Accounting Policy

Stecon Group Public Company Limited

Stecon Group Public Company Limited is committed to conduct its business in accordance with good corporate governance guideline based on the principle of accuracy, fairness, transparency and verifiability in both the working and management process in order to ensure that the Company's operation is trustworthy to investor and related parties. The Company also adheres to its responsibility to all shareholders or stakeholders and aims for sustainable development. Therefore, the Company has formulated accounting policy in accordance with generally accepted accounting standard as well as relevant rule and regulation to be accurate, complete, timely and reliable with the following criteria for preparing important financial statement and accounting policy as following:

Accounting Period

The accounting period starts on January 1st and ends on December 31st of each year.

Preparation of financial statement

Prepare financial statement in accordance with accounting standard and financial reporting standard established under the Accounting Act B.E. 2543 (2000) and the Accounting Profession Act B.E. 2547 (2004) or as prescribed in accordance with the law thereon. It must be audited and certified by a certified public accountant within the period specified in accordance with the Civil and Commercial Law and the requirements of the Stock Exchange of Thailand or other relevant regulations.

If there is a significant change in the accounting policy from what has already been defined. The Company must propose a person authorized by the Board of Directors for consideration and approval before presenting it to the Board of Directors for approval.

Criteria for preparing annual financial statement

This financial statement is prepared in accordance with the financial reporting standard stipulated in the Accounting Profession Act, B.E. 2547 (2004) and are presented in the financial statement in accordance with the requirements of the Notification of the Department of Business Development issued in accordance with the Accounting Act, B.E. 2543 (2000).

Criteria for preparing interim financial statement

The interim financial statement is prepared in accordance with Accounting Standard No. 34 on Interim Financial Reporting. Anyway, the Company has presented the statements in the Statement of Financial Position, Income Statement, Comprehensive Income Statement, Statement of Changes in Shareholders' Equity and Statement of Cash Flows in the same format as the Annual Financial Statement

Key Accounting Policy

1. Revenue Recognition

a) Revenue from construction contract

The Group considers that most construction contract has a single obligation to perform. The Group recognizes construction revenue throughout the construction period by using the outcome method to measure the success of work evaluated by engineers or project supervisor.

The Group will consider the probability of recognizing revenue arising from changing in the damage claim contract. Revenue is recognized only if there is a very high probability that there will be no significant reversal of the amount of accumulated revenue.

When the value and success of the contracted work cannot be reasonably measured. Revenue is only recognized based on the actual costs that are expected to be reimbursed

b) Revenue from the sale of condominium unit

Revenue from the sale of condominium unit is recognized when ownership is transferred to the buyer.

c) Financial income

Interest income is recognized according to the accrual criteria by the effective interest method.

d) Dividend

Dividend is considered as income when the Group is entitled to receive dividend.

2. Cost

a) Construction cost

The cost of construction includes the cost of material, labor cost, subcontractor, service fee and other expenses

Construction cost is recognized when cost is related to the burden of fulfilling a completed contract that has been incurred.

b) Cost of selling units in condominium.

In calculating the cost of sale of unit in condominium, the total development cost expected to be incurred (taking into account the actual cost) is allocated to the unit in the condominium that can be sold according to the criteria of the area sold and then recognized as the cost of sale in the income statement based on the recorded sales revenue.

The cost of a condominium for sale is expressed at the cost price, which consists of the cost of land. Construction cost, interest and other related cost

c) Financial cost

Interest expense on financial liability measured at cost of amortization is calculated using the effective interest method and recognized on an accrual basis

3. Balance of Contract Concluded with Client

Asset arising from contract

The Group recognizes contractual asset when the accumulated revenue exceeds the amount charged to the client to date and the Group records an allowance for impairment losses on contractual asset for estimated loss that may not be collected from client. Asset arising from a contract is classified as trade receivables when the enterprise is entitled to receive unconditional payment.

Contractual liability

The Group recognizes liability arising from contract when the amount charged to customer to date exceeds the accumulated revenue. Liability arising from the contract is recognized as income when the business has fulfilled the obligations specified in the contract.

4. Cost of completing the contract made with the customer.

The Group records the cost of completing the contract with the customer which is used to generate resource or to improve the resource of the business to be used in order to fulfill the obligation that must be fulfilled in the future and the business expects to receive such cost back as asset and recognizes them as expenses systematically and in accordance with the contractual revenue recognition model. When the carrying value of an asset is higher than the return, it is deducted by the associated cost

5. Cash and Cash Equivalent

Cash and cash equivalent is referred to cash, bank deposit and short-term investment with high liquidity that are due to be repaid within a period of not more than three months from the date of acquisition and have no restriction on withdrawal.

6. Investment in subsidiaries, Associates and Joint Ventures

a) Investment in subsidiaries and associated companies shown in the separate financial statement is valued according to the method of net cost from impairment allowance (if any)

b) Investment in associates shown in the consolidated financial statement is valued by the equity method.

c) Joint operation: The Company will recognize its share in asset, liability, revenue and expense of each joint operation according to the Company's share in the separate financial statement.

7. Investment Real Estate

The Group measures the initial value of an investment property at its cost price which includes transaction cost. The Group recognizes the profit or loss arising from the change in the fair value of the investment property in the income statement for the year in which it occurs.

The Group recognizes the difference between the amount received from the disposal and the book value of the assets in the income statement for the period that excludes investment real estate.

8. Land, Building, Equipment, and Depreciation

Land is shown at cost value. Building and equipment are valued at cost less accumulated depreciation and allowance for impairment of asset (if any)

Depreciation of building and equipment is calculated from the cost of assets by a straight-line method based on the estimated useful life as following

Building & Renovation	-	20	years
Renovation of the building under the lease	-	10	years

Machinery and equipment	-	5 - 20	years
Office furniture and supplier	-	3 - 5	years
Vehicle	-	5 - 10	years

Depreciation is included in the income statement

There is no depreciation for land, land and Asset Improvement Section under Construction

The Group denotes land, building and equipment when disposing of asset or is not expected to receive future economic benefit from the use or disposal of asset. The list of profit or loss from the disposal of asset is recognized in the income statement when the Group itemize the asset out from the account.

9. Lease Agreement

Group of Companies as Tenant

The Group will record leasehold asset and liability for all leases on the date the leased asset is available (the date the lease becomes effective) except for leasing with a maturity of not more than 12 months or leases with low-value asset.

Right of Used Asset

Right of used asset is valued at cost less accumulated depreciation. The cost of the right of used asset consists of the amount of the lease liability from the initial measurement. Initial direct cost and amount paid on or before the effective date of the leasing.

Depreciation of a right of used asset is calculated from the cost of the leasehold or the estimated useful life of the asset if ownership of the leased asset is transferred to the Group at the end of the lease term as following

Land and Land Improvement Section	-	according to lease term	
Area in the building	-	according to lease term	
Machinery and equipment	-	5	years
Vehicle	-	5	years

The right of used asset is included as part of the land, building and equipment in the financial statement

Lease liability

Lease liability is measured by the present value of the amount payable under the lease over the term of the lease and it is discounted by the implied interest rate of the lease agreement or the marginal borrowing interest rate of the Group after the date the lease becomes effective. The carrying value of lease liability increases from interest on lease liability and decreases from lease debt payment and is revalued when lease has been changed.

Group as a Lessor

A lease in which the risk and reward of most ownership is not transferred to the tenant is considered an operating lease. The Group records the amount received under the operating lease as income in the income statement on a straight-line basis over the life of the lease. The initial direct cost incurred as a result of the acquisition of an operating lease is aggregated in the carrying value of the underlying asset and recognized as an expense over the life of the lease using the same basis as the lease income.

10. Business transaction with related person or entity

Person or entity related to the Group means person or entity that controls or is controlled by the Group, whether directly or indirectly, or under the same control as the Group.

In addition, related person or entity includes associates and person who have direct or indirect voting right that have a material influence on the Group, Key Executives, Directors or employees of the Group who have the authority to plan and control the operation of the Group.

11. Foreign Currency

The Company presents its consolidated financial statement and separates financial statement in Thai baht. This is the currency used in the Company's operation.

Transaction in foreign currency is converted into baht by using the exchange rate as of the date of the transaction. Monetary asset and liability in foreign currency are converted into baht by using the exchange rate at the end of the reporting period.

Profit and loss resulting from changing in exchange rate is included in the income statement

12. Impairment of Non-Financial Asset

Every day at the end of the reporting period, the Group will conduct an impairment assessment of the land, if there is an indication that such asset may be impaired. The Group recognizes impairment loss when the expected value of an asset is lower than the carrying value of that asset. The expected value of the return refers to the fair value minus the cost of sale of the asset or the value of the use of the asset whichever is higher.

The Group will recognize impairment loss in the income statement.

13. Employee Benefit

Short-term benefit of employees

The Group recognizes salary, wage, bonus and contribution to the Social Security Fund as expense when the transaction is occurred.

Employee post-employment benefits and other long-term employee benefits.

<u>Contribution Program</u>

The Group and its employees have jointly established a provident fund. This consists of accumulated payment by employees and monthly contribution from the Group. The asset of the Provident Fund has been separated from the asset of the Group. The amount paid by the Group to the provident fund is recorded as an expense in the year in which the transaction is occurred.

<u>Post-employment benefit and other long-term employee benefit</u>

The Group is obligated to pay compensation to employees upon termination in accordance with labor law which the Group considers as a post-employment benefit program for employees. In addition, the Group provides other long-term employee benefit program including the Performance Reward Program.

The Group calculates liability based on employee retirement benefit and other long-term employee benefit program by using the Projected Unit Credit method.

Profit or loss from actuarial estimates for the employee retirement benefit program, it will be recognized immediately in the comprehensive income statement. Actuarial estimates of profit or loss for other employee long-term benefit projects are recognized immediately in the income statement.

14. Debt Estimation

The Group records an estimate of liabilities in its accounts when obligations resulting from past event has been incurred and there is a fairly certain possibility that the Group will waste economic resources to discharge those obligations as well as the Group can reliably estimate the value of those obligations.

The Group will record a loss provision for the entire number of construction projects when it is clear that the construction project will suffer a loss.

15. Income Tax

Income tax consists of current income tax and deferred income tax.

Current Income Tax

The Group records current income tax based on the amount expected to be paid to the state tax authority. It is calculated from tax profits according to the criteria specified in the tax law.

Deferred income tax

The Group records deferred tax on the temporary difference between the carrying price of asset and liability at the end of the reporting period and the tax base of the relevant asset and liability. The tax rate is in effect at the end of the reporting period.

The Group recognizes deferred tax liability on all taxable temporary difference but recognizes deferred tax asset for temporary tax deduction including unused tax loss to the extent that it is reasonably probable that the Group will have sufficient future tax gains to take advantage of those temporary tax differential and unused tax loss.

The Group will review the carrying value of its deferred tax asset at the end of each reporting period and will make such reduction. If there is a reasonable probability that the Group will not have sufficient tax profit to utilize all or part of its deferred tax asset, it will not be able to do so.

The Group will record deferred income tax directly to shareholders' equity if the tax incurred is related to a transaction that has been recorded directly to equity

16. Financial instrument

The Group recognizes transaction at the initial time of financial asset at fair value and plus transaction cost only if they are financial asset that are not measured at fair value through gain or loss. Anyway, for trade receivables that do not have a significant financing component, the company will not be able to provide significant financing. The Group recognizes such financial asset by the transaction price as described in the Accounting Policy on Revenue Recognition and the Balance of Contracts Entered into with Client.

Item classification and measurement of the value of financial asset.

The Group classifies financial asset as that is subsequently measured at amortized cost of goods. Financial asset that is later measured at fair value through other comprehensive gains and losses, and financial asset that is later measured at fair value through gains or losses. This is based on the business plan of the business for the management of financial asset and the nature of the contractual cash flow of the financial asset.

Financial asset measured at amortized cost

The Group measures the value of financial asset at amortized cost when the Group holds the financial asset to receive the contractual cash flow and the contractual term of the financial asset constitute a cash flow that is only the principal and interest payment from the principal balance on the specified date.

Such financial asset is subsequently valued using the effective interest method and requires an impairment assessment. Anyway, profit and loss incurred as a result of write-off Change or impairment of such asset will be recognized in term of profit or loss.

Financial asset that is required to be measured at fair value through other comprehensive gain and loss (equity)

As of the first day of recognition, the Group may choose to classify investment in equity securities that are not held for trading as equity instrument that are required to be measured at fair value through other comprehensive profit and loss. The classification cannot be changed later. Anyway, the classification of the list will be considered on an instrument-by-instrument basis.

Gain and loss recognized in other comprehensive gain and loss of this financial asset cannot be subsequently recognized as gain or loss.

Dividend received on investments are expressed as dividend income in the income statement except in the case of a clear return of investment cost in financial asset. The Group will recognize the transaction in other comprehensive income and loss.

In addition, investment in equity instrument that is required to be measured at fair value through other comprehensive gains and losses do not have an impairment assessment requirement.

Financial asset that is measured at fair value through profit or loss.

Investment unit in open-ended funds and derivatives are measured at fair value through profit or loss which is shown in the statement of financial position at fair value and recognizes the net change in fair value in profit or loss.

Item classification and measurement of financial liability

Excluding derivative liabilities, the Group recognizes transaction at the outset for financial liability at fair value less transaction cost and classifies them as financial liability that is subsequently valued at amortized cost of operation. Gain and loss arising from write-offs of financial liability and write-offs based on the effective interest method will be recognized as gain or loss. The amortized cost value is calculated taking into account fee or cost that is considered part of the effective interest rate. Anyway, amortization according to the effective interest method is expressed as part of the financial cost in terms of profit or loss.

Write-off of financial instrument

Financial asset is written off from the account when the right to cash flow of the asset has expired or the right to receive the cash flow of the asset has been transferred including the transfer of almost all risks and rewards of the asset or the transfer of control in the asset.

The Group writes off financial liability only after the obligation of those liabilities have been met. The obligation has been canceled or the obligation has been terminated. In case that an existing financial debt is converted into a new debt from the same lender with significantly different term or the term of the existing debt is substantially amended. It will be considered as the write-off of the original debt and the recognition of the new debt. The difference in the book value is recognized in terms of profit or loss.

Impairment of financial asset

The Group recognizes the allowance for expected credit loss on all debt instruments that are not measured at fair value through gain or loss. The expected credit loss is calculated based on the difference between the cash flow to maturity under the contract and the total cash flow expected to be paid by the Group that is reduced by the estimated effective interest rate of the financial asset as of the date of acquisition.

The Group uses a simple method to calculate the expected credit loss for trade receivable and contractual asset. This is based on credit loss data from past experience updated with forward-looking information about the receivable and the economic environment.

17. Derivatives and Hedging Accounting

The Group enters into foreign currency futures contract which is considered derivative instrument in order to hedge against foreign exchange rate fluctuation.

The Group recognizes the initial value of the derivative instrument at fair value at the date of the contract and subsequently measures its value at fair value by expressing it as a financial asset or financial liability based on the fair value of the derivative instrument as well as recognizes changing in such fair value in terms of profit or loss.

Hedging accounting in cash flow

The associate will recognize gain and loss from changing in the fair value of the hedging instrument as a reserve for hedging in other comprehensive cash inflows and will transfer such provision to the profit or loss portion when the hedged cash flow affects the profit or loss portion or is no longer expected to occur.

18. Fair Value Measurement

Fair value means the price that is expected to be received from the sale of an asset or the price to be paid to transfer liability to another person which is a transaction that occurs under normal condition between the buyer and the seller (market participant) at the date of measurement. The Group estimates fair value using valuation techniques that are appropriate for each situation and tries to use as much observable information as possible related to the asset or liability to measure that fair value.

The hierarchy of fair value used to measure and disclose the fair value of asset and liability in financial statement is divided into three levels according to the type of information used to measure fair value as following

Level 1 uses the same bid data for an asset or liability in a liquid market.

Level 2 uses other observable information of an asset or liability whether direct or indirect.

Level 3 uses non-observable data, such as information about future cash flows estimated by the business.

At the end of each reporting period, the Group assesses the need to transfer transaction between the fair value hierarchy for asset and liability held at the end of the reporting period with recurring fair value measurement.

Anyway, this important accounting policy is disclosed in the note to the financial statement and will take effect when Stecon Group Public Company Limited acquires shares and has control over Sino-Thai Engineering and Construction Public Company Limited.

This Accounting Policy was approved by the Board of Directors Meeting No. 2/2024 on February 27th, 2024 and shall be effective from February 27th, 2024 onwards.

Promulgated on 27th February 2024

(Mr. Vallop Rungkijvorasathien)

Chairman of the Board of Directors

Stecon Group Public Company Limited