



Mr. YANG Ho Sung

梁皓星先生

Chairman 主席

FELLOW SHAREHOLDERS

2005 was still a challenging year to Kwang Sung. The economic environment remained unfavourable to electronic component manufacturers worldwide and we were inevitably affected. We have to face the continued rise in raw material price and manufacturing costs that posed huge pressure on our gross margins, especially in the first half of the year. To combat the difficult operating environment, the Group invested tremendous effort to improve operational efficiency and its research and development functions. In spite of the tough business environment, with all these measures in place and economies in the region recovering, I am delighted to report that the Group's performance picked up in the second half of the year and I am confident that this growth momentum will continue in 2006.

Radio and multimedia broadcasting are set to enter a new era with Digital Audio Broadcasting ("DAB") and Digital Multimedia Broadcasting ("DMB") technology becoming prevalent. In addition to their initial application in some European and Asian countries, DAB and DMB are going to bring new audio and visual experiences to consumers across the world. As one of the first mover in the industry, we focused on the research and development of digital modules over the past years and have successfully received initial orders for them during the year under review. In 2006, we will step up effort in this area, which will allow us to seize arising opportunities in the market.

The future of the Group is certainly open for improvement with the economy and consumption sentiment in markets worldwide recovering. As an upstream supplier in the supply chain, we will benefit from the boom in demand of end-product manufacturers. Kwang Sung will, in the year ahead, seek to fortifying its research and development functions with the aims of improving existing products and widening its product mix to include new digital multimedia tuner modules as a critical category.

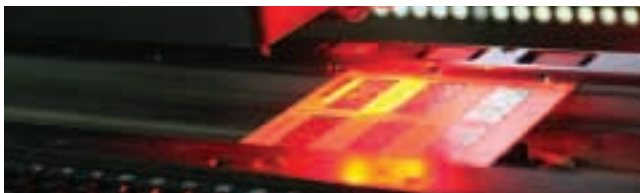
Finally, I would like to extend my thanks to the management, our staff and shareholders for their unwavering effort and commitment. With your support, I am confident our business teams will remain as the driving force behind our growth and pave the way for a brighter future for the Group.

By order of the board
Yang Ho Sung

Chairman

Hong Kong, 11 April 2006





各位股東：

二零零五年對光星電子而言仍是充滿挑戰的一年。在全球經濟環境仍然不利電子元件製造商的業務發展情況下，我們的業務亦無可避免地受到影響。原材料價格及生產成本，尤其於上半年持續上升，對我們的毛利構成重大壓力。為應付困難的經營環境，集團年內致力改善營運效率及研發能力。隨著集團順利落實此等措施，加上區內經濟逐步復甦，我們的業績於下半年已有所改善。我深信於二零零六年此增長勢頭將可持續。



隨著數碼音響廣播（「DAB」）及數碼多媒體廣播（「DMB」）技術日漸流行，無線及多媒體廣播勢將進入一個全新發展時代。DAB 及 DMB 技術已經初步於若干歐洲及亞洲國家應用，為各地消費者帶來全新影音體驗。作為其中之一家領先企業，我們多年來一直專注於研發相關的數碼模組，並於回顧年內開始接獲首批訂單。於二零零六年，我們將加大力度發展此項業務，以把握龐大的市場商機。

鑒於全球經濟復甦及消費意欲提升，本集團的業務具有良好的增長空間。作為行業供應鏈的上游供應商，我們將受惠於源自終端產品製造商的強勁需求。未來，我們將加強研發工作，以改善現有產品質素及擴闊產品組合，而新數碼多媒體調諧器模組將是其中一個主要產品組別。

最後，本人謹向管理層、各員工及股東對本集團所作出的努力及貢獻致謝。有你們的支持，我們有信心將可繼續推動集團的業務增長及再創佳績。

承董事會命
主席

梁皓星

香港，二零零六年四月十一日

