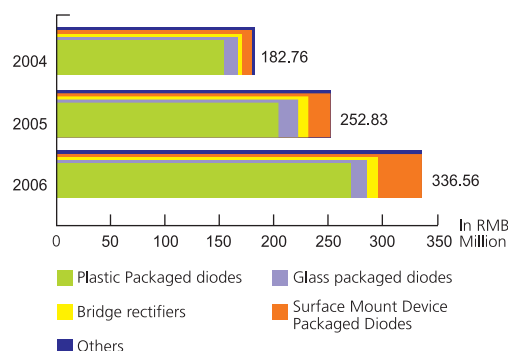


To the Shareholders:

I, on behalf of Galaxy Semi-Conductor Holdings Limited ("the Company") and its subsidiaries (collectively "the Group"), present the operating results and the Annual Report of the Company for the year ended 31st December 2006, which is the first annual results of the Group since its listing ("Listing") on the main board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 9th June 2006.

For the year ended 31st December 2006, turnover of the Group increased to RMB336,560,000, representing an increase of 33.12% over the previous year. Profit attributable to equity holders was approximately RMB30,200,000, one-off expenses incurred for the Listing amounted to RMB9,690,000 had been charged to the profit and loss account. The profit attributable to shareholders excluding this one-off expense amounted to approximately 39,890,000, representing an increase of 1.22% over the previous year.



Earnings per share for the year was RMB0.083. The board ("Board") of directors ("Directors") of the Company proposes a final dividend of Hong Kong cents 1.6 per ordinary share (equivalent to RMB0.016) for the year ended 31st December 2006.

As mentioned in the prospectus of the Company dated 29th May 2006, the Group would apply proceeds from the Listing to expand production capacity in view of increasing market demand. For the year ended 31st December 2006, the amount spent on the purchase of diode production equipment was approximately RMB11,400,000, the amount spent on the construction of production plant was approximately RMB1,800,000 while the amount of deposits placed for acquisition of land use rights and machineries was approximately RMB12,300,000. The first installment paid for the acquisition of Seven Rainbows Limited and its shareholder's loan was RMB3,300,000, the balance of the proceeds from the Listing was used as general working capital and bank deposits.

During the year under review, Galaxy Micro-Electronics, invested in by our indirect subsidiary, Profit Champ Limited, was incorporated in October 2006. It will mainly focus on the production of micro components in future. The Group will mainly develop micro components in future as its gross profit is higher than those of other diodes. In addition, a wholly owned subsidiary of the Company, Sun Light Planet Limited, had also acquired Seven Rainbows Limited which in turn holds 100% equity interest in Galaxy Hi-New. At the time of acquisition, Galaxy Hi-New possessed properties with a gross site area and gross floor area of 28,673 m² and 10,049.21m² respectively, which had been used by Galaxy Electrical for testing and packaging processes of diode. Galaxy Hi-New also engages in the production and sales of plastic packaged diode.

Chairman's Report

The Group continues to maintain close co-operation relations with overseas and local customers. Relationships with high profile new customers were developed, including international renowned brands. These developments strengthened the Group's leadership position in the PRC diode market.

In view of the continuing growth in the global electronic information product market, there is an internal drive within the enterprise which will maintain our rapid economic growth during the "Eleventh Five Year Plan" period. In particular there is a boom in the purchase of PRC components in the China market by overseas large corporations and foreign equity enterprises in China, hence the Group is optimistic about our long term development prospects.

On behalf of the Board I would like to take this opportunity to express our gratitude to the management and all the staff for their hard work and contributions during the past year. I would also like to thank all the shareholders, investors and customers for their confidence in and support rendered to the Company.



Yang Senmao

Chairman

Hong Kong, 25th April 2007