

Chairman's Statement

For the year ended 31 December 2002

On behalf of the Board of Directors ("the Board"), I hereby present to our shareholders the first annual results of J.I.C. Technology Company Limited (the "Company") after the listing on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 4 June 2002.

Results

Turnover for the year ended 31 December 2002 was down by 1.8% to HK\$275,478,000 from HK\$280,475,000 for the year ended 31 December 2001. Gross profit for the year ended 31 December 2002 was HK\$37,777,000, a decrease of 29.1% compared to gross profit of HK\$53,308,000 for the year ended 31 December 2001. Profit from operations for the year ended 31 December 2002 was HK\$12,445,000, compared to profit from operations of HK\$42,782,000 for the year ended 31 December 2001. Net profit for the year ended 31 December 2002 was HK\$11,295,000, compared to net profit of HK\$42,022,000 for the year ended 31 December 2001. Basic and diluted earnings per share for the year ended 31 December 2002 were 2.90 HK cents and 1.50 HK cents compared to earnings per share of 23.0 HK cents and 5.50 HK cents respectively for the year ended 31 December 2001.

Dividends

The Board has declared an interim dividend of HK\$0.01 per share on 26 July 2002 and has decided not to pay a final dividend for the year ended 31 December 2002.

Business Review

Despite the extremely tough and adverse business climate in 2002, the Company was able to fill up the production capacity of its two twisted nematic ("TN") liquid crystal display panels ("LCD Panels") production lines. In fact, the Company was producing more quantity of LCD panels in the year of 2002 when compared with the year of 2001. However, the profit had not increased proportionally because of decrease in unit price caused by keen market competition.

The profit for the year ended 31 December 2002 had decreased because of increased cost of sales and expenditure in research & development. The cost of sales increased due to the Company started booking the depreciation in relation to the new super twisted nematic LCD panels production line ("the new STN line") in July 2002. The increase of the expenditure in research and development was in relation to the new STN line for development of new products and color STN products, including the LCD panels produced for the LCD modules for Huizhou TCL Mobile Communication Company Limited. During the financial period under review, the Company has, at customers' request, developed samples for about 300 STN models from the new STN line.

The Company received a one-time income of HK\$12,000,000 from Nam Tai Group (Company's controlling shareholder) in 2001. The Company has not received any such income in 2002 and that partly accounts for the decrease in net profit for the year ended 31 December 2002.

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Liquid Crystal Display Panels ("LCD Panels")

For the year ended 31 December 2002, the turnover of the Company on the business of LCD Panels decreased by approximately 4.1% from approximately HK\$194,822,000 to approximately HK\$186,815,000. Despite the drop of turnover on the business of LCD Panels, the Company was in fact producing more LCD Panels in quantity in 2002 when compared with 2001.

Transformers

For the year ended 31 December 2002, the turnover of the Company on the business of manufacturing of transformers recorded an increase of 3.5% from approximately HK\$85,653,000 in 2001 to approximately HK\$88,663,000 in 2002.

Liquidity and Financial Resources

As at 31 December 2002, the Company has cash on hand of approximately HK\$13,343,000 and long term debt was increased from Nil in 2001 to HK\$21,938,000 in 2002. By taking the advantage of the low interest rate environment, the Company has borrowed a bank loan of approximately HK\$35,100,000 during the year. As at 31 December 2002, the gearing ratio (total long term liabilities/total shareholders' equity) was 19% (31 December 2001: Nil).

As at 31 December 2002, the Company had total assets of approximately HK\$222,020,000, which were financed by current liabilities, non-current liabilities and shareholders' equity of HK\$81,921,000, HK\$22,268,000 and HK\$117,831,000 respectively. As at 31 December 2002, the Company has issued 182,544,465 ordinary shares of par value of HK\$0.01 each and 598,420,000 preference shares of par value of HK\$0.01 each. Such preference shares of the Company are convertible into ordinary shares of the Company at the conversion ratio of 1.03 preference shares to 1 ordinary share provided that no holder of preference shares shall be entitled to exercise the conversion rights if as a result, the minimum prescribed percentage of ordinary shares in "public hands" as prescribed in The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("the Listing Rules") is not satisfied.

Since the Company usually conducts its business transactions in Hong Kong Dollars and US Dollars and over 90% of the Company's cash is in either Hong Kong Dollars or US Dollars, the exposure to exchange rate fluctuation is minimal and there is no hedging requirement.

Contingent Liabilities

As at 31 December 2002, the Company has provided guarantees to banks in respect of banking facilities granted to its subsidiaries amounting to approximately HK\$70,100,000 of which approximately HK\$37,948,000 (including the outstanding amount of aforesaid bank loan of HK\$30,713,000) has been utilized.

Staff and Employment

As at 31 December 2002, the Company employed a total of 2,263 employees, of which 1,578 are employed by LCD division and 685 are employed by transformer division.

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The Company's remuneration policies, 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 bonus, employees are also entitled to other benefits, including medical subsidies and a retirement scheme. The Company follows a policy of encouraging its subsidiaries to send their staff to attend training classes or seminars that are related directly or indirectly to the Company's businesses.

Future Prospects

The year of 2002 is a year of transition of the Company. The Company has strategically invested approximately HK\$92,000,000 for the new STN Line. The new STN Line commenced operation in June 2002 and it will enable the company to upgrade its technological capability and to produce fine pitch STN LCD panels of better quality.

The profit of the Company in 2002 has decreased because of the increase in expenditure on research and development for new products and the depreciation costs in relation to the new STN Line. At customers' requests, the Company has already produced and delivered samples of about 300 models of STN products to customers. The management expects the business on the new STN Line will pick up in 2003 when mass production of those models of STN products commences.

Regarding the transformer business, despite there was a slight increase in turnover in 2002, the management expects the business on the manufacturing of transformers in 2003 will only be steady and does not expect any substantial growth thereon.

Appreciation

I would like to take this opportunity to thank my fellow directors and all our staff members for their continuous hard work and support, as well as to our shareholders for their ongoing confidence in us. I would also like to express our sincere appreciation of the support from our customers and suppliers without which we would not have achieved our results this year.

Seitaro Furukawa

Chairman

Hong Kong, 14 February 2003
