

TAI SIN ELECTRIC LIMITED

(Incorporated in the Republic of Singapore)
(Co. Reg. No.: 198000057W)

RESPONSE TO QUERIES FROM SINGAPORE EXCHANGE REGULATION ON THE ANNUAL REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2024

The Board of Directors ("**Board**") of Tai Sin Electric Limited (the "**Company**" or "**TSEL**") wishes to provide its responses to the queries raised by the Singapore Exchange Regulation ("**SGX RegCo**") on 21 October 2024 in respect of the Company's announcements on 11 October 2024 in relation to the annual report for the financial year ended 30 June 2024 ("**Annual Report 2024**").

SGX RegCo's Query

It is disclosed that Mr. Yeo Rankin Brandt ("**Mr Yeo**") will [be] seeking appointment at the Company's upcoming annual general meeting ("**AGM**") as an independent non-executive director ("**ID**") of the Company, Chairman of the Remuneration Committee and a member of the Nominating Committee ("**NC**") (collectively as, "**Proposed Appointment**").

We note that Mr Yeo was the audit partner-in-charge of the Group's audit for the financial years ended 30 June 2018 to 30 June 2022 and had recently retired from Deloitte & Touche LLP ("**Deloitte**"), the current external auditor for the Group, as a partner on 31 May 2023.

1. Principle 2 of the Code of Corporate Governance 2018 ("**Code**") requires the Board to have an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interests of the company. Additionally, provisions 2.1 and 10.3 of the Code further provides that, among others, (i) an "independent" director has to be one who is independent in conduct, character and judgement that could interfere, or be reasonably perceived to interfere, with the exercise of the director's independent business judgement in the best interests of the company and (ii) the Audit Committee ("**AC**") should not comprise former partners or directors of the company's existing auditing firm or auditing corporation within a period of two years commencing on the date of their ceasing to be a partner of the auditing firm or director of the auditing corporation. Please provide the Board and NC's assessment on how the proposed appointment of Mr Yeo as an ID complies with the intent of the Code.

Company's Response

In the assessment of Mr Yeo's proposed appointment as an ID of the Company, the NC and Board had considered the criteria of independent status prescribed under the listing rules of the Listing Manual of the Singapore Exchange Securities Trading Limited ("**SGX-ST's Listing Manual**") and the Code. In particular, the following factors:

- (i) Rule 210(5)(d) of the SGX-ST's Listing Manual provides that a director will not be independent under any of the following circumstances:
 - (a) if he is employed or has been employed by the issuer or any of its related corporations in the current or any of the past three financial years;
 - (b) if he has an immediate family member who is employed or has been employed by the issuer or any of its related corporations in the current or any of the past three financial years, and whose remuneration is or was determined by the remuneration committee of the issuer; or
 - (c) if he has been a director of the issuer for an aggregate period of more than nine years (whether before or after listing). Such director may continue to be considered independent until the conclusion of the next annual general meeting of the issuer.

- (ii) Provision 2.1 of the Code provides that an “independent director” is one who is independent in conduct, character and judgement; and has no relationship with the company, its related corporations, its substantial shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the director’s independent business judgement in the best interests of the company.
- (iii) Practice Guidance 2 of the Code provides, *inter alia*, that the NC and the Board should consider the following circumstances in which a director should also be deemed to be non-independent:
 - (a) a director, or a director whose immediate family member, in the current or immediate past financial year, is or was, a substantial shareholder or a partner in (with 5% or more stake), or an executive officer of, or a director of, any organisation which provided to or received from the company or any of its subsidiaries any significant payments or material services (which may include auditing, banking, consulting and legal services). The amount and nature of the service, and whether it is provided on a one-off or recurring basis, are relevant in determining whether the service provided is material. As a guide, payments aggregated over any financial year in excess of S\$200,000 should generally be deemed significant irrespective of whether they constitute a significant portion of the revenue of the organisation in question.

The above examples are not exhaustive and the NC and Board should determine whether there is any circumstance or relationship which might impact a director’s independence, or the perception of his or her independence. Other than the circumstances set out in the SGX-ST’s Listing Rules, these examples are meant to illustrate situations of likely non-independence and the NC and Board can still consider a director to be independent notwithstanding the existence of any of the above-mentioned situations. However, if the Board, having taking into account the view of the NC, does so, it has to fully disclose the nature of the director’s relationship, and why the Board has determined the director to be independent.

- (iv) Provision 10.3 of the Code provides that the AC does not comprise former partners or directors of the company’s existing auditing firm or auditing corporation: (a) within a period of two years commencing on the date of their ceasing to be a partner of the auditing firm or director of the auditing corporation; and in any case, (b) for as long as they have any financial interest in the auditing firm or auditing corporation.

The NC and Board consider a director to be “independent” if he/she is independent in character, conduct and judgement, and having regard to the definition of independence/circumstances as stated in the Code and accompanying Practice Guidance and SGX-ST Listing Manual. On an annual basis, to facilitate the NC’s determination of a director’s independence, all IDs (including new ID proposed for appointment) must submit to the NC and the Board for review and concurrence, a written confirmation on whether they consider themselves to be independent, taking into account the criteria/circumstances set out in the SGX-ST’s Listing Manual, the Code and its guidelines.

The NC and Board considered Mr Yeo to be a potential candidate for appointment as an ID of the Company only in May 2024, way after his retirement from Deloitte in May 2023.

In the deliberation and assessment of the suitability of Mr Yeo for the proposed appointment as an ID of the Company, the NC and Board took into consideration the following factors:

- (1) The written confirmation of independence (“**Confirmation of Independence**”) submitted by Mr Yeo to the Company as well as the following disclosures made by Mr Yeo in his Confirmation of Independence, which were disclosed on page 189 in the Annual Report 2024 under “Additional Information On Directors Seeking Re-election/Appointment”, as follows:

- He was an audit partner of Deloitte, the external auditors of the Company and all the subsidiaries of the Company (the Company together with its subsidiaries, referred to as the “Group”) incorporated in Singapore, and he was the audit partner in charge of the Group’s audit for the financial years ended 30 June 2018 to 30 June 2022.
- He has retired from Deloitte on 31 May 2023 and has not been the audit partner in charge of the Group’s audit since 1 July 2022. As an audit partner, he previously held less than 5% interest in Deloitte.
- For each of the last 3 financial years including the financial year ended 30 June 2024 (“FY2024”), the aggregate audit fees paid to Deloitte as external auditors of the Company and the Group’s subsidiaries incorporated in Singapore were S\$342,000 for the financial year ended 30 June 2022 (“FY2022”), S\$405,000 for the financial year ended 30 June 2023 (“FY2023”) and S\$476,000 for FY2024. The audit fees received by Deloitte for the Group are not material or significant in the context of Deloitte for each of FY2022, FY2023 and FY2024.

Having noted and considered the above disclosures and the Confirmation of Independence by Mr Yeo, the NC has determined that the above declared relationships in his Confirmation of Independence will not interfere with Mr Yeo’s exercise of his independent business judgement in the best interests of the Company and considered Mr Yeo to be independent for the purposes of Rule 210(5)(d) of the SGX-ST’s Listing Manual as well as Principle 2, Provision 2.1 and practice guidance 2 of the Code. The Board concurred with the NC’s view and considered Mr Yeo to be independent.

Save as disclosed, the NC and Board noted that Mr Yeo does not fall under any circumstance or relationship set out in Rule 210(5)(d) of the SGX-ST’s Listing Manual as well as Provision 2.1 and practice guidance 2 of the Code.

- (2) Mr Yeo was with Deloitte for over 30 years, of which he spent more than 20 years as an audit partner. Mr Yeo’s qualifications, work experience, and expertise and background in accounting/audit would contribute towards the core competencies, skills and diversity of the Board.

After having considered the qualifications, expertise, experience and assessed the suitability of Mr Yeo, the Board has accepted the NC’s recommendation and was of the view that Mr Yeo has the requisite capabilities to assume the duties and responsibilities as an ID of the Company and Mr Yeo’s appointment as an ID will strengthen the Board’s capability and contribute towards the core competencies, skills and diversity of the present Board.

The NC has recommended, and the Board has approved the appointment of Mr Yeo as ID of the Company, subject to approval at the AGM. If appointed, he will, with effect from 30 October 2024, be appointed Chairman of the Remuneration Committee and a member of the NC. Mr Yeo will not be considered for appointment as a member of the AC unless permitted by the respective rule/provision of the SGX-ST’s Listing Manual and the Code.

The Board is of the view that the process of decision making has been independent and no individual or small group of individuals dominates the Board’s decision-making process.

The Board confirms that the proposed appointment of Mr Yeo as an ID of the Company, subject to approval at the AGM, complies with Rule 210(5)(d) of the SGX-ST’s Listing Manual as well as the intent of Principle 2, Provisions 2.1 and 10.3 and practice guidance 2 of the Code.

SGX RegCo's Query

2. Please provide the NC's assessment of the potential conflict of interest that may arise from Mr Yeo's appointment as a director of the Group, given his recent roles as the Group's auditor and a partner at Deloitte, and the measures taken to mitigate such conflict of interest.

Company's Response

As explained in the Company's Response to SGX RegCo's Query 1 above, the NC and Board have considered and determined that the relationships declared in the Confirmation of Independence by Mr Yeo will not interfere with his exercise of his independent business judgement in the best interests of the Company and considered Mr Yeo to be independent for the purposes of Rule 210(5)(d) of the SGX-ST's Listing Manual as well as Principle 2, Provision 2.1 and practice guidance 2 of the Code. The NC has also assessed and concluded that there is no potential conflict of interest that may arise from Mr Yeo's appointment as a director of the Company, and, hence, no measures need to be taken to mitigate such conflict of interest.

The Board concurred with the NC's view on the above.

By Order of the Board

Hazel Chia
Company Secretary

23 October 2024