

[For Immediate Release]

Kwang Sung Announces 2005 Interim Results

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Financial Highlights

- Turnover increased 2.9% to HK\$282,573,000
- Facing customers' pricing pressure and high material price, profit after taxation decreased by 71.7% to HK\$6,670,000
- The Board of Directors has recommended an interim dividend of HK1.3 cents per share
- Healthy financial position, with cash and cash equivalents of HK\$128,520,000 and no bank borrowings

(Hong Kong, 16 September 2005) – **Kwang Sung Electronics H.K. Co. Limited** (“Kwang Sung” or the “Group”; stock code: 2310) today announced its interim results for the six months ended 30 June 2005.

During the review period, the business environment was tough for the electronic industry. Apart from the high raw material price, market competition was fierce as the result of increased direct labour cost and pricing pressure from customers. All in account, the Group's turnover increased 2.9% to HK\$282,573,000, while profit after taxation dropped by 71.7% to HK\$6,670,000 as compared with HK\$23,607,000 of the corresponding period last year (restated). Earnings per share were HK2.1 cents, reduced by 72.0% against last year's.

The Board of Directors recommended the payment of an interim dividend of HK1.3 cents per share for the six months ended 30 June 2005.

The Group maintained a very healthy financial position. As at 30 June 2005, it has a cash level of HK\$128,520,000. Current ratio was 4.07 and gearing ratio, in terms of total liabilities to total assets, stood at 0.20.

Mr. YANG Ho Sung, Chairman of Kwang Sung said, “Starting this year, we have substantially reduced our reliance on the research and development service from Kwang Sung Korea, and conducted most of our R&D activities in-house. Meanwhile, we reinforced our R&D functions in the PRC by transferring key staff from Korea to the PRC. Our plan is to build a customer-focused R&D workforce there. Reflecting our definite commitment to future growth, we have increased our research and development expenses to sales from 2.8% in the first half of last year to 4.3% this year.”

In the first half of the year, Kwang Sung's composite components business achieved total revenue of HK\$231,332,000, representing a slight increase of 7.4% in sales, and accounting for 81.9% of the Group's total turnover. Meanwhile, as more and more customers shift to purchasing composite components, the turnover from unit electronic components business dropped by 13.8% to HK\$51,241,000, accounting for 18.1% of the Group's total turnover.

At the Group's continuous efforts to launch new models to secure more orders from after-market customers and car audio markers in Korea, the sales of tuner modules for car audio continued to report encouraging growth of 52.5% during the review period. Driven mainly by MP3's widespread application, tuner modules for portable devices also performed well, with sales increased 14.9% against the corresponding period last year. The sales of tuner modules for home audio, on the other hand, dropped by 11.0% due to sluggish demand in consumer market.

In April, the Group launched its wireless speaker system for home theater in-a-box, demonstrating its ability to consolidate radio frequency, power and amplifier technologies. Although the contribution from this new wireless application is still small, the Group expects it to become a major source of revenue in the near future.

Commenting the future, **Mr. YANG Jai Sung, Chief Executive Officer of Kwang Sung**, said, "The second half of the year is traditionally the peak season for the electronic industry, hence also for Kwang Sung. As we have secured full production approval on several tuner modules for car audio from one of the before-market customers in Korea, we expect our tuner modules for car audio business continue to achieve healthy growth in the second half of the year.

"The introduction of more portable device applications (e.g. MP3 players) and the newly introduced wireless speaker systems will help us making higher turnover in the second half of the year than the first half. Also, we have already taken all possible remedial measures, including cost reduction plans and reinforcement in R&D efforts in order to develop new and more profitable products," Mr. Yang added.

On new product development, recently, Kwang Sung has successfully developed a new switching mode power supply for LCD TV and made the first trial order shipment in July. Bulk shipment of this product is expected to start from the fourth quarter of 2005. Applying low temperature co-fired ceramic technology, the Group developed multi-layer circuit boards and has finished their engineering tests. By replacing traditional printed circuit boards with the new circuit boards, the Group plans to further miniaturize transmitters and tuner modules for portable devices.

To capitalize on the tremendous opportunities in the digital era, Kwang Sung has started testing trial modules of digital audio components with its customers and plans to actively market tuner modules for digital audio broadcasting in the first half of 2006. Additionally, to capture the opportunities arising from the launch of digital multimedia broadcasting (“DMB”) in Korea later this year, the Group has been actively working with IC development companies to develop and market tuner modules for DMB. The market for the product is expected to emerge in the first half of next year.

Mr. YANG Ho Sung concluded, “As the second half of the year will still be full of challenges, our profitability will still be restrained for the rest of 2005. However, riding on our strong business foundation and the new products in the pipeline, we are confident that we will be able to weather the industry fluctuation and maintain our competitiveness.”

About Kwang Sung Electronics H.K. Co. Limited

Kwang Sung is an electronic components manufacturer and supplier serving the audio, video and telecommunication industries. With a dedicated Korean management, extensive experience in the production of radio frequency components and rapid development of its engineering capabilities, the Group offers a broad range of reliable, quality and cost-efficient electronic components to prominent electronic and telecommunication brands in Asia. Kwang Sung has an over 14 years’ solid operating track record and an established clientele comprising reputable Korean conglomerates including Samsung and LG groups.

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(N.B.: Please find below the consolidated income statement of Kwang Sung)



Kwang Sung Electronics H.K. Co. Limited

2005 Interim Results Consolidated Income Statement

	Six months ended 30 June	
	2005	2004
	HK\$'000	HK\$'000
		(Restated)
Turnover	282,573	274,742
Cost of sales	(249,912)	(223,990)
Gross profit	32,661	50,752
Other revenue	3,231	510
Selling and distribution expenses	(10,068)	(11,486)
Administrative expenses	(5,261)	(4,308)
Research and development expenses	(12,286)	(7,802)
Surplus on revaluation of land and buildings	987	-
Other operating expenses	(1,588)	(1,674)
Profit from operations and before taxation	7,676	25,992
Income tax	(1,006)	(2,385)
Profit after taxation attributable to equity holders of the Company	6,670	23,607
Interim dividend declared after the interim period	4,073	7,519
Earnings per share		
Basic (HK cents)	2.1	7.5
Diluted (HK cents)	N/A	7.4