



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

สร้างสรรคินวัตกรรมผลิตภัณฑ์เหล็กและบริการที่มีมูลค่าเพิ่มกับลูกค้า 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.159/2015

18 November 2015

Re: Clarification of the Disclaimer of Opinion on Auditor's Report on the Company's Q3/2015 Financial Statements due to the (1) Limitation of Review Scope and Material Uncertainty other than Going Concern; and (2) Material Uncertainty Concerning Going Concern Basis of Accounting

Attn: President  
The Stock Exchange of Thailand

Enc: Enclosure 1

As Sahaviriya Steel Industries Public Company Limited ("the Company") has submitted the financial statement ended 30 September 2015 (3/2015), an auditor did not express an audit opinion due to the (1) Limitation of Review Scope and Material Uncertainty other than Going Concern; and (2) Material Uncertainty Concerning Going Concern basis of accounting.

The Company would like to clarify the issues as follows:

**(1) Limitation of Review Scope and Material Uncertainty other than Going Concern**

**(1.1) Unable to carry out satisfactory review procedures whether Assets value of SSI UK ("Subsidiary") and financial information of SSI UK included in the Group's consolidated interim financial information as of and for the three-month and nine-month periods ended 30 September 2015 is prepared, in all material respects, in accordance with Thai Accounting Standard 34, "Interim Financial Reporting".**

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, 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 of its subsidiary. (See detail in Enclosure 1.)

**(1.2) Impairment assessment of the Company's interests in SSI UK ("Subsidiary) could not be satisfactorily performed.**

Due to the fact that the realization of the Company's interests in SSI UK is dependent upon the outcome and completion of the liquidation process, whose

proceeding is still unclear to the Company as discussed in the Enclosure 1.

Impairment assessment Impairment assessment of the Company's interests in its subsidiary consists of (1) Gross Investments in its subsidiary of Baht 27,482 million; (2) Amounts due of Baht 2,796 million; (3) Advance payment for goods of Baht 3,517 million. Owing to the uncertainty in the liquidation process, the company has conservatively reviewed the carrying amount of its interests in its subsidiary, and has made full provision for these interests totaling Baht 33,795 million.

**(2) Material uncertainty concerning going concern basis of accounting**

Pursuant to the discontinuation of the subsidiary's operations, the Major Creditors demanded the company to be responsible as a guarantor of the remaining balance of a loan carried at USD 815 million (equivalent to Baht 29,764 million). Subsequently, on 1 October 2015, the Major Creditors also demanded immediate payment of the remaining balance of the Company's loan carried as at 30 September 2015, at Baht 13,660 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 and a hearing is scheduled on 21 December 2015.

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, and therefore, sufficient working capital can be secured to fund its operation, and the successful rehabilitation of the business will result in maximum benefit to the creditors and other stakeholder, and expects support from creditors and stakeholders in the rehabilitation process.

From the issues raised by auditor as mentioned above, the Company is in discussion with legal advisors and the Major 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

SSI UK applied to the court for liquidation (The High Court of Justice Chancery Division Manchester District) on 2 October 2015, in which it was approved and the court has appointed an Official Receiver to proceed in liquidation process. This has resulted in the termination of control by the Board of Directors of the subsidiary; the 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.

Due to the limitation of such situation, the Subsidiary could not prepare and submit the financial information as at 30 September 2015, and its results for the three-month and nine-month periods then ended, to prepare the consolidated financial statements.

The management of Sahaviriya Steel Industries Public Co., Ltd, as a parent company, has made an effort and discretion cautiously to prepare financial information of its subsidiary based on SSI UK's management accounts and related reports made up to 31 August 2015 and estimates for the month of September 2015, after making estimates and adjustments resulting from the cessation of its business. Consequently, SSI UK's financial statements ended 30 September 2015 has been prepared on a break-up basis by using all related information from the Group which consists of making inquiries and gathering current and reasonable information and evidences from key personnel who were assigned to work at the subsidiary in order to represent the parent company prior to the liquidation, the current price data from World Steel Market to consider the value and chances to gain back after the liquidation of assets, guidelines and conditions under the law for liquidation in UK, etc. to prepare the interim financial information for the Group.

At present, the Company on a conservative basis expects 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. In the meantime, the Company is in discussion with legal advisers and the Major Creditors to determine further steps.

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