



## LS 2 HOLDINGS LIMITED

(Company Registration No. 202016972G)

(Incorporated in Singapore)

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### RESPONSE TO QUESTIONS FROM SECURITIES INVESTORS ASSOCIATION (SINGAPORE) (“SIAS”)

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The Board of Directors (the “**Board**”) of LS 2 Holdings Limited (“**LS2**” or the “**Company**”, and together with its subsidiaries, the “**Group**”) refers to questions raised from SIAS in relation to the Company’s annual report for financial year ended 31 December 2025 (“**FY2025**”).

The Board wishes to inform that the Company has not received any questions from shareholders in relation to the Company’s annual report.

The Company wishes to provide its response to the questions raised by SIAS below:

**Q1. The progressive wage model is a key policy initiative aimed at uplifting wages in certain sectors. Introduced in the Singapore Budget in 2024, the Progressive Wage Credit Scheme provides transitional support to employers to adjust to mandatory wage increases for lower wage workers.**

**In FY2024 and FY2025, the group recognised grant income of \$1.25 million and \$1.60 million respectively. In contrast, the profit of the group was \$2.54 million and \$3.13 million respectively.**

	Group	
	2025	2024
	\$	\$
Progressive Wage Credit Scheme <sup>(1)</sup>	1,601,635	1,249,665
Special Employment Credit <sup>(2)</sup>	1,011,360	955,955
Enabling Employment Credit <sup>(3)</sup>	75,112	59,216
Digital Leadership Programme <sup>(4)</sup>	107,431	-
Career Conversion Programme-Sustainability <sup>(5)</sup>	59,443	-
Other grants	88,029	37,134
	<b>2,943,010</b>	<b>2,301,970</b>

(Source: company annual report)

**Q1(i) What is the expected financial impact on the group when the Progressive Wage Credit Scheme ends after 2026? How will this affect operating costs and margins?**

#### Response

The Progressive Wage Credit Scheme (PWCS) is a temporary government initiative aimed at offsetting incremental costs from mandated wage increases under the Progressive Wage Model (PWM) and is scheduled to end on 1 July 2029. Notwithstanding the phased tapering of support, the Group expects the impact on its underlying operations to be manageable.

This is because the higher labour costs associated with PWM wage adjustments have already been incorporated into the Group's contract pricing and cost structures. As such, on an operating level, margins are not expected to be significantly affected, as the Group has proactively priced in these increases in both existing and renewed contracts.

Overall, while the Group's core operations are expected to remain resilient, the removal of PWCS support is likely to result in some moderation of reported earnings going forward.

**Q1(ii) Of the group's 1,832 employees, how many are covered under the scheme?**

**Response**

All local cleaners within the Group's cleaning workforce are covered under the PWM. This represents approximately 62% of the Group's total workforce of 1,832 employees or about 1,150 employees.

**Q1(iii) How does management plan to adapt when the scheme ends? What specific initiatives are being implemented to improve workforce productivity and efficiency?**

**Response**

Management has been proactively preparing for the tapering of PWCS by focusing on sustainable productivity improvements, in view that PWM-related wage increases are structural in nature.

Key initiatives include mechanisation through the deployment of advanced cleaning equipment, which help reduces reliance on manual labour and improves productivity per worker. The Group has also implemented digital workforce management systems to enhance scheduling efficiency, reduce idle time and optimise manpower allocation across contracts.

In addition, the Group is investing in workforce and upskilling and multi-skilling programmes to enable employees to perform a wide range of tasks, thereby improving labour flexibility and efficiency.

These initiatives have already been progressively rolled out across contracts, and management expects them to partially offset rising labour costs and support margin stability over time. The Group will continue to invest in productivity enhancements to mitigate the impact of the withdrawal of government support.



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**Q2. The group adopts an outcome-based contracting framework across both public and private sector contracts, focusing on measurable service outcomes rather than prescriptive manpower deployment criteria. Management has also emphasised the use of digitalisation and technology integration to enhance operational delivery to achieve the targeted results.**

**Q2(i) How does management view the effectiveness of automation and collaborative robotic solutions in cleaning operations? To what extent does the group still rely on manpower to achieve desired outcomes.**

### **Response**

The Group continues to rely on manpower to deliver its services, given the operational nature of its business. However, the level of reliance has been progressively reduced through the adoption of technology and mechanisation.

These technologies help reduce manual intensity, enhance service quality, and support more effective resource allocation, thereby improving overall productivity. In particular, as a significant portion of the workforce comprises ageing workers, the introduction of equipment such as exoskeletons helps to ease physically demanding tasks and extend their working ability.

At the same time, the deployment of new technologies enhances the attractiveness of roles, supporting efforts to attract a younger pool of workers. Collectively, these initiatives enable the Group to optimise its manpower utilisation while still achieving the desired outcomes.

Overall, management believes that while manpower will remain a core component of operations, technology adoption will continue to optimise workforce utilisation and support sustainable productivity improvements.

**Q2(ii) What have been the key operational benefits and limitations, and how does the group determine the optimal balance between robotic deployment and human labour?**

### **Response**

Key operational benefits include reduced manual intensity, improved consistency and service quality, enhanced productivity, and more efficient resource allocation. Automation also enables better tracking, data visibility, and scalability across operations.

Limitations include the need for human intervention in tasks requiring judgment, adaptability, and situational decision-making, as well as upfront investment, system integration challenges, and ongoing maintenance. Importantly, there is also a need to strike a balance between service buyer and service provider expectations. An automation may drive efficiency and standardisation, but service levels must remain aligned with contractual requirements and customer expectations, which may still necessitate human involvement.

The group determines the optimal balance by assessing task complexity, cost-effectiveness, and risk. Repetitive, high-volume, and standardised processes are prioritised for robotic deployment, while roles requiring flexibility, customer interaction, or critical thinking remain manpower driven. This hybrid approach ensures operational efficiency while maintaining service reliability and responsiveness.

Overall, the Group views automation as a complement to, rather than a replacement for, human labour and continues to calibrate this balance to achieve optimal operational and financial outcomes.

**Q2(iii) Separately, what is the group's strategy for integrating artificial intelligence into its operating model? Which use cases have been successfully implemented, and what measurable outcomes have been achieved?**

### **Response**

Cleaning operations continue to require a meaningful level of human involvement, particularly for tasks that demand judgment, adaptability, and attention to detail. As such, the Group maintains a hybrid operating model, where manpower and technology work in tandem to deliver efficient and high-quality outcomes.

The Group has not yet implemented artificial intelligence ("AI") within its operating model. Instead, it is currently undertaking feasibility studies to assess how AI can be effectively integrated into its operations.

The Group's strategy is to first establish a strong foundational platform comprising standardised processes, reliable data capture, and integrated digital systems before introducing AI capabilities. This approach ensures that any future AI deployment is built on accurate, consistent, and scalable operational data, thereby maximising its effectiveness and sustainability.

At this stage, no AI use cases have been formally implemented, and therefore no measurable outcomes have been realised. However, the feasibility studies are focused on identifying high impact areas such as workflow optimisation, predictive maintenance, resource planning, and service quality monitoring.

The Group intends to adopt a phased and controlled implementation approach once readiness is achieved, prioritising use cases that demonstrate clear operational value, cost efficiency, and alignment with service requirements.



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**Q3. The board currently comprises five directors, namely:**

- Mr Tan Hoo Kiat (executive chairman and executive director)
- Mr Ong Khong Weng, Alvin (chief executive officer and executive director)
- Mr Tan Siang Leng (lead Independent director)
- Mr Ng Hong Whee (independent director)
- Mr Chua Ser Miang (independent director)

The biographies of the directors are set out on pages 10 and 11 of the annual report.

The company has adopted a board diversity policy, which considers factors such as qualification, age, gender, experience, industry expertise in shaping board composition.

**Q3(i) Can the board provide specific examples of actions taken over the past three years to improve board diversity? Has the nominating committee actively identified and evaluated potential candidates to strengthen the board and to improve the diversity, and what process was followed in shortlisting candidates?**

### **Response**

The Board is of the view that, based on the Company's current operations and business model, the existing Board composition is appropriately constituted and possesses a sufficiently diverse mix of experience, expertise, and industry knowledge to effectively oversee the Group's affairs and safeguard the interests of its stakeholders.

Over the past three years, the Nominating Committee ("NC") has conducted periodic reviews of the Board's composition, taking into account factors such as skills, experience, independence, and diversity, to ensure that the Board remains relevant and effective. In doing so, the NC assesses whether there are any gaps that warrant the appointment of new directors.

While no new appointments were made specifically for the purpose of enhancing diversity during this period, the NC remains mindful of the importance of diversity, including diversity in skills, experience, gender, and perspectives, as part of its ongoing Board renewal process.

**Q3(ii) Has the nominating committee reviewed the current competency matrix of the board and identified any gaps in skills or competencies that need to be addressed in future director appointments?**

### **Response**

The NC has in place a formal and structured process for the identification and evaluation of potential candidates (refer to Annual Report page 42). The Board will continue to review its composition on a regular basis and will consider appointing new directors where appropriate, to ensure that it remains effective and aligned with the evolving needs of the business.

**Q3(iii) All three independent directors were appointed on 2 December 2021 and will reach the nine-year tenure limit at the same time. Has the board started planning for a phased renewal to ensure continuity and retention of institutional knowledge in time to come?**

**Response**

The Board is of the view that it would be premature to formulate a phased renewal plan, taking into consideration the Company's current operational stability and business model.

Nonetheless, the Board remains mindful of the importance of succession planning and Board renewal. While no immediate changes are deemed necessary, the Board will continue to assess its composition on an ongoing basis.

The Board does not rule out making appropriate changes in the future should the need arise, including in response to evolving strategic priorities, potential strategic alliances, changes in the business model, or the pursuit of new ventures, with the objective of ensuring that the Board continues to act in the best interests of all stakeholders.

**BY ORDER OF THE BOARD**

Tan Hoo Kiat  
Executive Chairman and Executive Director  
19 April 2026

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This announcement has been reviewed by the Company's Sponsor, RHT Capital Pte. Ltd. (the "**Sponsor**"). It has not been examined or approved by the Singapore Exchange Securities Trading Limited (the "**Exchange**") and the Exchange assumes no responsibility for the contents of this document, including the correctness of any of the statements or opinions made or reports contained in this document.

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