

## **REVIEW OF THE GROUP'S SYSTEM OF INTERNAL CONTROLS**

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CosmoSteel Holdings Limited (the 'Company') wishes to announce the Company has appointed Nexia TS Public Accounting Corporation (the "**Internal Auditors**") as its internal auditors and commissioned the Internal Auditors to conduct a review of the adequacy and effectiveness of the Group's systems of internal controls, including the procedures and systems for the selection and evaluation of suppliers and sub-contractors (the "**Review**").

Under the Review, the Internal Auditors performed and carried out certain agreed-upon internal audit and system review procedures in respect of the following areas:

- (i) Selection and evaluation of suppliers and sub-contractors
- (ii) Controls to ensure no potential infringement of intellectual property rights of third parties
- (iii) Controls over inventory identification and traceability and physical inventory (including quality of the inventory)

Following the Review, the Internal Auditors has reported to the Audit Committee, *inter alia*, that (i) having performed the system review procedures of the Company's internal controls, they did not identify any deficiencies or non-compliance of controls or measures implemented by management under such procedures and systems and (ii) save for certain matters highlighted to the Company which have been duly noted by Management, based on their review of the adequacy and effectiveness of the Company's system of internal controls and measures, they did not identify any deficiencies or non-compliance of controls or measures implemented by management under such system.

### **By Order of the Board**

Ong Chin Sum  
Chief Executive Officer and Executive Director

16 May 2008