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

บริษัทหลักชั้นนำด้านนวัตกรรมและความเชื่อมั่น
Leading Innovative and Reliable Steel Company

-Translation-

No. S.E.C. 021/2019

12 March 2019

Re: Clarification of the Disclaimer of Opinion on Auditor's Report on the Company's Financial Statements for the year ended 31 December 2018 due to Limitation of audit scope (by circumstances)

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 2018, an auditor did not express an audit opinion due to Limitation of audit scope (by circumstances) details 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 (the "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 until present.

According to the Official Receiver's report in 2016, evaluating SSI UK's asset realization and cost of the liquidation process, it revealed 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) (continued)..... 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....."

As at 31 December 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.



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III. “2)the Company has two trade accounts receivable-related parties which had the amount of Baht 3,698.9 million as at 31 December 2018 and had already provided allowance for doubtful accounts in 2016 in the amount of Baht 2,736.7 million. As a result, two trade accounts receivable-related parties had net balance amount of Baht 962.3 million and net overdue debts in full. During the year 2018, the Company made three times a notice for calling for the debt settlement from those two receivables and required the debts and interest settlement. So that, the Company has not considered to provide additionally allowance for doubtful accounts since the Management deems that the Company will able to collect total debts from those two receivables even though the Company will face the delay of debts collection. At presents the Company is negotiating with those two receivables. From such case, I am unable to obtain the appropriated accounting evidences in the adequacy review of allowance for doubtful accounts of trade accounts receivable as at 31 December 2018, and I am unable to conclude about whether the necessary adjustments that should be made on allowance for doubtful accounts and other related accounts”

The Company would like to clarify that, from the two trade accounts receivable-related parties with total amount of Baht 3,698.9 million as at 31 December 2018, there was Baht 2,492.0 million overdue more than 6 months whilst the Company recorded the amount of Baht 2,736.7 million allowance for doubtful accounts. The Company has continuously conducted business with the related parties under payment conditions as stipulated in the Plan. However, since 24 October 2018, trading with term of payment in full amount before delivery has been applied to the both related parties. With these reasons, the Company believes that the amount recorded as allowance for doubtful accounts is considered sufficient.

In addition, the Company’s Board of Directors passed a resolution on 13 February 2019 approving management’s plan to conduct debt negotiation in accordance with the debtor’s repayment proposal. Management believes that, if it is achieved, the total outstanding debt would be recovered.

Please be informed accordingly.

Sincerely yours,

-Signature-

Mr. Win Viriyaprapaikit

President