英利国际置业
YING LI INTERNATIONAL
REAL ESTATE

YING LI INTERNATIONAL REAL ESTATE LIMITED
(Incorporated in the Republic of Singapore)
(Company Registration No. 199106356W)

RESPONSE TO SGX QUERY IN RELATION TO ANNUAL REPORT 2011

The Board of Directors (the "**Board**") of Ying Li International Real Estate Limited (the "**Company**") wishes to announce that the Company has received the following query from the Singapore Exchange Securities Trading Limited in relation to its Annual Report 2011:

> "For the purpose of complying with Listing Rule 1207(10), please note that:
>
> (a) "Absence of evidence to the contrary" disclaimer is NOT allowed in the opinion;
>
> (b) The Board and the Audit Committee must opine whether the internal controls are adequate to address all 3 areas of risks (i.e. financial, operational and compliance risks). "In its current business environment", "business operations" without mention of all the 3 risks areas are not acceptable.
>
> (c) Both the Board and the AC must provide the opinion. "The Board and the AC believes" is not acceptable.
>
> We note that the confirmation provided in your annual report is not consistent with some of the guidelines stated above. Hence, please provide a clean opinion that is in compliance with Listing Rule 1207(10)."

In response to the foregoing query, and in compliance with Listing Rule 1207(10), the Board wishes to clarify certain statements in page 31 of the Annual Report 2011 (*Corporate Governance Report, Principle 13: Internal Audit*). The amendments (underlined and in bold) are set out below:

> "Besides assisting the Board to discharge its responsibilities in safeguarding the shareholders' investment and the Company's assets, the AC is constantly involved in developing and maintaining an effective system of internal controls **to address financial, operational and compliance risks**, with an overall objective of ensuring that the management creates and maintains an effective control environment in the ~~Company~~**Group**.
>
> As a property developer of prime commercial and office space, the ~~Company's~~**Group's** principal operating risks includes but is not limited to: completion of its developments on time and within specifications; achieve minimum level of occupancy and average per square meter rental rate; access to adequate and reasonably funding cost; ability to source new and reasonably priced land; and not suffering from any adverse local or central policies and regulations. In addition to that, the ~~Company~~**Group** is also subjected to: changes in PRC laws & regulations; RMB-S$-US$ translation gains & losses; compliance with government requirements & debt covenants; and banker's and capital provider's perception of the country and property sector risk. The Audit

Committee assesses these risks continuously but undertakes a review of such risks formally with management and the Internal Auditors once a year. The Audit Committee uses a methodology to identify, judge and assess risks similar to that used by enterprise risk management systems. Once all identified risks are classified, the Internal Auditor is charged with checking the adequacy of controls: annually for high risk areas or risks with significant potential negative impacts; once every two years for medium risks areas; and once every three years for low risk areas. The Internal Auditor is required to apply and has confirmed that they applied standards that meet the requirement equivalent to IIA. In additional, the Audit Committee has put in place certain additional controls with respect to cash management; certain additional monitoring and feedback mechanisms; and the Audit Committee Chairman meets with the Audit Partner privately at least twice a year.

Based on the foregoing (including a review of the work carried out by the Internal Auditor), the Audit Committee and the Board of Directors are of the opinion that the internal controls of the ~~Company~~**Group, addressing financial, operational and compliance risks,** are adequate.

While the AC understands the importance of ensuring the management maintains a sound internal control framework, it also recognizes that no internal control system will preclude all errors and irregularities as a system is designed to manage, rather than eliminate the risk of failure to achieve business objectives, and it can only provide reasonable and not absolute assurance against material misstatement or loss.

The Company recognizes the importance of establishing an internal audit function that is independent of the activities it audits. The internal audit function is currently outsourced to Yang Lee & Associates who reports directly to the chairman of the AC. The team leader in-charge is a Certified Internal Auditor and the audit work is carried out in accordance with the International Standards for the Professional Practice of Internal Auditing pronounced by The Institute of Internal Auditors.

~~**The AC has reviewed the works of the internal auditors and is satisfied that the existing internal controls in the Company are adequate.**~~**In addition to the above,** the AC also provides a communication channel between the Board, the management and the external auditors on matters relating to audit."

Ying Li International Real Estate Limited

Fang Ming
Chairman and CEO
18 April 2012