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

สร้างสรรคณวัตกรรมผลิตมันเหล็กและบริการที่มีมูลค่าเพิ่มกับลูกค้า สร้างกำไรสม่ำเสมอ สร้างผลตอบแทนแก่ผู้มีส่วนได้เสียอย่างยั่งยืน
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A MEMBER OF SAHAVIRIYA GROUP

-Translation-

No. S.E.C. 037/2018

28 March 2018

Re: Clarification of the Disclaimer of Opinion on Auditor's Report on the Company's Financial Statements for the year ended 31 December 2017 due to Limitation of audit scope (by circumstances)

Attn: President
The Stock Exchange of Thailand

CC: Secretary-General
The Securities and Exchange Commission, Thailand

As Sahaviriya Steel Industries Public Company Limited ("the Company") has submitted the financial statement for the year ended 31 December 2017, an auditor did not express an audit opinion due to Limitation of audit scope (by circumstances) details as follows:

Basis for Disclaimer of Opinion

Limitation of audit scope (by circumstances)

".....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."

".....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."

The Company would like to clarify by separating into 2 issues as follows:

- 1) As at 31 December 2017, there were 2 pending debt claims (by Creditor #1 and Creditor #2) to be verified by the Official Receiver. The total outstanding principal and interest of the debt claims under rehabilitation plan (the "Plan") was 3,113.7 million Baht, representing 4.85% of the total debt claim under the Plan. The Company has not recorded the pending debt claims as liability because the Company considers that the obligation will be confirmed only by the occurrence or non-occurrence of one or more future events. However, should the Final Judgment has been received in any way, the Company will follow the Judgment and make debt repayment in accordance with the guidance specified in the Plan.





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สร้างสรรค์นวัตกรรมผลิตภัณฑ์เหล็กและบริการที่มีมูลค่าเพิ่มกับลูกค้า สร้างกำไรสม่ำเสมอ สร้างผลตอบแทนแก่ผู้มีส่วนได้เสียอย่างยั่งยืน
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There are 2 more claims (by Creditor#3 and Creditor #4) with total outstanding amount of 641.3 million Baht. The Creditor #3 made an agreement to transfer right of his debt claim to the Creditor #4. Thereafter, the creditor #4 requested to set off the debt with the debt it owed to the Company. After offsetting, the Company has recorded debt repayment to the creditor#4 with an amount of 4.3 million Baht which Final Judgment of such debt has been received but there was an appeal submitted to the Court of Appeal for Specialized Cases and it is under consideration. Nonetheless, the Plan has set forth guidance of such debt repayment no matter what the court's order comes out.

2) As Sahaviriya Steel Industries UK Limited (“SSI UK”) has entered the liquidation process, the Company, as a debt guarantor of SSI UK, has recognized the accounting items as follows:

2.1) Liability: recorded liability in full amount under guarantee agreement which has been included in the debt restructuring under the Plan. The Company has gradually made repayment of partial of the debt, in accordance with the Plan.

2.2) Asset: recorded impairment in carry value of the full investment in SSI UK as at 31 December 2015 on a conservative basis.

The Company would like to further explain how we have initially assessed the value of the assets to be recovered after the liquidation process. (1) It's based on our acknowledgement of offers received by SSI UK's lending banks from third parties willing to pay for the assets of SSI UK. However, there is likely to be a claim by the Official Receiver for expenses and other obligations incurred from maintenance and disposal of the assets, in accordance with UK insolvency law. The company has accounted such information and estimated the recovery value after those expenses to be as low as zero. And (2) the Company has been advised that, as published in public news so far, the UK Government has a plan to redevelop the site where the SSI UK assets located and its authorized agency has the ability to compulsorily purchase those assets. With a limited budget provided to help enable the agency to take ownership of the SSI UK assets, it is estimated that huge expenses will incur from the site remediation. From the aforementioned reasons at this point of time, the Company based on information available has deemed it necessary to estimate the recovery value after the completion of the liquidation process on a conservative basis to remain at zero. There will remain unchanged with the accounting recognition as described in 2.1) and 2.2).

Please be informed accordingly.

Sincerely yours,

-Signature-

Mr. Win Viriyaprapaikit

President

