

Independent Auditor's Report to the Members of Albedo Limited

Report on the Financial Statements

We have audited the accompanying financial statements of Albedo Limited (the ~~%Company+~~) and its subsidiary corporations (the ~~%Group+~~) set out on pages XX to XX, which comprise the consolidated balance sheet of the Group and balance sheet of the Company as at 31 December 2015, the consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows of the Group for the financial year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act (the ~~%Act+~~) and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Independent Auditor's Report to the Members of Albedo Limited (cont'd)

Basis for Qualified Opinion

The financial statements for the financial year ended 31 December 2014 (the "Year 2014") were audited by an independent auditor (the "Preceding Auditor") other than Nexia TS Public Accounting Corporation, who issued a disclaimer of opinion on 31 March 2015 on those financial statements due to the following:

During the financial year ended 31 December 2013, the Group lost control of its 70%-owned subsidiary corporation, Thai Tech Steel (2003) Co. Ltd (the "TTS2003") pursuant to legal proceedings in Thailand. TTS2003, its business and assets have been under the control of the officer receiver in Thailand since July 2010. TTS2003 had been deconsolidated and was shown as a discontinued operation. As at 31 December 2013, the amounts owing from TTS2003 to the Group and the Company were \$11,756,000 and \$9,910,000 respectively. These amounts owing were before impairment losses of \$4,514,000 and \$3,904,000 for the Group and the Company respectively.

The impairment made were based on management's best estimates but could not be verified by the Preceding Auditor as they involve a significant number of assumptions over the recoverable amount of underlying assets and liabilities in TTS2003 to be fully supported. Much of estimates could not be verified since the information required was in TTS2003 and was not available to the Company's management. Management's best estimates were based on incomplete or unsupported information, which could only be obtained from TTS2003. TTS2003, including its books and records, were under the control of the official receiver of Thailand. As such, the Company was unable to access these records. Therefore, the Preceding Auditor was not able to obtain sufficient appropriate evidence that the amounts (gross and net) owing by TTS2003 were appropriately stated. This resulted in a disclaimer of opinion on this matter in respect of the financial statements for the financial year ended 31 December 2013.

For the financial year ended 31 December 2014, the Company disposed its entire equity interest in TTS2003 at a nominal consideration of \$1. Further, the Group has assessed and determined that it is unlikely that it would be able to recover any of the amounts owing by TTS2003. Accordingly, the Group fully impaired the amounts owing by TTS2003, resulting in a loss of \$8,044,000 and \$6,788,000 for the Group and the Company respectively. The Company continued to be unable to access TTS2003's records as the books and records were under the control of the official receiver of Thailand. Therefore, with respect to the amounts owing by TTS2003 to the Group and the Company, and the impairment losses of \$8,044,000 and \$6,788,000 recorded by the Group and the Company respectively for the financial year ended 31 December 2014, the Preceding Auditor was not able to obtain sufficient appropriate evidence as to the gross amounts and recoverable amounts of the debts owing by TTS2003 to the Group and the Company. The Preceding Auditor was unable to satisfy itself as to the veracity of related account balances, and this resulted in a disclaimer of opinion on this matter in respect of the financial statements for the financial year ended 31 December 2014.

As the carrying amounts of the above assets form part of the opening balances for the current financial year, and as we were unable to carry out any alternative audit procedures to obtain sufficient and appropriate audit evidence on the opening balances, we were unable to determine the impact on the current financial year's consolidated statement of comprehensive income arising from adjustments, if any, to these and other opening balances.

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Albedo Limited
(cont'd)**

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion+ section, the consolidated financial statements of the Group and the balance sheet of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2015, and of the financial performance, changes in equity and cash flows of the Group for the financial year ended on that date.

Report on other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore, of which we are the auditors, have been properly kept in accordance with the provisions of the Act.

*Nexia TS Public Accounting Corporation
Public Accountants and Chartered Accountants
Director-in-charge: Loh Hui Nee
(Appointed since financial year ended 31 December 2015)*

**Singapore
23 March 2016**