

TAI SIN ELECTRIC LIMITED

(Incorporated in the Republic of Singapore)

(Co. Reg. No.: 198000057W)

ANNUAL GENERAL MEETING TO BE HELD ON 25 OCTOBER 2023 - RESPONSES TO QUESTIONS RECEIVED FROM A SHAREHOLDER

The Board of Directors (“Board”) of Tai Sin Electric Limited (the “Company”, and together with its subsidiaries, the “Group”) refers to the Company’s Notice of Annual General Meeting (“AGM”) dated 9 October 2023.

The Company would like to thank the shareholder for submitting the questions in advance of the AGM to be held on 25 October 2023. Below are the Company’s responses to the questions received.

Question 1:

I refer to page 161 "Segment information; segment revenue and results" of the annual report. I noted that Test and Inspection is making losses, with a negative \$3.4m result, despite having a positive \$28.5m in revenue. Could you kindly elaborate what are the causes of this loss and is this one off or going to be repeated again.

Company's Response 1:

The negative result of \$3.4 million as indicated on page 161 of the Annual Report 2023 under “Segment Information – Segment revenue and results” for Test & Inspection (T&I) Segment was mainly due to losses on consolidation of its wholly owned subsidiary in Cambodia, CAST Laboratories (Cambodia) Co Ltd (**CLKH**) and lower contribution from another subsidiary, PT CAST Laboratories Indonesia (**CLID**).

The losses from CLKH was mainly due to:

- (1) The impairment loss on right-of-use assets recognised for the leased building in Cambodia during the financial year ended 30 June 2023 (“FY2023”). The impairment loss amounts to \$2.7 million. The fair value of the leased building less costs of disposal was less than the value in use and hence was impaired to the recoverable amount of \$1.58 million. The “Notes to Financial Statement” for this impairment can be found on page 142 of the Annual Report 2023 (Note 16 on Right-of-Use Assets). Whether future impairment is necessary will be determined on impairment assessment that needed to be carried out at each reporting period as per the Company’s accounting policy as stated on page 97 of the Annual Report 2023 (Note 2 on “Summary of Significant Accounting Policies – Impairment of Non-financial Assets”).

- (2) Lower than expected revenue generated by CLKH even with the recovery from the COVID-19 pandemic. Coupled with the intention of the change in political leadership in Cambodia, business activities had been subdued. The low revenue and fixed operating cost needed to operate the laboratory resulted in CLKH incurring net operating losses in FY2023 in addition to the impairment loss on right-of-use assets. Going forward, the performance of CLKH will be dependable on the business activities level in Cambodia post COVID-19 recovery and the recent change in political leadership.

The lower contribution from CLID was due mainly to lower revenue achieved in Indonesia in FY2023 as there were lower non-destructive testing and heat treatment services activities. This was attributable to completion of projects and fewer sizeable new contracts being secured. Whether revenue will improve, will highly dependent on the oil & gas activities available in the market and the level of competition in Batam, Indonesia.

Question 2:

Noted that net earnings has dropped quite significantly, a -24% in EPS from 4.78 to 3.62 cents. Should we shareholders be alarmed? Has such huge earnings drop happened before? Trying to understand if it's just a temporary setback or a long term downtrend in the business.

Company's Response 2:

The decline in EPS from 4.78 to 3.62 cents in FY2023 (a decline of 1.16 cents) as reported in the Annual Report 2023, page 5, was due mainly to the negative contribution from the T&I Segment. T&I Segment had contributed a positive contribution of \$1.1 million in FY2022 but a negative contribution of \$3.4 million in FY2023. As explained in the Company's Response 1 above, the negative contribution from the T&I Segment was due mainly to losses on consolidation of CLKH and lower contribution from CLID.

CLKH was first incorporated in September 2020, during the COVID-19 pandemic. Despite the pandemic and in the midst of multiple lock-down and travel restrictions, the laboratory began operation in September 2021. With the resumption of travel after the COVID-19 pandemic in late 2022, business activities were still subdued and the situation was worsened by the impending change in political leadership in Cambodia.

For CLID, the level of business activities are dependent on the availability of the oil & gas projects in Batam, Indonesia. These activities are in turn dependable on the oil & gas demand and the level of competition.

Please refer to the "Graph – Earnings Per Share" below extracted from page 5 of the Company's Annual Report 2020.



From the graph, it was reported that in FY2016, EPS was 5.31 cents whereas in FY2017, EPS was 4.17 cents, a decline of 1.14 cents. The drop in EPS from FY2016 to FY2017 was relatively similar to the decline in EPS from FY2022 to FY2023.

By Order of the Board

Juliana Tan
Company Secretary

19 October 2023