

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 2005 to our shareholders.

► Financial Results

Net sales for the twelve months ended 31 December 2005 increased significantly by 19.3% to HK\$458.50 million as compared to the annual sales last year. The rise was mainly driven by the increased sales of liquid crystal display ("LCD") module products which increased by 70.2% as compared to that of the year 2004, representing 39.2% of the total sales in 2005.

Without barring the one-off charges due to plant relocation during the fourth quarter last year, the Company was able to increase gross profit by 27.3% as compared to that of last year. Gross profit margin was maintained at 20.2% despite the increased overheads in the new and larger manufacturing plant, not to mention the impact of an appreciation of Chinese Renminbi during the year. Profit from operations and net profit for the twelve months ended 31 December 2005 also increased by 63.8% and 59.5% respectively as compared to those of the same period last year.

Cash generated from operations for the year was HK\$56.40 million (2004: HK\$35.40 million). As at 31 December 2005, the Company had HK\$40.57 million cash on hand and total banking facilities of HK\$229.93 million, out of which HK\$94.94 million had been utilized. The Company believes that the strong cash from operations, cash on hand and available banking facilities shall be able to support the Company for its capital expenditure and future operations.

Basic and diluted earnings per share for the year ended 31 December 2005 were 4.9 HK cents as compared to basic and diluted earnings per share of 2.2 HK cents for the year ended 31 December 2004.

► Final Dividends

The Board declared an interim dividend of 2.0 HK cents per share in 2005 (2004: 1.5 HK cents) and decided to declare a final dividend of 2.0 HK cents per share (2004: nil) for the year ended 31 December 2005. Total dividends declared for year 2005 represents a payout of 81.7% (2004: 49.7%) of the net profit earned for the year ended 31 December 2005. The Board is confident of the Company's income generating ability and is happy to reward the shareholders.

► Business Review

2005 was another good year for the Company, marking the second consecutive year of double digit growth in the LCD business.

The relocation to the new manufacturing site completed on schedule in January 2005. This site was set up to provide the Company with upgraded machinery and expanded capacities in both LCD panel and module manufacturing, in response to growing demands from customers. This has proven to be successful in winning several new businesses and customers that have already made some good contribution to the performance of the Company.

The global business environment for LCD industry in 2005 remained strong but was very competitive. It has been the strategy of the Company to develop business of value added LCD products to secure higher sales and higher margins. The Company has made remarkable progress in providing customers a one-stop service of custom designed high performance LCD modules which made up a major part of the contribution to the growth in 2005.

The Company in 2005 has also shown respectable improvement in operations. Although it was expected that the new manufacturing site would incur higher operation expenditure, the Company managed to improve manufacturing yield and work efficiency which provided a great leverage in maintaining respectable operation margins. Such continuous improvements shall continue to provide a sharper competitive edge.

► Proposed privatisation of the Company

During the year, Nam Tai Electronics, Inc. ("NTE Inc.") proposed to privatize the Company by way of general offer at an offer price of HK\$0.55 per share (the "Offer"). The Offer was subject to the condition that NTE Inc. received acceptances and purchases totalling at least 90% of the Company's shares other than those owned by NTE Inc. and parties acting in concert with it as at the date of the Offer (the "Affected Shares"). As at the date of the close of the Offer, NTE Inc. received only 79.31% of the Affected Shares and thus the privatization was not successful.

► Liquidity, Financial Resources and Financial Ratios

During the financial year ended 31 December 2005, cash per share was 5.3 HK cents (December 2004: 2.9 HK cents) and net asset per share was 20.4 HK cents (December 2004: 17.5 HK cents), based on 763,534,755 (December 2004: 763,534,755) issued ordinary shares.

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The Group had, as at 31 December 2005, a cash to current liabilities ratio of 0.27 (2004: 0.22), a current ratio of 1.19 (December 2004: 1.39) and a total assets to total liabilities ratio of 1.92 (December 2004: 1.95), and approximately HK\$40.57 million (December 2004: HK\$22.18 million) of bank balances and cash.

As at 31st December 2005, the Company issued corporate guarantees amounting to approximately HK\$146.00 million (2004: HK\$144.60 million) to certain banks in respect of banking facilities granted to its subsidiaries. Total banking facilities available for the Group was HK\$229.93 million as at 31 December 2005 (2004: HK\$144.60 million), out of which HK\$94.94 million (2004: HK\$78.91 million) had been utilized. The gearing ratio (total bank borrowings/total shareholders' equity) was 61% (December 2004: 54%). The rise in bank borrowings was attributable to increased trade finance for growing sales as well as funds required for factory expansion. The Group's borrowings are arranged at certain fixed interest rates over the usual inter-bank money market offer rates which are floating for periods ranging from one month to six months and are denominated in Hong Kong Dollar, United States Dollar and Chinese Renminbi. The average interest rate paid during the year was 4.1% (2004: 2.6%). The maturity profile of the borrowings is set out in note 18 to the accompanying financial statements.

The Group recorded a debtor's turnover days of approximately 65 days for the 12 months ended 31 December 2005 (December 2004: 67 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 (December 2004: 366 days) and the number of months in that period over 12.

The Group recorded a creditor's turnover days of approximately 60 days for the 12 months ended 31 December 2005 (December 2004: 61 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 (December 2004: 366 days) and the number of months in that period over 12.

The Group recorded an inventory turnover days of approximately 47 days for the 12 months ended 31 December 2005 (December 2004: 42 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 (December 2004: 366 days) and the number of months in that period over 12. The rise was attributable to the Company's diversification into Chip-On-Glass products which required certain materials of longer lead time.

► Foreign Exchange Exposure

Since the Company usually conducts its business transactions in Hong Kong Dollar and United States Dollar, and approximately 73.2% of the Company's cash as at 31 December 2005 is in either Hong Kong Dollar or United States Dollar, the management of the Company assessed that the exposure to exchange rate fluctuation was not significant and evaluated that a commercial hedging exercise was not necessary at this stage. Nevertheless, the Company has been managing its foreign exchange risk through natural hedges in that different assets and liabilities are denominated in similar foreign currencies. 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 during the year 2005, and further considered any possible depreciation of United States Dollar against Chinese Renminbi in the future.

► Future prospect

The Company continues to expand its customer base, especially in Europe and Asia-Pacific markets. Besides having well backed technology and manufacturing capabilities, the Company also recognizes the importance of management culture and system. The Company who has already obtained compliance with ISO-9001 in 2002 and ISO-14001 in 2005 is set to obtain compliance with TS-16949 in 2006. This will build up a road map en route to become a preferred global supplier that is capable of meeting good quality requirements, and supporting a "green" environment and automotive business.

Driven by the growth in the business from newly acquired and potentially new customers, the Company plans for further expansion in the manufacturing capacity and the necessary resources to support it, especially in the category of LCD modules. The management of the Company is considering expanding the existing Chip-On-Glass bonding capacity by another 30-40%.

Larger and higher resolution colour LCD products continue to be a growth driver. The Company is pleased to announce its pursuit in the development of TFT-LCD modules. Apart from monochrome LCD products, the Company will expand product portfolio to include more colour solutions in terms of sizes and viewing features. This will allow the Company to capture future and wider market opportunities while providing customers with diverse custom requirements.

Based on the current order situation and barring unforeseen circumstances, the Company expects to deliver favourable results in sales and profits in the future.

► 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, 13 February 2006