KWANG SUNG ELECTRONICS H.K. CO. LIMITED

光星電子香港有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 2310)

2007 INTERIM RESULTS ANNOUNCEMENT

The directors of Kwang Sung Electronics H.K. Co. Limited (the "Company") announced that the unaudited consolidated interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2007 are as follows:

CONSOLIDATED INCOME STATEMENT – UNAUDITED

		Six months ended 30 June	
		2007	2006
	Note	***HK$'000***	*HK$'000*
Turnover	*2*	**361,652**	270,374
Cost of sales		**(304,554)**	(226,387)
Gross profit		**57,098**	43,987
Other revenue		**3,122**	5,598
Selling and distribution expenses		**(11,855)**	(10,236)
Administrative expenses		**(5,340)**	(6,472)
Research and development expenses		**(23,869)**	(20,896)
Other operating expenses		**(1,731)**	(4,202)
Profit from operations and before taxation	*3*	**17,425**	7,779
Income tax	*4*	**(1,857)**	(868)
Profit after taxation attributable to equity shareholders of the Company		**15,568**	6,911
Interim dividend declared after the interim period	*5(i)*	**4,670**	2,193
Earnings per share	*6*		
– Basic		**HK5.0 cents**	HK2.2 cents
– Diluted		**HK4.9 cents**	HK2.2 cents

CONSOLIDATED BALANCE SHEET – UNAUDITED

	Note	At 30 June 2007 HK$'000	At 31 December 2006 HK$'000
Non-current assets			
Property, plant and equipment		**91,571**	96,288
Intangible assets		**740**	661
Other equity securities	*7*	**1,684**	1,684
		93,995	98,633
Current assets			
Inventories		**86,480**	69,222
Trade and other receivables	*8*	**143,291**	116,242
Current tax recoverable		**–**	605
Cash and cash equivalents		**149,628**	169,679
		379,399	355,748
Current liabilities			
Trade and other payables	*9*	**97,246**	90,239
Current tax payable		**557**	461
		97,803	90,700
Net current assets		**281,596**	265,048
Total assets less current liabilities		**375,591**	363,681
Non-current liabilities			
Deferred tax liabilities		**1,780**	2,019
Net assets		**373,811**	361,662
Capital and reserves	*10*		
Share capital		**31,330**	31,330
Reserves		**342,481**	330,332
Total equity – attributable to equity shareholders of the Company		**373,811**	361,662

Notes:

1 Basis of preparation

These interim results are unaudited, but have been reviewed by the Company's Audit Committee and by KPMG in accordance with Hong Kong Standard on Review Engagements 2410 *Review of interim financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). KPMG's independent review report to the Board of Directors (the "Board") is included in the interim financial report to be sent out to shareholders of the Company.

These interim financial results have been prepared in accordance with the applicable disclosure provisions of the Rules of Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), including compliance with Hong Kong Accounting Standard ("HKAS") 34, "Interim financial reporting", issued by the HKICPA.

The preparation of interim financial results in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The interim financial results have been prepared in accordance with the same accounting policies adopted in the 2006 annual financial statements. The HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards ("HKFRSs", which term collectively includes HKASs and Interpretations) that are effective or available for early adoption for accounting periods beginning on or after 1 January 2007. The Board has determined the accounting policies to be adopted in the preparation of the Group's annual financial statements for the year ending 31 December 2007, on the basis of HKFRSs currently in issue and effective for the current accounting period. The Group so far has concluded that the adoption of these new and revised HKFRSs which are expected to be reflected in the 2007 annual financial statements would not have a significant impact on the Group's results of operations and financial position.

The HKFRSs that will be effective or are available for voluntary early adoption in the annual financial statements for the year ending 31 December 2007 may be affected by the issue of additional interpretation(s) or other changes announced by the HKICPA subsequent to the date of issuance of these interim financial results. Therefore the accounting policies that will be applied in the Group's financial statements for that period cannot be determined with certainty at the date of issuance of these interim financial results.

The interim financial results contain condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2006 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with HKFRSs.

The financial information relating to the financial year ended 31 December 2006 that is included in these interim financial results as being previously reported information does not constitute the Company's statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2006 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 17 April 2007.

2 Segment reporting

The Group's primary format for reporting segment information is business segment. Turnover represents the sales value of goods supplied to customers less goods returned and after trade discounts.

(i) Business segments

The Group comprises two main business segments:

– manufacture and sale of composite components; and

– manufacture and sale of unit electronic components.

	Composite components		Unit electronic components		Consolidated	
	Six months ended 30 June		Six months ended 30 June		Six months ended 30 June	
	2007	2006	**2007**	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Turnover	**281,009**	204,554	**80,643**	65,820	**361,652**	270,374
Segment results	**10,341**	2,202	**3,961**	1,609	**14,302**	3,811
Unallocated operating income and expenses					**3,123**	3,968
Profit from operations					**17,425**	7,779

(ii) Geographical segments

An analysis of the Group's turnover by geographical location determined on the basis of the destination of the products is as follows:

	Turnover	
	Six months ended 30 June	
	2007	2006
	HK$'000	*HK$'000*
Mainland China	**192,322**	132,307
Hong Kong	**88,923**	93,235
Korea	**72,878**	42,347
Others	**7,529**	2,485
	361,652	270,374

3 Profit from operations and before taxation

Profit from operations and before taxation is arrived at after charging depreciation of HK$10,090,000 (Six months ended 30 June 2006: HK$10,162,000).

4 Income tax

	Six months ended 30 June	
	2007	2006
	HK$'000	*HK$'000*
Current tax		
Provision for Hong Kong Profits Tax	**1,342**	156
Taxation outside Hong Kong	**753**	524
	2,095	680
Deferred tax		
Origination and reversal of temporary differences	**(238)**	188
	1,857	868

Provision for Hong Kong Profits Tax is calculated at 17.5% (2006: 17.5%) of the Group's estimated assessable profits arising in Hong Kong for the six months ended 30 June 2007.

The Group carries out manufacturing activities in the People's Republic of China ("PRC") under the terms of various assembling and processing agreements with PRC entities and has substantial involvement in these manufacturing activities undertaken in the PRC. The profits earned are thus considered to be partly arising and derived from the manufacturing activities carried out in the PRC and partly from other activities performed in Hong Kong. As such, the Company is granted a 50:50 offshore exemption in respect of Hong Kong Profits Tax.

Provision for income tax in respect of the subsidiary in the PRC is calculated at 15% (2006: 15%) of its estimated assessable profits for the six months ended 30 June 2007.

No provision has been made for Korea income tax as tax losses brought forward exceed the estimated assessable profits for the six months ended 30 June 2007 and 2006.

5 Dividends

(i) Dividend payable to equity shareholders of the Company attributable to the interim period

	Six months ended 30 June	
	2007	2006
	HK$'000	*HK$'000*
Interim dividend declared after the interim period of HK1.5 cents (2006: HK0.7 cents) per ordinary share	**4,670**	2,193

The interim dividend has not been recognised as a liability at the balance sheet date. The calculation of the 2007 interim dividend is based on the number of ordinary shares outstanding at the date of these interim results.

(ii) Dividend payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the interim period

	Six months ended 30 June	
	2007	2006
	HK$'000	*HK$'000*
Final dividend in respect of the financial year ended 31 December 2006, approved and paid during the following interim period of HK1.1 cents (Year ended 31 December 2005: HK1.9 cents) per ordinary share	**3,446**	5,953

6 Earnings per share

(i) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of HK$15,568,000 (2006: HK$6,911,000) and the weighted average number of ordinary shares of 313,300,000 (2006: 313,300,000) in issue during the six months ended 30 June 2007.

(ii) Diluted earnings per share

The calculation of diluted earnings per share for the six months ended 30 June 2007 is based on the profit attributable to shareholders of HK$15,568,000 and the weighted average number of ordinary shares of 317,890,000 after adjusting for the effect of all dilative potential ordinary shares.

Diluted earnings per share is the same as the basic earnings per share for the six months ended 30 June 2006 as the inclusion of the effect of deemed issue of ordinary shares under the share options scheme would have an anti-dilative effect on the basic earnings per share.

7 Other equity securities

Other equity securities represent unlisted equity securities in corporate entities acquired in 2004 and 2006 for cash consideration of HK$1,500,000 and HK$1,684,000 respectively. Full provision for impairment loss has been made in prior years and maintained at 30 June 2007 against the investment costs of HK$1,500,000 for the equity securities acquired in 2004.

8 Trade and other receivables

	At 30 June 2007	At 31 December 2006
	HK$'000	*HK$'000*
Trade receivables	**133,351**	108,772
Prepayments, deposits and other receivables	**9,940**	7,470
	143,291	116,242

The ageing analysis of trade receivables (net of impairment losses for bad and doubtful debts) as of the balance sheet date is as follows:

	At 30 June 2007 *HK$'000*	At 31 December 2006 *HK$'000*
Current	**99,299**	69,666
Less than 1 month overdue	**26,641**	28,396
Over 1 month but less than 3 months overdue	**7,230**	10,206
Over 3 months but less than 12 months overdue	**181**	504
	133,351	108,772

New customers are normally required to trade on a cash basis. Credit is offered to existing customers following an established payment records. The credit terms granted by the Group to its customers (including a shareholder) generally range from one to two months.

9 Trade and other payables

	At 30 June 2007 *HK$'000*	At 31 December 2006 *HK$'000*
Trade payables	**80,627**	74,690
Accrued expenses and other payables	**16,619**	15,549
	97,246	90,239

The ageing analysis of trade payables as of the balance sheet date is as follows:

	At 30 June 2007 *HK$'000*	At 31 December 2006 *HK$'000*
Due within 1 month or on demand	**56,578**	53,503
Due after 1 month but within 3 months	**24,049**	21,187
	80,627	74,690

10 Capital and reserves

	Share capital *HK$'000*	Share premium *HK$'000*	Capital reserve *HK$'000*	Land and buildings revaluation reserve *HK$'000*	General reserve fund *HK$'000*	Retained profits *HK$'000*	Total *HK$'000*
At 1 January 2006	31,330	52,900	5,227	3,902	1,486	255,893	350,738
Final dividend approved in respect of the previous year *(note 5(ii))*	–	–	–	–	–	(5,953)	(5,953)
Equity settled share-based transactions	–	–	571	–	–	–	571
Profit for the period	–	–	–	–	–	6,911	6,911
At 30 June 2006	31,330	52,900	5,798	3,902	1,486	256,851	352,267
Transfer between reserve	–	–	–	–	1,526	(1,526)	–
Equity settled share-based transactions	–	–	41	–	–	–	41
Profit for the period	–	–	–	–	–	11,547	11,547
Dividend declared in respect of the current year *(note 5(i))*	–	–	–	–	–	(2,193)	(2,193)
At 31 December 2006	31,330	52,900	5,839	3,902	3,012	264,679	361,662
At 1 January 2007	31,330	52,900	5,839	3,902	3,012	264,679	361,662
Transfer between reserve *(note)*	–	–	(787)	–	–	787	–
Final dividend approved in respect of the previous year *(note 5(ii))*	–	–	–	–	–	(3,446)	(3,446)
Equity settled share-based transactions	–	–	27	–	–	–	27
Profit for the period	–	–	–	–	–	15,568	15,568
At 30 June 2007	31,330	52,900	5,079	3,902	3,012	277,588	373,811

Note:

The transfer from capital reserve to retained profits represents the value of share options lapsed during the period ended 30 June 2007.

INTERIM DIVIDEND

The Board has declared an interim dividend of HK1.5 cents per share for the six months ended 30 June 2007 (Six months ended 30 June 2006: HK0.7 cents). Dividend cheques will be despatched by mail on or about 12 October 2007 to shareholders whose names are registered in the register of members of the Company on 5 October 2007.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 2 October 2007 to 5 October 2007, both dates inclusive, during which period, no transfer of shares will be registered. In order to qualify for the interim dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrar, Tricor Standard Limited, at Level 25, Three Pacific Place, 1 Queen's Road East, Hong Kong not later than 4:00 p.m. on 28 September 2007.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

During the review period, the Group reported 33.8% of turnover growth from the last corresponding period's HK$270,374,000 to HK$361,652,000. Gross profit and net profit also increased by 29.8% and 125.3%, respectively. Basic earnings per share were HK5.0 cents.

The increase in turnover was mainly the result benefited from desirable growth in tuner modules for car audios, home audios and digital multimedia broadcasting ("DMB"). Accordingly, gross profit for the period under review increased by 29.8% compared with the last corresponding period, to HK$57,098,000. Gross profit margin was 15.8% for the six months ended 30 June 2007 as compared with 16.3% for the corresponding period last year.

Other revenue for the six months ended 30 June 2007 decreased by HK$2,476,000 as compared with HK$5,598,000 in the corresponding period last year. This is due to the absence of the one-off incomes recorded by the Group, which included a compensation income of HK$1,273,000 from a customer and a HK$1,264,000 gain on disposal of fixed assets, during the corresponding period last year.

Operating expenses slightly increased by HK$989,000, or 2.4%, to HK$42,795,000 from HK$41,806,000 in the corresponding period last year. The increase was mainly due to the expansion in sales and R&D operations in Korea. The percentage of operating expenses to turnover decreased from 15.5% in the corresponding period last year to 11.8% for the six months ended 30 June 2007.

Income tax expenses increased by 113.9% from HK$868,000 in the corresponding period last year to HK$1,857,000 for the six months ended 30 June 2007, primarily as a result of increase in profit before income tax. Our effective income tax rate was 10.7% as compared with 11.2% for the corresponding period last year.

As a result, the Group achieved a profit after taxation attributable to equity shareholders of HK$15,568,000 for the six months ended 30 June 2007, an increase of HK$8,657,000, or 125.3%, as compared to HK$6,911,000 recorded in the corresponding period last year.

Financial Condition, Liquidity and Financial Resources

The Group generally finances the operations with internally generated cash flow. As at 30 June 2007, the Group had cash and cash equivalents of HK$149,628,000 (31 December 2006: HK$169,679,000) and net current assets of HK$281,596,000 (31 December 2006: HK$265,048,000). Shareholders' funds were at HK$373,811,000 as at 30 June 2007 (31 December 2006: HK$361,662,000).

As at 30 June 2007, the Group had no outstanding borrowing. The current ratio, being the ratio of current assets to current liabilities, was maintained at a strong level of 3.88 (31 December 2006: 3.92), and the gearing ratio, in terms of total liabilities to total assets, stood at 0.21 (31 December 2006: 0.20).

On the whole, the Group continues to maintain a healthy financial status, with sufficient financial resources for our future development.

Foreign Exchange Exposure, Hedging and Off Balance Sheet Financial Instruments

The Group is exposed to foreign currency risks primarily through sales and purchases denominated in United States Dollars ("USD") and Japanese Yen ("JPY") and our operation in Korea where the operating expenses are paid in Korean Won ("KRW").

As Hong Kong Dollars ("HKD") is pegged to USD and Renminbi ("RMB") is managed float with reference to a basket of currencies yet within the limited per day fluctuation, the Group does not expect any significant fluctuation in the HKD/USD and RMB/USD exchange rate. For other currencies such as JPY and KRW, the Group has taken steps to ensure that the net exposure is kept at an acceptable level by buying and selling foreign currencies at spot rates when necessary to address short-term imbalance.

Investment Activities

The Group had not made any material acquisition or disposal of subsidiary and associated company during the six months ended 30 June 2007.

Charges on Assets

As at 30 June 2007, there were no assets pledged to bank to secure banking facilities of HK$133,480,000 (31 December 2006: HK$133,400,000).

Contingent Liabilities

In September 2007, the Shenzhen Local Tax Bureau ("Tax Bureau") enquired the related party transactions and the transfer pricing policy of the Company's subsidiary, Shenzhen Kwang Sung Electronics Co., Ltd. ("Shenzhen Kwang Sung") during the years ended 31 December 2002 to 2006. Shenzhen Kwang Sung had submitted the information requested to the Tax Bureau on 7 September 2007. Up to the date of approval of these interim results, there are no further queries raised by the Tax Bureau. Should Shenzhen Kwang Sung be unable to provide sufficient information to justify the related party transactions are made on an arm's length basis, according to relevant laws and regulations, the Tax Bureau has the authorities to make transfer pricing adjustment on the transaction prices and request Shenzhen Kwang Sung to pay additional Enterprise Income Tax based on the transfer pricing adjustment.

Since the Tax Bureau is only making preliminary enquiries on the related party transactions and the transfer pricing policy of Shenzhen Kwang Sung and therefore, their views and possible additional tax liabilities, if any, could not be estimated reliably at this stage. Accordingly, no provision for additional tax payable is made in the interim results.

Other than the above, the Group did not have any significant contingent liabilities as at 30 June 2007 and 31 December 2006.

Employees and Remuneration Policy

As at 30 June 2007, the Group had about 2,078 (31 December 2006: 1,951) employees including of whom 22 are based in Hong Kong (31 December 2006: 22), 1,942 in the PRC (31 December 2006: 1,828), and 114 in Korea (31 December 2006: 101).

For the six months ended 30 June 2007, staff costs increased to HK$47,077,000 (Six months ended 30 June 2006: HK$40,571,000), due to the expanding operations in Korea.

Our employees are remunerated according to performances, working experiences and market conditions. In addition to basic salaries and retirement schemes, staff benefits include medical schemes, discretionary share options and performance bonuses.

Business Review

Composite Components Business

For the six months ended 30 June 2007, composite components business remained as the Group's major revenue source and accounted for 77.7% of the Group's total turnover. Turnover of the segment amounted to HK$281,009,000, 37.4% increase from HK$204,554,000 in the last corresponding period. The growth in revenue was mainly driven by higher demands for tuner modules not only for car audios and home audios but also for DMB products.

The Group continued to achieve strong organic growth in sales of tuner modules for car audios. The product brought in a total turnover of HK$72,521,000, a satisfactory 49.7% increase from the same period last year. In the period under review, the Group made persistent effort in strengthening ties and collaboration with new and existing customers. Backed by localized R&D expertise and technical support, the Group was able to deliver quality products that consistently satisfy customers' stringent requirements.

As for tuner module for home audios, riding on the Group's strengthened market position in this region, this product segment reported a turnover amounting to HK$123,369,000, a healthy 19.5% growth against the same period last year. Thanks to its efforts in foundation building with reputable customers in the past few years and armed with quality products, the Group managed to boost sales to major customers and diversify its range of customer base to brand makers. These new customers are generally suppliers and manufacturers for end-users or brand makers on OEM (original equipment manufacturer) and/or ODM (original design manufacturer) basis. The sales of tuner modules for portable devices, however, had diminished slightly with turnover amounting to HK$12,009,000, down 0.6%, resulting from radio function losing popularity in portable devices.

The Group's wireless solutions including wireless speaker systems and microphones supplied mainly to leading electronic product companies reported an encouraging 32.6% growth in turnover to HK$25,916,000.

In the digital product category which was launched in 2006, tuner modules for DMB in navigation systems and personal multimedia player ("PMP") for the Korean market registered encouraging results. Although it is a new entrant to the Korean market, the Group has claimed instantaneous leadership. Turnover from sales of tuner modules for DMB and digital audio broadcasting ("DAB") surged significantly to HK$27,039,000, 327.0% increase from the same period last year. The Group sees growth potential for DMB and DAB products and expects them to become a major income source of the Group in the future.

To widen its future product offerings, the Group continued to research and develop new products, such as global positioning system ("GPS") engines, MP3 decoders for car audios, tuner modules for hybrid digital radio ("HD Radio"), and digital tuner modules for Integrated Services Digital Broadcasting – Terrestrial ("ISDB-T"), a Japanese digital multimedia broadcasting standard.

Unit Electronic Components Business

For the six months ended 30 June 2007, unit electronic components business accounted for 22.3% of the Group's total turnover. Turnover of this segment was HK$80,643,000, 22.5% increase from HK$65,820,000 in the corresponding period last year. The healthy growth in turnover was attributable mainly to the stable and strengthened market position of the Group.

Prospects

Looking forward, with the digitalization trend for new multimedia devices going strong and demand for analog audio products stable, the Group expects sustainable growth for its business in the future. This confidence is based on the Group's ability to gain more orders from existing and potential customers despite keen competition in the market. The Group also continues to see growth potential in both tuner modules for car audios and digital tuner modules for DMB and will keep pushing for growth of these products so as to tap demand in the growing multimedia market.

To ensure continuous success of its digital products in the market, the Group will step up enhancing features of the digital tuner modules for DAB. It expects digital tuner modules for DAB to bring increasing revenue in the years to come.

On the other hand, the Group is developing tuner modules for HD Radio to answer demand in the American market, following the signing of a contract for the product last year with iBiquity Digital Corporation ("iBiquity") in the United States. The Group sees strong potential in HD Radio and expects to roll out such products in late 2007, which is expected to quickly translate into revenue for the Group.

Recognizing the importance of R&D in helping it to meet the challenges and capture opportunities in the digital era, the Group will continue to invest resources in R&D to upgrade existing products as well as develop new products. R&D investment this year will be similar to the level of 2006.

In the course of developing various products and exploring opportunities, the Group will remain prudent in financial management and maintain stringent cost control to ensure long-term sustainable growth of its business.

Investor Relations

The Group values its relationship with investors and is committed to maintaining transparency of the Group's management philosophy, operational performance and strategic development plans. During the review period, the Group arranged meetings with fund managers and analysts to share and exchange opinions. The Company also practices timely dissemination of information and makes sure its website www.kse.com.hk contains the most current information, including interim reports, annual reports, announcements, press releases and other corporate updates.

Corporate Social Responsibility

As a public company, the Group has been actively fulfilling its corporate social responsibility by protecting the interest of all stakeholders of the Company, the Company itself, and the society and environment. During the review period, the Company donated a total of HK$840,000 (Six months ended 30 June 2006: HK$780,000) to charity to promote the well-being of the needy. It also continued to make sure its products conform to the European Union's environmental protection guidelines including the Directive on the Restriction of the use of certain Hazardous Substances in Electrical and Electronic Equipment on manufacturing activities.

Caring about the health and safety of its staff, the Company also provides adequate health and work safety training to all its managers and employees, and maintains appropriate safety systems and effective control to minimize staff exposure to potentially hazardous materials or adverse conditions at work. The Group also ensures employees enjoy equal opportunities and does not tolerate any form of harassment or discrimination in respect of employment and occupation thereby providing a fair working environment to its employees.

OTHER INFORMATION

Code on Corporate Governance Practices

The Company is committed to achieving high standards of corporate governance so as to ensure better transparency and protection of shareholders' interest. The Company has complied with the code provisions of the Code on Corporate Governance Practices (the "Corporate Governance Code") in Appendix 14 of the Listing Rules throughout the six months ended 30 June 2007, except for the deviation of code provision E.1.2.

The code provision E.1.2 of the Corporate Governance Code provides that the Chairman of the Board should attend the annual general meeting of the Company. Due to other business commitments, Mr. Yang Ho Sung, the Chairman of the Board who resides in Korea, was unable to attend the annual general meeting of the Company held on 18 May 2007 in Hong Kong. This constitutes a deviation from the code provision E.1.2 of the Corporate Governance Code.

Model Code for Securities Transactions by Directors

The Company, having made specific enquiry, confirms that all directors complied with the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules, and the relevant employees who, because of their office in the Company, are likely to be in possession of unpublished price sensitive information, have been requested to comply with the provisions of the Model Code, during the six months ended 30 June 2007.

Purchase, Sale or Redemption of the Company's Listed Securities
Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2007.

Review of Accounts
The Audit Committee has reviewed with the management and the Company's auditors the accounting principles and practices adopted by the Group and discussed auditing, financial reporting process and internal control matters including a review of the unaudited interim financial report for the six months ended 30 June 2007.

Publication of the Interim Results Announcement and Interim Report
The interim results announcement is published on the websites of the Company (www.kse.com.hk) and The Stock Exchange of Hong Kong Limited (www.hkex.com.hk), and the interim report will be available at the said websites and despatched to shareholders of the Company in this late September.

By Order of the Board
Kwang Sung Electronics H.K. Co. Limited
YANG Jai Sung
Executive director and Chief executive officer

Hong Kong, 11 September 2007

As of the date of this announcement, the Board comprises non-executive director Mr. YANG Ho Sung (Chairman), executive directors Mr. YANG Jai Sung, Mr. KIM Sun Cheol, Mr. WOO Nam Jin and Mr. LEE Kyu Young, and independent non-executive directors Dr. KIM Chung Kweon, Dr. HAN Byung Joon and Mr. KIM Chan Su.