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

บริษัทหลักชั้นนำด้านนวัตกรรมและความเชื่อมั่น  
Leading Innovative and Reliable Steel Company

-Translation-

No. S.E.C. 050/2019

21 August 2019

Re: Clarification of the Disclaimer of Opinion on Auditor's Report on the Company's Interim Financial Information for the six-month periods ended 30 June 2019

Attn: President, The Stock Exchange of Thailand  
Secretary-General, The Securities and Exchange Commission, Thailand

As Sahaviriya Steel Industries Public Company Limited ("the Company") has submitted the Interim Financial Information for the six-month periods ended 30 June 2019, the auditor was unable to give an audit opinion on the Interim Financial Information. Basis for Disclaimer of Conclusion are as follows:

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

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

According to the Official Receiver's report in 2016, evaluating SSI UK's asset realization and cost of the liquidation process, it revealed that the expected proceeds from realization of the assets was insufficient to cover the expenses and other obligations incurred from maintenance and disposal of the assets in accordance with UK insolvency law. The Company, therefore, estimated the recovery value after the completion of the liquidation process on a conservative basis to remain at zero.

**II. "1) (continued)..... there are creditors submitted an application for receiving debt settlement. The Company has disputed with certain creditors since there are incorrectly balances, duplicate of ungrounded debts. As at the date of this report, there is 1 creditor still pending the trial on 25 March 2019, there is the order of the Official Receiver to dismiss the application for receiving debt settlement of such creditor. At present, such creditor is being filed extends the time request for the disputation of which Central Bankruptcy Court allow for extend the time for the disputation up to 19 August 2019, total debt claiming which comprise principal and interest under rehabilitation plan amounted to Baht 1,928.7 million.**

**Because of the uncertainties and unfinished of liabilities under the rehabilitation plan of the Company due to the abovementioned matter, resulting to the Company is unable to find the debts value to be paid in the future in accordance with the Accounting Standard."**

Regarding the application for receiving debt settlement of the creditor, the Official Receiver issued an order to dismiss such claim of the creditor and the creditor, later, submitted requests to the Central Bankruptcy Court in order to extend submission period of filing the disputation. The latest request was

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filed on 16 August 2019 which the Court granted permission to extend the time until 18 September 2019. The Company has not recorded the total principal and interest of the debt claimed Baht 1,928.7 million, representing approximately 3.46 percent of total outstanding debts under the rehabilitation plan as at 30 June 2019, as liability since the Company has confidence that the debt was ungrounded. However, should the final order be given in another way, the payment plan shall be made to the creditor as specified in the Business Rehabilitation Plan.

**III. “2) ..... the Company has two related parties trade accounts receivable which had the amount of Baht 3,624.7 million as at 30 June 2019 and had already provided allowance for doubtful accounts in 2016 in the amount of Baht 2,736.7 million. As a result, two related parties trade accounts receivable had net balance amount of Baht 888.0 million and net overdue debts in the amount of Baht 888.0 million. So that, the Company has not considered to provide additionally allowance for doubtful accounts since the Management deems that the Company will able to collect total debts from those two receivables even though the Company will face the delay of debts collection. I am unable to obtain the appropriated accounting evidences in the adequacy review of allowance for doubtful accounts of trade accounts receivable as at 30 June 2019. I am unable to conclude about whether the necessary adjustments that should be made on allowance for doubtful accounts and other related accounts.”**

The Company would like to clarify that, from the two trade accounts receivable-related parties with total amount of Baht 3,624.7 million as at 30 June 2019, there was Baht 2,492.0 million overdue more than 12 months whilst the Company recorded the amount of Baht 2,736.7 million allowance for doubtful accounts. After deducting the allowance for doubtful accounts, the net trade accounts receivable of the related parties was Baht 888.0 million, a decrease from Baht 1,026.3 million as at 31 December 2018 or decreased by 13.47%. Till present, the two debtors have continuously made debt repayment to the Company in every month. With these reasons, the Company believes that the amount recorded as allowance for doubtful accounts is considered sufficient.

In addition, as the Company’s Board of Directors has passed a resolution approving the management’s plan for debt repayment negotiation with the two debtors, the negotiation is currently conducted in details.

Please be informed accordingly.

Sincerely yours,

-Signature-

Mr. Win Viriyaprapaikit

President