

SAHAVIRIYA STEEL INDUSTRIES PUBLIC COMPANY LIMITED
AND SUBSIDIARIES

AUDITOR'S REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

INDEPENDENT AUDITOR'S REPORT

To The Shareholders of SAHAVIRIYA STEEL INDUSTRIES PUBLIC COMPANY LIMITED

Disclaimer of Audit Opinion

I was engaged to audit the accompanying consolidated and separate financial statements of SAHAVIRIYA STEEL INDUSTRIES PUBLIC COMPANY LIMITED AND SUBSIDIARIES (“the Group”) and of SAHAVIRIYA STEEL INDUSTRIES PUBLIC COMPANY LIMITED (“the Company”), which comprise the consolidated and separate statements of financial position as at December 31, 2017, the consolidated and separate statements of income, comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

I do not express an opinion on the accompanying consolidated and separate financial statements of the Group and the Company. Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraph, I am unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated and separate financial statements.

Basis for Disclaimer of Opinion

Limitation of audit scope (by circumstances)

As stated in notes 18 and 20 to financial statements, there are creditors submitted an application for receiving debt settlement. The Company has disputed with certain creditors since there are incorrect balance, duplicate of ungrounded debts. As at the date of this report, there are 2 creditors 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 3,113.8 million. In addition, two creditors which had total debts under rehabilitation plan amount of Baht 641.3 million was granted the final order of the Official Receiver for receiving the debts claiming. But those creditors filed the appeal against the order of the Official Receiver and the appeal is still pending the Court's trial.

The Group and the Company recorded the aforementioned debts of 4 creditors total amount of Baht 4.3 million in the consolidated and separate financial statements as at December 31, 2017. There is a discrepancy in debt balance amount of Baht 3,750.8 million which is still pending the trial of the Official Receiver or the appeal.

In 2015, with reference to Sahaviriya Steel Industries UK's ("SSI UK") intended to discontinue its operation and the liquidator have been appointed and entered into control such subsidiary. As a result, the major lender demanded immediate payment of the outstanding balances of borrowings which was secured by SSI UK's property, plant and equipment and a guarantee by the Company. At the same time, the major lenders also called for the responsibility of the Company in being a guarantor for the outstanding debts. The Company recorded provisions under guarantees agreement for borrowing 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.

Because of 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. Therefore, I was unable to obtain the appropriately auditing evidences as to the valuation of liabilities under business rehabilitation. As at December 31, 2017, I am unable to express that the necessary adjustments of liabilities should be made under business rehabilitation plan.

Material uncertainty on going concern

As described in notes 2(e) to the financial statements, the Group and the Company incurred a net profit for the year ended December 31, 2017 in the amount of Baht 4,556.9 million and Baht 4,475.7 million respectively and as at the same date, they had an operating deficit of Baht 40,667.2 million and Baht 40,683.2 million respectively.

As stipulated in the Plan, the Company needs to generate sufficient cash flows to meet both its working capital requirement and for settlement the debts from operation by issuing new share capital, conversion of outstanding debt to equity, seeking new financing as well as restructuring its debts owed to creditors. The Company has explained the progress of these activities in notes 20 to financial statements.

However, to consider that the successful of the Plan should have the following events; 1) the Company has made repayments for the outstanding principal to all creditors as stipulated in the Plan in the amount not less than 25% of the outstanding principal and either 2) the Company has obtained new funding from an investor to settle debt which resulting to the shareholders' equity of the Company becomes positive, or 3) conversion debt to equity as stipulated in the Plan resulting to the shareholders' equity of the Company becomes positive.

Since the Plan has commenced at the end of 2016 and in 2017, the Company could comply with the Plan and has early made the partial debts settlement. However, in the Plan had been determined the debt repayments period for 12 years, therefore, the Company is unable to conclude that the compliance with the Plan will be succeeded. From the aforementioned circumstance, that indicated the material uncertainty of the Group and the Company's operations as a going concern. Thus, the realizable value of assets may materially less than carrying value of the Group and the Company be unable to continue the operations as a going concern. These consolidated and separate financial statements do not include the reclassification and any adjustments of asset and liabilities which might be necessary should the Group and the Company be unable to generate sufficiency cash flows and raise the other source of fund.

Emphasis of Matter

Transactions between related parties

I draw your attention to notes 4 to the financial statements, for the year ended December 31, 2017, the Group and the Company had sold goods to related companies and joint venture in the normal course of business totaling Baht 5,823.1 million and Baht 5,823.1 million respectively, which represented 23 percent of the Group's and the Company's total sales. As at December 31, 2017, the Group's and the Company's outstanding trade accounts receivable net of allowance for doubtful accounts from those related parties amounted to Baht 982.6 million and Baht 961.5 million respectively. Moreover, for the year ended December 31, 2017, the Group and the Company has acquired goods and services rendering from related companies in the normal course of business totaling Baht 131.2 million and Baht 561.2 million respectively.

Others

The financial statements of the Group and the Company for the year ended December 31, 2016, presented herein as comparative information, were audited by another auditor whose report dated February 28, 2017, expressed no opinion on those statements pertaining to 1) the material uncertainties on going concern and the successful of rehabilitation plan, 2) the material uncertainties about the balance of long-term borrowings from financial institution, trade accounts payable, other payables from related parties, current liabilities and other non-current liabilities, and 3) the limitation on audit scope of comparative information.

Responsibilities of Management and Those Charged with Governance for the Consolidated and Separate Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with Thai Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of the consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements

My objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Thai Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

D I A International Audit Company Limited

(Mrs. Suvimol Chrityakierne)

C.P.A. (Thailand)

Registration No. 2982

February 28, 2018

Sahaviriya Steel Industries Public Company Limited and Subsidiaries

Statements of financial position

As at 31 December 2017

		Unit: Baht			
		Consolidated financial statements		Separate financial statements	
Assets	Note	2017	2016	2017	2016
Current asset:					
Cash and cash equivalents	5	1,558,770,463	425,055,579	1,472,841,805	356,536,202
Trade accounts receivable	6	1,205,026,297	1,504,398,854	1,169,968,722	1,475,555,532
Other receivables from related parties	4	270,308,689	267,707,207	305,068,943	281,248,152
Inventories	7	7,368,319,367	6,509,746,594	7,357,377,713	6,496,264,617
Other current assets		910,982,488	987,973,667	852,194,922	944,096,520
Assets held for disposal from liquidation of subsidiary	2(f)	-	-	-	-
Total current assets		<u>11,313,407,304</u>	<u>9,694,881,901</u>	<u>11,157,452,105</u>	<u>9,553,701,023</u>
Non-current asset:					
Restricted deposit at financial institution	8	56,807,634	4,683,334	35,784,832	-
Investments in subsidiaries	9	-	-	278,999,930	278,999,930
Investments in joint venture	11	2,709,650,450	2,706,332,473	3,159,668,346	3,159,668,346
Other long-term investment	12	-	-	-	-
Property, plant and equipment	13	11,302,042,288	11,634,087,178	9,902,762,583	10,153,951,005
Intangible assets		128,555,280	142,487,575	122,571,280	133,042,950
Deferred tax assets	14	17,853,344	25,666,845	-	-
Other non-current assets		9,437,209	19,735,808	7,975,849	17,810,487
Total non-current assets		<u>14,224,346,205</u>	<u>14,532,993,213</u>	<u>13,507,762,820</u>	<u>13,743,472,718</u>
Total assets		<u><u>25,537,753,509</u></u>	<u><u>24,227,875,114</u></u>	<u><u>24,665,214,925</u></u>	<u><u>23,297,173,741</u></u>

The accompanying notes are an integral part of these financial statements.

Sahaviriya Steel Industries Public Company Limited and Subsidiaries

Statements of financial position

As at 31 December 2017

		Unit: Baht			
		Consolidated financial statements		Separate financial statements	
Liabilities and shareholders' equity	Note	2017	2016	2017	2016
Current liability					
Short-term borrowings from financial institutions	15	72,110,249	112,361,675	-	-
Trade accounts payable	16	3,033,056,160	2,244,304,200	3,002,207,617	2,204,976,301
Other payables to related parties	4	41,722,401	36,169,356	44,819,133	45,066,594
Current portion of finance lease liabilities		15,935,722	48,705,245	-	-
Current portion of hire purchase liabilities		-	1,000,281	-	840,129
Current portion of long-term borrowings from financial institutions	18	1,038,619,703	1,013,618,655	1,038,619,703	1,013,618,655
Provisions under guarantees and other contracts	18	498,484,800	455,667,455	498,484,800	455,667,455
Current portion of other payables under rehabilitation plan	18	60,632,780	73,450,343	60,632,780	73,450,343
Current portion of accrued interest under rehabilitation plan	18	-	4,403,967	-	4,403,967
Short-term borrowings from financial institutions	4	-	223,274,305	7,990,859	231,265,164
Provisions for onerous contracts		691,131	19,152,118	691,131	19,152,118
Income tax payable		-	4,501,994	-	-
Other current liabilities	17	513,048,746	506,801,307	463,209,163	466,211,632
Total current liabilities		5,274,301,692	4,743,410,901	5,116,655,186	4,514,652,358
Non-current liability					
Long-term borrowings from financial institutions	18	23,319,835,439	24,599,428,069	23,319,835,439	24,599,428,069
Other payables under rehabilitation plan	18	1,853,026,021	1,910,854,059	1,853,026,021	1,910,854,059
Provisions under guarantees and other contracts	18	25,476,910,040	28,489,627,803	25,476,910,040	28,489,627,803
Accrued interest under rehabilitation plan	18	8,277,827,269	7,617,098,251	8,277,827,269	7,617,098,251
Finance lease liabilities		17,739,839	37,111,357	-	-
Non-current provisions for employee benefit	19	192,018,776	178,571,581	159,047,386	147,464,628
Deferred tax liabilities	14	61,403,631	90,429,591	31,280,295	63,139,293
Other non-current liabilities		823,876	823,876	823,876	823,877
Total non-current liabilities		59,199,584,891	62,923,944,587	59,118,750,326	62,828,435,980
Total liabilities		64,473,886,583	67,667,355,488	64,235,405,512	67,343,088,338

The accompanying notes are an integral part of these financial statements.

Sahaviriya Steel Industries Public Company Limited and Subsidiaries

Statements of financial position

As at 31 December 2017

		Unit: Baht			
		Consolidated financial statements		Separate financial statements	
Liabilities and shareholders' equity	Note	2017	2016	2017	2016
Shareholders' equity					
Share capital	21				
Authorized share capital		11,113,018,280	50,263,663,124	11,113,018,280	50,263,663,124
Issued and paid-up share capital		1,113,018,280	32,166,262,124	1,113,018,280	32,166,262,124
Discount on ordinary shares issuance	21	-	(5,678,076,131)	-	(5,678,076,131)
Equity distribution from shareholders from repurchase of subordinated convertible debentures	21	-	366,207,178	-	366,207,178
Retained earnings (deficit)					
Appropriated					
Legal reserve		-	530,226,819	-	530,226,819
Unappropriated (deficit)		(40,667,235,140)	(71,473,832,280)	(40,683,208,867)	(71,430,534,587)
Equity attributable to owners of the Company		(39,554,216,860)	(44,089,212,290)	(39,570,190,587)	(44,045,914,597)
Non-controlling interests	10	618,083,786	649,731,916	-	-
Capital deficiency/total shareholders' equity		(38,936,133,074)	(43,439,480,374)	(39,570,190,587)	(44,045,914,597)
Total liabilities and shareholders' equity		25,537,753,509	24,227,875,114	24,665,214,925	23,297,173,741

The accompanying notes are an integral part of these financial statements.

Sahaviriya Steel Industries Public Company Limited and Subsidiaries

Statements of comprehensive income

For the year ended 31 December 2017

		Unit: Baht			
		Consolidated financial statements		Separate financial statements	
Note		2017	2016	2017	2016
Income					
	Revenue from sale of goods	24,976,384,730	19,109,985,667	24,975,851,521	19,102,407,550
	Revenue from rendering of services	355,188,684	714,173,740	-	352,039,068
	Net gain on exchange rate	2,952,224,033	447,598,236	2,951,627,200	447,445,411
	Dividend income	-	-	56,100,000	15,300,000
	Effects from flooding net	142,551,415	-	88,093,705	-
	Other income	25,680,537	33,216,887	32,896,926	38,290,423
	Total income	28,452,029,399	20,304,974,530	28,104,569,352	19,955,482,452
Expenses					
	Cost of sales	21,602,249,736	14,776,298,610	21,698,627,852	14,837,519,543
	Cost of rendering of services	238,490,835	419,125,217	-	185,540,695
	Selling expenses	437,308,141	378,604,730	428,442,617	372,999,191
	Administrative expenses	537,471,935	3,314,930,434	452,773,321	3,231,181,415
	Interest provisions from discontinued operations	-	1,690,605,583	-	1,690,605,583
	Management benefit expenses	87,512,203	74,278,600	73,992,517	61,067,179
	Loss on onerous contracts (reversal)	(18,460,987)	19,152,118	(18,460,987)	19,152,116
	Finance costs	1,034,740,671	2,633,202,252	1,025,329,020	2,614,082,566
	Total expenses	23,919,312,534	23,306,197,544	23,660,704,340	23,012,148,288
Share of profit (loss) by equity-accounted investee					
	Joint venture	2,987,371	167,809,290	-	-
	Profit (loss) before income tax	4,535,704,236	(2,833,413,724)	4,443,865,012	(3,056,665,836)
	Income tax (expense) benefits	21,212,459	(1,068,483)	31,858,998	27,839,851
	Profit (loss) for the year	4,556,916,695	(2,834,482,207)	4,475,724,010	(3,028,825,985)
Profit (loss) attributable to:					
	Owners of the Company	4,534,664,825	(2,869,108,143)	4,475,724,010	(3,028,825,985)
	Non-controlling interests	22,251,870	34,625,936	-	-
	Profit (loss) for the year	4,556,916,695	(2,834,482,207)	4,475,724,010	(3,028,825,985)
	Basic earnings(loss) per share (Baht)	4.07	(2.58)	4.02	(2.72)

The accompanying notes are an integral part of these financial statements.

Sahaviriya Steel Industries Public Company Limited and Subsidiaries

Statements of comprehensive income

For the year ended 31 December 2017

	Unit: Baht			
	Consolidated financial statements		Separate financial statements	
	2017	2016	2017	2016
Note				
Profit (loss) for the year	4,556,916,695	(2,834,482,207)	4,475,724,010	(3,028,825,985)
Other comprehensive income				
Components of comprehensive income that will not be reclassified to profit or loss :				
Gains (losses) remeasurements of defined benefit plans				
- The Group	-	46,787,247	-	29,679,535
- Joint venture	11 330,605	9,438,975	-	-
Income tax related to components of other comprehensive income	-	(6,165,491)	-	(2,743,949)
Other comprehensive income-net of tax	330,605	50,060,731	-	26,935,586
Other comprehensive income for the year	4,557,247,300	(2,784,421,476)	4,475,724,010	(3,001,890,399)
Total comprehensive income attributable to:				
Owners of the Company	4,534,995,430	(2,818,699,723)	4,475,724,010	(3,001,890,399)
Non-controlling interests	22,251,870	34,278,247	-	-
Total comprehensive income for the year	4,557,247,300	(2,784,421,476)	4,475,724,010	(3,001,890,399)

The accompanying notes are an integral part of these financial statements.

Sahaviriya Steel Industries Public Company Limited and Subsidiaries

Statements of changes in shareholder's equity

For the year ended 31 December 2017

Unit: Baht

Note	Consolidated financial statements							
	Issued and paid-up share capital	Discount on ordinary shares issuance	Equity distribution from shareholders from repurchase of subordinated convertible debentures	Retained earnings (deficit)		Equity attributable to owners of the Company	Non-controlling interests	Total shareholders' equity
				Legal reserve	Unappropriated (deficit)			
Balance as at 1 January 2016	32,166,262,124	(5,678,076,131)	366,207,178	530,226,819	(68,655,132,557)	(41,270,512,567)	630,153,669	(40,640,358,898)
Comprehensive income for the year								
Profit (loss)	-	-	-	-	(2,869,108,143)	(2,869,108,143)	34,625,936	(2,834,482,207)
Other comprehensive income	-	-	-	-	50,408,420	50,408,420	(347,689)	50,060,731
Total comprehensive income for the year	-	-	-	-	(2,818,699,723)	(2,818,699,723)	34,278,247	(2,784,421,476)
Dividends paid to non-controlling interests	-	-	-	-	-	-	(14,700,000)	(14,700,000)
Balance as at 31 December 2016	<u>32,166,262,124</u>	<u>(5,678,076,131)</u>	<u>366,207,178</u>	<u>530,226,819</u>	<u>(71,473,832,280)</u>	<u>(44,089,212,290)</u>	<u>649,731,916</u>	<u>(43,439,480,374)</u>
Balance as at 1 January 2017	32,166,262,124	(5,678,076,131)	366,207,178	530,226,819	(71,473,832,280)	(44,089,212,290)	649,731,916	(43,439,480,374)
Comprehensive income for the year								
Profit (loss)	-	-	-	-	4,534,664,825	4,534,664,825	22,251,870	4,556,916,695
Other comprehensive income	-	-	-	-	330,605	330,605	-	330,605
Total comprehensive income for the year	-	-	-	-	4,534,995,430	4,534,995,430	22,251,870	4,557,247,300
Share decrease	21 (31,053,243,844)	5,678,076,131	(366,207,178)	(530,226,819)	26,271,601,710	-	-	-
Dividends paid to non-controlling interests	-	-	-	-	-	-	(53,900,000)	(53,900,000)
Balance as at 31 December 2017	<u>1,113,018,280</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(40,667,235,140)</u>	<u>(39,554,216,860)</u>	<u>618,083,786</u>	<u>(38,936,133,074)</u>

The accompanying notes are an integral part of these financial statements.

Sahaviriya Steel Industries Public Company Limited and Subsidiaries

Statements of changes in shareholder's equity

For the year ended 31 December 2017

Unit: Baht

		Separate financial statements					
					Retained earnings (deficit)		
		Equity distribution					
		from shareholders					
		from repurchase					
		Issued and	Discount on	of subordinated	Legal	Unappropriated	Total shareholders'
		paid-up	ordinary shares	convertible debentures	reserve	(deficit)	equity
Note		share capital	issuance				
	Balance as at 1 January 2016	32,166,262,124	(5,678,076,131)	366,207,178	530,226,819	(68,428,644,188)	(41,044,024,198)
	Comprehensive income for the year						
	Profit (loss)	-	-	-	-	(3,028,825,985)	(3,028,825,985)
	Other comprehensive income	-	-	-	-	26,935,586	26,935,586
	Total comprehensive income for the year	-	-	-	-	(3,001,890,399)	(3,001,890,399)
	Balance as at 31 December 2016	32,166,262,124	(5,678,076,131)	366,207,178	530,226,819	(71,430,534,587)	(44,045,914,597)
	Balance as at 1 January 2017	32,166,262,124	(5,678,076,131)	366,207,178	530,226,819	(71,430,534,587)	(44,045,914,597)
	Comprehensive income for the year						
	Profit (loss)	-	-	-	-	4,475,724,010	4,475,724,010
	Other comprehensive income	-	-	-	-	-	-
	Total comprehensive income for the year	-	-	-	-	4,475,724,010	4,475,724,010
	Share decrease	(31,053,243,844)	5,678,076,131	(366,207,178)	(530,226,819)	26,271,601,710	-
	Balance as at 31 December 2017	1,113,018,280	-	-	-	(40,683,208,867)	(39,570,190,587)

The accompanying notes are an integral part of these financial statements.

Sahaviriya Steel Industries Public Company Limited and Subsidiaries

Statements of cash flows

For the year ended 31 December 2017

	Unit: Baht			
	Consolidated financial statements		Separate financial statements	
	2017	2016	2017	2016
Cash flows from operating activities				
Profit (loss) for the year	4,556,916,695	(2,834,482,207)	4,475,724,010	(3,028,825,985)
Adjustments for				
Depreciation and amortization	742,126,121	694,309,453	636,506,294	585,252,922
Finance costs	1,034,740,671	2,633,202,252	1,025,329,020	2,614,082,566
Unrealized gain on exchange rate	(2,770,243,458)	(224,695,796)	(2,769,857,183)	(224,844,107)
Bad debts and doubtful accounts (reversal)	8,032,163	2,677,309,056	8,032,163	2,677,309,056
Loss on devaluation of inventories (reversal)	(74,163,700)	(336,749,218)	(74,067,097)	(336,749,218)
Amortised income tax deducted at source	6,929,493	-	6,929,493	-
Employee benefit provisions	20,545,454	24,074,656	16,698,008	19,688,687
Loss on onerous contracts (reversal)	(18,460,987)	19,152,118	(18,460,987)	19,152,118
Loss (gain) on disposal of property, plant and equipment	(172,731)	(1,194,130)	(149,170)	(844,499)
Loss on impairment of property, plant and equipment	-	19,000,000	-	-
Amortised equipment and machinery	45,281,366	-	16,341,998	-
Interest obligations from discontinued operations	-	1,690,605,583	-	1,690,605,583
Share of profit of joint venture (net of income tax)	(2,987,371)	(167,809,290)	-	-
Dividend income	-	-	(56,100,000)	(15,300,000)
Reversed income tax expenses (income)	(21,212,459)	1,068,483	(31,858,998)	(27,839,851)
Profit (loss) from operating activities before changes in operating assets and liabilities	3,527,331,257	4,193,790,960	3,235,067,551	3,971,687,272
Changes in operating assets and liabilities				
Trade accounts receivable	76,297,349	313,953,547	82,311,832	261,715,984
Other receivables from related parties	(2,601,482)	(49,668,160)	(23,820,790)	(19,422,744)
Inventories	(784,409,073)	(3,224,441,092)	(787,045,999)	(3,220,112,941)
Other current assets	(5,179,534)	(776,386,067)	19,112,283	(795,305,983)
Other non-current assets	10,298,599	(6,825,856)	9,834,639	(9,996,767)
Trade accounts payable	809,027,343	314,269,689	817,320,194	282,748,023
Other payables to related parties	5,553,045	15,226,092	(247,461)	8,382,026
Other current liabilities	21,975,896	(70,096,385)	(18,730,931)	(37,753,363)
Other non-current liabilities	-	(93,439)	-	-
Cash provided from operating activities	3,658,293,400	709,729,289	3,333,801,318	441,941,507
Employee benefit obligations paid	(7,098,259)	(9,992,286)	(5,115,250)	(2,939,400)
Income tax paid	(24,957,381)	(26,910,748)	(1,300,303)	(12,555,431)
Net cash provided by operating activities	3,626,237,760	672,826,255	3,327,385,765	426,446,676

The accompanying notes are an integral part of these financial statements.

Sahaviriya Steel Industries Public Company Limited and Subsidiaries

Statements of cash flows (continued)

For the year ended 31 December 2017

	Unit: Baht			
	Consolidated financial statements		Separate financial statements	
	2017	2016	2017	2016
Cash flows from investing activities				
(Increase) Decrease in restricted deposit at financial institution	(52,124,300)	8,036,809	(35,784,832)	-
Acquire of property, plant and equipment	(367,390,842)	(158,675,781)	(315,893,966)	(120,716,277)
Acquire of intangible assets	(2,124,750)	(1,201,055)	(859,860)	(1,201,055)
Sales of property, plant and equipment	194,006	1,143,171	168,329	887,851
Dividend received	-	-	56,100,000	15,300,000
Net cash used in investing activities	<u>(421,445,886)</u>	<u>(150,696,856)</u>	<u>(296,270,329)</u>	<u>(105,729,481)</u>
Cash flows from financing activities				
Finance cost paid	(105,843,889)	(22,231,661)	(96,029,351)	(5,803,377)
Increase (Decrease) in short-term borrowings				
from financial institutions	(40,251,426)	(158,066,285)	-	-
Repayments for long-term borrowings	(1,254,591,582)	-	(1,254,591,582)	-
Debt settlement to other creditors under rehabilitation plan	(70,645,600)	-	(70,645,600)	-
Payments for liabilities under guarantees and other agreement	(492,703,170)	-	(492,703,170)	-
Payments for hire purchase and finance lease liabilities	(53,141,323)	(58,584,380)	(840,130)	(2,914,598)
Dividends paid	(53,900,000)	(14,700,000)	-	-
Net cash used in financing activities	<u>(2,071,076,990)</u>	<u>(253,582,326)</u>	<u>(1,914,809,833)</u>	<u>(8,717,975)</u>
Net increase (decrease) in cash and cash equivalents	1,133,714,884	268,547,073	1,116,305,603	311,999,220
Cash and cash equivalents at as 1 January	<u>425,055,579</u>	<u>156,508,506</u>	<u>356,536,202</u>	<u>44,536,982</u>
Cash and cash equivalents at as 31 December	<u><u>1,558,770,463</u></u>	<u><u>425,055,579</u></u>	<u><u>1,472,841,805</u></u>	<u><u>356,536,202</u></u>
Significant non-cash transactions				
Other payables for property, plant and equipment acquisition	17,085,984	1,535,627	17,085,984	1,357,526

The accompanying notes are an integral part of these financial statements.

Sahaviriya Steel Industries Public Company Limited and subsidiaries

Notes to the financial statements

For the year ended 31 December 2017

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Sahaviriya Steel Industries Public Company Limited and Subsidiaries

Notes to the financial statements

For the year ended 31 December 2017

1 General information

Sahaviriya Steel Industries Public Company Limited (“the Company”), is incorporated in Thailand and has its registered office at 28/1 Prapawit Building, 2nd-3rd Floor, Surasak Road, Kwang Silom, Khet Bangrak, Bangkok, Thailand and its plant located at 9 , Moo 7 , Tambon Mae Rumphueng, Amphur Bang Saphan, Prachuabkirikhan, Thailand. The Company, its subsidiaries and its joint venture are hereinafter collectively referred to as “the Group”.

The Company was listed on the Stock Exchange of Thailand in September 1994.

During the year the Company’s major shareholders during the financial year were Sahaviriya Group Corporation Limited (13.18% shareholding, incorporated in Thailand), Vanomet Holding AG (16.56% shareholding, incorporated in Switzerland) and Sahaviriya Inter Steel Holdings Co., Ltd. (4.86% shareholding, incorporated in Thailand.)

The principal businesses of the Company are manufacturing and distributing of hot rolled coils. Details of the Company’s subsidiaries and joint venture are given in Notes 9 and 11.

2 Basis of preparation of the financial statements

(a) Statement of compliance

The financial statements have been prepared in accordance with Thai Financial Reporting Standards (TFRS); guidelines promulgated by the Federation of Accounting Professional (“FAP”), and the Regulation of The Stock Exchange of Thailand (SET) on January 22, 2001, regarding the preparation and submission of financial statements and reports for the financial position and financial performance of the listed companies B.E. 2544. The format of presentation of the financial statements is not significantly different from the Notification of the Department of Business Development regarding “The Brief Particulars in the Financial Statements (No. 2) B.E. 2559” on October 11, 2016.

(b) Basic of measurement

The financial statements have been prepared on a historical cost basis except where otherwise disclosed in the accounting policies.

(c) Presentation currency

The financial statements are prepared and presented in Thai Baht which is the Company's functional currency. All financial information presented in Thai Baht has been rounded in the notes to the financial statements to the nearest thousand unless otherwise stated.

(d) Use of estimates and judgments

The preparation of financial statements in conformity with TFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized prospectively.

Assumptions and estimation uncertainties

Information about assumption and estimation uncertainties that have a significant risk of resulting in a material adjustments to the amounts recognized in the financial statements is included in the following notes:

Note 2(e)	Going concerns;
Notes 9, 11, and 13	Impairment test: key assumptions underlying recoverable amounts;
Note 14	Recognition of deferred tax assets; availability of future taxable profit against which tax losses carried forward can be used;
Note 19	Measurement of defined benefit obligations: key actuarial assumptions; and
Note 29	Recognition and measurement of provisions and contingencies; key assumptions about the likelihood and magnitude cash flow of resources.

Measurement of fair values

A number of the Company/ the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Company/ the Group has an established control framework with respect to the measurement of fair values. This includes a valuation team that has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values, and reports directly to the Chief financial officer.

The valuation team regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the valuation team assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of TFRS, including the level in the fair value hierarchy in which such valuations should be classified.

Significant valuation issues are reported to the Group Audit Committee.

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or liability might be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Company/ the Group recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in the following notes:

- Note 28 – financial instruments

(e) **Going concern**

For the year ended 31 December 2017, the Group incurred a net profit amount of Baht 4,556.9 million **(2016: net loss amount of Baht 2,834.5 million)** and as at the same date, the Group had cumulative deficit of amount of Baht 40,667.2 million **(31 December 2016: amount of Baht 71,473.8 million)**

For the year ended 31 December 2017, the Company incurred a net profit amount of Baht 4,475.7 million **(2016: net loss amount of Baht 3,028.8 million)** and as at the same date, the Company had cumulative deficit amount of Baht 40,683.2 million **(31 December 2016: amount of Baht 71,430.5 million)**

Since in 2015, Sahaviriya Steel Industry UK Limited. had stopped its steel slab manufacturing and the liquidator was appointed and becomes control as well as was called for the loans repayment. The Company also was required the responsibility in being a guarantor. Besides, the creditor of the Company called for total loans repayment of the Company immediately. These factors may cause the Board of directors allowed the Company to file the petition for rehabilitation its business to the Central Bankruptcy Court on 1 October 2015. The Central Bankruptcy Court ordered to approve with the rehabilitation plan on 15 December 2016. The Plan is determined the Company to be a planner, the details of rehabilitation plan disclosed in the Note 20 to financial statements.

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 the success of the business rehabilitation plan as well as the measures taken to improve profitability and cash flows, the success of capital restructuring, the ability to repay debts on schedule over the periods and the availability of financing from other sources to meet funding requirements.

The 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 be unable to continue their operations as going concerns. If the Group and the Company were unable to continue as going concerns, the realizable value of assets may be significantly less than their current carrying value and additional liabilities may be incurred.

(f) Liquidation and Deconsolidation of SSI UK and Financial statements of SSI UK

Sahaviriya Steel Industries UK Limited (“SSI UK”) is an integrated iron and steel slab producer., **from the** results of operating loss and continuously reducing of the world steel price, as a result, SSI UK has stopped its steel slab manufacturing and the liquidator was appointed and become control. The Company has no a power to control the business or operation of SSI UK Limited anymore Nevertheless, assets and liabilities of SSI UK were eliminated from the consolidated financial statements and instead of the recognition of investment in SSI UK which were amortized in full by net realizable value during the 2015.

Net interests and carrying value of investments in SSI UK has been transferred to assets held for disposal in the separate financial statements as at 31 December 2017 and 2016. Details are as follows:

	Unit : Thousand Baht			
	Ownership interest (%)	Cost method	Impairment	At cost - net
Investments in Sahaviriya Steel Industries UK Limited	100	27,481,792	27,481,792	-

(g) New Financial Reporting Standards

Financial reporting standards that became effective in the current year

During the year, the Company have adopted the revised financial reporting standards and interpretations (revised 2016) and new accounting treatment guidance which are effective for fiscal years beginning on or after January 1, 2017. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards with most of the changes directed towards revision of wording and terminology, and provision of interpretations and accounting guidance to users of standards.

The adoption of these financial reporting standards does not have any significant impact on the Company financial statements.

Financial reporting standards that will become effective in the future

During the current year, the Federation of Accounting Professions issued a number of the revised financial reporting standards and interpretations (revised 2017) which are effective for fiscal years beginning on or after January 1, 2018. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards with most of the changes and clarifications directed towards disclosures in the notes to financial statements.

The management of the Company believe that the revised financial reporting standards will not have any significant impact on the financial statements when they are initially applied.

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

(a) Basis of consolidation

The consolidated financial statements relate to the Company, its subsidiaries and joint venture (together referred to as the “Group”) and the Group’s interests in joint venture.

Business combinations

The Group applies the acquisition method for all business combinations when control is transferred to the Group other than those with entities under common control.

The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The acquisition date is the date on which control is transferred to the acquirer. Judgment is applied in determining the acquisition date and determining whether control is transferred from one party to another.

Goodwill is measured as the fair value of the consideration transferred including the recognized amount of any non-controlling interest in the acquiree, less the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date.

Consideration transferred includes the fair values of the assets transferred, liabilities incurred by the Group to the previous owners of the acquiree, and equity interests issued by the Group. Consideration transferred also includes the fair value of any contingent consideration and share-based payment awards of the acquiree that are replaced mandatorily in the business combination. If a business

combination results in the termination of pre-existing relationships between the Group and the acquiree, then the lower of the termination amount, as contained in the agreement, and the value of the off-market element is deducted from the consideration transferred and recognized in other expenses.

When share-based payment awards exchanged (replacement awards) for awards held by the acquiree's employees (acquiree's awards) relate to past services, then a part of the market-based measure of the awards replaced is included in the consideration transferred. If they require future services, then the difference between the amount included in consideration transferred and the market-based measure of the replacement awards is treated as post-combination compensation cost.

A contingent liability of the acquiree is assumed in a business combination only if such a liability represents a present obligation and arises from a past event, and its fair value can be measured reliably.

The Group measures any non-controlling interest (NCI) at its proportionate interest in the identifiable net assets of the acquiree.

Transaction costs that the Group incurs in connection with a business combination, such as legal fees, and other professional and consulting fees are expensed as incurred.

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Non-controlling interests

At the acquisition date, the Group measures any non-controlling interest at its proportionate interest in the identifiable net assets of the acquiree.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

Loss of control

When the Group loses control over a subsidiary, it derecognizes the assets and liabilities of the subsidiary, and any related non-controlling interest and other components of equity. Any resulting gain or loss is recognized in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

Interests in equity-accounted investees

The Group's interests in equity-accounted investees comprise interests in a joint venture.

A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Interests in joint ventures are accounted for using the equity method. They are recognized initially at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of equity-accounted investees, until the date on which significant influence or joint control ceases.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealized income or expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealized gains arising from transactions with joint venture are eliminated against the investment to the extent of the Group's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

(b) Foreign currencies

Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at the exchange rates of the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the exchange rate at the reporting date.

Non-monetary assets and liabilities measured at cost in foreign currencies are translated to the functional currency at foreign exchange rates ruling at the dates of the transactions.

(c) Derivative financial instruments

Derivative financial instruments are used to manage exposure to foreign exchange, interest rate and commodity price risks arising from operational, financing and investment activities. Derivative financial instruments are not used for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

(d) Hedging

Hedge of future foreign currency transactions

Gains and losses from forward exchange contracts and currency swaps used to hedge anticipated future currency transactions are deferred until the forecasted transaction occurs. Where the hedged item is a recognized asset or liability, it is translated at the contracted forward rates.

Foreign currency assets and liabilities hedged by forward exchange contracts are translated to Thai Baht at the contracted forward exchange rates.

Hedge of interest rates

Interest differentials under swap arrangements are accrued and recorded as adjustments to the interest expense relating to the hedged loans. For interest rate forward contracts, the amounts received or paid on cash settlements, representing the gain or loss, are deferred and recognized over the life of the underlying monetary asset or liability as an adjustment to interest income or expense. For purchased interest rate options, the premiums paid are included in the statement of financial position under other assets or other liabilities. The premiums are amortized to interest income or expense over the life of the agreements.

(e) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and highly liquid short-term investments with restriction.

(f) Trade and other accounts receivable

Trade and other accounts receivable are stated at their invoice value less allowance for doubtful accounts.

The allowance for doubtful accounts is assessed primarily on analysis of payment histories and future expectations of customer payments. Bad debts are written off when incurred.

(g) Inventories

Inventories are measured at the lower of cost and net realizable value.

Cost of slab raw materials are calculated using the weighted average cost principle. Cost of ore materials are calculated using the first-in, first-out principles. Finished goods and rolls that are part of consumable goods are calculated using the specific method and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. In the case of manufactured inventories and work-in-progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs to complete and to make the sale.

(h) Non-current assets held for sale

Non-current assets (or disposal groups comprising assets and liabilities) that are expected to be recovered primarily through sale rather than through continuing use, are classified as held for sale. The assets (or disposal group) are measured at the lower of their carrying value and fair value less cost to sell. Any impairment loss on a disposal group is first allocated to goodwill, and then to remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories and financial assets. Impairment losses on initial classification as held for sale and subsequent gains and losses on remeasurement are recognized in profit or loss. Gains are not recognized in excess of any cumulative impairment loss.

(i) Investments

Investments in subsidiaries and joint venture

Investments in subsidiaries and joint venture in the separate financial statements of the Company are accounted for using the cost method. Investments in joint venture in the consolidated financial statements are accounted for using the equity method.

Disposal of investments

On disposal of an investment, the difference between net disposal proceeds and the carrying amount together with the associated cumulative gain or loss that was reported in equity is recognized in profit or loss.

If the Group disposes of part of its holding of a particular investment, the deemed cost of the part sold is determined using the weighted average method applied to the carrying value of the total holding of the investment.

(j) Finance lease

The Group entered into sale and lease back agreements for certain machinery and equipment, resulting in a finance lease. Excess of sales proceeds over the carrying amount is not immediately recognized as income. Instead it is deferred and amortized over the lease term.

The Group recognized finance leases as assets and liabilities in the statement of financial position at amounts equal at the inception of the lease to the fair value of the leased property. Lease payments are apportioned between the finance charge and the reduction of the outstanding liabilities. The finance charged is allocated to the periods during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

(k) Property, plant and equipment

Recognition and measurement

Owned assets

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labor, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and capitalised borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains or losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognized net within other income in profit or loss.

Leased assets

Leases in terms of which the Group substantially assumes all the risk and rewards of ownership are classified as finance leases. Property, plant and equipment acquired by way of finance leases is capitalised at the lower of its fair value and the present value of the minimum lease payments at the inception of the lease, less accumulated depreciation and impairment losses. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to the profit or loss.

Subsequent costs

The cost of replacing a part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred.

Depreciation

Depreciation is calculated based on the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is charge to profit or loss and is based on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment or the unit of production. The estimated useful lives are as follows:

Land improvements	5	years
Leasehold and leasehold improvements	5 and 10	years
Buildings and building improvements	20	years
Machinery, tools and equipment		
- in production line	The unit of production	
- in steel making line	20	years
- in service line	5 – 10	years
- other tools and equipment	3 – 10	years
Furniture, fixtures and office equipment	5 – 10	years
Vehicles	5	years
Roads	5, 20 and 27	years
Berth and berth facilities	5 and 30	years
Tug boats	5 – 17	years
Customs cargo warehouse	5	years

No depreciation is provided on freehold land or assets under construction and installation.

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

(I) Intangible assets

Intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses.

Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

Amortisation

Amortisation is based on the cost of the asset, or other amount substituted for cost, less its residual value.

Amortisation is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful lives for the current and comparative periods are as follows:

Software licenses	3 - 10 years
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Amortisation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

(m) Impairment

The carrying amounts of the Group's assets or its cash-generating unit are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amounts are estimated. For goodwill and intangible assets that have indefinite useful lives or are not yet available for use, the recoverable amount is estimated each year at the same time.

An impairment loss is recognized if the carrying amount of an asset exceeds its recoverable amount. The impairment loss is recognized in profit or loss.

When a decline in the fair value of an available-for-sale financial asset has been recognized directly in equity and there is objective evidence that the value of the asset is impaired, the cumulative loss that had been recognized directly in equity is recognized in profit or loss even though the financial asset has not been derecognized. The amount of the cumulative loss that is recognized in profit or loss is the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognized in profit or loss.

Calculation of recoverable amount

The recoverable amount of held-to-maturity securities carried at amortized cost is calculated as the present value of the estimated future cash flows discounted at the original effective interest rate.

The recoverable amount of available-for-sale financial assets is calculated by reference to the fair value.

The recoverable amount of a non-financial asset is the greater of the asset's value in use and fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Reversals of impairment

An impairment loss in respect of a financial asset is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognized in profit or loss. For financial assets carried at amortized cost and available-for-sale financial assets that are debt securities, the reversal is recognized in profit or loss. For available-for-sale financial assets that are equity securities, the reversal is recognized in other comprehensive income.

Impairment losses recognized in prior periods in respect of other non-financial assets are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognized.

(n) Interest-bearing liabilities

Interest-bearing liabilities are recognized initially at fair value less attributable transaction charges. Subsequent to initial recognition, interest-bearing liabilities are stated at amortized cost with any difference between cost and redemption value being recognized in profit or loss over the period of the borrowings on an effective interest basis.

(o) Trade and other accounts payable

Trade and other accounts payable are stated at cost.

(p) Employee benefits

Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available.

Defined benefit plans

The Group's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any application minimum funding requirements.

Remeasurements of the net defined benefit liability, actuarial gain or loss are recognized immediately in OCI. The Group determines the interest expense on the net defined benefit liability for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period, taking into account any changes in the net defined benefit liability during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

Other long-term employee benefits

The Group's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Remeasurements are recognized in profit or loss in the period in which they arise.

Termination benefits

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognizes costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the end of the reporting period, then they are discounted.

Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(q) Provisions

A provision is recognized if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

Onerous contracts

A provision for onerous contracts is recognized when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting the Group's obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognizes any impairment loss on the assets associated with that contract.

(r) Revenue

Revenue excludes value added taxes and is arrived at after deduction of trade discounts.

Sale of goods and services rendered

Revenue is recognized in profit or loss when the significant risks and rewards of ownership have been transferred to the buyer. No revenue is recognized if there is continuing management involvement with the goods or there are significant uncertainties regarding recovery of the consideration due, associated costs or the probable return of goods. Service income is recognized as services are provided.

Dividend income

Dividend income is recognized in profit or loss on the date the Group's right to receive payments is established.

Interest and other income

Interest and other income is recognized in profit or loss as it accrues.

Commissions

When the Group acts in the capacity of an agent rather than as the principal in a transaction, the revenue recognized is the net amount of commission earned by the Group.

(s) Finance costs

Finance costs are recognized to profit or loss using the effective interest method and comprise interest expense on borrowings, unwinding of the discount on provisions and contingent consideration, losses on disposal of available-for-sale financial assets, fair value losses on financial assets at fair value through profit or loss, impairment losses recognized on financial assets (other than trade receivables), and losses on hedging instruments that are recognized in profit or loss.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in profit or loss using the effective interest method.

(t) Lease payments

Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized in profit or loss as an integral part of the total lease expense, over the term of the lease.

Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

Determining whether an arrangement contains a lease

At inception of an arrangement, the Group determines whether such an arrangement is or contains a lease. A specific asset is the subject of a lease if fulfilment of the arrangement is dependent on the use of that specified asset. An arrangement conveys the right to use the asset if the arrangement conveys to the Group the right to control the use of the underlying asset.

At inception or upon reassessment of the arrangement, the Group separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Group concludes for a finance lease that it is impracticable to separate the payments reliably, an asset and a liability are recognized at an amount equal to the fair value of the underlying asset. Subsequently the liability is reduced as payments are made and an imputed finance charge on the liability is recognized using the Group's incremental borrowing rate.

(u) Income tax

Income tax expense for the year comprises current tax and deferred tax. Current and deferred tax are recognized in profit or loss except to the extent that they relate to a business combination, or items recognized directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of goodwill; the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss; and differences relating to investments in subsidiaries and joint venture to the extent that it is probable that they will not reverse in the foreseeable future.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

In determining the amount of current and deferred tax, the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(v) Discontinued operations

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale, or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative statement of comprehensive income is restated as if the operation had been discontinued from the start of the comparative period.

(w) Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year, adjusted for own shares held. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees.

(x) Segment reporting

Segment results that are reported to the Group's CEO (the chief operating decision maker) include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

4 Related parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control or joint control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

<u>Name of entities</u>	<u>Country of incorporation/ nationality</u>	<u>Nature of relationships</u>
Prachuap Port Co., Ltd.	Thailand	Subsidiary, shareholding in the proportion of 51.00% Common director
West Coast Engineering Co., Ltd.	Thailand	Subsidiary, shareholding in the proportion of 99.99% Common director
Thai Cold Rolled Steel Sheet Public Company Limited	Thailand	joint venture, shareholding in the proportion of 35.19% Common director
Sahaviriya Group Corporation Limited	Thailand	Major shareholder, 13.18% shareholding and direct and indirect shareholding by the Company's director(s)
Vanomet Holding AG	Switzerland	Major shareholder, 16.56% shareholding and common director with a subsidiary

Name of entities	Country of incorporation/ nationality	Nature of relationships
Sahaviriya Inter Steel Holdings Co., Ltd.	Thailand	Major shareholder, 4.86% Shareholding and common directors and direct and indirect shareholding by the Company's director(s)
Thai Coated Steel Sheet Co., Ltd.	Thailand	Shareholding by the Company and common directors
Bangsaphan Barmill Public Company Limited	Thailand	Common directors and direct and indirect shareholding by the Company's director(s)
B.S. Metal Co., Ltd.	Thailand	Common directors and direct and indirect shareholding by the Company's director(s)
Sahaviriya Plate Mill Public Company Limited	Thailand	Common directors and direct and indirect shareholding by the Company's director(s)
Prapawit Building Property Co., Ltd.	Thailand	Common directors and direct and indirect shareholding by the Company's director(s)
Western Housing Co., Ltd.	Thailand	Common directors and direct shareholding by the Company's director(s)
Sahaviriya Management Co.,Ltd.	Thailand	Common directors and direct and indirect shareholding by the Company's director(s)
C.A.R. Services Co., Ltd.	Thailand	The direct and indirect shareholding by the Company's director(s)
Sahaviriya Panich Corporation Co., Ltd.	Thailand	Common directors and direct and indirect shareholding by the Company's director(s)
Line Transport Co., Ltd.	Thailand	Common directors with the subsidiary and direct and indirect shareholding by the Company's director(s)
Saha Special Steel Co., Ltd.	Thailand	Direct and indirect shareholding by the Company director(s)
Bangpakong Lighter Co., Ltd.	Thailand	Common directors and direct and indirect shareholding by the Company's director(s)
Bangpakong Port Co., Ltd.	Thailand	Common directors and direct and indirect shareholding by the Company's director(s)
ABC Trading Co., Ltd.	Thailand	Indirect shareholding by the Company director(s)
Sahaviriya Steel Corporation Co.,Ltd. (formerly Sahaviriya Iron and Steel Co., Ltd.)	Thailand	Common directors and direct and indirect shareholding by the Company's director(s)

Name of entities	Country of incorporation/ nationality	Nature of relationships
Thai Steel Sales Co., Ltd.	Thailand	Common directors and direct and indirect shareholding by the Company's director(s)
Prachuap Pattana Development Co.,Ltd	Thailand	Common directors and direct and indirect shareholding by the Company's director(s)
SVL Corporation Co., Ltd (formerly Sahaviriya Logistics Co., Ltd.)	Thailand	Common shareholder and directors and direct and indirect shareholding by the Company's director(s)
Sahaviriya Shipping Limited	Hong Kong	Common shareholder and directors and direct and indirect shareholding by the Company's director(s)
Vanomet AG	Switzerland	Common shareholder and common director with a subsidiary
Vanomet Finance AG	Switzerland	Common shareholder and common director with a subsidiary
Vanomet International AG	Switzerland	Common shareholder and common director with a subsidiary
Atlantic Steel AG	Switzerland	Common shareholder and common director with a subsidiary
Bangpakong Shape Steel Co., Ltd.	Thailand	Common directors and direct and indirect shareholding by the Company's director(s)
Steel Process Holdings Co., Ltd.	Thailand	Common directors and direct and indirect shareholding by the Company's director(s)
Sahaviriya Capital Holdings Co., Ltd.	Thailand	Common directors and direct and indirect shareholding by the Company's director(s)
Bangna 26 Property Co., Ltd.	Thailand	Common directors and direct and indirect shareholding by the Company's director(s)
Praram 3 Thasai Co., Ltd.	Thailand	Common directors and direct shareholding by the Company's director(s)
KP Capital Co., Ltd.	Thailand	Common directors and direct and indirect shareholding by the Company's director(s)
Pichai Agriculture & Land Co., Ltd.	Thailand	Common directors and direct shareholding by the Company's director(s)

Name of entities	Country of incorporation/ nationality	Nature of relationships
Long Steel Holding Co., Ltd.	Thailand	Common directors and direct and indirect shareholding by the Company's director(s)
Sahaviriya Credit Foncier Co., Ltd.	Thailand	Common directors and direct shareholding by the Company's director(s)
Sahaviriya Orchid Co., Ltd.	Thailand	Common directors and direct and indirect shareholding by the Company's director(s)
Surasak Muang-Chol Property Co., Ltd.	Thailand	Common directors and direct and indirect shareholding by the Company's director(s)
Bangsaphan Steel Trading Co., Ltd.	Thailand	Common directors and direct shareholding by the Company's director(s)
C B S Consultant Co., Ltd.	Thailand	Common directors and direct shareholding by the Company's director(s)
Bangpakong Steel Holdings Co., Ltd.	Thailand	Common directors and direct and indirect shareholding by the Company's director(s)
Tong Real Estate Co., Ltd.	Thailand	Common directors and direct and indirect shareholding by the Company's director(s)
Krisna Residence Co., Ltd.	Thailand	Common directors and direct and indirect shareholding by the Company's director(s)
Growth Water Woods Co., Ltd.	Thailand	Common directors and direct and indirect shareholding by the Company's director(s)
Chonglom Property Co., Ltd.	Thailand	Common directors and direct and indirect shareholding by the Company's director(s)
Chumphontanee Property Co., Ltd.	Thailand	Common directors and direct and indirect shareholding by the Company's director(s)
Soi Hiland Property Co., Ltd.	Thailand	Common directors and direct and indirect shareholding by the Company's director(s)
Larn Pharam 3 Property Co., Ltd.	Thailand	Common directors and direct and indirect shareholding by the Company's director(s)
Prachuap Steel Co., Ltd.	Thailand	Common directors and indirect shareholding by the Company's director(s)

Name of entities	Country of incorporation/ nationality	Nature of relationships
Pomprachul Steel Co., Ltd.	Thailand	Common directors and indirect shareholding by the Company's director(s)
Bangplakod Steel Co., Ltd.	Thailand	Common directors and indirect shareholding by the Company's director(s)
Panich holdings Co., Ltd.	Thailand	Common directors and direct and indirect shareholding by the Company's director(s)
SSP Asset Co., Ltd.	Thailand	Common directors and direct and indirect shareholding by the Company's director(s)
SV Nittan Co., Ltd.	Thailand	Common directors and indirect shareholding by the Company's director(s)
Phrapradaeng Shape Steel Co., Ltd.	Thailand	Common directors and indirect shareholding by the Company's director(s)
Amarin Steel Co, Ltd.	Thailand	Common directors and direct and indirect shareholding by the Company's director(s)
Kim Heng Seng Steel Co., Ltd.	Thailand	Common directors and direct and indirect shareholding by the Company's director(s)
Saha Land Property Holding Co., Ltd.	Thailand	Common directors and indirect shareholding by the Company's director(s)
SCJ & Associates Co., Ltd.	Thailand	Common directors and direct and indirect shareholding by the Company's director(s)
T C H Asset Co., Ltd.	Thailand	Common directors and direct and indirect shareholding by the Company's director(s)
Thanarom Property Sale Co., Ltd.	Thailand	Common directors and direct and indirect shareholding by the Company's director(s)
Thipayasombat Co., Ltd.	Thailand	Common directors and indirect shareholding by the Company's director(s)
Key management personnel	Thailand	Persons having authority and responsibility for planning directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of the Group.

The pricing policies for particular types of transactions are explained further below:

<u>Transactions</u>	<u>Pricing policies with subsidiary companies and joint venture</u>	<u>Pricing policies with related companies</u>
Sale of goods	Third party pricing used, dependent on volume and relevant market considerations.	The pricing policies for particular types of transactions are explained further below:
Rendering of port services	Port services rendered are charged based on Ministry of Transportation-determined rates, dependent on service volume and relevant market considerations.	Port services rendered are charged based on Ministry of Transportation-determined rates, dependent on service volume and relevant market considerations.
Rendering of other services	Charges for rendering of services and maintenance-related services are based on agreements and common credit term.	Charges for rendering of services and maintenance-related services are based on agreements and common credit term.
Dividend income	Right to receive dividends	Right to receive dividends.
Other income	Sales of scrap material are priced based on scrap weight and the prices set by the Company. Revenue from providing management staff to subsidiaries and joint venture are based on agreements.	Sales of scrap material are priced based on scrap weight and the prices set by the Company. Revenue from providing management staff to related parties are based on agreements.
Purchase of goods	Purchases of goods for production are based on third party prices under terms and conditions normally applicable to similar transactions. Certain purchases of steel slab between the company and subsidiaries are based on the agreed price formula. Purchases of rolls are charged on agreed prices.	Purchases of raw material for production are based on market price.
Receiving of other services	Maintenance-related services are charged based on long-term maintenance service agreements. The term of the agreement can be modified according to business circumstances.	Transportation charges are based on agreements, dependent on cargo weight and distance. Warehouse rental is charged based on rental agreements. Cut sheet services are charged based on agreements. Rental charges for staff accommodation are fixed on an annual basis and agreed with the lessor.
Receiving of port services	Port services rendered are charged based on Ministry of Transportation-determined rates, dependent on service volume and relevant market considerations.	
Selling and administrative expense	Port services rendered are charged based on Ministry of Transportation-determined rates, dependent on service volume and relevant market considerations.	Domestic transportation services are charged based on agreements, dependent on cargo weight and distance. Office rental is charged based on rental agreements. Commission expense is charged based on agreements.
Interest and financial charges		Interest and financial charges are based on agreed rate, which approximates a market rate.

Significant transactions for year ended 31 December 2017 and 2016 with related parties are summarized as follows:

	Unit : Thousand Baht			
	Consolidated		Separate	
	financial statements		financial statements	
	2017	2016	2017	2016
Subsidiaries				
Purchases of goods and receiving of services	-	-	430,694	257,576
Dividend income	-	-	56,100	15,300
Other income	-	-	18,901	14,129
Finance costs	-	-	-	587
Joint venture				
Sales of goods	2,251,010	722,573	2,251,010	722,573
Rendering of services	96,962	103,408	-	34,005
Purchases of goods and receiving of services	3,062	-	3,062	-
Other income	17,306	10,030	17,306	10,030
Selling and administrative expenses	462	1,799	455	1,798
Other related parties				
Sales of goods	3,572,147	4,611,667	3,572,147	4,611,284
Rendering of services	11,493	342,257	-	319,682
Purchases of goods and receiving of services (including other related expenses)	128,165	1,079,787	127,412	1,079,405
Other income	7,299	15,626	4,998	14,045
Selling and administrative expenses	393,949	369,192	386,576	362,467
Finance costs	-	61	-	61

	Unit : Thousand Baht			
	Consolidated		Separate	
	financial statements		financial statements	
	2017	2016	2017	2016
Key management personnel remuneration				
Short-term benefits	85,066	72,351	71,547	59,139
Statutory severance pay	2,430	1,914	2,430	1,914
Other long-term benefits	16	14	16	14
Total key management personnel remuneration	87,512	74,279	73,993	61,067

Balances as at 31 December 2017 and 2016 with related parties were as follows:

	Unit : Thousand Baht			
	Consolidated		Separate	
	financial statements		financial statements	
	2017	2016	2017	2016
Trade accounts receivable from related parties				
Joint venture				
Thai Cold Rolled Steel Sheet Public Company Limited	41,954	18,710	22,266	10,895
Other related parties				
B.S. Metal Co., Ltd.	1,838,312	2,236,547	1,838,312	2,236,476
Sahaviriya Panich Corporation Co., Ltd.	1,837,557	1,960,782	1,837,558	1,960,782
Others	1,425	2,077	-	-
Total	3,719,248	4,218,116	3,698,136	4,208,153
Less Allowance for doubtful accounts	(2,736,667)	(2,736,667)	(2,736,667)	(2,736,667)
Net	982,581	1,481,449	961,469	1,471,486

	Unit : Thousand Baht			
	Consolidated		Separate	
	financial statements	financial statements	financial statements	financial statements
	2017	2016	2017	2016
Other receivables from related parties				
Subsidiaries				
West Coast Engineering Co., Ltd.	-	-	36,904	13,541
Joint venture				
Thai Cold Rolled Steel Sheet Public Company Limited	1,731	42	23	42
Other related parties				
Vanomet AG (an advance payment for purchase of goods)	267,190	267,190	267,190	267,190
Sahaviriya Plate Mill Public Company Limited (net of allowance for doubtful accounts amount of Baht 48 million)	-	-	-	-
Line Transport Co., Ltd.	-	-	-	-
B.S. Metal Co., Ltd (net of allowance for doubtful accounts amount of Baht 13 million)	-	-	-	-
Others	1,388	475	952	475
Total	<u>270,309</u>	<u>267,707</u>	<u>305,069</u>	<u>281,248</u>

	Unit : Thousand Baht			
	Consolidated		Separate	
	financial statements	financial statements	financial statements	financial statements
	2017	2016	2017	2016
Accrued income				
Subsidiary				
West Coast Engineering Co., Ltd.	-	-	459	382
Joint venture				
Thai Cold Rolled Steel Sheet Public Company Limited	290	1,395	290	556
Other related parties				
Thai Coated Steel Sheet Co., Ltd.	4,625	3,824	4,625	3,824
Bangsaphan Barmill Public Company Limited	5,036	5,658	5,036	5,658
B.S. Metal Co., Ltd.	136	219	136	219
Others	-	949	-	-
Total	10,087	12,045	10,546	10,639

	Unit : Thousand Baht			
	Consolidated		Separate	
	financial statements	financial statements	financial statements	financial statements
	2017	2016	2017	2016
Trade accounts payable to related parties				
Subsidiaries				
West Coast Engineering Co., Ltd.	-	-	9,210	3,400
Prachuap Port Co., Ltd.	-	-	11,849	7,588
Other related parties				
B.S. Metal Co., Ltd.	37	1,145	37	1,145
Western Security Guard Co., Ltd.	217	208	-	-
SVL Corporation Co., Ltd.	43,410	34,828	43,392	34,810
Others	73	40	40	40
Total	43,737	36,221	64,528	46,983

	Unit : Thousand Baht			
	Consolidated		Separate	
	financial statements	financial statements	financial statements	financial statements
	2017	2016	2017	2016
Other payables to related parties				
Subsidiaries				
Prachuap Port Co., Ltd.	-	-	2,209	7,451
West Coast Engineering Co., Ltd.	-	-	1,601	2,206
Joint venture				
Thai Cold Rolled Steel Sheet				
Public Company Limited	-	303	-	8
Other related parties				
Prapawit Building Property Co., Ltd.	335	310	335	270
Thai Steel Sales Co., Ltd.	-	11,319	-	11,319
SVL Corporation Co., Ltd.	35,289	18,877	35,281	18,885
Sahaviriya Plate Mill Public Company Limited	4,300	4,724	4,300	4,300
Others	1,798	636	1,093	628
Total	41,722	36,169	44,819	45,067

	Unit : Thousand Baht			
	Consolidated		Separate	
	financial statements	financial statements	financial statements	financial statements
	2017	2016	2017	2016
Short-term loans from related parties				
Subsidiaries				
Prachuap Port Co., Ltd.	-	-	7,991	7,991
Other related parties				
The Company's director	-	223,274	-	223,274
Total	-	223,274	7,991	231,265

Movements during the year on short-term loans from related parties were as follows:

	Consolidated		Unit : Thousand Baht	
	financial statements		Separate	
	2017	2016	2017	2016
Subsidiaries				
At 1 January	-	-	7,991	8,000
Decrease	-	-	-	(9)
At 31 December	-	-	7,991	7,991
Other related parties				
At 1 January	223,274	637,000	223,274	637,000
Increase	-	-	-	-
Decrease	(223,274)	(413,726)	(223,274)	(413,726)
At 31 December	-	223,274	-	223,274

On 1 February 2016, the Company's director, lender under loan agreement amount of Baht 637 million, a loan creditor entered into sell and buy agreement and transferred the right on claiming to Sahaviriya Plate Mill Public Company Limited in the amount of Baht 413.7 million and B.S. Metal Co., Ltd. in the amount of Baht 223.3 million. In 2015 ,Sahaviriya Plate Mill Public Company Limited taken the debt amounts from transfer the right on claiming to offset with trade and other receivables with the Company and resulting to the Company has to record payables with the amount to be repaid to Sahaviriya Plate Mill Public Company Limited amount of Baht 4.3 million and in 2017, B.S. Metal Co., Ltd. taken the debt amount from transfer the right on claiming to offset with trade accounts receivable with the Company in the amount of Baht 223.3 million.

Significant agreements with related parties

Consortium agreement

On 20 January 2015 a subsidiary has entered into a consortium agreement with a local company in order to jointly-operate for projects from the State Railway of Thailand. As at 31 December 2017 the consortium has not operated the commercial operations.

5 Cash and cash equivalents

	Unit : Thousand Baht			
	Consolidated		Separate	
	financial statements		financial statements	
	2017	2016	2017	2016
Cash on hand	702	686	600	600
Cash at banks	1,558,068	424,369	1,472,242	355,936
Total	1,558,770	425,055	1,472,842	356,536

6 Trade accounts receivable

	Unit : Thousand Baht			
	Consolidated		Separate	
	financial statements		financial statements	
	2017	2016	2017	2016
Related parties	3,719,248	4,218,116	3,698,136	4,208,153
Other parties	507,323	307,809	492,309	287,879
Total	4,226,571	4,525,925	4,190,445	4,496,032
Less Allowance for doubtful accounts	(3,021,545)	(3,021,526)	(3,020,476)	(3,020,476)
Net	1,205,026	1,504,399	1,169,969	1,475,556

Aging analyses for trade accounts receivable were as follows:

	Unit : Thousand Baht			
	Consolidated		Separate	
	financial statements		financial statements	
	2017	2016	2017	2016
Related parties				
Within credit terms	234,491	1,476,186	216,546	1,471,486
Overdue:				
Less than 3 months	519,390	941,810	516,233	936,667
3-6 months	1,433,105	966,847	1,433,095	966,793
6-12 months	1,532,262	833,273	1,532,262	833,207
Over 12 months	-	-	-	-
	3,719,248	4,218,116	3,698,136	4,208,153
Less Allowance for doubtful accounts	(2,736,667)	(2,736,667)	(2,736,667)	(2,736,667)
	982,581	1,481,449	961,469	1,471,486

	Unit : Thousand Baht			
	Consolidated		Separate	
	financial statements		financial statements	
	2017	2016	2017	2016
Other parties				
Within credit terms	185,166	19,823	176,263	4,070
Overdue:				
Less than 3 months	2,157	2,860	-	-
3-6 months	32,237	-	32,237	-
6-12 months	2,617	-	-	-
Over 12 months	285,146	285,126	283,809	283,809
	507,323	307,809	492,309	287,879
Less Allowance for doubtful accounts	(284,878)	(284,859)	(283,809)	(283,809)
	222,445	22,950	208,500	4,070
Net	1,205,026	1,504,399	1,169,969	1,475,556

The normal credit terms granted by the Group ranges from 5 to 90 days.

7 Inventories

	Unit : Thousand Baht			
	Consolidated		Separate	
	financial statements		financial statements	
	2017	2016	2017	2016
Finished goods	2,189,583	1,654,806	2,189,583	1,666,492
Work in progress	6,876	26,192	-	-
Raw materials	2,541,168	2,515,451	2,537,102	2,522,113
Spare parts and factory supplies	752,806	778,511	752,806	772,777
Inventories under collateral management agreement (Note 16)	982,316	29,175	982,316	29,175
Goods in transit	1,309,923	1,994,128	1,309,924	1,994,128
	7,782,672	6,998,263	7,771,731	6,984,685
Less Allowance for decline in value	(414,353)	(488,517)	(414,353)	(488,420)
Net	<u>7,368,319</u>	<u>6,509,746</u>	<u>7,357,378</u>	<u>6,496,265</u>
Carrying value of inventories subject to retention of title clauses or otherwise pledged to secure liabilities	<u>-</u>	<u>3,902,128</u>	<u>-</u>	<u>3,894,381</u>

8 Deposits with financial institution with restriction

The Company used deposits with financial institution as guarantee against forward contract. Under the condition of such contract, the Company could not take such deposits for using based on the determined rate of the contract period.

A subsidiary used fixed deposits to guarantee against credit lines obtained from financial institution and letter of guarantee issued by banks.

9 Investments in subsidiaries

Investments in subsidiaries as at 31 December 2017 and 2016 were as follows:

Unit : Thousand Baht

Name of entity	Type of business	Separate financial statements										Dividend income for year periods ended	
		Ownership interest		Paid-up capital		Cost method		Impairment		At cost - net			
		2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
		(%)	(%)										
Prachuap Port Co., Ltd.	Deep-sea port and marine shipping services	51.00	51.00	400,000	400,000	204,000	204,000	-	-	204,000	204,000	56,100	15,300
West Coast Engineering Co., Ltd.	Maintenance services	99.99	99.99	75,000	75,000	75,000	75,000	-	-	75,000	75,000	-	-
Total						<u>279,000</u>	<u>279,000</u>	<u>-</u>	<u>-</u>	<u>279,000</u>	<u>279,000</u>	<u>56,100</u>	<u>15,300</u>

The management performed an impairment test on investments in subsidiaries by considering a recoverable amount using value-in-use approach determined by discounting expected future cash flows from the continuing operations of subsidiaries. As at 31 December 2017, the recoverable amount exceeds the carrying value of investments.

The key assumptions used to estimate the value-in-use were as follows:

	<u>2017</u>	<u>2016</u>
Discount Rate	9.35%	9.86%
Budgeted EBITDA growth rate (average four years)	16.25%	17.00%

10. Non-controlling interests

The following table summarises the information relating to each of the Group's subsidiaries that has a material non-controlling interest, before any intra-group eliminations:

	Unit : Thousand Baht			
	31 December 2017			
	Prachuap Port Co., Ltd.	Other individually immaterial subsidiaries	Intra-group eliminations	Total
Non-controlling interest percentage	49			
Current assets	102,376			
Non-current assets	1,290,265			
Current liabilities	(17,025)			
Non-current liabilities	(42,296)			
Net assets	1,333,320			
Carrying amount of non-controlling interest	<u>653,327</u>	9	(35,252)	618,084
Revenue	238,387			
Profit	52,122			
Other comprehensive income	-			
Total comprehensive income	<u>52,122</u>			
Profit allocated to non-controlling interest	<u>25,540</u>	8	(3,297)	22,251
Cash flows from operating activities	144,200			
Cash flows used in investing activities	(8,839)			
Cash flows used in financing activities (dividends to non-controlling interest: 53.9 million)	<u>(129,005)</u>			
Net decrease in cash and cash equivalents	<u>6,355</u>			

Unit : Thousand Baht

31 December 2016

	Prachuap Port Co., Ltd.	Other individually immaterial subsidiaries	Intra-group eliminations	Total
Non-controlling interest percentage	49			
Current assets	96,939			
Non-current assets	1,366,584			
Current liabilities	(33,946)			
Non-current liabilities	(38,379)			
Net assets	<u>1,391,198</u>			
Carrying amount of non-controlling interest	<u>681,687</u>	8,887	(40,842)	649,732
Revenue	282,386			
Profit	78,337			
Other comprehensive income	(710)			
Total comprehensive income	<u>77,627</u>			
Profit allocated to non-controlling interest	<u>38,385</u>	(96)	(3,663)	34,626
	<u>(348)</u>	143	(143)	(348)
Cash flows from operating activities	224,118			
Cash flows used in investing activities	(13,224)			
Cash flows used in financing activities				
(dividends to non-controlling interest: 14.7 million)	<u>(239,028)</u>			
Net decrease in cash and cash equivalents	<u>(28,134)</u>			

11. Investments in joint venture

Investments in joint venture as 31 December 2017 and 2016 were as follows:

Unit : Thousand Baht

		Consolidated financial statements												Dividend income for	
Name of entity	Type of business	Ownership interest		Paid-up capital		Cost method		Equity method		Impairment		At equity - net		year periods ended	
		2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
		%	%												
Thai Cold Rolled Steel Sheet Public Company Limited	Production and distribution of cold rolled coils	35.19	35.19	4,816,350	4,816,350	3,817,962	3,817,962	2,709,650	2,706,332	-	-	2,709,650	2,706,332	-	-
Total						3,817,962	3,817,962	2,709,650	2,706,332	-	-	2,709,650	2,706,332	-	-

Thai Cold Rolled Steel Sheet Public Company Limited has operated its business.

The Group/ the Company has pledged 150,176,007 common shares in a joint-venture, Thai Cold Rolled Steel Sheet Public Company Limited to Marubeni-Itochu Steel Inc. for a trading facility for the latter extended to Sahaviriya Steel Industries UK Limited. And the Company set-up a provision for loss on common shares in a joint-venture, Thai Cold Rolled Steel Sheet Public Company Limited pledged as collateral to Marubeni-Itochu Steel Inc. in the amount of Baht 513 million

Unit : Thousand Baht

Separate financial statements

Name of entity	Type of business	Ownership interest		Paid-up capital		Cost method		Impairment		At cost - net		Dividend income for year periods ended	
		2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
		(%)	(%)										
Thai Cold Rolled Steel Sheet Public Company Limited	Production and distribution of cold rolled coils	35.19	35.19	4,816,350	4,816,350	3,817,962	3,817,962	658,294	658,294	3,159,668	3,159,668	-	-
Total						3,817,962	3,817,962	658,294	658,294	3,159,668	3,159,668	-	-

Joint venture

The following table summarises the financial information of the joint venture as included in their own financial statements, adjusted for fair value adjustments at acquisition and differences in accounting policies. The table also reconciles the summarised financial information to the carrying amount of the Group's interest in these companies.

	Unit : Thousand Baht	
	2017	2016
Revenue	12,773,280	10,095,781
Profit from continuing operations	40,401	475,062
Other comprehensive income	939	26,823
Total comprehensive income	41,340	501,885
Attributable to NCI	26,792	325,272
Attributable to investee's shareholders	14,548	176,613
Current assets	3,857,403	2,942,233
Non-current assets	3,702,885	3,809,570
Current liabilities	(2,218,314)	(1,446,965)
Non-current liabilities	(53,151)	(57,354)
Net assets	5,288,823	5,247,484
Attributable to NCI	3,427,686	3,400,894
Attributable to investee's shareholders	1,861,137	1,846,590
Group's interest in net assets of investee at 1 January	2,706,332	2,529,084
Total comprehensive income attributable to the Group	3,318	177,248
Carrying amount of interest in investee at 31 December	2,709,650	2,706,332

Contingent liabilities and commitments relating to the joint venture:

	2017	2016
Contingent liabilities directly incurred by the Group		
Group's share of the joint venture's contingent liabilities	Baht 9 million	Baht 20 million
Capital commitments in relation to interest in joint venture		
Group's share of the joint venture according to		
- from capital expenditure	Baht 87 million, USD 0.18 million, JPY 0.25 million, GBP 0.11 million and Euro 0.11 million	Baht 65 million, USD 0.21 million, JPY 43 million, GBP 0.11 million and Euro 0.07 million
- from non-cancellable operating lease commitments	Baht 7 million	Baht 1 million
- from raw materials and chemical purchases	Baht 103 million, and USD 13.51 million	Baht 228 million, and USD 8.55 million
- from other contracts	Baht 11 million and JPY 11 million	Baht 1 million and JPY 11 million

Management performed an impairment test on the investments in joint venture by considering a recoverable amount using value-in-use approach determined by discounting expected future cash flows from the continuing operations of a joint venture. As at 31 December 2017 the recoverable amount exceeds the carrying value of investments.

The key assumptions used to estimate the value-in-use were as follow:

	2017	2016
	%	%
Discount rate	7.02	10.23%
Budgeted EBITDA growth rate (average 5 years – forward)	4.90	11.00%

12. Other long-term investment

Other long-term investment as at 31 December 2017 and 2016 were as follows:

Unit : Thousand Baht

		Consolidated and Separate financial statements										Dividend income	
Name of entity	Type of business	Ownership interest		Paid-up capital		Cost method		Impairment		At cost - net		for year ended	
		2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
		(%)	(%)										
Thai Coated Steel Sheet Co., Ltd.	Manufacturing and distribution of Electro Galvanized Steel Sheet	3.70	3.70	2,206,990	2,206,990	294,000	294,000	294,000	294,000	-	-	-	-
Total						294,000	294,000	294,000	294,000	-	-	-	-

13. Property, plant and equipment

Unit : Thousand Baht

Consolidated financial statements							
	Land and land improvement	Factory and office buildings	Machinery, tool and factory equipment	Office furniture, fixtures and equipment	Vehicles	Assets under construction and installation	Total
Cost							
At 1 January 2016	1,627,704	2,051,890	18,839,042	200,930	104,646	637,620	23,461,832
Additions	-	187	8,403	5,366	100	146,073	160,129
Transfers	-	6,400	86,094	3,049	-	(95,543)	-
Transfers to cost of inventory	-	-	-	-	-	(187,349)	(187,349)
Disposals	-	-	(2,648)	(6,191)	(5,585)	-	(14,424)
At 31 December 2016	1,627,704	2,058,477	18,930,891	203,154	99,161	500,801	23,420,188
Additions	615	334	76,873	28,194	52	274,535	380,603
Transfers	-	745	105,705	1,143	-	(107,593)	-
Transfers to cost of inventory	-	-	-	-	-	(186,709)	(186,709)
Disposals	-	-	(94,417)	(22,325)	(514)	-	(117,256)
At 31 December 2017	1,628,319	2,059,556	19,019,052	210,166	98,699	481,034	23,496,826

Unit : Thousand Baht

Consolidated financial statements

	Land and land improvement	Factory and office buildings	Machinery, tool and factory equipment	Office furniture, fixtures and equipment	Vehicles	Assets under construction and installation	Total
Depreciation and impairment losses							
At 1 January 2016	655,125	1,627,245	8,754,733	175,436	85,512	-	11,298,051
Depreciation charge for the year	512	49,586	413,375	11,785	8,163	-	483,421
Disposals	-	-	(2,633)	(6,153)	(5,585)	-	(14,371)
Impairment losses	-	-	-	-	-	19,000	19,000
At 31 December 2016	655,637	1,676,831	9,165,475	181,068	88,090	19,000	11,786,101
Depreciation charge for the year	363	42,783	418,692	12,646	6,152	-	480,636
Disposals	-	-	(49,722)	(21,728)	(503)	-	(71,953)
At 31 December 2017	656,000	1,719,614	9,534,445	171,986	93,739	19,000	12,194,784
Net book value							
At 31 December 2016							
Owned assets	972,067	381,646	9,519,386	22,086	8,017	481,801	11,385,003
Assets under finance leases and hire-purchases	-	-	246,030	-	3,054	-	249,084
Total	972,067	381,646	9,765,416	22,086	11,071	481,801	11,634,087
At 31 December 2017							
Owned assets	972,319	339,942	9,475,224	38,180	4,960	462,034	11,292,659
Assets under finance leases and hire-purchases	-	-	9,383	-	-	-	9,383
Total	972,319	339,942	9,484,607	38,180	4,960	462,034	11,302,042

Unit : Thousand Baht

Separate financial statements

	Land and land improvement	Factory and office buildings	Machinery, tool and factory equipment	Office furniture, fixtures and equipment	Vehicles	Assets under construction and installation	Total
Cost							
At 1 January 2016	1,004,896	1,890,585	16,404,731	160,420	74,185	623,046	20,157,863
Additions	-	187	3,527	4,932	14	110,638	119,298
Transfer	-	6,400	56,300	3,050	-	(65,750)	-
Transfers to cost of inventory	-	-	-	-	-	(187,349)	(187,349)
Disposals	-	-	(1,982)	(5,226)	(4,209)	-	(11,417)
At 31 December 2016	1,004,896	1,897,172	16,462,576	163,176	69,990	480,585	20,078,395
Additions	-	264	34,876	22,178	52	274,253	331,623
Transfer	-	745	96,571	1,143	-	(98,459)	-
Transfer to cost of inventory	-	-	-	-	-	(186,709)	(186,709)
Disposals	-	-	(28,438)	(16,160)	(514)	-	(45,112)
At 31 December 2017	1,004,896	1,898,181	16,565,585	170,337	69,528	469,670	20,178,197

Unit : Thousand Baht

Separate financial statements

	Land and land improvement	Factory and office buildings	Machinery, tool and factory equipment	Office furniture, fixtures and equipment	Vehicles	Assets under construction and installation	Total
Depreciation and impairment losses							
At 1 January 2016	339,925	1,536,627	7,477,860	141,967	62,433	-	9,558,812
Depreciation charge for the year	372	43,590	318,541	9,135	5,367	-	377,005
Disposals	-	-	(1,968)	(5,196)	(4,209)	-	(11,373)
At 31 December 2016	340,297	1,580,217	7,794,433	145,906	63,591	-	9,924,444
Depreciation charge for the year	98	39,295	327,341	9,582	3,425	-	379,741
Disposals	-	-	(12,288)	(15,960)	(503)	-	(28,751)
At 31 December 2017	340,395	1,619,512	8,109,486	139,528	66,513	-	10,275,434
Net book value							
At 31 December 2016							
Owned assets	664,599	316,955	8,668,143	17,270	3,345	480,585	10,150,897
Assets under finance leases and hire-purchases	-	-	-	-	3,054	-	3,054
Total	664,599	316,955	8,668,143	17,270	6,399	480,585	10,153,951
At 31 December 2017							
Owned assets	664,501	278,669	8,456,099	30,809	3,015	469,670	9,902,763
Assets under finance leases and hire-purchases	-	-	-	-	-	-	-
Total	664,501	278,669	8,456,099	30,809	3,015	469,670	9,902,763

Assets value of the Group before accumulated depreciation of building and equipment which were fully depreciated but are still in use up to December 31, 2017 amounted to Baht 2,597.4 million (2016: Baht 2,514.1 million).

Assets value of the Company before accumulated depreciation of building and equipment which were fully depreciated but are still in use up to December 31, 2017 amounted to Baht 2,068 million **(2016: Baht 1,972 million)**.

As at 31 December 2016, the Group recorded an impairment loss on asset of Baht 19 million.

As at 31 December 2017, the Group/ the Company has mortgaged/ pledged assets amounting to approximately Baht 9,428 million and Baht 9,113 million respectively **(2016: Baht 9,733 million and Baht 9,418 million)**, respectively, as collateral against bank overdrafts, short-term borrowings and long-term borrowings from financial institutions, and letter of guarantee for electricity, port and goods warehouse, as described in Note 15, 18 and 29 to financial statements.

14. Deferred tax

Deferred tax assets and liabilities as at 31 December 2017 and 2016 were as follows:

	Unit : Thousand Baht			
	Consolidated financial statements			
	Assets		Liabilities	
	2017	2016	2017	2016
Total	29,405	37,868	(72,955)	(102,631)
Tax offsetting	(11,552)	(12,201)	11,551	12,201
Net deferred tax assets (liabilities)	<u>17,853</u>	<u>25,667</u>	<u>(61,404)</u>	<u>(90,430)</u>

	Unit : Thousand Baht			
	Separate financial statements			
	Assets		Liabilities	
	2017	2016	2017	2016
Deferred tax liabilities	<u>-</u>	<u>-</u>	<u>(31,280)</u>	<u>(63,139)</u>

Movements of deferred tax assets and liabilities during the period were as follows:

Unit : Thousand Baht

Consolidated financial statements				
(Charged)/Credited to:				
	At 1 January	Other comprehensive		At 31
	2017	Profit or loss	income	December 2017
Deferred tax assets				
Trade accounts receivable	210	4	-	214
Inventories	19	(19)	-	-
Other current assets	22	(22)	-	-
Property, plant and equipment	13,600	(3,436)	-	10,164
Employee benefit obligations	9,789	(3,194)	-	6,595
Taxable loss carry forward	14,228	(1,796)	-	12,432
Total	37,868	(8,463)	-	29,405
Deferred tax liabilities				
Other current assets	(312)	55	-	(257)
Property, plant and equipment	(93,360)	28,723	-	(64,637)
Employee benefit obligations	(6,342)	3,598	-	(2,744)
Finance lease liabilities	(2,617)	(2,700)	-	(5,317)
Total	(102,631)	29,676	-	(72,955)

Unit : Thousand Baht

Separate financial statements				
(Charged)/Credited to:				
	At 1 January	Other comprehensive		At
	2017	Profit or loss	income	31 December 2017
Deferred tax liabilities				
Property, plant and equipment	(60,395)	31,859	-	(28,536)
Employee benefit obligations	(2,744)	-	-	(2,744)
Total	(63,139)	31,859	-	(31,280)

Deffered tax assets resulted from temporary differences which had not been recognized in the financial statements as at 31 December 2017 and 2016 are detailed below :

	Consolidated financial statements		Unit : Thousand Baht Separate financial statements	
	2017	2016	2017	2016
Deferred tax assets				
- Deductible temporary differences	7,673,301	7,779,268	7,673,301	7,725,190
- Tax losses	561,592	1,692,146	561,592	1,692,146
Net	<u>8,234,893</u>	<u>9,471,414</u>	<u>8,234,893</u>	<u>9,417,316</u>

Tax losses of the companies in Thailand will expire in 2018 - 2023. Temporary differences do not expire under current tax legislation. The Group and the Company has not recognized deferred tax assets in respect of these items because it is not probable that future taxable profit will be available against which the Group and the Company can utilise the benefits therefrom or temporary differences will be reversed in the future.

15. Short term borrowings from financial institution

As at 31 December 2017, the Group had unutilized credit facilities total amount of Baht 102.9 million and the Company had no credit facilities (2016: Baht 57 million for the Group only and no credit facilities for the Company).

Short-term borrowings from PPC, a subsidiary are guaranteed by mortgaging land with its construction structured thereon and / in the future of the subsidiary. Bank overdrafts and short-term borrowings of WCE, a subsidiary are guaranteed by mortgaging land with its construction and transferring the privileges derived from assets insurance of such subsidiary, fixed deposit of subsidiary as stated in notes 8 and 13 to financial statements.

16. Trade Accounts Payable

	Unit: Thousand Baht			
	Consolidated		Separate	
	financial statements		financial statements	
	2017	2016	2017	2016
Related parties	43,737	36,221	64,528	46,983
Other parties	<u>2,989,319</u>	<u>2,208,083</u>	<u>2,937,680</u>	<u>2,157,993</u>
Total	<u><u>3,033,056</u></u>	<u><u>2,244,304</u></u>	<u><u>3,002,208</u></u>	<u><u>2,204,976</u></u>

Inventory under collateral management agreement

The Company entered into the collateral management agreements with two companies which are incorporated in Singapore and Japan. Under the terms of the agreements, the Company has to pay a partial deposit and the remainder when withdrawing inventory from the representative company. The Company retains all or a significant portion of the risks and rewards relating to the collateralised inventory. Inventory is stored in the warehouse facilities for which that counter party appoints a representative to act as the collateral manager. These transactions are treated as inventory under collateral management agreements and trade payable under collateral management agreements within the statement of financial position.

17 Other Current Liabilities

	Unit : Thousand Baht			
	Consolidated		Separate	
	financial statements		financial statements	
	2017	2016	2017	2016
Accrued expense	118,470	170,620	110,809	156,598
Other payables	50,541	30,865	34,855	24,681
Amounts received in advance from sales of				
goods	291,195	271,370	283,929	262,696
Others	<u>52,843</u>	<u>33,946</u>	<u>33,616</u>	<u>22,236</u>
Total	<u><u>513,049</u></u>	<u><u>506,801</u></u>	<u><u>463,209</u></u>	<u><u>466,211</u></u>

18 Liabilities under Rehabilitation Plan

	Unit : Thousand Baht			
	Consolidated		Separate	
	financial statements		financial statements	
	2017	2016	2017	2016
Current portion				
Other payables	60,632	73,450	60,632	73,450
Long-term borrowings from financial institution	1,038,619	1,013,619	1,038,619	1,013,619
Provisions under guarantee contract	498,485	455,667	498,485	455,667
	<u>1,597,736</u>	<u>1,542,736</u>	<u>1,597,736</u>	<u>1,542,736</u>
Non-current portion				
Other payables	1,853,026	1,910,854	1,853,026	1,910,854
Long-term borrowings from financial institution	23,319,835	24,599,427	23,319,835	24,599,427
Provisions under guarantee contract	25,476,910	28,489,629	25,476,910	28,489,629
	<u>50,649,771</u>	<u>54,999,910</u>	<u>50,649,771</u>	<u>54,999,910</u>
	<u>52,247,507</u>	<u>56,542,646</u>	<u>52,247,507</u>	<u>56,542,646</u>
Accrued interest expenses	<u>8,277,827</u>	<u>7,617,098</u>	<u>8,277,827</u>	<u>7,617,098</u>
Total liabilities under business rehabilitation plan	<u>60,525,334</u>	<u>64,159,744</u>	<u>60,525,334</u>	<u>64,159,744</u>

Movement of liabilities under business rehabilitation plan for the year ended December 31, 2017 are as follows:

	Unit : Thousand Baht
	Consolidated and Separate financial statement
At 1 January 2017	56,542,646
Gain on exchange rate	(2,477,199)
Repayments	<u>(1,817,940)</u>
At 1 December 2017	<u>52,247,507</u>

Liabilities under business rehabilitation of secured portion, detailed of security, land building and equipment as stated in notes 13 to financial statements.

In 2015, the major lender called for repayments immediately for the remained borrowings amount of USD 788 million and GBP 1 million respectively (equal to Baht 28,384 million and Baht 46 million respectively) and in Thai Baht 1.6 million with Sahaviriya steel Industry UK and subsequently, the major lender requested for the responsibility of the Company in being a guarantor for the debt amount.

As a result, the Company could not maintained the financial ratio and did not made repayment of the matured principal and interest to the bank. The major lender called for repayment of total amounts immediately, caused to the Board of directors of the Company approved the Company to file the rehabilitation to the Central Bankruptcy Court on 1 October 2015 which resulted from the rehabilitation plan was approved by the Central Bankruptcy Court on 15 December 2016, long-term borrowings form financial institutions, provisions from being guarantor and other payables under rehabilitation plan with obligated interest are part of rehabilitation plan (see note 20). The reclassified of such borrowings, provisions, and other payables under rehabilitation plan with obligated interest as at 31 December 2017 are conformed to the debts settlement as stipulated in the Plan.

Liabilities under rehabilitation plan as at 31 December 2017 and 2016 classified by currency as follows:

	Unit : Thousand Baht			
	Consolidated		Separate	
	financial statements		financial statements	
	2017	2016	2017	2016
Baht	26,731,983	25,070,775	26,731,983	25,070,775
USD	25,515,524	31,425,634	25,515,524	31,425,634
GBP	-	46,237	-	46,237
Total	<u>52,247,507</u>	<u>56,542,646</u>	<u>52,247,507</u>	<u>56,542,646</u>

19. Non-current Provisions for employee benefit

	Unit : Thousand Baht			
	Consolidated		Separate	
	financial statements		financial statements	
	2017	2016	2017	2016
Statements of financial position as at 31				
December				
Obligations in statements of financial position for:				
Statutory severance pay	179,590	169,738	150,452	138,405
Other long-term employee benefits	12,429	8,834	8,595	9,060
Total	192,019	178,572	159,047	147,465
Year ended 31 December				
Statement of comprehensive income				
Recognized in profit or loss:				
Statutory severance pay	15,371	21,699	11,969	17,972
Other long-term employee benefits	5,174	2,376	4,729	1,717
Total	20,545	24,075	16,698	19,689
Recognized in other comprehensive income:				
Actuarial gains recognized in the year	-	(46,787)	-	(29,680)

Statutory Severance Pay

The Group and the Company operate defined benefit plans based on the requirement of Thai Labour Protection Act B.E. 2541 (1998) to provide retirement benefits to employees based on pensionable remuneration and length of service.

The movement in the present value of the defined benefit obligations for the year ended 31 December 2017 and 2016 were shown in the table below:

	Unit : Thousand Baht			
	Consolidated		Separate	
	financial statements		financial statements	
	2017	2016	2017	2016
Defined benefit obligations at 1 January	178,572	211,276	147,465	160,395
Recognized in profit or loss:				
Current service costs and interest	20,545	24,075	16,698	19,689
Recognized in other comprehensive income:				
Actuarial gains recognized in the year	-	(46,787)	-	(29,680)
Others				
Benefits paid by the plan	(7,098)	(9,992)	(5,116)	(2,939)
Defined benefit obligations at 31 December	192,019	178,572	159,047	147,465

Actuarial gains and losses recognized in other comprehensive income arising from:

	Unit : Thousand Baht			
	Consolidated		Separate	
	financial statements		financial statements	
	2017	2016	2017	2016
Demographic assumptions	-	(52,553)	-	(50,958)
Financial assumptions	-	21,298	-	21,368
Experience adjustment	-	(15,532)	-	(90)
Total	-	(46,787)	-	(29,680)

Actuarial assumptions

The following were the principal actuarial assumptions at the reporting date (expressed as weighted averages).

	Unit : Thousand Baht			
	Consolidated		Separate	
	financial statements		financial statements	
	2017	2016	2017	2016
Discount rate	3.03 - 3.20	3.03 - 3.20	3.03	3.03
Future salary growth	5.59 - 6.64	5.59 - 6.64	6.59	6.59

Assumptions regarding future mortality have been based on published statistics and mortality tables

Sensitivity analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligations by the amounts shown below:

	Unit : Thousand Baht			
	Consolidated		Separate	
	financial statements		financial statements	
	Increase	Decrease	Increase	Decrease
Defined benefit obligation				
31 December 2017				
Discount rate (0.5% movement)	(6,305)	6,696	(5,304)	5,629
Future salary growth (0.5% movement)	6,356	(6,000)	5,306	(5,041)
Employee turnover rate (1% movement)	(14,670)	16,556	(12,239)	13,794

Although the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumptions shown.

20 Business rehabilitation plan

On 1 October 2015, the Board of the Company approved the Company to file the petition for business rehabilitation to the Central Bankruptcy Court. Subsequent on 10 March 2016, the Central Bankruptcy Court has ordered the Company to rehabilitate the business and appointed the Company to be a planner (“ the Planner”) which announced in the Royal Gazette on 26 April 2016.

As at 15 September 2016, the Official Receiver arranged the creditors meeting for considering the plan and the creditors’ meeting passed the special resolution to accept the rehabilitation plan (the Plan) and appointed three creditors to be the Board of creditors, consist of Siam Commercial Bank Public Company Limited, Krung Thai Bank Public Company Limited and Tisco Bank Public Company Limited.

As at 15 December 2016, the Central Bankruptcy Court has ordered to approve with the Plan which determined the Company to be a planner.

On 14 February 2017, a creditor filed to appeal the order to approve with the plan to the central Bankruptcy Court . The appeal was served to the Appeal and specialized Court for trying the appeal. As at 28 February 2018, the ultimate outcome of appeal have not been known.

The significant of rehabilitation plan which was ordered for approval by the Central Bankruptcy Court is as follows:

1. Classification of the creditor

The Business Rehabilitation Plan (the “Plan”) has classified the creditors who filed applications for repayment of debts into 13 classes. The total debt claim in Baht denominator is Baht 33,849.9 million and in other currencies which include USD denominator of USD 990.9 million, GBP denominator of GBP 4.6 million and EUR denominator of EUR 0.1 million (computed in Baht denominator with the exchange rate as at 10 March 2016, the date that the Court issued Rehabilitation Order in which the exchange rate for USD 1 = Baht 35.4546, GBP 1 = Baht 50.5173 and EUR 1 = Baht 39.0923. Thus, the total debt claim is in Thai Baht equivalent of Baht 69,220.2 million). Detail is as follows:

Class No.	Creditor	Total indebtedness amount equivalent to Thai Baht (in thousand Baht)		
		Principal	Interest	Total
1	Secured creditors	9,780,633	8,764	9,789,397
2	Financial institution creditors for the portions of debt claims that exceed the appraised value of the collateral	12,468,299	2,271,120	14,739,419
3	Financial institution creditors who are the joint creditors under the Debt Restructuring Agreement	3,968,607	526,228	4,494,835
4	Creditor of guarantee obligations for loan repayment	28,006,355	1,865,495	29,871,850
5	Suppliers of key raw materials	1,592,058	172,264	1,764,322
6	Government agencies and authorities	177,397	204,022	381,419
7	Related party creditors	872,574	587	873,161
8	Trade accounts payable	15,110	387	15,497
9	Creditor under the guarantee agreement	3,545,460	224,786	3,770,246
10	Creditor of contingent liabilities relating to guarantees	1,185,026	-	1,185,026
11	Creditor of fines and/or damages incurred in relation to defaults of contract	279,391	-	279,391
12	Creditor of professional fees under consultant agreements	1,927,893	21,251	1,949,144
13	Issuers of bank guarantees	105,562	925	106,487
	Total	63,924,365	5,295,829	69,220,194

Remark: All creditors who filed applications for repayment of debts to the Official Receiver will receive payment under the terms and conditions set forth in the Plan when the Official Receiver, the Bankruptcy Court, or the Supreme Court (as applicable) issues a final order to validate the debt.

2. Capital Restructuring

On the date that the Court issued Rehabilitation Order, the Company had registered capital amount of Baht 50,263.7 million with the registered number of ordinary shares equivalent to 50,263.7 million shares at the par value of Baht 1 per share. The issued and paid up share capital was Baht 32,166.3 million and unissued share capital was Baht 18,097.4 million. The Plan Administrator will restructure the capital as follows:

2.1 Decrease the unissued ordinary shares

Within 90 days after the date the Court issues an order approving the Plan (“Court’s Plan Approval Date”), the Company has to decrease the registered but unissued ordinary shares of 18,097.4 million shares. Such decrease will bring down the total value of the registered shares to be equivalent to the total value of issued and paid up shares at Baht 32,166.3 million comprising of 32,166.3 million ordinary shares at the par value of Baht 1 per share.

2.2 Decrease the issued and paid up share capital by reducing the number of issued and paid up shares

Within 90 days after the date the Court’s Plan Approval Date, the Company has to decrease the registered share capital from Baht 32,166.3 million to approximately Baht 1,109 million by reducing the number of ordinary shares by applying the ratio of existing shares 29 shares to 1 share. After such reduction, the Company will have the total value of its registered and paid up shares equivalent to approximately Baht 1,109 million comprising of 1,109 million ordinary shares at the par value of Baht 1 per share.

2.3 Increase the share capital by the 1st Debt to Equity Conversion

Within 90 days after the date the Court’s Plan Approval Date, the Company has to increase the total value registered and paid up shares by Baht 10,000 million by issuing ordinary shares at the amount of 10,000 million shares to be the reserve shares for debt to equity conversion for the creditor in class 2 and/or 3 and/or 4 in conformity with the conditions as stipulated in the Plan. The conversion will be Baht 0.05 per 1 share. After such execution, the Company will have the registered and paid up share capital of approximately Baht 11,109 million comprising of 11,109 issued and paid up ordinary shares at the par value of Baht 1 per share. Nonetheless, the timeframe for the decrease of unissued ordinary shares, the decrease of the issued and paid up share capital and the increase of the share capital by the 1st Debt to Equity Conversion may be extended for not more than 90 days.

2.4 Increase of registered share capital for the 2nd Debt to Equity Conversion

After the completion of the 1st Debt to Equity Conversion, in case where the creditor may proceed the 2nd Debt to Equity Conversion, their debt will be repaid by the Company’s ordinary shares to be newly issued in conformity with the conditions as stipulated in the Plan. The Plan Administrator will have to increase the registered share capital and increase the issued and paid up share capital by issuing adequate number of ordinary shares at the par value of Baht 1 per share to be the reserve shares for the 2nd Debt to Equity Conversion of each and every creditor whose debt will be repaid by the 2nd Debt to Equity Conversion in conformity with the conditions as stipulated in the Plan. The conversion price per 1 share will be the market price per share (the market as of the date the creditor indicate their intention for the 2nd Debt to Equity Conversion; if there is not a market price, the conversion price will be Baht 0.05 per share). In the allocation of the increased ordinary shares for debt repayment to the creditor as per the aforementioned, the Company can consider to register the issued and paid up shares one or more times.

2.5 Increase the share capital for debt to equity conversion for the creditor class 7, 9 and 12

Under the principles of the debt repayment of this Plan, the Plan Administrator will have to increase the registered share capital and increase the issued and paid up share capital by issuing adequate number of ordinary shares at the par value of Baht 1 per share to be the reserve shares for the debt to equity conversion of the creditor class 7, 9 and 12 of the Plan. The conversion price will be Baht 0.05 per 1 share as stipulated in the Plan. In the allocation of the increased ordinary shares for debt repayment to the creditor as per the aforementioned, the Company can consider to register the issued and paid up shares one or more times.

3. Debt repayment of each creditor class

3.1 Creditor Class 1 (Secured creditor)

- 3.1.1 The outstanding principal of Baht 9,780.6 million will be repaid from cash flow for debt repayment and/or excess cash. The creditor will be paid for 144 monthly instalment payments (the 1st month commencing from the month after the month that the Court approves the Plan).
- 3.1.2 (a) From the date after the Court ordered the business rehabilitation to the Court's Plan approval date, the Creditor Class 1 will be entitled to receive interim interest on the outstanding principal at the rate of 7.5% per annum. Such interim interest will be accrued and paid in the 144th month.
- (b) From the date after the Court's Plan Approval Date until the date the total debt is paid in full, the Creditor Class 1 will be entitled to receive New Interest on the principal at the rate of MLR% per annum; nonetheless, the actual interest payment will be at the rate of 0.5% . The difference between the new interest and the actual interest ("deferred new interest Portion") will be accrued and paid in the 144th month.
- 3.1.3 In case the Company executes the 2nd Debt to Equity Conversion, the Creditor Class 1 will receive interest payment at the rate of MLR% per annum from the date after the 2nd Debt to Equity Conversion date.
- 3.1.4 After the Creditor Class 1 receives the repayment of debt in full as stipulated in the Plan which includes the prepayment of debt in full, or the Company has completed the 2nd Debt to Equity Conversion to the creditor who may convert their debt into shares in the 2nd Debt to Equity Conversion, the Creditor Class 1 agrees to waive the interim interest and the deferred new interest portion by 50% of such interim interest and the deferred new Interest Portion
- 3.1.5 With regards to the outstanding interest of Baht 8.8 million, the remaining interim interest and the remaining deferred new Interest Portion from clause 3.1.4, the Creditor Class 1 will be repaid in the 144th month. However, if the Company repays the principals of the Creditor Class 2, 3, 4 and 5 in full in any year, the Company will pay the outstanding interest, the remaining interim interest and the remaining Deferred New Interest Portion to the Creditor Class 1 in the same year.

3.1.6 Moreover, during the plan administration period, the Creditor Class 1 who has collaterals which are the shares owned by the Company, can opt to receive the repayment of its outstanding principle and interest in full by transferring the share collaterals to offset such amount. In this event, such Creditor agrees to immediately waive the interim interest and the deferred new interest portion in full on the closing date of the transfer of shares.

3.2 Creditors, Class 2, 3, 4 and 5

3.2.1 Creditor Class 2 (Financial institution creditors for the portions of debt claims that exceed the appraised value of the collateral). The outstanding principal of Baht 2,319.2 million will be repaid from cash flow for debt repayment and/or excess cash. The creditor will be paid for 144 monthly instalment payments (the 1 st month commencing from the month after the month that the Court approves the Plan). The remaining principal of Baht 10,149.1 million will be repaid in the 144th month from the new funding and/or refinancing and/or excess cash.

3.2.2 Creditor Class 3 (Financial institution creditors who are the joint creditors under the Loan Rescheduling Agreement). The outstanding principal of Baht 722.6 million will be repaid from cash flow for debt repayment and/or excess cash. The creditor will be paid for 144 monthly instalment payments (the 1 st month commencing from the month after the month that the Court approves the Plan). The remaining principal of Baht 3,246.0 million will be repaid in the 144th month from the new funding and/or refinancing and/or excess cash.

3.2.3 Creditor Class 4 (Creditor of guarantee obligations for loan repayment). The outstanding principal of Baht 5,209.4 million will be repaid from cash flow for debt repayment and/or excess cash. The creditor will be paid for 144 monthly instalment payments (the 1st month commencing from the month after the month that the Court approves the Plan). The remaining principal of Baht 22,796.9 million will be repaid in the 144th month from the new funding and/or refinancing and/or excess cash.

3.2.4 Creditor Class 5 (Suppliers of key raw materials). The outstanding principal of Baht 291.7 million will be repaid from cash flow for debt repayment and/or excess cash. The creditor will be paid for 144 monthly installment payments (the 1st month commencing from the month after the month that the Court approves the Plan). The remaining principal of Baht 1,300.3 million will be repaid in the 144th month from the new funding and/or refinancing and/or excess cash. However, if the creditor in Class 5 have debt payable to the Company, the Plan Administrator must set off the repayment against such debt payable before repaying the installment payment.

3.2.5 From the date after the Court ordered the business rehabilitation to the Court's Plan Approval Date, the Creditor Classes 2, 3, 4 and 5 will be entitled to receive interim interest on the outstanding principal. Such interim interest will be accrued and paid in the 144th month. In addition, from the date after the Court's Plan Approval Date until the date the total debt is paid in full, the Creditor Classes 2, 3, 4 and 5 will be entitled to receive New Interest at the rate on the principals as follow:

1st Month – 60th Month	1.00% per annum
61th Month – 84th Month	1.75% per annum
85th Month – 96th Month	2.00% per annum
97th Month – 108th Month	2.25% per annum
109th Month – 120th Month	2.50% per annum
121th Month – 144th Month	2.75% per annum

In this regards, the creditor will receive actual interest payment at the rate of 0.1% per annum. The deferred new interest portion, which is the difference between the new interest and the actual interest, will be accrued and paid in the 144th month.

3.2.6 The Creditor Classes 2 and 4 will receive partial principal repayment by the Company's ordinary shares. The Creditor Class 3 has the right to receive partial principal repayment by the Company's ordinary shares under the 1st Debt to Equity Conversion as stipulated in the Plan.

3.2.7 The Creditor Classes 2, 3, 4 and 5 have the right to notify the Company of their intention to receive principal repayments by Company's ordinary shares under the 2nd Debt to Equity Conversion as stipulated in the Plan.

3.2.8 In case the Company executes the 2nd Debt to Equity Conversion, if there are remaining outstanding principals, the interest computed and actually paid from the date after the 2nd Debt to Equity Conversion date until the date the creditor' principals are fully paid will be MLR% per annum for Creditor Classes 2, 3 and 5, and LIBOR+4.5% per annum for Creditor Class 4.

3.2.9 The creditor Classes 2, 3, 4 and 5 agree to waive the entire amount of outstanding interests of Baht 2,271.1 million, Baht 526.2 million, Baht 1,865.5 million and 172.3 million accordingly, as well as the entire interim interests and the deferred new interest portions after their principals have been paid in full as stipulated in the Plan which include the prepayment of debt in full, or have been converted to equity in the 2nd Debt to Equity Conversion as stipulated in the Plan.

3.2.10 The debt of the Creditor Class 4 is the right to claim on the Company in the capacity of the guarantors of Sahaviriya Steel Industries UK Limited (“SSI UK”). Therefore, in case the creditor in Class 4 receive debt repayment from the liquidation process of SSI UK at whichever amount, their right to receive repayment from the Company as stipulated in the Plan will be decreased at same amount by reducing the installment repayment of the principals of the Creditor Class 4 in inverse order.

3.3 Creditor Class 6 (Government agencies and authorities)

3.3.1 The outstanding principal of Baht 177.4 million will be repaid from cash flow for debt repayment. The creditor will be paid for 60 monthly installment payments (the 1st month commencing from the month after the month that the Court approves the Plan).

3.3.2 Any other debt owed to the Creditor Class 6 including the penalty and surcharge of Baht 204.0 million, outstanding interest, defaulted interest, fines, statutory costs, expenses and others incurred from contracts and/or law whose repayments have not been stipulated in this Plan will be immediately waived for the entire amount after the completion of the debt repayment to such Creditor under the Plan.

3.4 Creditor Class 7 (Related party creditors)

3.4.1 The outstanding principal of Baht 872.6 million will be repaid by the increase in the Company’s ordinary shares with the conversion price at Baht 0.05 per share within the last working day of the 84th month (the 1st month commencing from the month after the month that the Court approves the Plan). If, however, within such period of time, any Creditor in Class 7 has yet received the final judgment of its debt claim, the Plan Administrator must increase the Company’s registered ordinary shares in advance to be the reserve shares for the debt to equity conversion of the Creditor Class 7 and increase the number of issued and paid up shares after the final judgment of the debt claim is issued.

3.4.2 Any other debt owed to the Creditor Class 7 including the outstanding interest of Baht 0.6 million defaulted interest, fines, penalty, surcharge, statutory costs, expenses and others incurred from contracts and/or law whose repayments have not been stipulated in this Plan will be immediately waived for the entire amount after the completion of the debt repayment to such creditor under the Plan.

3.5 Creditor Class 8 (Trade creditor)

The debt of the Creditor Class 8 comprises of the outstanding principal of Baht 15.1 million. Each Creditor will be repaid from cash flow for debt repayment under the normal business terms and conditions.

3.6 Creditor Class 9 (Creditor under the guarantee agreement)

3.6.1 The debt of the Creditor Class 9 comprises of the outstanding principal of Baht 3,545.5 million and the outstanding interest of Baht 224.8 million. Such debt will be repaid as stipulated in the Plan when the Creditor in Class 9 in the capacity of the joint guarantor pays the principal debt on behalf of SSI UK and the principal debt of such principal creditors as per the Senior Facilities Agreement dated 16 March 2011 (and the subsequent amendments) must be already repaid in full.

3.6.2 The right to claim of the Creditor Class 9 will be equal to half of the amount that the Creditor Class 9 in the capacity of the joint guarantor pays to the principal creditors.

3.6.3 In case the Creditor Class 9 and the Company in the capacity of the joint guarantors have individually paid the principal debt to the principal creditors in accordance with such joint guarantee agreement, the Plan Administrator must set off the amount before proceeding to the debt to equity conversion for the Creditor Class 9.

3.6.4 The remaining outstanding principal after the set-off will be repaid by the Company's ordinary shares to be newly issued with the conversion price at Baht 0.05 per share within 180 days after the date the Creditor in Class 9 submits evidences of the debt repayment to the Plan Administrator.

3.6.5 The Plan Administrator will negotiate with the Creditor Class 9 to make an agreement between the Company and the Creditor to reduce the debt and to waive the right of recourse with one another in order to decrease the debt burden or to waive the debt payment to each other.

3.6.6 Any other debt owed to the Creditor Class 9 including the outstanding interest, defaulted interest, fines, penalty, surcharge, statutory costs, expenses and others incurred from contracts and/or law whose repayments have not been stipulated in this Plan will be immediately waived for the entire amount after the completion of the debt repayment to such creditor under the Plan.

3.7 Creditor Class 10 (Creditor of contingent liabilities relating to guarantees)

- 3.7.1 The debt of the Creditor Class 10 comprises of the outstanding principal of Baht 1,185.0 million which is contingent liability and has not been crystalized under the guarantee by the Company for SSI UK for the damages that the Creditor Class 10 may obtain or be claimed by the third party for environmental damages in relation to the Sale and Purchase Agreement and the delivery of goods per related contracts. Therefore, the Creditor Class 10 will be repaid as stipulated in the Plan only after the final judgment of their debt claims are issued and the third party, such as a governmental agency in England or a person entitled to claim, has demanded the Creditor Class 10 to pay for the damages. After the Creditor in Class 10 has already paid for such damages and submitted trustworthy evidences together with other true concerning documents to prove to the Plan Administrator that it verily pays the damages will the Creditor be paid as stipulated in the Plan.
- 3.7.2 The outstanding principal of Baht 220.4 million will be repaid from cash flow for debt repayment and/or excess cash. The creditor will be paid for 144 monthly installment payments (the 1st month commencing from the month after the month that the Court approves the Plan). The remaining principal of Baht 964.6 million will be repaid in the 144th month from the new funding and/or refinancing and/or excess cash.
- 3.7.3 From the date after the final judgment of the debt claim is issued and the Creditor Class 10 has already paid for such damages and submitted trustworthy evidences together with other true concerning documents to prove to the Plan Administrator that it verily pays the damages until the date the total debt is paid in full, the Creditor Class 10 will be entitled to receive new interest at the rate on the principal as specified in point 3.2.5. In this regards, the creditor will receive actual interest payment at the rate of 0.1% per annum. The deferred new interest portion which is the difference between the new interest and the actual interest, will be accrued and paid in the 144th month.
- 3.7.4 The Creditor Class 10 has the right to notify the Company of its intention to receive principal repayment by Company's ordinary shares under the 2nd Debt to Equity Conversion as stipulated in the Plan. However, if the Company has proceeded the 2nd Debt to Equity Conversion to other creditor before the Creditor Class 10 receives the final judgment and pays for any damages in accordance with the Sale and Purchase Agreement and concerning contracts to such third party, the Plan Administrator has the authority to increase the Company's registered ordinary shares in advance to be the reserve shares for the debt to equity conversion of the Creditor Class 10 and will increase the number of issued and paid up shares after the final judgment of the debt claim is issued and the Creditor has submitted trustworthy evidences together with other true concerning documents to prove to the Plan Administrator that the creditor had verily paid such damages.

3.7.5 In case the Creditor Class 10 receives the Company's ordinary shares from the 2nd Debt to Equity Conversion, if there are remaining outstanding principals, the interest computed and actually paid from such date until the date the creditor's principals are fully paid will be LIBOR+4.5% per annum.

3.7.6 The Creditor Class 10 agrees to waive the entire amount of outstanding interest after their principals have been paid in full as stipulated in the Plan which includes the prepayment of debt in full, or have been converted to equity in the 2nd Debt to Equity Conversion as stipulated in the Plan.

3.8 Creditor Class 11 (Creditor of fines and/or damages incurred in relation to defaults of contract)

3.8.1 The outstanding principal of Baht 52.0 million will be repaid from cash flow for debt repayment and/or excess cash. The creditor will be paid for 144 monthly instalment payments (the 1st month commencing from the month after the month that the Court approves the Plan). The remaining principal of Baht 227.4 million will be repaid in the 144th month from the new funding and/or refinancing and/or excess cash.

3.8.2 From the date after the final judgment of the debt claim is issued until the date the total debt is paid in full, the Creditor Class 11 will be entitled to receive new interest at the rate on the principal as specified in clause 3.2.5. In this regards, the creditor will receive actual interest payment at the rate of 0.1% per annum. The deferred new interest portion which is the difference between the new interest and the Actual Interest, will be accrued and paid in the 144th month.

3.8.3 The Creditor Class 11 has the right to notify the Company of its intention to receive principal repayment by Company's ordinary shares under the 2nd Debt to Equity Conversion as stipulated in the Plan. However, if the Company has proceeded the 2nd Debt to Equity Conversion to other creditor before the Creditor Class 11 receives the final judgment of its claim, the Plan Administrator has the authority to increase the Company's registered ordinary shares in advance to be the reserve shares for the debt to equity conversion of the Creditor Class 11 and will increase the number of issued and paid up shares after the final judgment of the debt claim.

3.8.4 In case the Creditor Class 11 receives the Company's ordinary shares from the 2nd Debt to Equity Conversion, if there are remaining outstanding principals, the interest computed and actually paid from such date until the date the creditor's principals are fully paid will be MLR% per annum.

3.8.5 The Creditor Class 11 agrees to waive the entire amount of outstanding interest after their principals have been paid in full as stipulated in the Plan which includes the prepayment of debt in full, or have been converted to equity in the 2nd Debt to Equity Conversion as stipulated in the Plan.

3.9 Creditor Class 12 (creditor of professional fees under consultant agreements)

- 3.9.1 The outstanding principal of Baht 188.0 million will be repaid from cash flow for debt repayment and/or excess cash. The creditor will be paid for 144 monthly installment payments (the 1st month commencing from the month after the month that the Court approves the Plan). However, the Company will repay the debt to any Creditor in Class 12 only after the Creditor has already obtained the final judgment of its debt claim.
- 3.9.2 The outstanding principal of Baht 776.0 million will be repaid by the increase in the Company's ordinary shares with the conversion price at Baht 0.05 per share within the last working day of the 84th month (the 1st month commencing from the month after the month that the Court approves the Plan). If, however, within such period of time, any Creditor in Class 12 has yet received the final judgment of its debt claim, the Plan Administrator must increase the Company's registered ordinary shares in advance to be the reserve shares for the debt to equity conversion of the Creditor Class 12 and increase the number of issued and paid up shares after the final judgment of the debt claim is issued.
- 3.9.3 The remaining outstanding principal of Baht 963.9 million including the outstanding interest of Baht 21.3 million, defaulted interest, fines, penalty, surcharge, statutory costs, expenses and others incurred from contracts and/or law whose repayments have not been stipulated in this Plan will be immediately waived for the entire amount after the completion of the debt repayment to such creditor under the Plan.

3.10 Creditor Class 13 (Issuers of bank guarantees)

The Creditor in this Class is the Creditor who issued letter of guarantees to the Company to guarantee for the Company's debt. This Creditor will not be affected by the debt restructuring under this Plan because the obligation as per the letter of guarantees has yet been due. Nonetheless, the Creditor will receive the payments for fees and other expenses in relation to the original contracts and agreements

4. Collection from related companies receivable

B.S. Metal Co., Ltd. and Sahaviriya Panich Corporation Co., Ltd. have the outstanding debt with the Company and the collection from both receivables is the part of cash flows to be taken to settle to creditors under rehabilitation plan. Therefore, During the performance in accordance with the rehabilitation plan, the Company dealt with B.S Metal Co., Ltd., Sahaviriya Panich Corporation Co., Ltd. and related companies on the basis and methodology as follow:

- 4.1 If both receivables still deal with the Company that the Company will gradually reduce the outstanding current trade accounts to both receivable. In the goods purchasing order from the Company that new goods will be delivered not exceed 95per cent of the amount payment in that period and the Company has to take total receipt of the goods payment to settle the existing debt.
- 4.2 As per No.4.1, both receivable have to settle the existing debts or goods ordered in each time by cash payment before the date of goods delivery.
- 4.3 The Company has to follow up the debt settlement from both receivables by computing the amounts between new goods valuation and goods price to be settled for the existing debt or the amounts which the receivable gradually settled debt (if there is no trading).
- 4.4 Amounts of debt settlement which both receivable computed as per No.4.3 not less than the amount of Baht 300 million per annum and both receivables have to make total outstanding debt settlement (the existing and new debt) to the Company within 7 years from 2017 onwards. In 2019, all outstanding debt is not exceeding than Baht 2,640.0 million and at the end of 2021 the outstanding debt balance (the existing and new debt) will not exceed than Baht 1,760.0 million.
- 4.5 If the receivables do not make payment as time determined in No.4.2, the goods delivery to received is suspended.
- 4.6 If the Company is unable to collect the outstanding debt from B.S. Metal Co., Ltd. and Sahaviriya Panich Corporation Co., Ltd. as determined in No. 4.4 above and the Board of creditor informed the Company by notice for such defaulting and caused to be the default as determined in the rehabilitation plan.

5. The success of the Plan

When the events as stipulated in paragraph 5.1 and 5.2 or the events as stipulated in paragraph 5.1 and 5.3 have occurred, and the consent from the Committee of the creditor has been sought, it is deemed that the business rehabilitation is successful

- 5.1 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 that the Company has to pay under the Plan; and
- 5.2 The Company has secured new funding from an investor(s) to repay debt such that the shareholders' equity of the Company becomes positive; or
- 5.3 Debt to equity conversion as stipulated in the Plan has been executed such that the shareholders' equity of the Company becomes positive.

Progress of implementation of the Plan

Capital restructuring

On 23 December 2016, the Company filed a petition for an amendment of the Memorandum of Association to decrease the unissued ordinary shares. The Court granted permission, on 22 February 2017, to amend the Memorandum of Association to cancel the unissued 18,097,401,000 ordinary shares at par value of Baht 1 each. The decrease of share registered capital resulted to the decreasing from Baht 50,263.7 million to Baht 32,166.3 million. The Company has registered the decrease share capital with the Ministry of Commerce on 1 March 2017.

On 19 April 2017, the Company filed the petition to the Central Bankruptcy Court for amendment the Memorandum of Association of the Company for decreasing share capital and on 26 April 2017, the Court ordered the Company to amend the Memorandum of Association to be 31,053,243,844 common shares by decreasing share capital from Baht 32,166.3 to Baht 1,113.0 million. The Company has registered the decrease share capital with the Ministry of Commerce on 13 July 2017.

On 24 July 2017, the Company filed the petition to the Central Bankruptcy Court for amendment the Memorandum of Association of the Company for increasing share capital for conversion debt to equity No. 1. On 21 September 2017, the Court has ordered to approve the amendment of memorandum of association for increasing share capital 10,000,000,000 shares at par value of Baht 1 each. As a result, the Company has the increase share capital from 1,113.0 million to Baht 11,113.0 million. The Company has registered the decrease share capital with the Ministry of Commerce on 19 October 2017.

On 28 February 2018, the creditors received the appropriate of increase share capital for conversion debt to equity which is still pending the legal action, the process is not finalized.

Application of debt repayment of creditors

As at 28 February 2018, there are pending applications for repayment of debts, filed by another 2 creditors, to be verified by the Official Receiver. The total claim of Baht 3,113.8 million. In particular, the Company has not recorded liabilities for the debt claims from these 2 creditors (Creditor Class 10 and 12).

Details of the receipt progressing for debt repayment of the creditors have not been ordered for ultimately outcome as at the date of this report as follows:

A creditor in class 7 has filed to appeal the dismissal of the Central Bankruptcy Court to the Specialized Court in which a lender (the Company's director) amount of Baht 641.3 million entered into sell and buy agreement and transfer the right on claiming such debts to 2 creditor one creditor amount of Baht 413.7 million and this creditor requested to offset the Company's receivables. After offsetting, the Company has to record amounts to be paid to this creditor amount of Baht 4.3 million.

At the date of this report, there is a pending application for debt repayment of one creditor in Creditor Class 10 to be examined by the Official Receiver. The outstanding principal and interest of the debt claim in Thai Baht equivalent are Baht 1,185.1 million. The Company has not recorded this liability because management considers that the obligation will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events and it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

At the date of this report, there is a pending application for repayment of debt of Creditor Class 12. The outstanding principal and interest are Baht 1,907.7 million and Baht 21 million respectively. The Company has not recorded these liabilities because management considers that the obligation will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events and it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

The Company has made debt settlement to the creditors under rehabilitation plan for the year 2017 for total principal under rehabilitation plan amount of Baht 1,538.4 million and from excess cash amount of Baht 279.50 million total principal under rehabilitation plan amount of Baht 1,817.9 million and total interest amount of Baht 94.3 million, totally Baht 1,912.2 million.

21 Share capital

Movement of share capital for the year ended 31 December 2017 and 2016 as follows:

	Par value per share (in Baht)	2017		2016	
		Number	Baht	Number	Baht
		Thousand	Thousand	Thousand	Thousand
		shares	Baht	shares	Baht
Authorized					
ordinary shares					
As at 1 January	1	50,263,663	50,263,663	50,263,663	50,263,663
- Share decrease No.1	1	(18,097,401)	(18,097,401)		
- Share decrease No.2	1	(31,053,243)	(31,053,243)	-	-
- Share increase	1	10,000,000)	10,000,000)		
As at 31 December	1	<u>11,113,019</u>	<u>11,113,019</u>	<u>50,263,663</u>	<u>50,263,663</u>
Issued and paid-up					
ordinary shares					
As at 1 January		32,166,262	32,166,262	32,166,262	32,166,262
- Share decrease No.2	1	(31,053,243)	(31,053,243)	-	-
As at 31 December	1	<u>1,113,019</u>	<u>1,113,019</u>	<u>32,166,262</u>	<u>32,166,262</u>

Decrease the unissued ordinary shares

On 23 December 2016, the Company filed a petition for an amendment of the Memorandum of Association to decrease the unissued ordinary shares. The Court granted permission, on 22 February 2017, to amend the Memorandum of Association to decrease the unissued 18,097,401,000 ordinary shares at par value of Baht 1 each. The decrease of share registered capital resulted to the decreasing from Baht 50,263.7 million to Baht 32,166.3 million. The Company has registered the decrease share capital with the Ministry of Commerce on 1 March 2017.

Decrease in ordinary shares

On 19 April 2017, the Company filed a petition for an amendment of the Memorandum of Association to decrease share capital by reducing the number of shares. The Court granted permission, on 26 April 2017 to amend the Memorandum of Association to decrease 31,053,243,844 ordinary shares at par value of Baht 1 each. The decrease of registered share capital resulted to the decreasing from Baht 32,166.3 million to Baht 1,113.0 million. The Company has registered the decrease share capital with the Ministry of Commerce on 13 July 2017.

Increase in ordinary shares

On 24 July 2017, the Company filed a petition for an amendment of the Memorandum of Association to increase share capital by converting debts to equity No. 1. The Court granted permission, on 21 September 2017 to amend the Memorandum of Association to increase 10,000,000,000 ordinary shares at par value of Baht 1 each. The increase of registered share capital resulted to the increasing from Baht 1,113.0 million to Baht 11,113.0 million. The Company has registered the decrease share capital with the Ministry of Commerce on 19 October 2017.

Thus the abovementioned decrease and increase share capital must be complied with the stipulation in the Plan.

Transactions effected from decrease share capital

Moments of capital and reserves are presented in statements of changes in shareholders' equity.

22 Segment reporting

The Group has three reportable segments, as described below, which are the Group's strategic divisions. The strategic divisions offer different products and services, and are managed separately because they require different technology and marketing strategies. For each of the strategic divisions, the chief operating decision maker (CODM) reviews internal management reports on at least a quarterly basis. The following summary describes the operations in each of the Group's reportable segments.

Segment

Segment 1	Manufacture of hot rolled coils
Segment 2	Maintenance services
Segment 3	Deep-sea port services

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit before tax, as included in the internal management reports that are reviewed by the Group's CODM. Segment profit before tax is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

Information about reportable segments

Information about segment income and profit for the year ended 31 December 2017 and 2016 are as follows:

Unit: Million Baht

	Manufacture								Total segment	
	of hot rolled coils		Maintenance services		Deep-sea port services		Elimination			
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
External revenue	24,975,852	19,454,447	177,338	153,974	178,383	215,738	-	-	25,331,573	19,824,159
Inter-segment revenue	-	-	370,679	191,687	60,003	66,648	(430,682)	(258,335)	-	-
Segment profit (loss) before income tax	4,443,865	(2,888,857)	87,044	6,808	54,955	88,441	(50,160)	(39,806)	4,535,704	(2,833,414)
Reportable segment assets as at 31 December	24,665,215	22,843,838	335,255	307,478	1,392,641	1,463,523	(855,357)	(386,964)	25,537,754	24,227,875
Reportable segment liabilities as at 31 December	64,235,405	67,343,088	247,047	295,320	59,321	72,325	(67,886)	(43,398)	64,473,887	67,667,335

Geographical segments

- Segment 1 - is managed and operates manufacturing facilities and sales offices in Thailand
- Segment 2 and 3 - operate principally in Thailand. There are no material revenues derived from, or assets located in, foreign countries.

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets are based on the geographical location of the assets.

Geographical information

	Unit : Thousand Baht	
	2017	2016
Income		
Domestic	25,286,629	19,786,704
Overseas	44,945	37,455
Total	<u>25,331,574</u>	<u>19,824,159</u>

Major customer

Revenues from 3 customers of the Group's segment 1 represent approximately Baht 10,319 million (2016: 2 customers Baht 6,368 million).

23 Expenses by nature

	Unit : Thousand Baht			
	Consolidated		Separate	
	financial statements		financial statements	
	2017	2016	2017	2016
Changes in inventories of finishedgoods and work in progress	(515,461)	(259,240)	(523,091)	(237,544)
Raw materials and consumables used	20,421,843	13,933,384	20,645,898	14,083,206
Employee benefit expenses	835,814	722,914	625,754	613,226
Fuel oil and electrical expenses	597,271	591,598	592,614	585,168
Depreciation and Amortization expenses	502,705	490,260	401,219	394,502
Maintenance expenses	240,036	188,245	240,506	184,869
Transportation expenses	380,449	335,829	380,449	335,829
Reversal of loss on decline in value of inventories	(74,163)	(336,749)	(74,067)	(336,749)
Professional fee	150,787	160,473	127,671	151,435
Minimum lease payments recognized as an operating lease expenses	28,034	23,794	25,486	23,794
Bad debt and doubtful expenses	8,032	2,677,309	8,032	2,677,309
Advertising and public relation expenses	6,400	4,329	6,400	3,933
Penalties	12,414	16,297	12,414	16,297

24 Effects from flood

The Group and the Company's operations at Amphur Bangsapan, Prachuapkhiri Khan Province encountered the effects of severe flooding in the Southern of Thailand. The water flooded into the plants during 9-13 January 2017, as a result, the manufacturing of such plant has to temporarily stop. The Company restarted the normal manufacturing on 23 January 2017. The Company and the Company recognized expenses and indemnity from insurance in respect of the damages from flooding for the year ended 31 December 2017 as follows:

	Unit : Thousand Baht			
	Consolidated		Separate	
	financial statements		financial statements	
	2017	2016	2017	2016
Indemnity from insurance company	364,888	-	246,362	-
Sales of scrap income	102	-	-	-
Realized revenues	364,990	-	246,362	-
Impairment loss of inventories	25,914	-	20,902	-
Impairment loss of machinery and equipment	67,089	-	38,150	-
Other expenses resulted from flooding	129,435	-	99,216	-
Total expenses related flooding	222,438	-	158,268	-
Realized net profit from flooding	142,551	-	88,094	-
Indemnity from insurance company	364,888	-	246,362	-
Claims received during the period	364,888	-	246,362	-
Accrued indemnity	-	-	-	-

25 Income tax expenses

Income tax recognized in profit or loss

	Unit : Thousand Baht			
	Consolidated		Separate	
	financial statements		financial statements	
	2017	2016	2017	2016
Current tax expense				
Current year	-	13,924	-	-
Deferred tax expense				
Movements in temporary differences	21,212	(12,856)	31,859	(27,840)
Total	21,212	1,068	31,859	(27,840)

Income tax recognized in other comprehensive income

	Unit : Thousand Baht			
	Consolidated		Separate	
	financial statements		financial statements	
	2017	2016	2017	2016
Actuarial loss on defined employee benefit plan				
Before income tax expense	331	56,226	-	29,680
Tax income (expense)	-	(6,165)	-	(2,744)
Net of tax	331	50,061	-	26,936

Reconciliation of effective tax rate

Unit : Thousand Baht

	Consolidated financial statements			
	2017		2016	
	Tax Rate	Amount	Tax Rate	Amount
	(%)		(%)	
Loss before income tax expense		4,538,886		(2,833,413)
Income tax using the Thai corporation tax rate	20	907,777	20	(566,683)
Income not subject to tax		(74,268)		(45,171)
Expenses not deductible for tax purposes		8,082		14,096
Current year losses for which no deferred tax liabilities during the year		-		106,057
Unrecognise deferred tax assets and deferred tax liabilities during the year		27,851		480,665
Under tax provided in prior year		-		12,104
Tax loss		(848,230)		-
Total	-	21,212	-	1,068

Unit : Thousand Baht

	Separate financial statements			
	2017		2016	
	Tax Rate	Amount	Tax Rate	Amount
	(%)		(%)	
Loss before income tax expense		4,443,865		(3,056,665)
Income tax using the Thai corporation tax rate	20	888,773	20	(611,333)
Income not subject to tax		(61,813)		(3,060)
Expenses not deductible for tax purposes		3,403		4,616
Recognition of previously unrecognized tax losses		-		106,057
Unrecognized deferred tax assets and deferred tax liabilities during the year		31,859		475,880
Under tax provided in prior year		-		(27,840)
Tax loss		(830,363)		-
Total	-	31,859	-	(3,056,665)

Income tax recognition depends on the best estimates of the management in respect of the weighted average of tax rate for the year which expected for the period, using revenues before interim income tax, effective rate of the Group. The Company has the effects from these factors as following:

- Taxable losses and temporary different incurred during the period which deferred tax assets were not recorded since the management deems that there is no direction to utilize the future taxable profit.
- Certain net profit of the Group incurred from the promoted business activities that net profit of such activities were exempted from income tax.
- Losses of some subsidiaries of the Group cannot be netted with profit of other subsidiaries in income tax calculation.

26 Earnings per share

Basic earnings (loss) per share

The calculations of basic earnings per share for the period were based on the profit for the period attributable to ordinary shareholders of the Company and the weighted average number of ordinary shares outstanding during the period

For the year 2016, basic earnings (loss) per share are recalculated by the weighted average number of the decreasing ordinary shares which the potential that the decrease of ordinary shares incurred since the beginning date of the first period of reports.

For the year ended 31 December 2017 and 2016 as follows:

	Consolidated		Separate	
	financial statements		financial statements	
	2017	2016	2017	2016
Profit (Loss) for the period attributable to ordinary shareholders of the Company (Thousand Baht)	4,534,665	(2,869,108)	4,475,724	(3,028,826)
Weighted average number of ordinary shares outstanding (basic) (Thousand shares)	1,113,018	1,113,018	1,113,018	1,113,018
Basic earnings (loss) per share(Baht)	4.07	(2.58)	4.02	(2.72)

27 Promotional privileges

By virtue of the provisions of the Industrial Investment Promotion Act of B.E. 2520, the Group has been granted privileges by the Board of Investment relating to (1) the manufacture of hot rolled coils and hot rolled pickled and oiled coils (2) the provision of marine shipping services (3) the provision of high-powered tug boat services (4) the manufacture of industrial machinery and equipment, mechanical parts, and the repair and improvement of industrial machinery and equipment and steel structures for industrial use.

The privileges granted include:

- (a) exemption from payment of import duty on machinery approved by the Board;
- (b) exemption from payment of import duty on essential raw materials and supplies imported;
- (c) exemption from payment of income tax for sales of hot rolled coils and hot rolled pickled and oiled coils, to the extent that the amount sold does not exceed 1.6 million tons a year, for a period of 8 years from the date on which the income is first derived from such operations (13 May 2004);
- (d) exemption from payment of income tax on net income from the provision of marine shipping services, for a period of 8 years from the date on which the income is first derived from such operations (14 November 2006) to the extent that the amount of tax exempted does not exceed 100 percent of the total investment made, excluding the price of land and working capital. The amount of income tax exempted thus must not exceed Bath 1,146 million, and such cap is to be adjusted according to the actual capital investment (excluding land cost and working capital) as of the started date operation of the project commences. In addition, the privilege also includes an exemption from payment of import duty on machinery approved by the Board;
- (e) exemption from payment of income tax on net income from the provision of high-powered tug boat services, for a period of 8 years from the date on which the income is first derived from such operations (4 July 2012) to the extent that the amount of tax exempted does not exceed 100 percent of the total investment made, excluding the price of land and working capital. The amount of income tax exempted thus must not exceed Bath 300 million, and such cap is to be adjusted according to the actual capital investment (excluding land cost and working capital) as of the started date operation of the project commences; and
- (f) exemption from payment of income tax on net income from manufacture of industrial machinery and equipment, mechanical parts, and the repair and improvement of industrial machinery and equipment and steel structures for industrial use, for a period of 8 years from the date on which the income is first derived from such operations, to the extent that the amount of tax exempted does not exceed 100 percent of the total investment made, excluding the price of land and working capital. The total amount of income tax exempted thus must not exceed Baht 167 million, and such cap is to be adjusted according to the actual capital investment (excluding land cost and working capital) as of the started date operation of the project commences.

As promoted companies, the Group must comply with certain terms and conditions prescribed in the promotional certificates.

Summary of revenue from promoted and non-promoted businesses for the year ended 31 December 2017 and 2016:

Unit : Thousand Baht

	Consolidated financial statements					
	2017			2016		
	Promoted Businesses	Businesses	Total	Promoted Businesses	Non-promoted Businesses	Total
Export sales and services	-	44,945	44,945	-	37,455	37,455
Local sales and services	2,084	25,715,239	25,717,323	1,227	20,043,812	20,045,039
Eliminations	-	(430,694)	(430,694)	-	(258,335)	(258,335)
Total Revenue	2,084	25,329,490	25,331,574	1,227	19,822,932	19,824,159

Unit : Thousand Baht

	Separate financial statements					
	2017			2016		
	Promoted Businesses	Businesses	Total	Promoted Businesses	Non-promoted Businesses	Total
Export sales	-	30,837	30,837	-	30,587	30,587
Local sales and services	-	24,945,015	24,945,015	-	19,423,860	19,423,860
Total Revenue	-	24,975,852	24,975,852	-	19,454,447	19,454,447

Financial risk management policies

The Group is exposed to normal business risks from changes in market interest rates and currency exchange rates and from non-performance of contractual obligations by counterparties. The Group does not hold or issue derivative financial instruments for speculative or trading purposes.

Risk management is integral to the whole business of the Group. The Group has a system of controls in place to create an acceptable balance between the cost of risks occurring and the cost of managing the risks. The management continually monitors the Group's risk management process to ensure that an appropriate balance between risk and control is achieved.

Capital management

The Board of Directors' policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board monitors the return on capital, which the Group defines as result for operating activities divided by total shareholders' equity, excluding non-controlling interests and also monitors the level of dividends to ordinary shareholders.

Interest rate risk

Interest rate risk is the risk that future movements in market interest rates will affect the results of the Group's operations and its cash flows because loan interest rates are mainly fixed. The Group is primarily exposed to interest rate risk from its borrowings (Note 15 and 18). The Group mitigates this risk by ensuring that the majority of its borrowings are at fixed interest rates and uses derivative financial instruments, principally interest rate swaps, to manage exposure to fluctuations in interest rates on borrowings.

The effective interest rates of interest-bearing financial liabilities as at 31 December and the periods in which those liabilities mature or re-price were as follows:

Unit : Thousand Baht

		Consolidated financial statements				
		Effective interest rate	Within 1 year	Over 1 year to 5 years	Over 5 years	Total
		(% per annum)				
2017						
Current						
Other payables under the Plan –						
	Unsecured	1.00	25,807	-	-	25,807
Short-term borrowings from financial institution						
	- Secured	MOR, MLR	72,000	-	-	72,000
Long-term borrowings from financial institution						
	-Secured	MLR	771,677	-	-	771,677
	-Unsecured	1.00	266,942	-	-	266,942
	Finance lease liabilities	6.50-7.56	15,936	-	-	15,936
	liabilities under hire purchase agreements	0.39-6.69	-	-	-	-
	Provision made for loss on guarantee	1.00	498,485	-	-	498,485
Non-current						
Other payables under the Plan –						
	Unsecured	1.00	-	118,635	1,411,610	1,530,245
Long-term borrowings from financial institution						
	- Secured	MLR	-	3,086,709	4,404,557	7,491,266
	-Unsecured	1.00	-	1,227,135	14,601,434	15,828,569
	Finance lease liabilities	6.50-7.56	-	17,740	-	17,740
	Provision made for loss on guarantee	MLR	-	2,266,871	23,210,039	25,476,910
Total			<u>1,650,847</u>	<u>6,717,090</u>	<u>43,627,640</u>	<u>51,995,577</u>

Unit : Thousand Baht

		Consolidated financial statements			
		Effective	Over 1 year		Total
		interest	Within 1 year	to 5 years	
		rate		Over 5 years	
		(% per			
		annum)			
2016					
Current					
Other payables under the Plan–					
	Unsecured	1.00-7.50	23,470	-	23,470
Short-term borrowings from financial institution					
	- Secured	MOR	112,362	-	112,362
Long-term borrowings from financial institution					
	-Secured	MLR	771,677	-	771,677
	-Unsecured	1.00-28.00	241,942	-	241,942
Finance lease liabilities					
	liabilities under hire purchase agreements	6.50-7.56	48,705	-	48,705
				-	
		0.39-6.69	1,000		1,000
	Provision made for loss on guarantee	LIBOR+4.50	455,667	-	455,667
Non-current					
Other payables under the Plan –					
	Unsecured	1.00-7.50	-	114,722	1,568,104
Long-term borrowings from financial institution					
	-Secured	MLR	-	3,086,709	8,488,449
	-Unsecured	1.00-28.00	-	1,183,358	16,110,978
Finance lease liabilities					
		6.50-7.56	-	37,111	37,111
	Provision made for loss on guarantee	LIBOR+4.50	-	2,191,899	28,489,629
Total			1,654,823	6,613,799	56,349,094

Unit : Thousand Baht

	Effective interest rate	Separate financial statements			Total
		Within 1 year	Over 1 year to 5 years	Over 5 years	
2017	(% per annum)				
Current					
Other payables under the Plan					
– Unsecured	1.00	25,807	-	-	25,807
Long-term borrowings from financial institution					
-Secured	MLR	771,677	-	-	771,677
-Unsecured	1.00	266,942	-	-	266,942
Provision made for loss on guarantee	MLR	498,485	-	-	498,485
Non-current					
Other payables under the Plan					
– Unsecured	1.00	-	118,635	1,411,610	1,530,245
Long-term borrowings from financial institution					
-Secured	MLR	-	3,086,709	4,404,557	7,491,266
-Unsecured	1.00	-	1,227,135	14,601,434	15,828,569
Provision made for loss on guarantee	MLR	-	2,266,871	23,210,039	25,476,910
Total		1,562,911	6,699,350	43,627,640	51,889,901

Unit : Thousand Baht

	Effective interest rate	Separate financial statements			Total
		Within 1 year	Over 1 year to 5 years	Over 5 years	
2016	(% per annum)				
Current					
Other payables under the Plan					
– Unsecured	1.00-7.50	23,470	-	-	23,470
Long-term borrowings from financial institution					
-Secured	MLR	771,677	-	-	771,677
-Unsecured	1.00-28.00	241,942	-	-	241,942
liabilities under hire purchase agreements					
	4.76-6.69	840	-	-	840
Provision made for loss on guarantee	LIBOR+4.50	455,667	-	-	455,667
Non-current					
Other payables under the Plan					
– Unsecured	1.00-7.50	-	114,722	1,453,382	1,568,104
Long-term borrowings from financial institution					
-Secured	MLR	-	3,086,709	5,401,740	8,488,449
-Unsecured	1.00-2.80	-	1,183,358	14,927,620	16,110,978
Provision made for loss on guarantee	LIBOR+4.50	-	2,191,899	26,297,730	28,489,629
Total		1,493,596	6,576,688	48,080,472	56,150,756

Foreign currency risk

The Group is exposed to foreign currency risk relating to purchases which are denominated in foreign currencies. The Group primarily utilised forward exchange contracts with maturities of less than one year to hedge such financial liabilities denominated in foreign currencies. The forward exchange contracts entered into at the reporting date also relate to anticipated purchases, denominated in foreign currencies, for the subsequent period.

At 31 December, the Group and Company were exposed to foreign currency risk in respect of financial assets and liabilities denominated in the following currencies:

	Unit : Thousand Baht			
	Consolidated		Separate	
	financial statements		financial statements	
	2017	2016	2017	2016
United States Dollars				
Cash and cash equivalents	120,446	23	120,446	23
Trade accounts receivable	186	-	-	-
Trade accounts payable	(2,928,296)	(1,905,141)	(2,918,545)	(1,895,211)
Provisions under guarantee agreement and others	(25,515,525)	(28,384,212)	(25,515,525)	(28,384,212)
Other payables	(1,386)	-	(1,386)	-
Gross balance sheet exposure	(28,324,575)	(30,289,330)	(28,315,010)	(30,279,400)
Forward contracts	(503,966)	(5,632)	(503,966)	-
Net exposure	<u>(28,828,541)</u>	<u>(30,283,698)</u>	<u>(28,818,976)</u>	<u>(30,279,400)</u>
(GBP) Great Britain Pound Sterling				
Trade accounts receivable	449	-	449	-
Interest-bearing liabilities	-	(46,237)	-	(46,237)
Other payables	(7,312)	(3,121)	(7,312)	(3,121)
Gross balance sheet exposure	(6,863)	(49,358)	(6,863)	(49,358)
Forward contracts	-	-	-	-
Net exposure	<u>(6,863)</u>	<u>(49,358)</u>	<u>(6,863)</u>	<u>(49,358)</u>
Euro				
Cash and cash equivalents	280,949	-	280,949	-
Trade accounts receivable	1,433	449	-	-
Trade accounts payable	(7,081)	(113,001)	(7,081)	(113,001)
Other payables	(4,727)	(5,721)	(4,727)	(5,721)
Gross balance sheet exposure	(270,574)	(118,273)	(269,141)	(118,722)
Forward contracts	-	-	-	-
Net exposure	<u>(270,574)</u>	<u>(118,273)</u>	<u>(269,141)</u>	<u>(118,722)</u>

	Unit : Thousand Baht			
	Consolidated		Separate	
	financial statements		financial statements	
	2017	2016	2017	2016
Japanese YEN				
Trade accounts payable	(310)	(328)	(282)	(299)
Gross balance sheet exposure	(310)	(328)	(282)	(299)
Forward contracts	-	-	-	-
Net exposure	(310)	(328)	(282)	(299)
Australian Dollars				
Trade accounts receivable	-	600	-	-
Gross balance sheet exposure	-	600	-	-
Forward contracts	-	-	-	-
Net exposure	-	600	-	-

Credit risk

Credit risk is the potential financial loss resulting from the failure of a customer or counterparty to settle its financial and contractual obligations to the Group as and when they fall due.

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount. At the reporting date there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet. However, due to the large number of parties comprising the Group's customer base, Management does not anticipate material losses from its debt collection.

Liquidity risk

The Group monitors its liquidity risk and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and to mitigate the effects of fluctuations in cash flows.

Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. The fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

The fair value of trade and other short-term receivables is taken to approximate the carrying value.

The fair value of investments in equity and debt securities, which are held for trading, held to maturity and available for sales, is determined by reference to their quoted bid price at the reporting date. The fair value of held-to-maturity investments is determined for disclosure purposes only.

The fair value of interest rate swaps is based on broker quotes. Those quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date.

The fair value of forward exchange contracts is based on their listed market price, if available. If a listed market price is not available, then fair value is estimated by discounting the difference between the contractual forward price and the current forward price at the reporting date for the residual maturity of the contract using a risk-free interest rate (based on government bonds).

The fair value of non-derivative financial liabilities, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. In respect of the liability component of convertible notes, the market rate of interest is determined by reference to similar liabilities that do not have a conversion option.

The fair value of financial assets and liabilities, together with the carrying values shown in the statement of financial position at 31 December were as follows:

	Unit : Thousand Baht			
	Consolidated		Separate	
	financial statements		financial statements	
	Fair value	Carrying value	Fair value	Carrying value
2017				
Current				
Forward exchange contracts - liabilities	503,966	508,108	503,966	508,108
Total	<u>503,966</u>	<u>508,108</u>	<u>503,966</u>	<u>508,108</u>
2016				
Current				
Forward exchange contracts - liabilities	5,551	5,632	-	-
Total	<u>5,551</u>	<u>5,632</u>	<u>-</u>	<u>-</u>

29 Commitments and contingent liabilities

	Unit: Million Baht			
	Consolidated		Separate	
	financial statements		financial statements	
	2017	2016	2017	2016
Capital commitments				
Contracted but not provided for				
Machinery and equipment	76	7	75	7
Total	<u>76</u>	<u>7</u>	<u>75</u>	<u>7</u>

As at 31 December 2017, the Group had capital expenditures amount of Baht 28.8 million, USD 0.1 million and EUR 1.1 million **(2016: Baht 4.5 million, EUR 0.06 million)** in relation to the acquisition and installation of machinery and equipment.

As at 31 December 2017, the Company had capital expenditures amount of Baht 27.6 million, USD 0.1 million and EUR 1.1 million **(2016: Baht 4.5 million, EUR 0.06 million)** in relation to the acquisition and installation of machinery and equipment.

	Unit: Million Baht			
	Consolidated		Separate	
	financial statements		financial statements	
	2017	2016	2017	2016
Non-cancellable operating lease commitments				
Within one year	9	8	8	5
After one year but within five years	9	1	8	1
Total	<u>18</u>	<u>9</u>	<u>16</u>	<u>6</u>
Other commitments				
Raw materials purchases	3,247	1,493	3,247	1,493
letter of credit	10	-	-	-
Other agreements	481	97	453	90
Total	<u>3,738</u>	<u>1,590</u>	<u>3,700</u>	<u>1,583</u>

As at 31 December 2017, the Group had other commitments in relation to purchase spare parts and equipment supplies, and to obtain maintenance services amounting to Baht 170 million, USD 4.8 million, EUR 3.7 million and JPY 11.3 million **(2016: Baht 84 million, USD 0.3 million, EUR 0.1 million and JPY 0.1 million)**.

As at 31 December 2017, the Company had other commitments in relation to purchase spare parts and equipment supplies, and to obtain maintenance services amounting to Baht 142million, USD 4.8million, EUR 3.7million and JPY 11.3 million **(2016: Baht 77 million, USD 0.3million, GBP 6.5 million and EUR 0.1 million)**.

Contingent liabilities

As at 31 December 2017 and 2016, the Group was liable to banks in respect to the following guarantees:

	Unit: Million Baht			
	Consolidated		Separate	
	financial statements		financial statements	
	2017	2016	2017	2016
Electricity supply	107	107	104	104
Performance guarantees	42	31	-	-
Others	16	12	5	1
Total	165	150	109	105

As at 31 December 2017, the Group had outstanding bank guarantees issued by banks on behalf of the Company and its subsidiaries in respect of certain performance bonds as required in the normal course of the business. These included letters of guarantee for:

- To the Customs Department in respect of the establishment of a wharf and go-downs amounting to Baht 11 million **(2016: amount of Baht 11 million)**;
- The contractual performance amounting to Baht 42 million **(2016: amount Baht 298 million, GBP 0.02 million)**
- Electricity usage amount of Baht 107 million **(2016: amount of Baht 107 million)**.

Dispute

a) Land in Prachuapkhirikhan

On 9 July 2010, the Prachuabkirikhan Provincial Land Office, Bangsaphan Branch (“the Land Office”) ordered the Company and a subsidiary to submit the Certificates of Utilisation (Nor. Sor. 3 Kor) (“the Certificates”) for various plots of land, with an aggregate value of Baht 123.1 million for the Company and Baht 1 8 7 . 6 million for the subsidiary, for cancellation. Later, the Land Office announced that it was issuing replacement certificates for the Certificates. The Company and the subsidiary filed a lawsuit against the officers of the Land Office with the Central Administrative Court “CAC”, petitioning the CAC to order the cancellation of the announcement of the Company and the subsidiary. The Company and the subsidiary also petitioned the CAC to identify measures to provide them with temporary relief. The Court accepted the lawsuit for consideration, and is currently deliberating. However, in preparing the financial statements, the Company and the subsidiary recorded full allowance since 2007 and 2008, respectively

On 1 September 2010, the Company and the subsidiary filed a lawsuit against the Director-General of the Department of Lands and the Deputy Permanent Secretary of the Ministry of Interior with the CAC, petitioning the court to order the revocation of the order of the Director-General of the Department of Lands issued on 5 January 2010, which ordered the revocation and recharting of the area under the Certificates, and the withdrawal of the appeal decision of the Deputy Permanent Secretary of the Ministry of Interior. Also, the Company and the subsidiary requested the court to suspend the execution of a sentence of the CAC. Presently, the court is in a process of submitting the deposition of the defendant to the Company and the subsidiary. In addition, the court ordered to combine this case with the case that the Company and the subsidiary filed a lawsuit against the Prachuabkirikhan Provincial Land Office, Bangsaphan Branch, discussed above

On 20 December 2010, the Bangsaphan Sheriff, as the official responsible for the oversight and care of the National Forest, Klong Mae-Rumphueng forest, Prachuabkirikhan province (“the Forest”), issued a written order for the Company and the subsidiary to vacate the land for which the Director-General of the Department of Lands ordered revocation of the Certificates and for which the Land Office issued replacement certificates for the Certificates within 30 January 2011.

On 30 March 2011, the Company and the subsidiary filed a lawsuit petitioning the CAC to order the cancellation of written order of the Bangsaphan Sheriff on 20 December 2010, for the Company and the subsidiary to vacate from the Forest and to undertake no activities on that land. These are currently being considered by the CAC.

On 6 August 2013, the Central Administrative Court ordered to stay the execution ordering the Company and its subsidiary to vacate from the National Forest and to undertake no activities on that land.

Subsequent on 23 December 2014, the CAC reversed the ordering to relieve the execution which ordered the Company and its subsidiary to vacate from the National Forest. However, the Company and subsidiary deems that the ultimate outcome will not be effected to the future operation of the Company and subsidiary.

On 29 August 2017, the Central Administrative Court has dismissed the case, subsequent on 27 September 2017, the Company and subsidiary filed the appeal to protest the judgment to the Administrative Supreme Court.

b) Goods in-transit

On 15 August 2016 the Company has filed a petition requesting the Central Intellectual Property and International Trade Court to issue a warrant of arrest against a vessel called M.V. PANORMITIS. AV. on the grounds that the Company is entitled to file a claim following a failure to perform an obligation to deliver 38,016.95 metric tons steel slabs breach of an agreement on carriage of goods by sea regardless the facts that the petitioner is a consignee and a holder of bills of lading covering the afore-mentioned slabs which were carried by M.V. PANORMITIS. AV. The Company expected M.V. PANORMITIS. AV. to deliver the goods to Prachuap Port, Bangsaphan, Thailand, which is the port of destination.

On 15 August 2016 the Court has issued the warrant against M.V. PANORMITIS. AV., upon the condition that the Company shall deposit with the Court Baht 10 million as guarantee for loss or damage which may arise from issuing such order. The Court may release the vessel should any interested party deposit with the Court Baht 20 million as guarantee for repaying the debt to the Company. On 19 August 2016, an executing officer together with representatives of the Company has served the warrant to the master of the vessel. The vessel has been arrested and anchored in the area behind Sri Chang Island, Amphoe Sri Chang, Chonburi Province.

On 19 September 2016 the Company has filed a lawsuit against South Cape Navigation S.A. and Unibulk Shipping Enterprises S.A., which are the owner and manager of M.V. PANORMITIS. AV, and on 13 October 2016 the Company has filed a lawsuit against Mr. Sorin Iosif Oproiu, the master officers, and the crews, for their failure to deliver the steel slabs to the Company as obliged by the bills of lading and breach of the carriage of goods by sea agreement.

On 5 October 2016 the Company submitted a petition requesting the Court to issue a temporary injunction order before judgment in the charge of the Company sued the ship owner and manager and the Court arranged for investigating on 11 April 2017.

Subsequent on 7 July 2017, the Company and all accuse could negotiate to terminate inter-disputes by entering into the compromise agreement in presence of the Court, the accuse agreed to delivered the disputed steel to the Company immediately. On 13 July 2017, the Company has completely carried of steel goods from the vessel M.V. PANORMITIS. AV. At present, all goods still pending at the bonded warehouse, Prachuap Port, Bangsaphan, Prachuapkirikhan Province.

30 Reclassification of accounts

Certain accounts in 31 December 2016 financial statement have been reclassified to conform to the presentation in the 2017 financial statements as follow:

Unit: Thousand Baht

	Consolidated financial statements		
	Before		After
	Reclassified	Reclassified	Reclassified
Statement of financial position			
as at 31 December 2016			
Bank overdrafts, short-term borrowings from financial institutions and related parties	335,635,980	(335,635,980)	-
Short-term borrowings from financial institutions	-	112,361,675	112,361,675
Short-term borrowings from related parties	-	223,274,305	223,274,305
		-	

Unit: Thousand Baht

	Separate financial statements		
	Before		After
	Reclassified	Reclassified	Reclassified
Statement of financial position			
as at 31 December 2016			
Bank overdrafts, short-term borrowings from financial institutions and related parties	231,265,164	(231,265,164)	-
Short-term borrowings from related parties	-	231,265,164	231,265,164
		-	

31 APPROVAL OF INTERIM FINANCIAL STATEMENTS

These financial statements were approved and authorized for issue by the Company's Board of directors on 28 February 2018.