

## REPORT OF THE DIRECTORS

The directors (the "Directors") of J.I.C. Technology Company Limited (the "Company") have the pleasure of presenting their annual report together with the audited financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2006.

### PRINCIPAL ACTIVITIES

The Company is an investment holding company. The Group is principally engaged in the design, manufacture and marketing of liquid crystal display ("LCD") panels and LCD modules. Details of the principal activities of its subsidiaries are set out in note 28 to the accompanying financial statements.

### SEGMENTAL INFORMATION

An analysis of the Group's turnover and contribution to results by geographical market for the year ended 31 December 2006 is set out in note 6 to the accompanying financial statements.

### RESULTS AND APPROPRIATIONS

Details of the Group's results for the year ended 31 December 2006 are set out in the consolidated income statement on page 26 of this annual report.

The Board declared an interim dividend of HK\$0.02 per share and a final dividend of HK\$0.02 per share for the year ended 31 December 2005. Total dividends declared for year 2005 represents a payout of 81.7% of the net profit earned for the year ended 31 December 2005. In view of the funding required for expanding operation and capital expenditure in the years ahead, the Board did not recommend a dividend for the year ended 31 December 2006.

### SUMMARY FINANCIAL INFORMATION

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 62 of this annual report.

### MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2006, the five largest customers of the Group accounted for approximately 59.6% (2005: 62.1%) of the Group's total turnover while the largest customer of the Group accounted for approximately 20.4% (2005: 27.9%) of the Group's total turnover. In addition, for the year ended 31 December 2006, the five largest suppliers of the Group accounted for approximately 59.2% (2005: 51.7%) of the Group's total purchases while the largest supplier of the Group accounted for approximately 16.2% (2005: 15.2%) of the Group's total purchases.

None of the Directors, any of their associates or any shareholders of the Company (which, to the best knowledge of the Directors, owned more than 5% of the Company's issued share capital) had a beneficial interest in the Group's five largest customers or suppliers.

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### PROPERTY, PLANT AND EQUIPMENT

During the year, the Group acquired property, plant and equipment of approximately HK\$7,104,000 (2005: HK\$34,545,000). Details of these acquisitions and the other movements in the property, plant and equipment of the Group during the year are set out in note 12 to the accompanying financial statements. Moreover, the Group paid a total of approximately HK\$3,722,000 (2005: HK\$7,911,000) for machinery under installation, details of which are set out in note 12 to the accompanying financial statements.

### SHARE CAPITAL

Details of the Company's share capital are set out in note 22 to the accompanying financial statements.

### RESERVES

Details of movements in the reserves of the Group during the year are set out in the Consolidated Statement of Changes in Equity on page 28 to the accompanying financial statements.

As at 31 December 2006, approximately HK\$96,184,000 (2005: HK\$108,327,000) of the Company's reserves were available for distribution to its shareholders.

### PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the articles of association of the Company or the laws of the Cayman Islands, which will oblige the Company to offer new shares on a pro rata basis to its existing shareholders.

### 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 year ended 31 December 2006.

### CHARITABLE DONATIONS

During the year, the Group made charitable donations amounting to approximately HK\$170,000 (2005: HK\$177,000).

### BANK BORROWINGS

Details of the Group's bank borrowings as at 31 December 2006 are set out in the Consolidated Balance Sheet on page 27 of this annual report and in note 21 to the accompanying financial statements.

### CAPITALISATION OF INTEREST

No interest was capitalised by the Group during the year.

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### CONNECTED TRANSACTIONS

During the year ended 31 December 2006, the Group entered into the following transaction with a subsidiary of Nam Tai Electronics, Inc. ("NTE Inc."). The transactions are defined in Chapter 14A of the Rules (the "Listing Rules") Governing The Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") as "continuing connected transactions" and are exempt from the independent shareholders' approval requirements. The transactions are subject to the reporting and announcement requirements set out in Chapter 14A of the Listing Rules.

#### **Jetup Electronic (Shenzhen) Co., Ltd. ("Jetup") and Namtai Electronic (Shenzhen) Co., Ltd. ("NTSZ")**

On 8 April 2004, J.I.C. Enterprises (Hong Kong) Limited ("JIC Enterprises"), a direct subsidiary of the Company and NTSZ, an indirect subsidiary of NTE Inc., entered into a letter purchase agreement for a term of 3 years commencing on 1 April 2004. The purpose of the agreement was to allow NTSZ to expand its supplier base. Pursuant to the agreement, it was agreed that JIC Enterprises would be included in NTSZ's list of designated suppliers of LCD panels and NTSZ may from time to time place purchase orders with JIC Enterprises at a price no less favourable than that available to NTSZ from independent third parties in accordance with the standard business terms of NTSZ. During 2005, JIC Enterprises ceased to carry on business and the Company nominated its group companies, J.I.C. (Macao Commercial Offshore) Company Limited ("JIC Macao") and Jetup to provide service to NTSZ under the agreement during the year 2005. In 2006, only Jetup provided service to NTSZ.

The total net amount of sales from JIC Enterprises, JIC Macao and Jetup to NTSZ during year 2005 was approximately HK\$5,216,000. The total amount of sales from Jetup to NTSZ during year 2006 was approximately HK\$3,218,000.

The independent non-executive directors have reviewed the above transaction and confirmed that the transaction was entered into in the ordinary and usual course of business of the Company and on terms no less favourable to the Company than terms available from independent third parties. The independent non-executive directors further confirmed that the transaction was entered into in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Pursuant to Rule 14A.38 of the Rules Governing the Listing Securities on the Stock Exchange of Hong Kong Limited, the board of directors engaged the auditors of the Company to perform certain agreed upon procedures in respect of the continuing connected transactions of the Group. The auditors have reported their factual findings on these procedures to the board of directors. The independent non-executive directors have reviewed the continuing connected transactions and the report of the auditors and have confirmed that the transactions have been entered into by the Company in the ordinary course of its business, on terms no less favorable than terms available to independent third parties, and in accordance with the terms of the agreement governing such transactions that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

### CONTRACTS OF SIGNIFICANCE

There are no contracts of significance (as defined in the Listing Rules) subsisting during or at the end of the financial year in which any Director is materially interested, either directly or indirectly, nor has the Company or its subsidiaries entered into any contracts of significance with NTE Inc. or its subsidiaries (other than the connected transactions as set out in the paragraph above).

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### MANAGEMENT CONTRACTS

During the year, the Company has not entered into any contracts concerning the management and administration for the whole or any substantial part of the business of the Company.

### DIRECTORS AND SERVICE CONTRACTS

The Directors who held office during the year ended 31 December 2006 and up to the date of this annual report were:

#### Executive Directors:

CHUI Kam Wai ( <i>Chairman</i> )	(appointed on 6 March 2002)
YEOH Teck Hooi ( <i>Chief Executive Officer</i> )	(appointed on 7 February 2005)
LI Shi Yuen, Joseph	(appointed on 8 January 2002 as an executive Director, re-designated on 3 May 2005 as a non-executive Director, re-designated on 1 January 2006 as an executive Director and resigned as an executive director on 1 March 2006)

The appointment of Mr. Chui Kam Wai as an executive Director of the Company is not on specific term but is subject to retirement by rotation in accordance with the articles of association of the Company. Pursuant to the director's contract of Mr. Yeoh Teck Hooi, the term of his directorship as executive Director is 3 years commencing from 7 February 2005, unless terminated by either party giving not less than three months' notice to the other party.

#### Non-executive Directors:

KOO Ming Kown	(appointed on 6 March 2002 as an executive Director and re-designated as a non-executive Director on 30 March 2004)
Seitaro FURUKAWA	(appointed on 6 March 2002 as an executive Director and re-designated as a non-executive Director on 31 October 2006)
LEE Wa Lun, Warren	(appointed on 5 January 2007)

The term of directorship of Mr. Koo Ming Kown, Mr. Seitaro Furukawa and Mr. Lee Wa Lun, Warren as non-executive Director of the Company is one year commencing from 1 January 2005, 31 October 2006 and 5 January 2007 respectively. Their respective term of service with the Company will continue for successive periods of one year unless terminated by either party giving not less than one month's notice to the other party.

#### Independent Non-executive Directors:

CHAM Yau Nam	(appointed on 6 March 2002)
LEUNG Wai Hung	(appointed on 6 March 2002)
CHENG Chi Heng	(appointed on 2 July 2002)

The term of directorship of all the independent non-executive Directors is one year commencing from 1 January 2005. The term will continue for successive periods of one year unless terminated by either party giving not less than one month's notice to the other party.

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All the independent non-executive Directors have confirmed their independence pursuant to Rule 3.13 of the Listing Rules and based on such confirmation, the Company is of the opinion that the independent status of the independent non-executive Directors remains intact as at 31 December 2006.

In accordance with Articles 87(1) and 87(2) of the articles of Association of the Company, Mr. Seitaro Furukawa and Mr. Cheng Chi Heng will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting. In accordance with Article 86(3) of the articles of association of the Company, Mr. Lee Wa Lun, Warren shall hold office only until the forthcoming annual general meeting and be eligible for re-election.

None of the Directors has a service contract or proposed service contract with the Company or any of its subsidiaries which is not determinable within one year without payment of compensation (other than statutory compensation).

### DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in the section "Connected Transactions" above and under the headings "Related Party Transactions" in note 27 to the accompanying financial statements, no Director (including past Director) had a material interest, whether directly or indirectly, in any contract of significance to the business of the Group to which the Company, its holding company or any of its fellow subsidiaries or subsidiaries was a party at the balance sheet date or during the year.

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

As at 31 December 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 31 December 2006, none of the Directors held any shares in the issued share capital of the Company.

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

(A) As at 31 December 2006, the Directors who held common share of US\$0.01 each in NTE Inc. (Note a) are as follows:–

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

*Notes:*

- a. NTE Inc. holds 74.94% shareholding of the Company as at 31 December 2006.
- b. The common shares are held jointly by Mr. KOO Ming Kown and his spouse, Ms. CHO Sui Sin.

(B) As at 31 December 2006, the Director who held share options of NTE Inc. is as follows:–

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

Save as disclosed above, no Directors nor chief executive have 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 in the section "Share Option Scheme" below, at no time during the 12 months ended 31 December 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.

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

So far as is known to any Director or chief executive of the Company, as at 31 December 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

On 16 April 2002, a share option scheme ("the Scheme") was approved by the Board and enables the Company to grant options to eligible participants for the purpose of providing incentives and rewards to those who contribute to the success of the Group's operations. Eligible participants of the Scheme include, among others, any employee of the Group (including any Director of the Company or any of its subsidiaries) and those companies in the equity share capital of which the Company, directly or indirectly, has a 20 percent or greater beneficial interest but excluding the Company's subsidiaries. The Scheme became effective on 4 June 2002, the date on which the Company's ordinary shares were listed on the Stock Exchange and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The exercise price of the share option is determinable by the Board, but shall not be less than the higher of: (i) the closing price of the Company's ordinary shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of option, which must be a business day; (ii) the average of the closing share price of the Company's ordinary share as stated in the Stock Exchange for the five trading days immediately preceding the date of grant of option; and (iii) the nominal value of the ordinary shares of the Company.

The maximum number of shares which may be issued on exercise of all options granted under the Scheme and any other share option schemes cannot exceed 10% (the "Mandate Limit") of the issued ordinary share capital of the Company at the date of approval of the Scheme, excluding any options lapsed in accordance with the terms of the Scheme. On 16 April 2002, the date of approval of the Scheme, the Company's ordinary shares in issue was 182,544,465 shares of HK\$0.01 each and accordingly the Mandate Limit upon which the maximum number of ordinary shares may be granted under the Scheme

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cannot exceed 18,254,446 ordinary shares. However, the Company may seek approval by its shareholders in general meeting to renew the Mandate Limit from time to time. The maximum number of ordinary shares issuable under the Scheme to each eligible participant within any 12-month period is limited to 1% of the ordinary shares of the Company in issue unless separate approval by the shareholders in general meeting is obtained.

The offer of a grant of share options shall be deemed to have been accepted when the counterpart of the option agreement is duly signed by the grantee together with a remittance in favour of the Company in the amount specified in the offer, being the consideration for the grant of the option, is received by the Company at the place specified in the option agreement within 28 days from the date of the offer or such other period as the Board may specify in writing. An option may be exercised during the period specified in the terms of grant.

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

### EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID DIRECTORS/EMPLOYEES

#### (I) Directors

For the year ended 31 December 2006, one of the independent non-executive Directors, Mr. CHENG Chi Heng, waived emoluments of HK\$120,000 (2005: HK\$120,000). Details of the emoluments of the Directors on a named basis during the year are set out in note 9 to the accompanying financial statements.

#### (II) Employees

Amongst the five highest paid individuals of the Group, three of them are Directors (2005: three Directors).

### EMPLOYEE & EMOLUMENT POLICY

Up to 31 December 2006, the Group had a total of 2,393 (2005: 2,137) dynamic and talented employees, among which 25 (2005: 18) were marketing staff and 85 (2005: 69) 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 year ended 31 December 2006 was approximately HK\$71.2 million (2005: HK\$61.9 million).

Remuneration policy of the Group is reviewed regularly, making reference to legal framework, market conditions, and performance of the Group and individual staff. The remuneration policy and remuneration packages of the executive Directors and members of the senior management are reviewed by the Remuneration Committee of the Company, the composition and responsibilities of which are detailed in the section "Report of Corporate Governance Practices" below.

A share option scheme was established on 4 June 2002 in order for the Company to grant options to eligible participants for the purpose of providing incentives and rewards to those who contribute to the success of the Group's operations. Details of the share option scheme were set out in the section "Share Option Scheme" above. No option has been granted by the Company under the Scheme since its adoption.



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The Company operates a mandatory provident fund scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance (Cap. 485 of the Laws of Hong Kong) for all their employees under Hong Kong employment. The MPF Scheme is a defined contribution scheme pursuant to which the Company and its employees have to each contribute 5% of the relevant income of the employees to the MPF Scheme subject to the minimum and maximum levels of income of HK\$5,000 and HK\$20,000 respectively with a statutory cap of HK\$1,000 per month. The Company's contributions are 100% vested in the employees' accounts once they are paid into the MPF Scheme until the employee reaches the retirement age of 65 subject to a few exceptions.

With regard to the Group's employees under Macao employment, the Group operates a retirement benefit scheme (the "Macao Scheme") which is also a defined contribution scheme administered by independent trustees. Although the Macao Scheme is not a mandatory scheme, the Group has adopted terms identical to the MPF Scheme in terms of contributory amount, operation of the scheme and retirement age for the Macao Scheme.

The Group's local employees in the People's Republic of China ("PRC") under PRC employment are covered under a local statutory retirement insurance policy operated by local government (the "PRC Scheme"). Both the Group and the employees are required to contribute a designated percentage of the employees' monthly salary to the PRC Scheme.

Details of the Group's costs with respect to the MPF Scheme, Macao Scheme and PRC Scheme charged to its income statement are set out in note 25 to the accompanying financial statements.

### AUDITORS

The Board proposed to re-appoint Messrs. Deloitte Touche Tohmatsu ("DTT") as auditors of the Company during the forthcoming annual general meeting of the Company.

### SUFFICIENT PUBLIC FLOAT

To the knowledge of the Directors based on publicly available information, the Company has sufficient public float as at the date of this annual report.

On behalf of the Board

**CHUI Kam Wai**

*Chairman*

Hong Kong, 12 February 2007