**SAHAVIRIYA STEEL INDUSTRIES PUBLIC COMPANY LIMITED,**

**ITS SUBSIDIARIES**

AUDITOR'S REPORT AND INTERIM FINANCIAL INFORMATION

FOR THE SIX-MONTH PERIODS ENDED 30 JUNE 2017

(UNAUDITED/ REVIEWED ONLY)

**AUDITOR’S REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION**

To The Shareholders of

**SAHAVIRIYA STEEL INDUSTRIES PUBLIC COMPANY LIMITED**

I was engaged to audit the accompanying consolidated and separate financial statements of SAHAVIRIYA STEEL INDUSTRIES PUBLIC COMPANY LIMITED, AND ITS SUBSIDIARIES (the Group), and of SAHAVIRIYA STEEL INDUSTRIES PUBLIC COMPANY LIMITED (the “Company”) as at 30 June 2017, the consolidated and separate statements of income and comprehensive income, changes in equity and cash flows for the six-month periods then ended, and the condensed notes to financial statements. The Company’s management is responsible for the preparation and presentation of this interim financial information, in all material respects, in accordance with Thai Accounting Standard No. 34 Interim Financial Reporting. My responsibility is to express a conclusion on this interim financial information based on my reviews.

**Scope of Review**

Except as explained in the basis of disclaimer of conclusion, I conducted my review in accordance with Thai Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”. A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Thai Standards on Auditing and consequently does not enable me to obtain assurance that I would become aware of all significant matters that might be identified in an audit. Accordingly, I do not express an audit opinion.

**Basis for Disclaimer of Conclusion**

*Material uncertainty concerning going concern basis of accounting and success of rehabilitation plan*

As described in Notes 2 and 13 to the financial statements, the Group and the Company incurred a net profit for the six-month periods ended 30 June 2017 amount of Baht 2,206.6 million and Baht 2,196.4 million respectively, and as at the same date, they had accumulative deficit amount of Baht 69,278.3 million and Baht 69,234.1 million respectively.

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As outlined in the rehabilitation plan (the Plan), the Company needs to generate sufficient cash flows to meet both its working capital requirement and its operating obligations by issuing new capital, conversion of outstanding debt to equity, seeking new financing as well as restructuring its debts owed to creditors. Note 13 to the accompanying financial statements are described the Company’s progress with these activities.

However, the rehabilitation to consider that the Plan is succeeded, the following events must occur 1) the Company has repaid the outstanding principal to every creditor as stipulated in the Plan in the amount not less than 25% of the outstanding principal and either 2) the Company has secured new funding from an investor to repay debt such that the shareholders’ equity of the Company becomes positive or 3) debt to equity conversion as stipulated in the plan has been executed such that the shareholders’ equity of the Company becomes positive.

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.

Management has the opinion that despite the above circumstances, the Group and the Company should be able to generate sufficient cash flows from future operations to cover operating costs and to meet financing commitments, the commencement and implementation of the Plan, and the support of the major lenders. The consolidated and separate financial statements have been prepared by management on the going concern basis on the assumption that the business rehabilitation will be achieved and such further capital and credit facilities will be secured to the extent that the Group’s and the Company’s operations require. The validity of this assumption is dependent on 1) the success of the Plan, which has recently commenced, including 1.1) the measures taken to improve profitability and cash flows, 1.2) the success of capital restructuring, and 1.3) the ability to repay debts on schedule over the periods; and 2) the availability of financing from other sources to meet funding requirements.

I consider that, whilst adequate disclosures have been made in this regard, these circumstances indicate the existence of a material uncertainty which casts significant doubt about the Group’s and the Company’s ability to continue as going concern. If the Group and the Company were unable to continue as going concerns, the realizable value of assets may be significantly less than their carrying value. These consolidated and separate financial statements do not include any adjustments to the reclassification or carrying value of assets and liabilities that necessary should if the Group and the Company were unable to neither generate the sufficiency cash flows nor raise additional finance from other sources.

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*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*

As described in Notes 2 and 13 to the financial statements, the Company’s creditors who submitted an application for debt settlement. The Company has disputed with certain creditors due to incorrect balance, duplicated balance or ungrounded debt. As at the date of this report, there are two creditors where the final judgment of the debt claim has not been received from the Official Receiver. Total debt claim including principal and interest of these two creditors amounted to Baht 3,113.7 million.

The Group and the Company had not recorded the said debt of those two creditors amount in the consolidated and separate financial statements as at 30 June 2017 which is a discrepancy in debt balance amount of Baht 3,113.7 million as a result of the pending trial of the Official Receiver.

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 other payable to related party, other current liabilities and other noncurrent liabilities as at June 30, 2017.

*Compare financial performance and corresponding figures.*

As described in Notes 2 to the financial statements, the consolidated and separate statements of income, comprehensive income, changes in shareholders’ equity and cash flows for the six-month periods ended 30 June 2017 which presented for comparative purpose, have been prepared by management of the Company that were not reviewed by auditor.

**Disclaimer of Conclusion**

Because of the matter described in the Basis of Disclaimer of Conclusion having materially, I therefore am unable to give the conclusion on the abovementioned interim financial information.

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**Emphasis of Matter**

I draw attention on Note 3 to the financial statements, in during the six-month periods ended 30 June 2017 the Group and the Company sold goods to related companies and joint venture in the normal course of business totaling Baht 2,928.4 million which represented 25.96 percent of the Group’s total sales.and Baht 2,928.4 million which represented 25.96 per cent of the Company total sales. As at June 30, 2017, the Group’s and the Company’s outstanding trade accounts receivable from those related parties amounted to Baht 3,911.8 million and Baht 3,903.3 million, respectively. Moreover, for the six-month periods ended 30 June 2017, the Group and the Company purchased goods from related companies in the normal course of business totaling Baht 64.3 million and Baht 63.6 million respectively.

**Others**

The consolidated and separate statements of financial position as at 31 December 2016, Sahaviriya Steel Industries Public Company Limited, and its subsidiaries (the “Group”), and of Sahaviriya Steel Industries Public Company Limited (the “Company”) which presented for comparative purpose, were audited by the other auditor whose report no opinion expression dated 28 February 2017 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 accounts payable, other payables to related party, other current liabilities and other non-current liabilities 3) Limitation of audit scope on comparative information.

D I A International Audit Company Limited

(Mrs. Suvimol Chrityakierne)

C.P.A. (Thailand)

Registration No. 2982

15 August 2017