



LS 2 HOLDINGS LIMITED
(Registration. No. 202016972G)
(Incorporated in Singapore)

**UNAUDITED CONDENSED INTERIM
FINANCIAL STATEMENTS**

**For the six months and full financial year
ended 31 December 2021**

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A. Condensed interim consolidated statement of comprehensive income

	Note	The Group			The Group		
		6 months ended		Change%	12 months ended		Change%
		31 Dec 21	31 Dec 20		31 Dec 21	31 Dec 20	
		(Unaudited)	(Unaudited)	(Unaudited)	(Audited combined)		
S\$	S\$	S\$	S\$				
Revenue	E4	28,361,257	26,416,991	7.4	53,829,715	54,639,534	(1.5)
Other Income		259,522	184,962	40.3	586,607	339,349	72.9
Other loss							
- Loss allowance on other receivables		(95,940)	-	N.M	(95,940)	-	N.M
Expenses:							
- Purchases and related costs		(5,689,307)	(4,547,443)	25.1	(10,028,126)	(10,818,306)	(7.3)
- Employee benefits		(18,927,154)	(15,336,385)	23.4	(34,793,431)	(30,649,476)	13.5
Direct operating costs		(24,616,461)	(19,883,828)	23.8	(44,821,557)	(41,467,782)	8.1
- Depreciation of property, plant and equipment		(827,713)	(710,245)	16.5	(1,557,649)	(1,403,451)	11.0
- Depreciation of investment properties		(13,134)	(19,700)	(33.3)	(32,834)	(39,400)	(16.7)
- Other expenses		(2,665,016)	(2,640,105)	0.9	(5,382,354)	(4,436,878)	21.3
- Finance costs		(182,328)	(187,604)	(2.8)	(316,042)	(390,652)	(19.1)
Total expenses		(28,304,652)	(23,441,482)	20.7	(52,110,436)	(47,738,163)	9.16
Profit before income tax	E6	220,187	3,160,472	(93.0)	2,209,946	7,240,720	(69.5)
Income tax credit / (expense)	E7	37,193	(3,954)	N.M	(73,817)	90,216	N.M
Total comprehensive income, representing net profit for the financial period/year		257,380	3,156,518	(91.8)	2,136,129	7,330,936	(70.9)
Earnings per share ("EPS") for net profit attributable to equity holders of the Company:							
Basic and diluted (in cents)		0.16	2.01	(91.8)	1.36	4.66	(70.8)

Notes :

The earnings per share have been calculated based on the net profit attributable to equity holders of the Company and pre-placement share capital of 157,250,000 shares. The fully diluted earnings per share and basic earnings per share are the same because there is no dilutive share.

N.M defines as Not Meaningful

B. Condensed interim statements of financial position

	Note	The Group		The Company	
		As at		As at	
		31 Dec 21	31 Dec 20	31 Dec 21	31 Dec 20
		(Unaudited)	(Unaudited)	(Unaudited)	(Audited combined)
		S\$	S\$	S\$	S\$
ASSETS					
Current assets					
Cash and bank balances		3,095,315	7,299,679	7,194	40,525
Trade and other receivables		22,241,316	16,610,860	667,680	-
		25,336,631	23,910,539	674,874	40,525
Non-current assets					
Investment in subsidiaries		-	-	104	-
Property, plant and equipment		5,583,746	4,963,591	4,429	-
Financial assets, at fair value through profit or loss ("FVPL")	E10	-	767,756	-	-
Investment properties	E11	-	945,612	-	-
		5,583,746	6,676,959	4,533	-
Total Assets		30,920,377	30,587,498	679,407	40,525
LIABILITIES AND EQUITY					
Current liabilities					
Trade and other payables		8,237,986	8,144,903	683,059	41,299
Borrowings	E13	6,448,850	5,540,079	-	-
Current income tax liabilities		162,289	227,229	-	-
		14,849,125	13,912,211	683,059	41,299
Non-current liabilities					
Borrowings		5,639,724	2,821,229	-	-
Deferred tax liabilities		58,886	117,545	-	-
		5,698,610	2,938,774	-	-
Capital and reserves					
Share capital	E14	1	3,000,002	1	1
Merger reserve		3,000,001	-	-	-
Retained profits		7,372,640	10,736,511	(3,653)	(775)
		10,372,642	13,736,513	(3,652)	(774)
Total liabilities and equity		30,920,377	30,587,498	679,407	40,525

C. Condensed interim statements of changes of equity

	Note	Share Capital	Merger reserve	Retained profits	Total equity
		S\$	S\$	S\$	S\$
<u>The Group</u>					
2020 (Audited combined)					
Beginning of financial year		3,000,000	-	3,405,575	6,405,575
Issue of new shares	E14	2	-	-	2
Total comprehensive income -					
Net profit of the financial year		-	-	7,330,936	7,330,936
End of financial year		3,000,002	-	10,736,511	13,736,513
2021 (Unaudited)					
Beginning of financial year		3,000,002		10,736,511	13,736,513
Restructuring exercise	E1.2	(3,000,001)	3,000,001	-	-
Dividend paid	E8	-	-	(5,500,000)	(5,500,000)
Total comprehensive income -					
Net profit of the financial year		-	-	2,136,129	2,136,129
End of financial year		1	3,000,001	7,372,640	10,372,642

	Share Capital	Retained profits	Total equity
	S\$	S\$	S\$
<u>The Company</u>			
2020 (Unaudited)			
At date of incorporation	-	-	-
Issue of new shares	1	-	1
Total comprehensive loss -			
Net loss of the financial period	-	(775)	(775)
End of financial period	1	(775)	(774)
2021 (Unaudited)			
Beginning of financial year	1	(775)	(774)
Total comprehensive loss -			
Net loss of the financial year	-	(2,878)	(2,878)
End of financial year	1	(3,653)	(3,652)

D. Condensed interim consolidated statement of cash flows

		The Group	
		12 months ended	
Note	31 Dec 21	31 Dec 20	
	(Unaudited)	(Audit combined)	
	S\$	S\$	
Cash flows from operating activities			
	2,209,946	7,240,720	
Profit before income tax			
Adjustment for:-			
- Loss allowance on other receivables	E6 95,940	-	
- Bad debt written off	E6 -	41,000	
- Depreciation of property, plant and equipment	1,557,649	1,403,451	
- Depreciation of investment properties	32,834	39,400	
- Property, plant and equipment written-off	E6 196	2,596	
- Gain on disposal of property, plant and equipment	E6 (11,289)	(4,645)	
- Gain on disposal of investment properties	E6 (3,283)	-	
- Gain on disposal of financial assets, at FVPL	E6 (16,032)	-	
- Interest income	(1,533)	(4,906)	
- Interest expense	E6 316,042	390,652	
	4,180,470	9,108,268	
Change in working capital:			
- Trade and other receivables	(5,253,737)	1,123,632	
- Trade and other payables	417,987	794,086	
Cash (used in) / generated from operations	(655,280)	11,025,986	
Income tax paid	(197,417)	(110,075)	
Interest paid	(489)	(92)	
Interest received	-	3,402	
Net cash (used in) / provided by operating activities	(853,186)	10,919,221	
Cash flows from investing activities			
Proceeds from disposal of property, plant and equipment	E12 24,283	31,545	
Proceeds from disposal of investment properties	916,061	-	
Proceeds from disposal of fair value financial asset	783,788	-	
Additions to property, plant and equipment	E12 (910,724)	(378,165)	
Net cash provided by / (used in) investing activities	813,408	(346,620)	
Cash flows from financing activities			
Dividend paid	E8 (5,500,000)	-	
Proceeds from issuance of shares	-	2	
Release of bank deposit pledged	-	300,000	
Principal repayment of lease liabilities	(1,032,781)	(933,745)	
Proceeds from borrowings	3,000,000	-	
Repayment of borrowings	(921,864)	(1,382,780)	
Repayment of trade receivables factoring	-	(441,563)	
Proceeds from trade receivables factoring	890,968	-	
Payments to a director	(324,902)	(2,000,411)	
Interest paid	(277,540)	(390,560)	
Interest received	1,533	1,504	
Net cash used in financing activities	(4,164,586)	(4,847,553)	

D. Condensed interim consolidated statement of cash flows (Cont'd)

	The Group	
	12 months ended	
	31 Dec 21	31 Dec 20
Note	(Unaudited)	(Audit combined)
	S\$	S\$
Net (decrease)/increase in cash and bank balances	(4,204,364)	5,725,048
Cash and bank balances		
Beginning of the financial year	7,299,679	1,574,631
End of the financial year	<u>3,095,315</u>	<u>7,299,679</u>

Reconciliation of liabilities arising from financing activities

	<u>Non-cash changes</u>					31 December 2021
	1 January 2021	Principal and interest payment	Principal and Interest expenses	Interest expense	Additions	
Bank borrowings	2,798,262	3,000,000	(986,828)	64,964	-	4,876,398
Trade receivables factoring	4,343,331	890,968	(152,169)	152,169	-	5,234,299
Lease liabilities	1,219,715	-	(1,093,188)	60,407	1,790,943	1,977,877
Amount due to a director	324,902	-	(324,902)	-	-	-

E. Notes to the condensed interim consolidated financial statements

1. General Information

1.1 The Company

The Company was incorporated in Singapore on 18 June 2020 as an exempt private company limited by shares under the name of LS 2 Pest Management Pte. Ltd. and it subsequently changed its name to LS 2 Holdings Pte. Ltd. on 29 March 2021. The address of its registered office is at 1 Bukit Batok Crescent, #04–11 WCEGA Plaza, Singapore 658064.

As at the date of incorporation, the Company's issued and paid-up share capital was S\$1, comprising one ordinary share held by the director of the Company, Mr Tan Hoo Kiat (Roger Tan). For the purpose of acquiring the existing companies of the Group pursuant to the Group's Restructuring Exercise (Note E1.2), the Company subscribed for 297,000,000 new ordinary shares of LS 2 Services Pte Ltd and became the holding corporation of the Group.

The Company was converted into a public limited company and the name was changed to "LS 2 Holdings Limited" on 25 November 2021. The Company was successfully listed on Catalist, the sponsor-supervised listing platform of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") on 24 February 2022.

The principal activity of the Company is that of an investment holding. The principal activities of the subsidiary corporations are disclosed in Note E4.

1.2 Restructuring exercise

The Group was formed through the corporate exercise ("**Restructuring Exercise**") which involved acquisitions and rationalisation of the corporate and shareholding structure for the purposes of the IPO of the Company on Catalist. Pursuant to the Restructuring Exercise, the Company became the holding company of the Group. The Restructuring Exercise involved the following steps:

(a) Incorporation of the Company

The Company was incorporated on 18 June 2020 in Singapore in accordance with the Companies Act as a private company limited by shares with an issued and paid-up share capital of S\$1 comprising one (1) Share held by Mr. Roger Tan

(b) Incorporation of LS 2 Management

On 18 June 2020, the Company incorporated LS 2 Management as a holding company in preparation for future expansion of its businesses.

(c) Acquisition of shares in LS 2 Services by the Company

On 1 July 2021, LS 2 Services issued and allotted 297,000,000 ordinary shares, representing 99% of the issued and paid-up share capital of LS 2 Services to the Company for a nominal cash consideration of S\$100. On 1 September 2021, the Company acquired 2,400,000 ordinary shares and 600,000 ordinary shares respectively representing 0.8% and 0.2% of the issued and paid-up share capital of LS 2 Services from Mr. Roger Tan and Ms. Tan Wei Ying, respectively, for an aggregate nominal cash consideration of S\$2. Ms. Tan Wei Ying is the daughter of Mr. Roger Tan. Following such acquisition, LS 2 Services became a wholly-owned subsidiary of the Company.

E. Notes to the condensed interim consolidated financial statements (Cont'd)

1. General Information (Cont'd)

1.2 Restructuring exercise (Cont'd)

(d) Incorporation of LS 2 Facilities

On 8 July 2021, the Company incorporated LS 2 Facilities as a facilities management company in preparation for future expansion of its businesses

(e) Share split

On 10 September 2021, the Share Split was effected and each of the Company's shares were sub-divided into 157,250,000 shares. Pursuant to the Share Split, the issued and paid-up share capital of the Company became S\$1, comprising 157,250,000 Shares.

(f) Acquisition of shares by Mr. Ong Khong Weng, Alvin (Mr. Alvin Ong)

On 17 September 2021, Mr. Alvin Ong acquired 37,000,000 ordinary shares representing 23.5% of the issued and paid-up share capital of the Company from Mr. Roger Tan for a cash consideration of S\$705,882. The cash consideration was determined on a willing buyer willing seller basis based on the combined paid-up share capital of the Group of S\$3,000,002 at the time of the acquisition.

(g) Conversion of the Company into a Public Company

On 25 November 2021, the Company was converted into a public company limited by shares. In connection with such conversion, the Company changed its name to "LS 2 Holdings Limited".

2. Basis of Preparation

The condensed interim financial statements for the six months ended 31 December 2021 have been prepared in accordance with SFRS(I) 1-34 *Interim Financial Reporting* issued by the Accounting Standards Council Singapore. The condensed interim financial statements do not include all the information required for a complete set of financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance of the Group since the last interim combined financial statements for the period ended 30 June 2021 which is included in Appendix B in the Group's offer document dated 15 February 2021 published on the SGX-ST ("**Offer Document**").

The accounting policies adopted are consistent with those adopted in the Group's audited combined financial statements for the financial years ended 31 December 2018, 2019 and 2020 which is included in Appendix A of the Offer Document of the Company which were prepared in accordance with SFRS(I)s, except for the adoption of new and amended standards as set out in Note E2.1.

The condensed interim financial statements are presented in Singapore Dollar (SGD or S\$), except when otherwise indicated.

The condensed interim consolidated financial statements have been prepared on a going concern basis, since management has verified that there are no financial, operating or other types of indicators that might cast significant doubt upon the Group's ability to meet its obligations in the foreseeable future and particularly within the 12 months from the end of the financial period.

2.1 New and amended standards adopted by the Group

The following are the other new or amended Standards and Interpretations that should be disclosed in the Basis of preparation note if the change in accounting policy had a material effect on the current or prior periods, or may have a material effect on future periods:

E. Notes to the condensed interim consolidated financial statements (Cont'd)

2. Basis of Preparation (Cont'd)

2.1 New and amended standards adopted by the Group (Cont'd)

Effective for annual periods beginning on or after 1 January 2021:

- a) 1 June 2020
Amendments to:
SFRS(I) 16 Leases (Covid-19-Related Rent Concessions)
- b) 1 January 2021
Amendments to:
SFRS(I) 9 Financial Instruments, SFRS(I) 1-39 Financial Instruments: Recognition and Measurement, SFRS(I) 7 Financial Instruments: Disclosures, SFRS(I) 4 Insurance Contracts and SFRS(I) 16 Leases (Interest Rate Benchmark Reform – Phase 2)

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

2.2 Use of judgements and estimates

In preparing the condensed interim financial statements, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2021.

Estimates and underlying assumptions were reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Management is of the opinion that there were no significant judgements made in applying the accounting policies in the condensed interim financial statements.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next interim period are included in the following notes:

- Expected credit losses ("ECL") on trade receivables

ECL are unbiased probability-weighted estimates of credit losses which are determined by evaluating a range of possible outcomes and taking into account past events, current conditions and assessment of future economic conditions.

The Group has used relevant historical information and loss experience to determine the probability of default of the instruments and incorporated forward-looking information, including significant changes in external market indicators which involved significant estimates and judgements.

E. Notes to the condensed interim consolidated financial statements (Cont'd)

2. Basis of Preparation (Cont'd)

2.2 Use of judgements and estimates (Cont'd)

- Expected credit losses (“ECL”) on trade receivables (Cont'd)

In determining the ECL, the management has considered the historical default experience and the financial position of the counterparties, adjusted for factors that are specific to these receivables in estimating the probability of default of each of other receivables.

Notwithstanding the above, the Group evaluates the expected credit loss on customers in financial difficulties separately. No loss allowances on trade receivables are recognised by the Group for the financial year ended 31 December 2021 as there is no customer in financial difficulty during the financial year.

- Expected credit losses (“ECL”) on other receivables

The Group has used the 12-month ECL to measure the loss allowance. In determining ECL, the management has taken into account the outstanding amount in probable default in the next 12 months. There is loss allowance on other receivables amounting to S\$95,940 recognised by the Group for the six months ended 31 December 2021.

3. Seasonal operations

The Group's businesses are not affected significantly by seasonal or cyclical factors during the financial period.

4. Segment and revenue information

Operating segments are aggregated into a single operating segment if they have similar economic characteristics. The Group's reportable operating segments under SFRS(l) 8 *Operating Segments* are as follows:

- a) The cleaning services include conservancy services, facilities cleaning services, and pandemic disinfection services. This reportable segment has been formed by aggregating various cleaning services which are regarded by management to exhibit similar economic characteristics.
- b) Others relate to ad-hoc services, investment activities and provision of treasury and administrative services

Except as indicated above, no operating segments have been aggregated to form the above operating segment.

The management monitors the operating results of its operating segments for the purpose of making decisions in order to assess the respective operating segments' performances. This is evaluated based on the operating profit or loss of the operating segments, as explained in the table below and is measured differently from operating profit or loss in the interim consolidated statement of comprehensive income. Group financing (including finance costs) and income taxes are managed on a group basis and are not allocated to the operating segments.

E. Notes to the condensed interim consolidated financial statements (Cont'd)

4. Segment and revenue information (Cont'd)

4.1. Reportable segments

The following table below presents the revenue and profit information for the Group's operating segments for the six months ended 31 December 2021 and 2020 respectively:

	1 Jul 21 to 31 Dec 21			1 Jul 20 to 31 Dec 20		
	Cleaning	Others	Total	Cleaning	Others	Total
	S\$	S\$	S\$	S\$	S\$	S\$
Revenue	28,048,459	312,798	28,361,257	26,069,319	347,672	26,416,991
Other Income	132,769	126,753	259,522	10,296	28,200	38,496
Other loss	-	(95,940)	(95,940)	-	-	-
Purchases and related costs	(5,359,456)	(329,851)	(5,689,307)	(4,303,687)	(243,756)	(4,547,443)
Employee benefits	(18,897,553)	(56,823)	(18,954,376)	(14,875,154)	(58,698)	(14,933,852)
Depreciation of property, plant and equipment	(755,481)	(72,232)	(827,713)	(547,938)	(162,307)	(710,245)
Depreciation of investment properties	-	(13,134)	(13,134)	-	(19,700)	(19,700)
Other expenses	(2,517,932)	(23,249)	(2,541,181)	(2,306,418)	(11,826)	(2,318,244)
Finance costs	(144,247)	(38,081)	(182,328)	(203,058)	15,454	(187,604)
Segment profit/(loss) before income tax	506,559	(189,759)	316,800	3,843,360	(104,961)	3,738,399
Unallocated costs			(99,613)			(577,927)
Profit before income tax			220,187			3,160,472
Income tax credit/(expense)			37,193			(3,954)
Net profit			257,380			3,156,518

	As at 31 December 2021 (Unaudited)			As at 31 December 2020 (Audited combined)		
Segment assets	21,494,929	9,425,448	30,920,377	16,026,997	14,560,501	30,587,498
Addition to:						
- Property, plant and equipment	1,587,594	603,401	2,190,995	542,841	399,185	942,026
Segment liabilities	15,145,576	5,402,159	20,547,735	13,151,451	3,699,534	16,850,985

E. Notes to the condensed interim consolidated financial statements (Cont'd)

4. Segment and revenue information (Cont'd)

4.1. Reportable segments (Cont'd)

The following table below presents the revenue and profit information for the Group's operating segments for the full financial year ended 31 December 2021 and 2020 respectively:

	1 Jan 21 to 31 Dec 21			1 Jan 20 to 31 Dec 20		
	Cleaning	Others	Total	Cleaning	Others	Total
	S\$	S\$	S\$	S\$	S\$	S\$
Revenue	53,184,858	644,857	53,829,715	53,926,840	712,694	54,639,534
Other Income	431,354	155,253	586,607	17,236	49,950	67,186
Other loss	-	(95,940)	(95,940)	-	-	-
Purchases and related costs	(9,466,891)	(561,235)	(10,028,126)	(10,265,038)	(553,268)	(10,818,306)
Employee benefits	(33,766,094)	(111,406)	(33,877,500)	(29,749,782)	(133,634)	(29,883,416)
Depreciation of property, plant and equipment	(1,301,356)	(256,293)	(1,557,649)	(1,114,199)	(289,252)	(1,403,451)
Depreciation of investment properties	-	(32,834)	(32,834)	-	(39,400)	(39,400)
Other expenses	(4,906,721)	(38,039)	(4,944,760)	(3,691,642)	(25,575)	(3,717,217)
Finance costs	(178,152)	(137,890)	(316,042)	(257,959)	(132,693)	(390,652)
Segment profit/(loss) before income tax	3,996,998	(433,527)	3,563,471	8,865,456	(411,178)	8,454,278
Unallocated costs			(1,353,525)			(1,213,558)
Profit before income tax			2,209,946			7,240,720
Income tax (expense)/ credit			(73,817)			90,216
Net profit			2,136,129			7,330,936

	As at 31 December 2021 (Unaudited)			As at 31 December 2020 (Audited combined)		
Segment assets	21,494,929	9,425,448	30,920,377	16,026,997	14,560,501	30,587,498
Addition to:						
- Property, plant and equipment	1,587,594	603,401	2,190,995	542,841	399,185	942,026
Segment liabilities	15,145,576	5,402,159	20,547,735	13,151,451	3,699,534	16,850,985

4.2. A Breakdown of sales

	Group		
	FY2021	FY2020	Change %
	S\$	S\$	
Sales reported for first-half year	25,468,458	28,222,543	(9.8)
Net profit attributable to equity holder of the Company after tax expenses for first-half year	1,878,749	4,174,418	(55.0)
Sales reported for second-half year	28,361,257	26,416,991	7.3
Net profit attributable to equity holder of the Company after tax expenses for second-half year	257,380	3,156,518	(91.8)

E. Notes to the condensed interim consolidated financial statements (Cont'd)

5. Financial assets and financial liabilities

The following information set out below is an overview of the financial assets and financial liabilities as at 31 December 2021 and 2020 respectively:

	The Group		The Company	
	31 Dec 21	31 Dec 20	31 Dec 21	31 Dec 20
	S\$	S\$	S\$	S\$
<u>Financial assets</u>				
At fair value through profit or loss ("FVPL"):	-	767,756	-	-
At amortised cost:				
- Cash and bank balances	3,095,315	7,299,679	7,194	40,525
- Trade receivables	19,376,590	13,001,769	-	-
- Other receivables	1,911,889	2,135,002	43,680	-
	<u>24,383,794</u>	<u>22,436,450</u>	<u>50,874</u>	<u>40,525</u>
<u>Financial liabilities</u>				
At amortised cost:				
- Borrowings	12,088,574	8,361,308	-	-
- Trade and other payables	7,344,978	6,354,214	683,059	41,299
	<u>19,433,552</u>	<u>14,715,522</u>	<u>683,059</u>	<u>41,299</u>

6. Profit before income tax

6.1 Significant items

	The Group			
	6 months ended		12 months ended	
	31 Dec 21	31 Dec 20	31 Dec 21	31 Dec 20
	S\$	S\$	S\$	S\$
<u>Expenses / (Income)</u>				
Gain on disposal of property, plant and equipment	(9,809)	(2,309)	(11,289)	(4,645)
Gain on disposal of investment properties	(3,283)	-	(3,283)	-
Gain on disposal of financial assets, at FVPL	(16,032)	-	(16,032)	-
Bad debt written off	-	41,000	-	41,000
Interest expenses	182,328	187,604	316,042	390,652
Property, plant and equipment written off	148	104	196	2,596
Loss allowance on other receivables	95,940	-	95,940	-

E. Notes to the condensed interim consolidated financial statements (Cont'd)

6.2 Related party transactions

In addition to the information disclosed elsewhere in the financial statements, the following transactions took place between the Group and related parties at terms agreed between the parties:

	The Group			
	6 months ended		12 months ended	
	31 Dec 21	31 Dec 20	31 Dec 21	31 Dec 20
	S\$	S\$	S\$	S\$
(a) Purchase of Services				
- Project management fees ⁽¹⁾	-	3,208	82,857	2,392,908
- Training courses ⁽²⁾	19,402	-	19,402	-
(b) Sale of investment properties (Note E11)	916,060	-	916,060	-
(c) Transfer of financial assets, at FVPL (Note E10)	783,788	-	783,788	-

(1) News Environmental Pte. Ltd. had provided project management services to our Group. The Group's subsidiary, LS 2 Services Pte Ltd enter into back-to-back agreements with project management firms for the management of projects. Pursuant to the terms of the agreements with project management firms that we engage (including but not limited to News Environmental Pte. Ltd.), the Group agree to pay the project management firms an agreed amount ("**Total Contract Sum**") which comprises the amounts payable to our workers and vendors in connection with the project ("**Project Costs**") plus a fixed agreed amount ("**Management Fees**"). Notwithstanding this, the Project Costs are recoverable from the project management firm and the amount the Group actually pay to the project management firm comprises only the Management Fees.

(2) The Group's subsidiary, LS 2 Services Pte Ltd engaged Integrated Training Consultants Pte Ltd, an associate of Mr. Alvin Ong to provide training services to the Group.

7. Income tax

The Group calculates the income tax expense for the period using the tax rate that would be applicable to the expected total annual earnings. The major components of income tax expense in the condensed interim consolidated statement of profit or loss are:

	The Group			
	6 months ended		12 months ended	
	31 Dec 21	31 Dec 20	31 Dec 21	31 Dec 20
	S\$	S\$	S\$	S\$
Tax expense attributable to profit is made up of:				
- Current income tax	11,495	21,534	122,505	131,104
- Deferred income tax	(68,440)	22,395	(68,440)	22,395
	(56,945)	43,929	54,065	153,499
Under/(over) provision in prior financial years:				
- Current income tax	9,971	24,155	9,971	24,155
- Deferred income tax	9,781	(64,130)	9,781	(267,870)
	19,752	(39,975)	19,752	(243,715)
	(37,193)	3,954	73,817	(90,216)

E. Notes to the condensed interim consolidated financial statements (Cont'd)

8. Dividend

	31 Dec 21	The Group 31 Dec 20
	S\$	S\$
<i>Ordinary dividends declared by LS 2 Services Pte Ltd</i>		
First interim dividend of S\$3.33 per ordinary share declared in respect of the financial year ended 31 December 2021	1,000,000	-
Second interim dividend of S\$14.99 per ordinary share declared in respect of the financial year ended 31 December 2021	4,500,000	-
	<u>5,500,000</u>	<u>-</u>

9. Net asset value

	The Group		The Company	
	31 Dec 21	31 Dec 20	31 Dec 21	31 Dec 20
	S\$	S\$	S\$	S\$
Net assets per ordinary share (cents)	<u>6.65</u>	<u>8.74</u>	<u>*</u>	<u>*</u>

Note:

Net assets per ordinary share is calculated based on number of issued 157,250,000 ordinary shares (excluding treasury shares) as at 31 December 2021 and 31 December 2020. (Note 1.2(e))

* Not meaningful

10 Financial assets, at FVPL

In the financial year ended 31 December 2021, pursuant to a Directors' resolution passed on 12 October 2021, the Group's subsidiary, LS 2 Services Pte Ltd, agreed to transfer two life insurance policies to Mr. Roger Tan for a total consideration of S\$783,788. The consideration for the transfer was based on the surrender values of the Keyman Policies as at 30 September 2021, which are objective figures provided by the respective insurers to the Company. A cumulative gain on disposal of S\$16,032 was recognised in the profit or loss for the financial period (Note E6.1). The consideration was fully settled in cash by Mr. Roger Tan on the completion of such transfer on 30 December 2021.

	The Group	
	31 Dec 21	31 Dec 20
	S\$	S\$
Beginning of financial year	767,756	767,756
Disposal	<u>(767,756)</u>	<u>-</u>
End of financial year	<u>-</u>	<u>767,756</u>

E. Notes to the condensed interim consolidated financial statements (Cont'd)

11 Investment Properties

The Group's investment properties consist of industrial properties which are held for long-term rental yields and capital appreciation and are not occupied by the Group. They are mainly leased to third parties under operating leases.

	31 Dec 21	The Group 31 Dec 20
	S\$	S\$
<u>Cost:</u>		
Beginning of financial year	1,182,013	1,182,013
Disposals	(1,182,013)	-
End of financial year	-	1,182,013
<u>Accumulated depreciation:</u>		
Beginning of financial year	236,401	197,001
Charge for the financial year	32,834	39,400
Disposals	(269,235)	-
End of financial year	-	236,401
<u>Carrying amount</u>		
End of financial year	-	945,612
Fair value of the investment properties	-	820,000

In the financial year ended 31 December 2021, pursuant to two separate sale and purchase agreements dated 12 October 2021, the Group's subsidiary, LS 2 Services sold its two investment properties to THK Capital Pte. Ltd. for a total consideration of S\$916,060. The consideration for acquisition was based on carrying amount of the properties as at 30 June 2021 which were higher than the latest fair values of the investment properties determined by an external independent and qualified valuer using the sales comparison approach undertaken on 28 May 2021. The consideration was fully settled in cash by THK Capital Pte. Ltd. on the completion of such disposal on 23 November 2021. The Group recognised a gain on disposal of investment properties of S\$3,283 during the financial period (Note E6.1).

12 Property, plant and equipment ("PPE")

During the financial year ended 31 December 2021, the Group acquired PPE amounting to S\$2,190,995 (31 December 2020: S\$942,026) and disposed of assets amounting to S\$12,994 (31 December 2020: S\$26,900).

The reconciliation of purchase of PPE and proceeds from disposal of PPE are presented below:

	31 Dec 21	The Group 12 months ended 31 Dec 20
	S\$	S\$
<u>Purchase of PPE</u>		
Total additions in the financial year	2,190,995	942,026
Less: Acquired under lease liabilities	(1,752,929)	(563,861)
Add: Movement in down-payment to supplier of PPE	199,071	-
Add: Movement in receivables grants	273,587	-
Net cash outflow	910,724	378,165
<u>Proceed from disposal of PPE</u>		
Total net book value of disposal in the financial year	12,994	26,900
Add: Gain on disposal of PPE	11,298	4,645
Net cash inflow	24,283	31,545

E. Notes to the condensed interim consolidated financial statements (Cont'd)

13. Loans and borrowings consists of bank loans and lease liabilities

	31 Dec 21	The Group 31 Dec 20
	S\$	S\$
<u>Secured borrowing</u>		
Amount repayable in one year or less, or on demand	5,606,842	5,121,909
Amount repayable after one year	5,058,322	2,611,272
	<u>10,665,164</u>	<u>7,733,181</u>
<u>Unsecured borrowing</u>		
Amount repayable in one year or less, or on demand	842,008	418,170
Amount repayable after one year	581,402	209,957
	<u>1,423,410</u>	<u>628,127</u>

Details of any collaterals.

As at the end of the financial year, the Group's secured lease liabilities and bank term loans are as follows:

- a) Secured lease liabilities amounting to S\$554,467 (31 December 2020: S\$591,589) are secured by the production equipment and motor vehicles of subsidiaries; and
- b) Bank term loan amounting to S\$10,110,697 (31 December 2020: S\$7,141,592) are secured by the property, plant and equipment and assigned trade receivables of subsidiaries.

14. Share Capital

	The Group and The Company			
	31 Dec 2021		31 Dec 2020	
Issued and fully paid	No. of shares	S\$	No. of shares	S\$
Beginning of financial year	1	1	1	1
<i>Restate share capital in respect of share split (Note 1.2(e))</i>	<i>157,249,999</i>	<i>1</i>	<i>-</i>	<i>-</i>
End of financial year	<u>157,250,000</u>	<u>1</u>	<u>1</u>	<u>1</u>

On 10 September 2021, the Share Split was effected and each of the Company's shares were sub-divided into 157,250,000 shares. Pursuant to the Share Split, the issued and paid-up share capital of the Company remained at \$1, comprising 157,250,000 Shares.

15. Subsequent events

On 15 February 2022, the Company distributed the Placement Shares Application Form in respect of 27,750,000 Placement Shares at \$0.20 for each by way of placement, payable in full on application and all 27,750,000 Placement Shares have been subscribed on 21 February 2022 and application monies received for these Placement Shares amounted to S\$5,550,000.

On 23 February 2022, the Company received a confirmation from Singapore Exchange Securities Trading Limited that the Company's shares will be granted listing and quotation in the Official List of SGX-Catalist and trading in the shares will commence on Ready basis with effect from 9:00 a.m., 24 February 2022.

F. Other Information Required by Appendix 7C of the Catalyst Rules

1. Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.

The condensed interim statements of financial position of LS 2 Holdings Limited and its subsidiaries as at 31 December 2021 and the related condensed interim consolidated statement of comprehensive income, condensed interim statements of changes in equity and condensed interim consolidated statement of cash flows for the six-month period ended 31 December 2021 and certain explanatory notes have not been audited or reviewed.

1A. Where the latest financial statements are subject to an adverse opinion, qualified opinion or disclaimer of opinion:

- a) Updates on the efforts taken to resolve each outstanding audit issue.**
- b) Confirmation from the Board that the impact of all outstanding audit issues on the financial statements have been adequately disclosed.**

This is not required for any audit issue that is a material uncertainty relating to going concern.

Not applicable.

2. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:-

- a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and**

Revenue

Total revenue decreased by S\$0.8 million or 1.5% from S\$54.6 million in FY2021 to S\$53.8 million in FY2020. This decrease was mainly attributable to the completion of two existing contracts from private sector secured in previous financial years, which lapsed in FY2020. The value of the two existing contracts were approximately S\$5.3 million. This amount was substantially offset by new contracts commencing in FY2021.

Other income

Other income increased by S\$0.2 million from S\$0.3 million in FY2020 to S\$0.5 million in FY2021. This was due to an increase in insurance claims from work injury compensation insurance, Covid-19 related support fund contributed by customers and gain on disposal of investment properties and financial assets at FVPL.

Direct operating costs

Direct operating costs increased by S\$3.3 million or 8.1% from S\$41.5 million in FY2020 to S\$44.8 million in FY2021. This was mainly attributed to an increase in employee benefits of S\$4.1 million from S\$30.7 million in FY2020 to S\$34.8 million in FY2021, due to a decrease in grant income recognised in FY2021 pertaining to Job Support Scheme, Special Employment Credit, and the Wage Credit Scheme by S\$3.5 million from S\$8.2 million in FY2020 to S\$4.7 million in FY2021, offset against a decrease in purchases and related costs by S\$0.8 million in tandem with a lower revenue.

Depreciation expenses

Depreciation expenses relating to property, plant and equipment ("**PPE**") and investment properties increased by S\$0.2 million from S\$1.4 million in FY2020 to S\$1.6 million in FY2021, this increase was mainly due to an increase in depreciation expense recognised from right-of-use assets capitalised in PPE which has increased by S\$0.2 million from S\$0.6 million in FY2020 to S\$0.8 million in FY2021, as more accommodation leases were secured by the Group in FY2021.

- F. Other Information Required by Appendix 7C of the Catalyst Rules (Cont'd)**
- 2. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:- (Cont'd)**
- a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and (Cont'd)**

Other expenses

Other expenses increased by S\$1.0 million from S\$4.4 million in FY2020 to S\$5.4 million in FY2021. The increase was mainly due to an absence of one-time foreign worker levy rebates and waiver amounting to S\$1.0 million which were received in FY2020.

Finance costs

Finance costs decreased by S\$0.1 million from S\$0.4 million in FY2020 to S\$0.3 million in FY2021 due to a decrease in factoring interest as a result of lesser utilization of the bank facility during the financial year and the Group had paid part of the loan obtained for the investment properties which have been disposed in FY2021.

Income tax expense/(credit)

Income tax expense in FY2021 was S\$0.1 million compared to income tax credit of S\$0.1 million in FY2020 due to accelerated tax depreciation arising from the origination and reversal of temporary differences.

- b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.**

Non-current assets

Total non-current assets decreased by S\$1.1 million from S\$6.7 million as 31 December 2020 to S\$5.6 million as at 31 December 2021 due to the disposal of investment properties and financial assets at FVPL with carrying amounts of S\$0.9 million and S\$0.8 million respectively, offset against a net increase of S\$0.6 million in relation to property, plant and equipment as at 31 December 2021.

Trade and other receivables

Trade and other receivables increased by S\$5.6 million from S\$16.6 million as at 31 December 2020 to S\$22.2 million as at 31 December 2021. This increase was mainly due to a public sector client having a longer repayment period and longer collection days from a new major contract due to an initial period of adjustment upon their onboarding.

Trade and other payables

Trade and other payables increased by S\$0.1 million from S\$8.1 million as at 31 December 2020 to S\$8.2 million as at 31 December 2021. This increase was mainly due to fluctuation arising from timing of payments made to creditors.

Borrowing

The Group's total loans and borrowings increased by S\$3.7 million from S\$8.4 million as at 31 December 2020 to S\$12.1 million as at 31 December 2021. This increase was mainly due to a drawdown of the temporary bridging loan of S\$3.0 million in December 2021, net increase in factoring loan by S\$0.9 million and a recognition of S\$1.8 million of new lease liabilities, offset against S\$2.0 million repayments made during the financial year.

Deferred tax liabilities

Deferred tax liabilities remained approximately constant at S\$0.1 million in FY2021 and FY2020.

F. Other Information Required by Appendix 7C of the Catalist Rules (Cont'd)

2. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:- (Cont'd)

- b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.(Cont'd)**

Statement of cash flows of the Group

The Group recorded net cash used in operating activities in FY2021 of S\$0.8 million compared to net cash provided by operating activities in FY2020 of S\$10.9 million mainly due to (a) lower adjustment net profit before income tax posted in FY2021 by S\$5.0 million from S\$7.2 million in FY2020 to S\$2.2 million in FY2021. This was due mainly to: lesser grants amount recognised by the Group in FY2021 by S\$4.4 million from S\$9.1 million in FY2020 to S\$4.7 million in FY2021, (b) S\$6.4 million lesser working capital generated from trade and other receivables in FY2021, (c) S\$0.4 million lesser working capital from trade and other payables in FY2021 and (d) S\$0.1 million increase in tax paid in FY2021.

Net cash provided by investing activities was S\$0.8 million in FY2021 mainly due to proceeds received from the disposal of investment properties and financial assets with total considerations of S\$0.9 million and S\$0.8 million respectively, offset against S\$0.9 million of additions of property, plant and equipment in FY2021

Net cash used in financing activities was S\$4.1 million in FY2021 comprising of S\$5.5 million paid out to shareholders of the subsidiary, LS 2 Services Pte Ltd as dividend prior to the Restructuring Exercise as disclosed in the Offer Document, repayment of term loan borrowings of S\$2.2 million and S\$0.3 million repayment of advances from a director offset against additional term loans of S\$3.9 million secured in FY2021.

3. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

Not applicable

4. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

Environmental services are enjoying healthy demand in Singapore, which is set to increase in the future, being driven by economic sophistication, urbanisation, and population growth (source from Infocomm Media Development Authority, "Environmental Services Industry Digital Plan", dated 22 April 2021). The industry is also moving towards adopting more outcome-based contracts and digitalisation.

We intend to continue to leverage on the Group's strong workforce of about 2,000 well-trained and operationally ready workers, led by qualified and competent management team. The Group will continue to invest its resources to expand our business in various ways, such as strengthening our market position, expanding the scope of our service offerings, engaging in strategic acquisitions or joint ventures and investing in equipment and technology.

F. Other Information Required by Appendix 7C of the Catalist Rules (Cont'd)

5. If a decision regarding dividend has been made:

- a) Whether an interim (final) ordinary dividend has been declared (recommended): and**

None

- b) (i) Amount per share:** Not applicable
(ii) Previously corresponding period: Not applicable

- c) Whether the dividend is before tax, net of tax or tax exempt. If before tax or net of tax, state the tax rate and the country where the dividend is derived. (If the dividend is not taxable in the hands of shareholders, this must be stated).**

Not applicable

- d) The date the dividend is payable**

Not applicable

- e) The date on which Registrable Transfers received by the Company (up to 5.00pm) will be registered before entitlements to the dividend are determined.**

Not applicable

6. If no dividend has been declared/recommended, a statement to that effect and the reason(s) for the decision.

No dividend has been declared or recommended for the financial period ended 31 December 2021. The available fund will be retained for working capital use.

7. If the group has obtained a general mandate from shareholders for Interested Parties Transactions (IPTs), the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.

Not applicable. The Company has not obtained a general mandate from shareholders for Interested Person Transaction ("IPT"). Save from the Restructuring Exercise and IPTs disclosed in the Offer Document of the Company, there is no additional IPTs of S\$100,000 and above during FY 2021.

8. Confirmation that the issuer has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7H) under Rule 720(1).

The Company confirmed that it has procured undertakings from all of its directors and executive officers in the format set out in Appendix 7H under Rule 720(1) of the Catalist Rules.

F. Other Information Required by Appendix 7C of the Catalist Rules (Cont'd)

9. Disclosure of person occupying a managerial position in the issuer or any of its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the issuer pursuant to Rule 704(10) in the format below. If there are no such persons, the issuer must make an appropriate negative statement.

Name	Age	Family relationship with director and/or substantial shareholder	Current position and duties, and the year the position was first held	Details of changes in duties and position held, if any, during the year
Tan Wei Ying	27	Daughter of our Executive Chairman and Executive Director, Mr Roger Tan	Chief operating officer and is responsible for, among others, implementing customer and business development strategies and managing clients relationship.	Appointed as corporate service director in July 2019 and re-designated as chief operating officer in September 2021.
Tan Wei Li	27	Daughter of our Executive Chairman and Executive Director, Mr Roger Tan	Group finance manager and is responsible for, among others, preparation of management reports and performing analyses of company performance and ensure a compliance with internal controls policies, financial reporting standards and others relevant required compliances, governance and regulations.	Appointed as financial, planning and analysis manager in January 2021 and re-designated as group finance manager in September 2021.

BY ORDER OF THE BOARD

On Behalf of LS 2 Holdings Limited

Tan Hoo Kiat
Executive Chairman and Executive Director
22 March 2022

This announcement has been prepared by the Company and its contents have been reviewed by the Company's Sponsor, RHT Capital Pte. Ltd., ("**Sponsor**") for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"). The Sponsor has not independently verified the contents of this announcement. This announcement has not been examined or approved by the SGX-ST and the SGX-ST assumes no responsibility for the contents of this announcement, including the correctness of any of the statements or opinions made or reports contained in this announcement.

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