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บริษัท สหวิริยาสตีลอินดัสตรี จำกัด (มหาชน) SAHAVIRIYA STEEL INDUSTRIES PUBLIC COMPANY LIMITED

สร้างสรรค์นวัตกรรมผลิตภัณฑ์เหล็กและบริการที่มีมูลค่าเพิ่มกับลูกค้า สร้างกำไรสม่ำเสมอ สร้างผลตอบแทนแก่ผู้มีส่วนได้เสียอย่างยั่งยืน
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-Translation-

No. S.E.C. 018/2017

7 March 2017

Re: Clarification of the Disclaimer of Opinion on Auditor's Report on the Company's Financial Statements for the year ended 31 December 2016 due to the (1) Material uncertainty concerning going concern basis of accounting and success of rehabilitation plan; (2) Material uncertainty concerning the balance of long-term loans from financial institution, trade payable, other payable to related party, other current liabilities and other noncurrent liabilities; and (3) Limitation of audit scope on comparative information

Attn: President
The Stock Exchange of Thailand

CC: Secretary-General
The Securities and Exchange Commission, Thailand

As Sahaviriya Steel Industries Public Company Limited ("the Company") has submitted the financial statement for the year ended 31 December 2016, an auditor did not express an audit opinion due to the (1) Material uncertainty concerning going concern basis of accounting and success of rehabilitation plan; (2) Material uncertainty concerning the balance of long-term loans from financial institution, trade payable, other payable to related party, other current liabilities and other noncurrent liabilities; and (3) Limitation of audit scope on comparative information

The Company would like to clarify the aforementioned issues as follows:

(1) Material uncertainty concerning going concern basis of accounting and success of rehabilitation plan

"Since the Plan has just commenced in late 2016, it is too early to conclude the success of the Plan as of the date of this report. These circumstances indicate the existence of a material uncertainty which casts significant doubt about the Group's and the Company's ability to successfully meet all obligations according to the Plan as well as ability to continue as going concern."

The Company would like to inform that, throughout year 2016 which was the period of entering the Business Rehabilitation and preparing the Business Rehabilitation Plan (the "Plan"), the Company, in cooperation of Legal Advisor, Cash Monitoring Agent, and Financial Advisor of the Company, has contributed its endeavor to accomplish the objective to complete within the target time frame the Business Rehabilitation Plan Preparation Process which includes preparation of the Business Rehabilitation Plan and proposal of the Plan in the creditor's meeting for an approval and eventually receiving an approval from the Central Bankruptcy Court. This success occurs from the effort and cooperation of all parties with the common belief that the Company's Business Rehabilitation will allow the Company the ability to repay debt to the creditors and eventually benefiting all stakeholders.

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Though, the Company's Business Rehabilitation Plan had just commenced in late 2016 and is still far from conclusion whether the Plan will be implemented successfully, the Company has confidence that the Company will be able to operate its ongoing business with sufficient working capital. In addition, there are other factors that have supported the Company to achieve the success of the Plan which include:

1.1) The Company continue to receive support from the creditors. The Company, as a Plan Administrator, has convened the Creditor Committee's meeting which is scheduled every month or as necessary, total of 5 times since the commencement of the Plan to the date of this letter. This close coordination can help smooth and quick implementation of the Plan.

1.2) The Company may obtain financing, working capital, and forward contract facilities from creditors.

1.3) The Company has ability to repay the debt continually, as it had repaid the outstanding principal for the 1st and 2nd installments in January and February, respectively, total of Baht 254.6 million, and is projecting sufficient cash flow to repay the debt according to the Plan.

1.4) The Company has completely appointed Escrow Account Agent, Security Agent and Cash Monitoring Agent as defined in the Plan. The Agents are representatives of the creditors and stakeholders in monitoring of such matters for transparency and accountability.

1.5) The Company strongly believes that it will have better operating result in the future as the business gains more confidence from stakeholders and becomes more stable after the important milestone of the Plan approval by the Court after the Court approved the Plan.

All the above will support the Company to operate its normal business continually and implement the Plan till the success of the Plan which will finally benefit to the creditors and stakeholders.

(2) Material uncertainty concerning the balance of long-term loans from financial institution, trade payable, other payable to related party, other current liabilities and other noncurrent liabilities

“Due to the material uncertainty which is dependent on the final judgment from the Official Receiver or the outcome of the appeal, I was unable to determine whether any adjustments might have been found necessary in respect of recorded or unrecorded long-term loans from financial institution, trade payable, other payable to related party, other current liabilities and other noncurrent liabilities as at 31 December 2016.”

The Company would like to inform that there are 6 debt claims, representing 6% of the total debt claim, that have not received Final Judgment as at 31 December 2016. 4 out of the 6 claims had been investigated and waiting for Final Judgment while the other 2 claims representing 4.5% of



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the total debt claim, have not been recorded as liability because the Company considers that the obligation will be confirmed only by the occurrence or non-occurrence of one or more future events. They are currently in investigation process of the Official Receiver.

There are 2 more claims, representing 0.8% of the total debt claim, which the Final Judgment has been received but the creditors have appealed to the Court against the Final Judgment of the Official Receiver. The appeals are currently in the Court process. One of the 2 Creditors has appealed to reclassify the Creditor Class which has no impact to the amount of the debt claim. The appeal of another creditor concerning the outstanding amount of debt. The Company agrees with the Final Judgment of the Official Receiver and has recorded liability equal to the amount of the Final Judgment. This case in in the Court process.

(3) Limitation of audit scope on comparative information

“As disclosed in Note 2, the commencement of liquidation of SSI UK has resulted in its assets being frozen; access to its manufacturing facilities, in which most of its accounting records and related supporting documents are located, blocked; and key personnel in financial reporting being dismissed. Consequently, management has prepared the financial statements of SSI UK for the purpose of presentation and disclosure of discontinued operations in the consolidated statement of income of the Group for the year ended 31 December 2015 based on SSI UK’s management accounts and related reports made up to 31 August 2015 and estimates for the remaining period to 2 October 2015, using all relevant information available to the Group to date. Such limitation of scope by the above circumstances has the possible effect on the comparability of the current year’s consolidated financial performance and the corresponding figures.”

The Company would like to inform as follows:

3.1) The comparative information that used to compare the Company’s financial information of year ended 2015 with those of year ended 2016 is the same information used in Financial Statement for year ended 31 December 2015 which was prepared and presented in accordance with the financial reporting standards.

3.2) Details of the financial statements of SSI UK has no change from explanation in the Company’s letter re: “the Clarification of the Disclaimer of Opinion on Auditor’s Report on the Company’s Financial Statements for the year ended 31 December 2015” No.SorLorKor.015/2559, dated 16 February 2016.

3.3) The Company has recognised the following items

3.3.1) Liability: recorded liability under guarantee agreement which was included in the Business Rehabilitation Plan of the Company and



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3.3.2) Asset: recorded impairment in carry value of the investment in SSIUK as at 31 December 2015 on a conservative basis that is to be zero recovery after the completion of SSI UK liquidation.

Please be informed accordingly.

Sincerely yours,

-Signature-

Mr. Kamol Jantima

Authorized Director to Disclose Information