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

บริษัทเหล็กชั้นนำด้านนวัตกรรมและความเชื่อมั่น
Leading Innovative and Reliable Steel Company

-Translation-

No. S.E.C. 070/2018

3 September 2018

Re: Clarification of the Disclaimer of Opinion on Auditor's Report on the Company's Interim Financial Information for the six-month periods ended 30 June 2018

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 Interim Financial Information for the six-month periods ended 30 June 2018, the auditor was unable to give conclusion on the Interim Financial Information. Basis for Disclaimer of Conclusion are as follows:

I. "1)The Company recorded provisions under guarantees agreement for borrowings of SSI UK in full in 2015 for the amount of Baht 29,976 million. At present, such subsidiary is being proceeded the liquidation. Nevertheless, the lenders may be received the partial repayments from the liquidation in the future. Such amounts will be deducted from the previously recorded provisions under guarantees agreement."

The Company would like to clarify that since Sahaviriya Steel Industries UK Limited ("SSI UK") has entered into the liquidation process, the Company, as a debt guarantor of SSI UK, recorded this liability in full amount under guarantee agreement which was included in the debt restructuring under the Rehabilitation Plan approved by the Central Bankruptcy Court on 15 December 2016, and started the Plan's implementation by making gradual partial debt repayments. In addition, the Company recorded full impairment in carry value of the investment in SSI UK as at 31 December 2015 on a conservative basis.

According to the report of SSI UK's Official Receiver evaluating the asset realization and cost of the liquidation process, it shows that expected proceeds from realization of the assets was insufficient to cover the expenses and other obligations incurred from maintenance and disposal of the assets in accordance with UK insolvency law. The Company, therefore, estimated the recovery value after the completion of the liquidation process on a conservative basis to remain at zero.

II. "1)As stated in notes 14 to financial statements, there are creditors submitted an application for receiving debt settlement. The Company has disputed with certain creditors since there are incorrectly balances, duplicate of ungrounded debts. As at the date of this report, there are 1 creditor are still pending the trial and there is no final order for the debt claiming by the Official Receiver. Total debt claiming which comprise principal and interest under rehabilitation plan amounted to Baht 1,928.7 million. Because of the uncertainties and unfinished of liabilities under the rehabilitation plan of the Company due to the abovementioned matter, resulting to the Company is unable to find the debts value to be paid in the future in accordance with the Accounting Standard."



บริษัท สหวิริยาสตีลอินดัสตรี จำกัด (มหาชน)
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As at 14 August 2018, there was 1 pending debt claim to be verified by the Official Receiver, with total amount Baht 1,928.7 million, representing approximately 3% of the total debt claim under the Plan. In this regards, the Company has not recorded the pending debt claim as liability and disputed the claim as the Company has confidence that the debt was ungrounded. However, should the Final Judgment be received in any way, the Company will follow such Judgment.

III. “2)the Company has two related parties trade accounts receivable which had the amount of Baht 3,580.7 million as at 30 June 2018 and had already provided allowance for doubtful accounts in 2016 in the amount of Baht 2,736.7 million. As a result, two related parties trade accounts receivable had net balance amount of Baht 844.0 million and net overdue debts in the amount of Baht 653.5 million. And on 7 July 2018, the Company made a notice for calling for the debt settlement from such two receivables and required the debts and interest settlement. So that, the Company has not considered to provide additionally allowance for doubtful accounts.....”

The Company would like to clarify as follows:

Unit: Thousand Baht

Trade account receivables of the related parties	As at 30 Jun. 18	As at 31 Dec. 17	Change
Total Trade account receivables	3,580,690	3,675,870	Decrease Baht 95 million
Total overdue	3,390,127	3,481,590	Decrease Baht 91 million
Overdue more than 6 months	2,218,214	1,532,262	Increase Baht 686 million
Allowance for doubtful accounts	2,736,667	2,736,667	Not change

The Company considered both quantity and quality of the related parties mentioned in the auditors’ report (see table above) and found that though the amount of overdue more than 6 months increased showing that quality of the debtors had weaken, the total trade account receivables and total overdue amounts had decreased from the earlier period. Nonetheless, the Company recorded allowance for doubtful accounts with the amount more than the overdue debt aging over 6 months (at approximately 123%). The Company has normally applied the allowance policy for accounts receivables overdue longer than 6 months at 100% for both related and unrelated customers.

At present, the Company continues to conduct business with such related parties under the payment conditions as stipulated in the Plan. The Company also had diligently followed up on such debt repayment and, recently, submitted a notice to the both debtors as indicated in the auditors’ report.

Please be informed accordingly.

Sincerely yours,

-Signature-

Mr. Kamol Juntima

Authorized Director to Disclose Information

