK\$8.9 million (six months ended 30 June 2005: HK\$20.9 million) of capital assets for purchase of new manufacturing facilities and equipment, financial resources of which came from facilities granted by the banks.

The Group recorded debtors turnover days of approximately 73 days for the six months ended 30 June 2006 (31 December 2005: 65 days) based on the amount of trade debtors as at the relevant period end divided by sales of the same period and multiplied by 365 days and the number of months in that period over 12.

The Group recorded inventory turnover days of approximately 50 days for the six months ended 30 June 2006 (31 December 2005: 47 days) based on the amount of inventories as at the relevant period end divided by cost of sales of the same period and multiplied by 365 days and the number of months in that period over 12.

The Group recorded creditors turnover days of approximately 59 days for the six months ended 30 June 2006 (31 December 2005: 60 days) based on the amount of trade creditors as at the relevant period end divided by cost of sales of the same period and multiplied by 365 days and the number of months in that period over 12.

**Foreign Exchange Exposure**

Since the Group usually conducts its business transactions in Hong Kong dollars and United States dollars, and over 98% of the Company's cash is in either Hong Kong dollars or United States dollars, the management of the Company assessed that the exposure to exchange rate fluctuation was not significant and evaluated that commercial hedging exercise was not necessary at present. Meanwhile, the management of the Company has recognised the impact of the appreciation of Chinese Renminbi, though not significant, on the Company's operating costs in the PRC since last year.

**Employees and Remuneration Policy**

As at 30 June 2006, the Group had a total of 2,418 dynamic and talented employees, among which 20 were marketing staff and 73 were research and development staff. All staff were dedicated to maintaining and advancing the quality and reliability of our operations. Total staff costs for the six months ended 30 June 2006 was approximately HK\$32.0 million.

The Group's emolument policy, including both salaries and bonuses, are in line with the local practices where the Company and its subsidiaries operate. In addition to receiving salaries and bonuses, employees are also entitled to other benefits, including medical subsidies and participation in retirement schemes. The Group follows a policy of encouraging its subsidiaries to send their staff to attend training classes or seminars that are directly or indirectly related to the Group's business. Furthermore, the emolument policy of the Group is reviewed regularly, making reference to legal framework, market condition and performance of the Group and individual staff.



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## **DIRECTORATE**

### **Executive Directors**

Mr. Seitaro Furukawa (*Chairman*)

Mr. Chui Kam Wai (*Chief Executive Officer*)

Mr. Yeoh Teck Hooi (*Chief Financial Officer*)

### **Non-executive Director**

Mr. Koo Ming Kown

### **Independent Non-executive Directors**

Mr. Cham Yau Nam

Mr. Leung Wai Hung

Mr. Cheng Chi Heng

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SHARES**

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares during the six months ended 30 June 2006.

## **DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES**

As at 30 June 2006, the interests or short positions of the Directors and chief executives in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO") (Cap. 571 of the Laws of Hong Kong)) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Listing Rules, were as follows:

### **(i) Long position in the shares of the Company**

As at 30 June 2006, none of the Directors held any shares in the issued share capital of the Company.



**(II) Long position in the shares of Associated Corporation**

(A) As at 30 June 2006, the Directors who held common shares of US\$0.01 each in NTE Inc.<sup>(a)</sup> are as follows:–

| <b>Name of Director</b>      | <b>Type of Interest</b> | <b>Capacity</b>  | <b>Number of common shares held</b> | <b>Percentage of the issued share capital of the associated corporation</b> |
|------------------------------|-------------------------|------------------|-------------------------------------|---|
| Seitaro FURUKAKA             | Personal                | Beneficial Owner | 20,000                              | 0.05%   |
| CHUI Kam Wai                 | Personal                | Beneficial Owner | 1,045,870                           | 2.39%   |
| KOO Ming Kown <sup>(b)</sup> | Personal                | Beneficial Owner | 5,690,786                           | 13.00%  |
| YEOH Teck Hooi               | Personal                | Beneficial Owner | 10,000                              | 0.02%   |

*Notes:*

- a. NTE Inc. holds 74.94% shareholding of the Company as at 30 June 2006.
- b. Includes 4,690,786 common shares registered in the names of Mr. Koo Ming Kown and his wife, Ms. Sui Sin Cho.

(B) As at 30 June 2006, the Director who held share options granted by NTE Inc. is as follows:-

| Name of Directors | Capacity         | Number of share options held | Number of underlying shares |
|-------------------|------------------|------------------------------|-----------------------------|
| KOO Ming Kown     | Beneficial Owner | 15,000                       | 15,000                      |

Save as disclosed above, no Director nor chief executive has any interests or short position in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which were taken or deemed to be have under such provisions), or which were recorded in the register required to be kept by the Company under section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Listing Rules.

### **DIRECTORS' BENEFITS FROM RIGHTS TO ACQUIRE SHARES OR DEBENTURES**

Save as disclosed under the sections "Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures" above and "Share Option Scheme" below, at no time during the six months ended 30 June 2006 was the Company, its holding company or its subsidiaries a party to any arrangements which enabled the Directors (including their spouses or children under 18 years of age), to acquire benefits by means of acquisition of shares in or debenture of the Company or any other body corporate.

## INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

So far as is known to any Director or chief executive of the Company, as at 30 June 2006, shareholders who had interests or short positions in the shares or underlying shares of the Company which would have to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO (including interests or short positions which were taken or deemed to be have under such provisions), or which were recorded in the register of interests required to be kept by the Company under Section 336 of the SFO were as follows:

### Long position of the substantial shareholder in the shares of the Company

| Name of substantial shareholder | Capacity         | Number of ordinary shares held | Percentage of shareholding |
|---------------------------------|------------------|--------------------------------|----------------------------|
| NTE Inc.                        | Beneficial owner | 572,180,978                    | 74.94%                     |

Save as disclosed above, the Company has not been notified by any person (other than the Directors or chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which would have to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO (including interests or short positions which were taken or deemed to be have under such provisions), or which were recorded in the register of interests required to be kept by the Company under Section 336 of the SFO.

### Share Option Scheme

In April 2002, a share option scheme ("the Scheme") was approved under which the Directors may, at their discretion, invite full time employees including executive Directors to take up options to subscribe for shares of the Company subject to the terms and conditions stipulated therein.

No option has been granted by the Company under the Scheme since its adoption.



## **CORPORATE GOVERNANCE**

The Group continues to achieve high standards of corporate governance which it believes is crucial to the development of the Group and to safeguard the interests of the Company's shareholders.

The Board has adopted the terms of the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") as set out in Appendix 10 of the Listing Rules and the Code of Best Practice (the "Code") as set out in Appendix 14 of the Listing Rules (effective prior to 1 January 2005). None of the Directors is aware of any information that would reasonably indicate that the Company or any of its Directors is not or was not in compliance with the Code and upon specific enquiry of all Directors, the Directors confirmed that they have complied with the Model Code for any part of the period ended 30 June 2006.

The Company has also taken effective measures to ensure that it is in compliance with the code provisions and as far as reasonably practicable the recommended best practices of the Code on Corporate Governance Practices (the "Corporate Governance Code") which came into effect on 1 January 2005. In the opinion of the Board, the Company has also fully complied with the code provisions and a majority of the recommended best practices of the Corporate Governance Code throughout the accounting period ended 30 June 2006.

In compliance with the code provisions of the Corporate Governance Code, the Company has set up an Audit Committee and a Remuneration Committee under the Board. The Board considers the determination of the appointment and removal of Directors to be the Board's collective decision and thus does not intend to adopt the recommended best practice of the Corporate Governance Code to set up a Nomination Committee.

To further enhance its corporate governance and as a subsidiary of NTE Inc., a New York Stock Exchange listed company, the Company shall comply with the stringent requirements under the Sarbanes-Oxley Act (the "Act"), certification of which will be completed by the end of 2006. The Act focuses mainly on the effectiveness of internal control and essentially requires the management to annually state its responsibilities in establishing and maintaining an adequate internal control structure and procedure for financial reporting; and to conduct an assessment of the effectiveness of a company's internal controls and procedures for financial reporting, followed by an attestation of management's assertions by its external auditors. To this end, the Company has set up a task force which follows the methodology and time schedule of NTE Inc. to ensure that the internal control requirements under the Act can be fully complied with accordingly. Besides, the Company has engaged its external auditors to review its financial statements on a quarterly basis in year 2006.

#### **Audit Committee**

The Audit Committee comprises three Independent Non-executive Directors, Mr. Cham Yau Nam, Mr. Leung Wai Hung and Mr. Cheng Chi Heng. Mr. Cham is the chairman of the Committee. The Committee has adopted terms of reference which are in line with the Code and the Corporate Governance Code. The Group's unaudited financial statements for the six months ended 30 June 2006 have been reviewed by the Audit Committee, who is of the opinion that such statements comply with applicable accounting standards and legal requirements, and that adequate disclosures have been made.

#### **Remuneration Committee**

The Remuneration Committee is headed by Mr. Cham Yau Nam, an Independent Non-executive Director. The other members of the Committee are Mr. Leung Wai Hung and Mr. Cheng Chi Heng, both Independent Non-executive Directors. The Committee has adopted terms of reference which are in line with the Corporate Governance Code.

By Order of the Board  
**J.I.C. Technology Company Limited**  
**Seitaro FURUKAWA**  
*Chairman*

Hong Kong, 31 July 2006