



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

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ISO 9001
ISO 14001
TIS 18001
ISO/TS 16949
ISO/IEC 17025

สร้างสรรค่นวัตกรรมผลิตภัณฑ์เหล็กและบริการที่มีมูลค่าเพิ่มกับลูกค้า สร้างกำไรสม่ำเสมอ สร้างผลตอบแทนแก่ผู้มีส่วนได้เสียอย่างยั่งยืน
Innovate premium value steel products and services for customer; generate consistent profit and sustainable value for stakeholders.
A MEMBER OF SAHAVIRIYA GROUP

No. S.E.C. 015/2016

16 February 2016

Re: Clarification of the Disclaimer of Opinion on Auditor's Report on the Company's Financial Statements for the year ended 31 December 2015 due to the (1) Limitation of Review Scope; (2) Material Uncertainty other than Going Concern; and (3) Material Uncertainty Concerning Going Concern Basis of Accounting

Attn: President
The Stock Exchange of Thailand

As Sahaviriya Steel Industries Public Company Limited ("the Company") has submitted the financial statement for the year ended 31 December 2015, an auditor did not express an audit opinion due to the (1) Limitation of Review Scope; (2) Material Uncertainty other than Going Concern; and (3) Material Uncertainty Concerning Going Concern basis of accounting.

The Company would like to clarify the issues as follows:

(1) Limitation of audit scope

"Unable to carry out satisfactory audit procedures to conclude whether the recognition and presentation in the consolidated statement of income and disclosure in Note 8 relating to discontinued operations is prepared, in all material respects, in accordance with Thai Financial Reporting Standards."

As SSI UK applied to the court for liquidation (The High Court of Justice Chancery Division Manchester District) in which it was approved and the court has appointed an Official Receiver to proceed in liquidation process on 2 October 2015, when SSI UK entered the liquidation process. Thereafter, SSI UK's financial statements for Group consolidation purposes as at the date were prepared on a break-up basis. The Company presented the statement of financial position and its results according to the financial reporting standard. As for the statement of financial position and its result of discontinued operation whose audit scope was limited as stated by the auditor, the Company would like to clarify that because of the liquidation process as stated above, consequently, assets evaluation could not be performed as well as all financial information could not be accessed adequately. Nevertheless, the management of the Company has made an effort and discretion cautiously to prepare financial information for the purpose of presentation and disclosure of discontinued operations in the consolidated financial statements 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 including estimates of SSI

UK's Assets Held for Sale or Disposal.

The Company estimates the value of Assets Held for Sales or Disposal after deducting the expenses occurred during the liquidation and the contingent expenses concerning to safety and environmental related regulations, on a conservative basis, to be zero recovery after the completion of SSI UK liquidation. As SSI UK's main asset is a large iron and steel making plant, controlled under the Control of Major Accident Hazards regulation, there are uncertain external factors which are beyond the Company's control, for instance the validity of the environmental permit, access and ability to safeguard the assets, etc. The legal and liquidation proceeding in this case is unprecedented and unclear to the Company at this stage.

Notwithstanding, the Company believes that the consolidated and separate financial statements were prepared and presented in accordance with the financial reporting standards.

(2) Material uncertainty concerning going concern basis of accounting

Pursuant to the discontinuation of the subsidiary's operations, the Major Creditors abruptly demanded SSI UK to pay the remaining balance of a loan carried at USD 815 million (equivalent to Baht 30,034 million as at 31 December 2015). Subsequently, the Major Creditors demanded the company, as a guarantor, to be responsible of such amount. On 1 October 2015, the Major Creditors also demanded immediate payment of the remaining balance of the Company's loan carried as at 31 December 2015, at Baht 9,840 million. In view of this situation, on 1 October 2015 the Board of Directors of the Company approved for the Company to submit an application for Business Rehabilitation to the court, who had accepted the application. The first inquiry date was scheduled on 21 December 2015 and the next inquiry date will be on 17 February 2016.

Although the success of the business rehabilitation plan depends on external factors (such as the measures taken to improve profitability, the successful outcome of the Company's negotiation with its Major Creditors in debt restructuring, the availability of financing to meet funding requirements, the court judgement, etc.), the Company believes that the business is fundamentally viable. In the event that the approval of business rehabilitation has been granted, it will result in maximum benefit to the creditors and other stakeholders.

(3) Material uncertainty other than going concern

“As disclosed in Note 2 to the financial statements, on 1 October 2015, the Board of Directors of the Company approved the Company to submit a petition for Business Rehabilitation to the Central Bankruptcy Court. The Court scheduled the inquiry on the petition to testify on the court proceeding on 21 December 2015 and the next inquiry date will be on 17 February 2016. As at the date of this report, the Court's examination and consideration to order the Company for Business Rehabilitation had not been concluded. Such circumstance indicates the existence of a material uncertainty as to whether the court will accept the Company for Business Rehabilitation and thereby enable commencement of the business rehabilitation plan as planned. It also casts doubt about the classification and measurement of liabilities and provisions.”

Because of the court's inquiry is still in progress, the Company agrees with the auditor's opinion that, as the court's examination and consideration to order the company for business rehabilitation had not yet been concluded, therefore, there are material uncertainty concerning the acceptance of the company's business rehabilitation and commencement of the business rehabilitation plan as planned, including uncertainty concerning the classification and measurement of liabilities and provisions in either scenario after the court's decision whether the company is approved to commence the business rehabilitation or not.

However, 1) the current status of the Company is under the criteria for entering business rehabilitation, as well as 2) the support has been given by the creditors for debt restructuring in relation to the ability to generate revenues which will help the business to continue, and 3) the Company believes that business rehabilitation will be result in debt repayment to the creditors and be beneficial to the stakeholders which is better than forced liquidation. The Company confides, based on the facts (No.1-3), that we will receive a fair trial from the court.

From the issues raised by the auditor as mentioned above, the Company is in discussion with legal advisors and the creditors to determine further steps involving the liquidation proceeding of the subsidiary and the implementation of the business rehabilitation of the Company.



Please be informed accordingly.

Sincerely yours,

-signature-

(Win Viriyaprapaikit)
President