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Issuer: Tai Sin Electric Limited

Stock code: 500

Meeting details:

Date: 29 October 2026

Time: 10.00 a.m.

Venue: Raffles Marina, Theatrette, Level 2, 10 Tuas West Drive, Singapore 638404

Q1. Despite a 24% increase in revenue in FY2026, profit before tax fell 57% to \$13.3 million as gross profit decreased from \$80.2 million to \$68.7 million, largely due to lower margins in the cable and wire (C&W) segment, after the provision for onerous contracts.



(Source: company annual report)

While C&W segment revenue increased by 11.9%, from \$343.3 million to \$384.1 million, segment results fell sharply from \$28.5 million to just \$7.0 million, reflecting the impact of provisions for onerous contracts.

As highlighted in the key audit matter¹ (KAM), the group enters into fixed-price sales contracts for cable deliveries. Its gross margins are exposed to fluctuations in copper prices because manufacturing costs can rise while contracted selling prices remain unchanged. As at 30 June 2026, prevailing copper prices exceeded the fixed selling prices under certain contracts with deliveries scheduled over the following one to three and a half years. The group consequently recognised an onerous contract provision of \$23.89 million, compared with \$0.76 million in FY2025.

- (i) Given the volatility of copper prices and delivery periods of up to three and a half years, what commercial rationale supported accepting these fixed-price contracts, and what protections were in place against rising input costs? At the point of contract award, what minimum gross margins and**

¹ The “provision for onerous contracts” is a key audit matter highlighted by the independent auditor. Key audit matters are those matters that, in the professional judgement of the independent auditor, were of most significance in the audit of the financial statements of the current period.

copper-price assumptions were used to assess profitability, and how did these assumptions compare with actual outcomes?

- (ii) Has management considered incorporating copper-price pass-through clauses, shorter pricing validity periods or other contractual safeguards into orders? If these protections are not commercially feasible, how does the group price the commodity price risk?**
- (iii) What specific hedging strategy does the group use to manage copper-price exposure arising from committed sales orders, and to what extent did this strategy mitigate the impact of copper-price movements in FY2026? What explains the substantial increase in onerous contract provisions despite the use of copper derivatives, and what oversight does the board exercise over these exposures and the effectiveness of the hedging strategy?**

Furthermore, in Note 10 (Derivative financial instruments; page 130), the company disclosed the following:

As at 30 June 2026 and 30 June 2025, the group and the company had outstanding copper contracts that were used to hedge significant future fluctuations in copper prices. The fair value liabilities of copper contracts for the group was [sic] \$976,000 (30 June 2025: fair value assets of \$283,000). The company had no outstanding copper contracts as at 30 June 2026 (30 June 2025: fair value asset of \$340,000)...

- (iv) Given that the group's copper derivatives had a net fair value liability of \$976,000 as at 30 June 2026, does this indicate that the group held net short positions in copper or did it enter into the contract when copper hit a high? What underlying exposure were these positions intended to hedge, and how did management determine the appropriate direction and size of the contracts?**
- (v) What control does the board have in place to ensure that copper derivatives are used solely to hedge identifiable business exposures and are not speculative in nature?**

Q2. The group established its renewable energy solutions (RES) business segment through the acquisition² of solar distribution businesses in Thailand and the Philippines, with the aim of capturing growing demand for renewable energy.

² On 3 November 2025, the company, together with its wholly-owned subsidiary, Tai Sin (Vietnam) Pte Ltd, completed the acquisition of the entire issued share capital of each of Integra R.E. Co., Ltd. (formerly known as BayWa r.e. Solar Systems Co., Ltd) (IRECL) and Integra R.E. Corporation (formerly known as BayWa r.e. Solar Systems Corporation) (IREC) for an aggregate consideration of \$7.341 million.

The acquisitions of Integra R.E. Co., Ltd. (IRECL) and Integra R.E. Corporation (IREC) resulted in a bargain purchase gain of \$4.03 million, representing the excess of the fair value of the identifiable net assets acquired over the consideration transferred. The seller disposed of the businesses as part of a broader strategic transformation to shift away from pure trading activities towards higher value-added manufacturing and project-based businesses. IRECL and IREC had been marketed for sale since September 2024.

- (i) Given that the seller sought to exit these businesses because of their pure trading nature, what steady-state return on invested capital does management expect IRECL and IREC to generate, and how does this compare with the group's cost of capital? What are the key assumptions underpinning these return expectations, including revenue growth, gross margins, working capital requirements and customer credit terms?**
- (ii) What competitive advantages do IRECL and IREC have in their respective markets that would enable them to sustain margins and defend their market positions against competing solar distributors?**

In addition, as disclosed in Note 40 (Acquisition of subsidiaries; page 170), IRECL's acquired financial assets included trade receivables with a fair value of \$6.118 million and a gross contractual value of \$6.228 million.

- (iii) As at the latest available date, how much of the acquired trade receivables has been collected, and what proportion remains outstanding? What is the ageing profile for the outstanding balance and are any receivables disputed or impaired? How do actual collections compare with the assumptions used in determining the fair value of these receivables at the acquisition date?**

Q3. The group's sustainability report is set out on pages 17 to 52 of the annual report. The board oversees sustainability through a sustainability committee comprising the group CEO, group CFO and business segment heads.

- (i) Beyond its quarterly review of sustainability matters at board meetings, how does the board actively drive sustainability across the group? What specific actions has it taken to ensure that sustainability priorities influence business decisions, capital allocation and operational performance? Are sustainability targets incorporated into the performance assessments or remuneration of senior management?**

In addition, it was disclosed that the board approves targets related to the group's material topics. Some examples of these include:

- *Energy consumption [GRI 302-1]:* The group will continue to monitor energy consumption across its operations and pursue practical energy efficiency initiatives, including further electrification where feasible and improved tracking of electricity, fuel and renewable energy usage.

- *Employment [GRI 2-7 / 401-1]*: The group aims to improve employee retention by providing upgrading opportunities that strengthen employee skills and support career advancement within the group.
- *Economic performance [GRI 201-1]*: The group aims to achieve long-term sustainable growth and to increase shareholder value subject to market conditions.

Some of these targets appear largely qualitative and do not specify measurable outcomes or timelines.

- (ii) **Will the board consider committing to translating broad, qualitative sustainability commitments into specific, quantifiable and time-bound targets for each material topic, supported by established baselines and clearly defined performance indicators? By when does the board expect to finalise and disclose these targets?**

Shareholders are welcome to use and/or adapt the questions prepared by SIAS and to forward them to the company.

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