

CHAIRMAN'S STATEMENT

On behalf of the board of directors (the "Board") of J.I.C. Technology Company Limited (the "Company"), I am delighted to present the annual report of the Company and its subsidiaries (collectively referred to as the "Group") for the financial year ended 31 December 2004 to our shareholders.

► Financial Results

Net sales for the twelve months ended 31 December 2004 increased significantly by 40.5% as compared to the Liquid Crystal Display ("LCD") business (the "Continuing Business") for the same period last year. The rise was mainly driven by the increased sales of Chip On Glass ("COG") products, which increased 92.4% as compared to the year of 2003, representing 27.3% of total sales in 2004.

Despite the additional costs associated with the factory relocation incurred in the fourth quarter of 2004 (such as rentals and utilities expenses for both new and old factories, overtime wages and additional headcounts) and the reduction of VAT tax refund since January 2004, the Company was still able to attain a year over year growth in gross profit of 38.2% as compared to the Continuing Business for the same period last year. Profit from operations and net profit for the twelve months ended 31 December 2004 also increased by 25.2% and 22.9% respectively as compared to the Continuing Business for the same period last year.

Cash generated from operations for the year was HK\$35.4 million. As at 31 December 2004, the Company had HK\$22.2 million cash on hand and total banking facilities of HK\$144.6 million (comprising HK\$54.9 million and US\$11.5 million), out of which HK\$78.9 million was utilised. The available banking facilities as at 31 December 2004 were HK\$65.7 million. The Company believes that the strong cash from operations, cash on hand and available banking facilities can provide the Company with funds required for its capital expenditure and operations.

Basic and diluted earnings per share for the year ended 31 December 2004 were both 2.2 HK cents as compared to basic and diluted earnings per share of 12.5 HK cents and 4.8 HK cents respectively for the year ended 31 December 2003.

► Dividends

The Board declared an interim dividend of HK\$0.015 per share in 2004 and decided not to declare any final dividend for the year ended 31 December 2004, having considered the cash required for capital expenditure to support the continuous growth of the Company.

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► Business Review

2004 was a successful year for the Company. We have relocated to our new factory premises on schedule. The new premises which are about 600,000 square feet double the size of the old factory premises. The manufacturing space has also increased from 152,000 square feet to 416,000 square feet.

The relocation exercise has at the same time enabled the Company to upgrade its production capability and capacity. With the installation of additional COG machines and related equipment, the production capacity of LCD modules such as COG and Tape Automated Bonding with Anisotropic Conductive Film ("TAB" with "ACF") products has increased by 150%. In addition, the Company has successfully upgraded its two twisted nematic ("TN") production lines to super twisted nematic ("STN") production lines in order to enhance its capability to produce more advanced STN products.

We have also successfully developed our product range vertically to include LCD modules. The Company is now able to provide a one-stop solution, from design to manufacturing, to our customers in the LCD module business, thus differentiating ourselves from other industry players. The Company strongly believes that this customer-focused strategy will further enhance the relationship with our customers.

► Liquidity, Financial Resources and Financial Ratios

During the financial year ended 31 December 2004, cash per share was 2.9 HK cents (December 2003: 11.5 HK cents) and net asset per share was 17.5 HK cents (December 2003: 39.5 HK cents), based on 763,534,755 (December 2003: 352,544,465) issued ordinary shares.

The Group had, as at 31 December 2004, a cash to current liabilities ratio of 0.22 (2003: 0.50), a current ratio of 1.39 (December 2003: 1.67) and a total assets to total liabilities ratio of 1.95 (December 2003: 2.46), and approximately HK\$22.2 million (December 2003: HK\$40.7 million) of bank balances and cash.

As at 31 December 2004, the Company issued corporate guarantees amounting to approximately HK\$144,600,000 (2003: HK\$70,100,000) to certain banks in respect of banking facilities granted to its subsidiaries. The extent of such facilities utilised by the subsidiaries amounted to approximately HK\$78,910,000

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(2003: HK\$36,582,000). The gearing ratio (total bank borrowings/total shareholders' equity) was 54% (December 2003: 24%). The rise in bank borrowings was attributable to increased trade finance for growing sales as well as funds required for factory relocation project and related factory expansion.

The Group recorded a debtor's turnover days of approximately 67 days for the 12 months ended 31 December 2004 (December 2003: 73 days) based on the amount of trade debtors as at the relevant period end divided by sales of the same period and multiplied by 366 days (December 2003: 365 days) and the number of months in that period over 12.

The Group recorded an inventory turnover days of approximately 42 days for the 12 months ended 31 December 2004 (December 2003: 36 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 366 days (December 2003: 365 days) and the number of months in that period over 12. The rise was attributable to the Company's diversification into COG products which require certain materials of longer lead time.

► Foreign Exchange Exposure

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.

► Future Prospect

The new manufacturing site with improved facilities and greater flexibility allows us to meet the growing demands from customers. The Company is confident that the LCD market will continue to grow. With enhanced capacity and capability, the Company is able to capture those business opportunities driven by the conversion from monochrome display to full colour display of high resolution in various electronic products.

The Company is now capable of producing colour STN LCD panels of quality from 64K up to 262K colour. We will be manufacturing colour STN panels for use in cordless phones for one of the largest manufacturers of telecommunication products in Hong Kong.

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Another growth momentum is the LCD modules. On top of providing LCD panels, the addition of COG capability will further strengthen our product portfolio in the LCD market. The Company sees a lot of business opportunities in COG products for cordless phones, MP3s, electronic instruments and car audio equipment. We will increase our capacity in COG bonding to about 2 million pieces per month towards the second quarter of 2005. In the meantime, we will continue to develop new LCD modules hand in hand with our customers. It is expected that the percentage of sales in LCD modules will increase to 50% of our total sales in 2005. In order to cope with the increased business in LCD modules, headcounts in areas of mechanical and electronic design will be increased.

We intend to spend about HK\$40,000,000 in capital expenditure in 2005, mainly to further enhance our capacity in manufacturing LCD modules. With increased capacity, we will also expand our customer base, especially in North America, Europe and South East Asia.

Looking forward, in view of the larger scale of production facilities in the new factory, operating overheads will inevitably increase. However, the Company is confident that it can strengthen overall sales and costs control to secure a better margin. Although the global business environment for the LCD panels industry is very competitive, the Company is still confident that its business will continue to maintain a respectable growth on its sales in 2005.

► Appreciation

I would like to take this opportunity to extend my gratitude to the other directors of the Company for their valuable contributions to the Group and would also like to thank our customers, suppliers and shareholders for their continuous support and our staff members for their dedication and hard work.

Seitaro FURUKAWA

Chairman

Hong Kong, 7 February 2005