

YAAN SECURITY TECHNOLOGY LIMITED

Registration No. 200402490W

(Incorporated in the Republic of Singapore)

RESPONSE TO SGX QUERY ON 2007 FULL YEAR RESULTS ANNOUNCEMENT

In response to the query from the Singapore Exchange Security Trading Limited on 3 March 2007 pertaining to YAAN Security Technology Limited's 2007 full year results announcement, the Directors of the Company wish to reply as follows:

SGX Query:

Please provide reasons for the increase in Trade Receivables and the turnover days for the Trade Receivables. In addition, to also advise whether there are any difficulties with debt collections and to provide the directors' views on whether any provision for doubtful debts is necessary and the basis for their views.

Reply:

Trade receivables increased by RMB16 million from approximately RMB20 million as at 31 December 2006, to approximately RMB36.1 million as at 31 December 2007 and the Trade Receivables turnover days increased from 65 days in FY2006 to 80 days in FY2007. This was mainly due to the longer collection period for "Safe City Projects" which required credit terms of three to six months. Yaan won more "Safe City Projects" in FY2007 as compared to FY2006. There are no difficulties currently with debt collection. However, the directors are of the opinion that an allowance amounting to RMB 1.7 million for doubtful debts as at 31 December 2007 is necessary on the basis that in the event that there are objective evidence that the Group could not be able to collect the debt.

By Order of the Board

Ye Chen

Executive Chairman and Chief Executive Officer

6 March 2008