

# Report of the Supervisory Committee

## Dear shareholders,

The Supervisory Committee was established on 9 September 2004. During the year, all members of the Supervisory Committee have honestly, duly and diligently performed their duties in compliance with the Company Law of the People's Republic of China, the Listing Rules and the Articles of Association of the Company.

The Supervisory Committee participated in the Board meetings and Audit Committee and the significant events, reviewed the financial, daily management and operating activities of the Company and provided their opinions. The Supervisory Committee has found no detriment to the interests of the shareholders and the Company or breach of the Articles of Association and relevant laws.

The Supervisory Committee has reviewed the report of the Directors, audited accounts and profit distribution plan and other matters to be proposed at the 2005 annual general meeting and is of opinion that there is no irregularities.

The Supervisory Committee has watched over members of the Board and senior management in performing their duties, and is of opinion that members of the Board, president and other senior management members have been performing their duties in a diligent and honest manner and in the interests of the shareholders and the Company.

In 2005, the Company experienced unprecedented difficulties and challenges and, for the first time, incurred a noticeable loss, due to the increasing substitution effect of the flat screen television sets' rapid development on CPTs, the constantly declining CPT prices and the increase in certain raw material prices. The Supervisory Committee showed its understanding of the operating environment facing the Company.

The Supervisory Committee believes that the CPT business, capitalising on advantageous performance and prices, will enjoy a considerable market share within a period of time and even a moderate growth in certain market. The Company will continue to hone its competitive edge and increase its growth through cost reduction, marketing reinforcement and technology upgrading. The Supervisory Committee is confident in the prospect of the Company and will proceed to carry out effective supervision on the operation of the Company to safeguard the interests of the shareholders as a whole and the Company.

By order of the Supervisory Committee  
**Fu Jiuquan**  
*Chairman of the Supervisory Committee*

Xianyang, the PRC  
24 April 2006