

REPORT ON CORPORATE GOVERNANCE

The Board of Directors of the Company (the “Board”) is committed to maintain good corporate governance to enhance and safeguard the interest of its shareholders. This report below describes the corporate governance framework & practices of the Company with reference to the Code of Corporate Governance 2005 (“the Code”).

1. BOARD MATTERS

1.1 The Board’s Conduct of its Affairs

Principle 1: Every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the success of the company. The Board works with Management to achieve this and the Management remains accountable to the Board.

Apart from its statutory responsibilities, the principal functions of the Board encompass the following:

- Providing stewardship to the Company including charting its corporate strategies;
- Monitoring Management performance in achieving an adequate return for shareholders;
- Overseeing the evaluation of the adequacy of internal controls, risks management, financial reporting and compliance, and satisfy itself as to the sufficiency of such processes; and
- Being responsible for good corporate governance.

The Board’s approval is also required in matters such as major funding proposals, investment and divestment proposals, major acquisitions and disposals, corporate or financial restructuring, mergers and acquisitions, share issuance and dividends and major corporate policies on key areas of operations, acceptance of bank facilities, annual budget, the release of the Group’s half year and full year results and interested person transactions of a material nature. The Board ensures that incoming new directors are familiarized with the Group’s businesses and corporate governance practices upon their appointment to facilitate the effective discharge of their duties.

The Board conducts regularly scheduled meetings. Ad-hoc meetings are convened when circumstances require. To facilitate the attendance and participation of Directors at Board meetings, the Company’s Articles of Association allow Board meetings to be conducted by means of telephone conference or other methods of simultaneous communication by electronic or telegraphic means.

For the financial year ended 31 December 2008, the Board met on four occasions. The attendance of the Directors at meetings of the Board as well as the frequency of such meetings is disclosed as follows:

Directors	No. of meetings held	Attendance
Ye Chen	4	4
Qin Wei	4	4
Eugene Wong Hin Sun*	3	3
Goh Chee Wee	4	4
Tan Lye Huat	4	4
Li Haibo #	-	-

* Mr Eugene Wong Hin Sun resigned as Director on 18 November 2008.

Mr Li Haibo was appointed as Director on 17 February 2009.

To assist the Board in the discharge of its responsibilities, the Board has established three Board Committees, namely the Audit Committee, Nominating Committee and Remuneration Committee. These committees function within clearly defined terms of reference and operating procedures, which are reviewed on a regular basis.

REPORT ON CORPORATE GOVERNANCE

Newly appointed directors will be given briefings by management on the business activities and its strategic directions. They will also be provided a formal letter setting out their duties and obligations. Management will monitor new laws, regulations and commercial developments and will keep the board informed accordingly. Director and senior management are encouraged to attend courses and receive journal updates to keep abreast and updated of changes to the financial, legal, management and industry landscape.

1.2 Board Composition and Guidance

Principle 2: There should be a strong and independent element on the Board, which is able to exercise objective judgment on corporate affairs independently, in particular, from Management. No individual or small group of individuals should be allowed to dominate the Board's decision making.

Presently the Board consists of five Directors, two of whom are executive and three of whom are considered to be independent by the Nominating Committee. The independence of each director is reviewed by the Nominating Committee in accordance with the definition of independence in the Code annually.

The composition of the Board is reviewed on an annual basis by the Nominating Committee to ensure that the Board has the appropriate mix of expertise and experience, and collectively possess the necessary core competencies for effective functioning and informed decision-making.

The independent directors also communicate regularly to discuss matters such as the Group's financial performance, corporate governance initiatives and the remuneration of the executive directors.

The profiles of the Directors are set out on pages 14 and 15 of this Annual Report. The Board considers its current Board size appropriate for the nature and scope of the Group's operations.

1.3 Chairman and Chief Executive Officer ("CEO")

Principle 3: There should be a clear division of responsibilities at the top of the company – the working of the Board and the executive responsibility of the company's business – which will ensure a balance of power and authority, such that no one individual represents a considerable concentration of power.

The roles for both Chairman and CEO are assumed by Mr. Ye Chen. As such, Mr. Ye Chen bears executive responsibility for the Group's business as well as responsibility for workings of the Board and ensures that procedures are introduced to comply with the Code.

The Board also believes that there are sufficient safeguards and checks to ensure that the process of decision-making by the Board of Directors is independent and based on collective decisions without any individual exercising any considerable concentration of power or influence. Further, all the committees are chaired by Independent Directors.

Mr Ye Chen is the founder of the Group and has played a key role in developing the Group's business. Through the Group's successful development over the past years, Mr Ye Chen has demonstrated his vision, strong leadership and enthusiasm in this business.

1.4 Board Membership

Principle 4: There should be a formal and transparent process for the appointment of new directors to the Board.

The Nominating Committee comprises Mr Tan Lye Huat (Chairman of the Nominating Committee), Mr Goh Chee Wee and Mr Ye Chen.

REPORT ON CORPORATE GOVERNANCE

The Nominating Committee will be responsible for (i) re-nomination of the Directors having regard to the Director's contribution and performance, (ii) determining annually whether or not a Director is independent and (iii) assessing whether or not a Director is able to and has been adequately carrying out his duties as a director, (iv) assessing the effectiveness of the Board as a whole, (v) ensuring that the Company has a succession plan for key Executive Directors and officers.

The Nominating Committee will decide how the board's performance is to be evaluated and propose objective performance criteria, subject to the approval of the Board, which address how the Board has enhanced long-term shareholders' value.

The Board will also implement a process to be carried out by the Nominating Committee for assessing the effectiveness of the Board as a whole and for assessing the contribution by each individual Director to the effectiveness of the Board. Each member of the Nominating Committee shall abstain from voting on any resolutions in respect of the assessment of his performance or re-nomination as director.

The number of meetings held and attendance at the meetings during last financial year were as follows:-

Directors	No. of meeting held	Attendance
Tan Lye Huat	1	1
Goh Chee Wee	1	1
Ye Chen	1	1

All directors, including the CEO, submit themselves for re-nomination and re-election at regular intervals at least once every 3 years. Pursuant to Article 91 of the Company's Articles of Association, one-third of the Board of Directors are to retire from office by rotation and be subject to re-election at the Company's Annual General Meeting ("AGM"). In addition, Article 97 of the Company's Article of Association provides that a newly appointed director must retire and submit himself for re-election at the next AGM following his appointment. Thereafter, he/she is subject to be re-elected at least once every 3 years.

The Nominating Committee recommended to the Board that Mr Ye Chen, Mr Tan Lye Huat and Mr. Li Haibo will retire at the Company's forthcoming Annual General Meeting and be eligible for re-election.

Mr Tan Lye Huat has informed that he will not be seeking re-election at the forthcoming Annual General Meeting of the Company. The Board would like to record its appreciation to Mr Tan Lye Huat for his contribution to the Board and the Company.

The initial appointment date and the date of last re-election of the directors are set out below:-

Name of Director	Date of initial appointment	Date of last re-election
Mr Ye Chen	4 May 2004	27 April 2006
Mr Goh Chee Wee	30 March 2005	25 April 2008
Mr Tan Lye Huat	30 March 2005	25 April 2008
Ms Qin wei	1 January 2008	25 April 2008
Mr Li Haibo	17 February 2009	-

REPORT ON CORPORATE GOVERNANCE

1.5 Board Performance

Principle 5: There should be a formal assessment of the effectiveness of the Board as a whole and the contribution by each director to the effectiveness of the Board.

Review of the Board's performance is conducted by the Nominating Committee annually. The Nominating Committee is guided by its terms of reference which set out its responsibility for assessing the Board's effectiveness as a whole and the contribution from each individual director to the effectiveness of the Board. The Board, through the delegation of its authority to the Nominating Committee, has used its best efforts to ensure that directors appointed to the Board possess the background, experience and knowledge in technology, business, finance and management skills critical to the Company's business and that each director, with his special contributions, brings to the Board an independent and objective perspective to enable balanced and well-considered decisions to be made.

With regard to collective Board appraisal, each director assesses the Board's performance as a whole and provides the feedback to Nominating Committee. In reviewing the Board's effective as a whole, the Nominating Committee takes into account feedback from Board members as well as the director's individual skills and experience. The Nominating Committee also considers the guideline set out in the Code for the evaluation and assessment of the performance of the Board as a whole in achieving strategic objectives.

In assessing an individual director's performance, factors taken into consideration include, attendance at board and related activities, adequacy of preparing for board meeting, contributions in specialist areas, generation of constructive debate, maintenance of independence.

A summary report is compiled by the chairman of Nominating Committee and submitted to the Chairman of Board for analysis and discuss with a view to implementing certain recommendations to further enhance the effectiveness of the Board. If necessary, a copy of the summary report will be extended to the individual director for information and improvement.

The Nominating Committee is of the view that despite multiple board representations in certain instances, each director is able and has been adequately carrying out his duties as a Director of the Company.

1.6 Access to Information

Principle 6: In order to fulfil their responsibilities, board members should be provided with complete, adequate and timely information prior to board meetings and on an on-going basis.

The Company recognizes the importance of continual dissemination of relevant information which are explicit, accurate, timely and vital to the Board in carrying out its duties. As such, the Board expects the management to report the Company's progress and drawbacks in meeting its strategic business objectives or financial targets and other information relevant to the strategic issues encountered by the Company in a timely and accurate manner.

In exercising their duties, the Directors have unrestricted access to the Company's management, Company Secretary and independent auditors.

Each director has the right to seek independent legal and other professional advice, at the Company's expense, concerning any aspect of the Group's operations or undertakings in order to fulfill their duties and responsibilities as directors.

REPORT ON CORPORATE GOVERNANCE

2. REMUNERATION MATTERS

2.1 Procedures for Developing Remuneration Policies

Principle 7: There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his own remuneration.

The Remuneration Committee comprises Mr Tan Lye Huat (Chairman of the Remuneration Committee), Mr Goh Chee Wee and Mr Li Haibo.

The Remuneration Committee recommends to the Board a framework of remuneration for the Directors and key executives officers, and determines specific remuneration packages for each executive Director. The recommendations of the Remuneration Committee on remuneration of directors and CEO will be submitted for endorsement by the entire board.

All aspects of remuneration, including but not limited to director's fees, salaries, allowances, bonuses, options and other benefits-in-kind shall be covered by the Remuneration Committee. Each member of the Remuneration Committee shall abstain from voting on any resolutions in respect of his remuneration package.

The number of meetings held and attendance at the meeting during last financial year were as follows:-

Directors	No. of meetings held	Attendance
Tan Lye Huat	2	2
Goh Chee Wee	2	2
Eugene Wong Hin Sun*	1	1
Li Haibo#	-	-

* Mr Eugene Wong Hin Sun resigned as Director on 18 November 2008.

Mr Li Haibo was appointed as Director on 17 February 2009.

2.2 Level and Mix of Remuneration

Principle 8: The level of remuneration should be appropriate to attract, retain and motivate the directors needed to run the company successfully but companies should avoid paying more than is necessary for this purpose. A significant proportion of executive directors' remuneration should be structured so as to link rewards to corporate and individual performance.

In setting remuneration packages, the Company takes into account pay and employment conditions within the same industry and in comparable companies, as well as the Group's relative performance and the performance of individual directors.

The independent and non-executive directors receive directors' fees, in accordance with their contribution, taking into account factors such as effort and time spent, responsibilities of the directors and the need to pay competitive fees to attract, motivate and retain such independent and non-executive directors. Directors' fees are recommended by the Board for approval by the shareholders at the Company's annual general meeting.

The existing service agreement for Mr Ye Chen and Ms Qin Wei are for period of 3 years and are subject to renewal thereafter. The service agreements entered with both of them may be terminated by either party giving not less than six months' written notice to the other party.

REPORT ON CORPORATE GOVERNANCE

Our Group has also previously entered into various letters of employment with all of the Executive Officers. Such letters typically provide for the salaries payable to the Executive Officers, their working hours, annual leave, medical benefits, grounds of termination and certain restrictive covenants.

2.3 Disclosure on Remuneration

Principle 9: Each company should provide clear disclosure of its remuneration policy, level and mix of remuneration, and the procedure for setting remuneration in the company's annual report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key executives, and performance.

The breakdown of remuneration of the directors of the Company for the financial year ended 31 December 2008 is as follows:

Remuneration Band & Name of Director	Salary	Variable Bonus	Director's Fees	Benefits	Total
<u>\$ 250,000 –\$499,999</u>					
Ye Chen	54%	45%	-	1%	100%
<u>Below \$250,000</u>					
Eugene Wong Hin Sun*	-	-	100%	-	100%
Goh Chee Wee	-	-	100%	-	100%
Tan Lye Huat	-	-	100%	-	100%
Qin Wei	78%	14%	-	8%	100%

* Mr Eugene Wong Hin Sun resigned as Director on 18 November 2008.

The company's staff remuneration policy is based on individual's rank and role, its individual performance, Company performance and industry benchmarking gathered from companies in comparable industries.

Details of remuneration paid to key executives of the Group (who are not directors) for the financial year ended 31 December 2008 are set out below:

Remuneration Band & Name of Top 5 Executives	Salary	Variable Bonus	Benefits	Total
<u>Below \$250,000</u>				
Chen Xiao Ping	98%	-	2%	100%
Huang Wei Hua	95%	-	5%	100%
Wu Fu Jun	88%	-	12%	100%
Zhang Zao	94%	-	6%	100%
Guo Ru	85%	-	15%	100%

There is no immediate family member of the Directors in employment with the Company whose remuneration exceeds S\$150,000 during the financial year ended 31 December 2008.

The Company does not have any employee shares option schemes.

REPORT ON CORPORATE GOVERNANCE

3. ACCOUNTABILITY AND AUDIT

3.1 Accountability

Principle 10: The Board should present a balanced and understandable assessment of the company's performance, position and prospects.

The Board believes that it should conduct itself in ways that deliver maximum sustainable value to its shareholders. Timely releases of the Group's financial results and all significant information to shareholders as well as the prompt fulfillment of statutory requirements are ways to maintain shareholder's confidence and trust in the Board's capability and integrity.

Management is responsible to the Board and the Board itself is accountable to the shareholders. Annual general meetings are held every year to obtain shareholders' approval for routine business, as well as the election of directors.

In addition to its statutory responsibilities, the Board should also ensure that the principal risks of the Company's business are identified and appropriately managed.

The Management currently provides the Board with management accounts on a quarterly basis which contain key performance indicator that inform the Directors of the Company's on-going performance, position and prospects. When updating the Board of the Company's performance, Management ensures that the Board is kept apprised (with the necessary explanation) of material variance between the projections and the actual results.

3.2 Audit Committee

Principle 11: The Board should establish an Audit Committee with written terms of reference which clearly set out its authority and duties.

The Audit Committee comprises Mr Goh Chee Wee (Chairman of the Audit Committee), Mr Tan Lye Huat and Mr Li Haibo.

The Audit Committee shall meet periodically to perform the following functions:

- (a) review with the external and internal auditors their respective audit plans, scope, reports, findings and action taken by management on the findings;
- (b) review the external auditors' reports;
- (c) review the co-operation given by our management to the auditors;
- (d) review the performance of external and internal auditors with the management;
- (e) review the independence of the external and internal auditors annually;
- (f) review the adequacy of internal financial controls, operational and compliance controls, and risk management policies and systems established by the management (collectively "internal controls");
- (g) review the effectiveness of the internal audit function;
- (h) review the financial statements of our Company and our Group before their submission to the Board;
- (i) recommend the appointment or reappointment of external and internal auditors and remuneration of the external and internal auditors;

REPORT ON CORPORATE GOVERNANCE

- (j) review interested person transactions;
- (k) undertake such other functions and duties as may be required by statute or the Listing Manual, and by such amendments made thereto from time to time.

The Audit Committee has full access to and co-operation of the management and has been given the resources required for it to discharge its functions properly. It also has full discretion to invite any director and executive officer to attend its meetings.

The external and internal auditors have unrestricted access to the Audit Committee. Both the external and internal auditors will report directly to the Audit Committee in respect of their findings and recommendations. In the year, the Audit Committee met with the external auditors once without the presence of the management.

The Audit Committee, having reviewed the scope and value of non-audit services provided to the Group by the external auditors, are satisfied that the nature and extent of such services will not prejudice the independence and objectivity of the external auditors. The Audit Committee has recommended to the Directors the nomination of Messrs BDO Raffles for re-appointment as external auditors of the Company at the forthcoming annual general meeting.

The AC had reviewed and approved a Whistle Blowing Policy whereby staff of the Group may, in confidence, raise concerns about possible improprieties in matter of financial reporting or other matters. The Policy includes arrangements for independent investigation and appropriate follow-up of such matters.

The number of meetings held and attendance at the meetings during last financial year were as follows:-

Directors	No. of meetings held	Attendance
Goh Chee Wee	3	3
Tan Lye Huat	3	3
Eugene Wong Hin Sun *	3	3
Li Haibo #	-	-

* Mr Eugene Wong Hin Sun resigned as Director on 18 November 2008.

Mr Li Haibo was appointed as Director on 17 February 2009.

3.3 Internal Controls

Principle 12: The Board should ensure that the Management maintains a sound system of internal controls to safeguard the shareholders' investments and the company's assets.

The Group has developed a minimum internal control system to provide reasonable assurance in safeguarding assets, ensuring proper accounting records are maintained, and ensuring that financial information used with the business and for publication is reliable.

The board believes that the system of internal controls maintained by the Management provides adequate assurance against material financial misstatements or losses. The AC has reviewing the effectiveness of the Group's internal control system in light of key business and financial risks affecting its operations which is complemented by the work of internal auditors.

REPORT ON CORPORATE GOVERNANCE

3.4 Internal Audit

Principle 13: The company should establish an internal audit function that is independent of the activities it audits.

The Company has outsourced its internal audit functions to an external audit professional. The internal auditors adopt the Standards for the Professional Practice of Internal Auditing set by the Institute of Internal Auditors. The internal auditors will report directly to the Audit Committee, with full and direct access to the members of the Audit Committee at all times.

An annual audit plan is developed and the internal auditors annually review the effectiveness of the Group's internal control system.

4. COMMUNICATION WITH SHAREHOLDERS

4.1 Communication with shareholders

Principle 14: Companies should engage in regular, effective and fair communication with shareholders.

In line with the continuous disclosure obligations of the Company pursuant to the Listing Rules of the Singapore Exchange Securities Trading Limited (the "SGX-ST") and the Singapore Companies Act (Cap. 50), it is the Board's policy to ensure that all shareholders are informed regularly and on a timely basis of every significant development that has an impact on the Group.

Pertinent information is communicated to shareholders on a regular and timely basis through the following means:

- The Company's annual reports;
- Notices of and explanatory memoranda for annual general meetings and extraordinary general meetings;
- Announcements of half-year and full-year financial statements containing a summary of the financial information and affairs of the Group for the relevant period. These are disclosed on SGXNET;
- Other announcements, where appropriate;
- Press releases of major developments of the Group; and
- The Company's website at <http://www.yaancctv.com>.

4.2 Greater Shareholder Participation

Principle 15: Companies should encourage greater shareholder participation at annual general meetings, and allow shareholders the opportunity to communicate their views on various matters affecting the company.

The Shareholders will be given the opportunity to voice their views and ask directors or the management questions regarding the Company in the forthcoming annual general meeting.

The Chairman of each Board Committees as well as the external auditors will also be present at the meeting to assist in addressing any relevant queries from the shareholders.

REPORT ON CORPORATE GOVERNANCE

ADDITIONAL INFORMATION

5. DEALING IN SECURITIES

A policy on dealings in its securities to executives within the Group has been formed and guidance on the dealings and implications of insider trading are spelt out. The Best Practices Guide on dealings in securities issued by the SGX-ST has been adopted.

6. MATERIAL CONTRACTS

Except as disclosed in the Financial Statements and the service agreements between Mr Ye Chen, Ms Qin Wei and the Company, there were no material contracts entered into by the Company or its subsidiary, involving the interests of any director or controlling shareholder nor have such contracts been entered into since the end of the previous financial year.

7. INTERESTED PERSON TRANSACTIONS

The Company has established procedures to ensure that all transactions with interested persons are reported in a timely manner to the Audit Committee and those transactions are carried out on normal commercial terms and are not prejudicial to the interests of the shareholders.

The interested persons transactions in respect of the financial year ended 31 December 2008 are disclosed in note 24 (Related Party Transactions) of the financial statements on page 67.

8. RISK MANAGEMENT

The Company does not have a Risk Management Committee. However, the management regularly reviews the Company's business and operational activities to identify areas of significant business risks as well as appropriate measures to control and mitigate these risks.