



LS 2 HOLDINGS LIMITED

Company Registration No. 202016972G
(Incorporated in Singapore)

ANNUAL GENERAL MEETING TO BE HELD ON 27 MAY 2022 RESPONSES TO SUBSTANTIAL AND RELEVANT QUESTIONS

The Board of Directors of LS 2 Holdings Limited (“**Company**” and together with its subsidiaries, “**Group**”) refers to the announcement released by the Company on 12 May 2022 relating to the details of the Company’s annual general meeting to be held by electronic means on 27 May 2022 at 4:00 p.m.

As mentioned in the said announcement, the Company will endeavour to address substantial and relevant questions relating to the resolutions to be tabled for approval at the annual general meeting or the Company’s businesses and operations, which are submitted not later than 6:00 p.m. on 19 May 2022.

The Company would like to thank all shareholders who have submitted their questions by the submission deadline. The responses to the substantial and relevant questions received by the Company are set out in the Appendix to this announcement.

By Order of the Board

Tan Hoo Kiat
Executive Chairman and Executive Director

For and on behalf of Board of Directors of
LS 2 Holdings Limited
22 May 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**”). 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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ANNUAL GENERAL MEETING TO BE HELD ON 27 MAY 2022
RESPONSES TO SUBSTANTIAL AND RELEVANT QUESTIONS

APPENDIX

Question 1

Despite the challenges caused by COVID-19, the group secured 8 Conservancy Contracts with 6 Town Councils and made progress in retail mall segment, providing cleaning and pest control services to as many as 13 neighbourhood malls across the island (page 3 – chairman’s statement).

The company is also reaching out to property developers and asset managers and tendering for higher-margin projects in the private sector.

- (i) **How many conservancy contracts does the group currently hold? For shareholders’ benefit, would the company be disclosing the average tenure remaining on its contracts or an order book equivalent?**

Company’s Response:

The Group currently holds ten (10) conservancy contracts. Due to the competitive nature of the industry as well as the sensitivity of the information, the Group is unable to disclose the average tenure remaining and its order book equivalent. However, the initial contractual periods for most of the contracts awarded are for a tenure of two to three years with options available for extension in certain instances.

- (ii) **How successful has the group been in retaining the conservancy contracts? In the offer document dated 15 February 2022, it was disclosed that the group has 10 projects in 8 out of 17 town councils across Singapore.**

Company’s Response:

Till date, there has been no change in the number of conservancy projects held.

- (iii) **For the group’s expansion into the private sector, what is the group’s competitive advantage compared to the current in-house solutions/outsourced service providers engaged by property developers and asset managers?**

Company’s Response:

The Group has an experienced and competent management team with exposure to multiple industries in order to manage the different portfolio sites such as town councils, office buildings, shopping complexes, condominiums, schools, education institutions, religious places, dormitories, factories and airports. In addition, we also deliver consistent and quality outcomes and effective solutions to our clients through investing in efficiency and productivity-enhancing equipment and technology, adopting innovative solutions and upskill our workers to enhance their technological know-how.



- (iv) **Are there structural changes to the demand for cleaning services as a result of the pandemic (e.g. changes in the operations of the customers, lower space requirements, reduced operational hours/days etc) for the group's major customers, such as MOE, SMU and Changi Airport? On the other hand, what are the opportunities for the group as COVID-19 related measures are lifted that could see an increased demand for cleaning services?**

Company's Response:

Most of our existing clients requested for more additional cleaning processes such as disinfection on frequently touched areas, and more frequent routine cleaning during peak hours.

- (v) **For the benefit of shareholders, can management quantify the impact of the progressive wage model on the group?**

Company's Response:

With the implementation of the Progressive Wage Model ("PWM"), our manpower costs are expected to increase. Notwithstanding the increase in manpower costs, the Group has a meticulous project costing process and ensure that all estimated variable costs and non-controllable cost elements are accounted for before finalizing its tender submissions.

The Group is also intending to apply for the Progressive Wage Mark accreditation which will start in the later half of 2022. The Group believes that obtaining the Progressive Wage Mark accreditation will greatly help its tendering capabilities going forward as only entities with the Progressive Wage Mark accreditation are eligible to tender for government projects. Considering the above, the Group believes that the prices at which the Group is able to tender for contracts will be expected to increase for the same scope of work.

Question 2

On 10 May 2022, the company announced the purchase of 55 units of META-SCRUB 60 an advanced automated cleaning robot from ANGLO-SIMA, to "better serve its clients in the cleaning industry. The group also entered into a non-binding memorandum of understanding with Anglo-Sima Janitorial Supplies Pte Ltd to share its knowledge to enhance its equipment and technology in relation to management and automation of cleaning processes.

- (i) **What is the capital expenditure related to the purchase of 55 units of cleaning robots? What was the level of (commercial, technological and legal) due diligence carried out by the management/board in shortlisting and selecting Anglo-Sima as its supplier and also collaborator?**

Company's Response:

The Company is not able to disclose the capital expenditure relating to the purchase due to non-disclosure agreement the parties have in place. However, the purchase was made according to the group's internal purchasing policy. The management selected Anglo-Sima for its purchase of 55 units cleaning robots over the other 2 vendors based on an internal criteria matrix which includes prices, after-sales services and periodic and unscheduled maintenance and services among other criteria.



- (ii) **Should any technological advancements to cobotics solutions be created in the collaboration, who will own the intellectual properties?**

Company's Response:

As disclosed in the Company's announcement dated 10 May 2022, if necessary and the situation arises, the Company and Anglo-Sima shall negotiate in good faith, and use reasonable endeavours to enter into definitive agreements in the future. Further announcements will be released via SGXNet as and when there are material developments.

- (iii) **Will the partner in the collaboration (i.e. Anglo-Sima) be allowed to develop new cleaning robots based on the group's input and sell such "upgraded" robots to other industry players?**

Company's Response:

As disclosed in the Company's announcement dated 10 May 2022, if necessary and the situation arises, the Company and Anglo-Sima shall negotiate in good faith, and use reasonable endeavours to enter into definitive agreements in the future. Further announcements will be released via SGXNet as and when there are material developments.

Question 3

The company listed on the SGX Catalist board on 24 February 2022 by way of placement at a price of \$0.20 per share. After the close of trading, Singapore Exchange Regulation ("SGX RegCo") issued a Trade with Caution alert. SGX RegCo noted that out of the 207 placees, 166 sold their entire allotment which significantly reduced the distribution. Majority of these accounts are connected through a common trading representative and the selling was concentrated within the first half hour of trading. The company has provided its responses¹ to SGX's Trade with Caution alert the following day.

- (i) **Since then, has the board carried out an "after action review" of its IPO, including matters highlighted by SGX RegCo, which would also cover the roles played by the issue manager and the placement agent for the IPO?**

Company's Response:

The Board has considered again the track record and experience of its sponsor and issue manager and have been satisfied with the role played by the sponsor and issue manager. Together with the sponsor and issue manager, the Board has also considered again such track record, experience and licensing status of the placement agent, and notes that the sponsor had also exercised due diligence in the appointment of the placement agent.

Further, following the Group's debut on the SGX-ST, the Board and Management of the Group has always been in constant communication with its Sponsor, as well as the SGX RegCo (through its Sponsor). Nothing has come to the Group's attention that there were any matters for the Group to rectify or requiring further action in relation to the Group's debut. To the best of the Group's knowledge, the Group is not in breach of any Catalist Rules.

Notwithstanding the above, as mentioned above, the Group is in constant communication with its Sponsor and constantly exploring opportunities to expand its business and improve its operations, which the Group hopes will increase investors' interests in its shares, thereby increasing its shareholder base and its public float. These exploratory discussions include



business expansion activities, merger and acquisition proposals and fund raising plans, which are all in very early stages of discussion. Further announcements will be released via SGXNet as and when there are material developments.

Catalist Rule 406 requires that the proportion of post invitation share capital in public hands must be at least 15% at the time of listing and the number of public shareholders must be at least 200. Rule 723 requires that at least 10% of the total number of issued shares is held by the public.

As shown on page 104, the company has only 20 shareholders as at 5 May 2022.

STATISTICS OF SHAREHOLDINGS

As at 5 May 2022

SHARE CAPITAL

Issued and fully paid up capital	:	S\$5,550,001
Number of Shares (excluding treasury shares and subsidiary holdings)	:	185,000,000
Number of Treasury Shares	:	NIL
Class of Shares	:	Ordinary Shares
Voting Rights	:	One vote per ordinary share

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders ^{*n1}	%	No. of Shares	%
1-99	–	–	–	–
100-1,000	5	25.00%	2,500	#
1,001-10,000	9	45.00%	31,400	0.02%
10,001-1,000,000	3	15.00%	821,000	0.44%
1,000,001 and above	3	15.00%	184,145,100	99.54%
	20	100.00%	185,000,000	100.00%

^{*n1} comprise individual and deposit agents

denotes less than 0.01%

(Source: company annual report)

The largest individual minority shareholder held 20,400 shares at as 5 May 2022 (page 105 – Twenty largest shareholders). In addition, 26.895 million shares are held by Tiger Brokers (Singapore). The company has stated that Rule 723 of Catalist Rules has been complied with. Based on the information available to the company as at 5 May 2022, 15% of the total issued ordinary shares of the company are held by public.

- (ii) Has the board analysed the shareholding structure? Given the current shareholding structure, is there significant risk that the shares could be easily cornered?

Company's Response:

Please refer to the Company's response for (i) and (iii).



- (iii) **What are the efforts by the company to determine the beneficial owners of the 26.9 million shares held by Tiger Brokers (Singapore)? How did the company conclude that Rule 723 has been complied with?**

Company's Response:

The Group has requested for a list of beneficial owners from Tiger Brokers (which acts as a depository agents for its clients in certain cases) as at 5 May 2022, and Tiger Brokers has duly provided the list to the Group.

Based on the information available to the Group, save as disclosed in the Annual Report, no shareholder held 5.0% or more of the total issued ordinary shares other than our Executive Chairman and Chief Executive Officer. As more than 15% of the Company's shares are held by the public, Rule 723 of the Catalist Rules have been complied with. based on the list of beneficial owners that had been provided, the Group also wishes to add that it has more than 20 individual ultimate beneficial owners of its Shares as at 5 May 2022.

- (iv) **Are there plans by the board to increase the free float of the company?**

Company's Response:

Please refer to the Company's response for (i).

Question 4

Please refer to page 77 of the Annual Report about "Employee benefits". Net profit for FY2021 was \$2,136,129. Excluding Jobs Support Scheme of \$1,838,116 in FY2021, net profit for FY2021 would have been \$298,013 only (or, 0.55% net profit margin only). Have the Board and Management planned how to improve the NPM?

Company's Response:

As disclosed in our Chairman's statement in page 3 of the Annual Report, our group intends to expand our existing business in Singapore by increasing our business development activities and reaching out to property developers and asset managers, expanding and upskilling our workforce, tendering for higher-margin projects in the private sector and attracting new customers to broaden and diversify our customer base further.

Question 5

Please refer to page 77 of the Annual Report about "Employee benefits". What is the nature of "Other short-term benefits"? Why "Other short-term benefits" increased by as much as 35.5% from \$3,132,445 in 2020 to \$4,244,992 in 2021?

Company's Response:

Included in other short-term benefits are allowances for employees such as attendance, housing, meal, shift, site, transport, performance, and others and provisions for bonus and untaken leave. The increase is mainly due to higher site allowance incurred for performing additional duties and cleaning processes during a pandemic, higher provision for untaken leave recognised for additional leave balances remained unutilised which have increased as a result of the travel restrictions and higher demand for cleaning services caused by Covid-19 pandemic and higher provision for bonus to reward employees.



Question 6

Please refer to page 57 of the Annual Report about “Consolidated Statement of Comprehensive Income”. May I ask the Audit Committee what was the nature of “Other loss – Loss allowance on non-trade receivables from non-related parties” of -\$95,940 in 2021?

Company’s Response:

As disclosed in page 76 of the Annual Report, under “other income, short term leases of property, plant and equipment” and its footnote (5), the group has assessed the recoverability of outstanding lease income from a certain debtor as at 31 December 2021, and loss allowance amounting to \$95,940 was recognized in the statement of comprehensive income.

Question 7

Please refer to page 81 of the Annual Report about “Trade and other receivables”. How much of the \$19,376,590 “Trade receivables – Non-related parties” have been collected so far?

Company’s Response:

More than 90.0% of the amount has been collected.

Question 8

Please refer to page 81 of the Annual Report about “Trade and other receivables”. How much of the \$242,325 “ Non-trade receivables – Non-related parties” have been collected so far?

Company’s Response:

Save for the loss allowance of \$95,940 which was explained in question 6, the remaining amount is due to reimbursement amount owing from insurance company in relation to WICA claims.

Question 9

Please refer to page 94 of the Annual Report about “Dividends”. Going forward, may I ask the Board will there be a ‘soft’ target range of dividend payout ratio that shareholders can look forward to?

Company’s Response:

As disclosed in page 34 of the Annual Report, the Company does not have a fixed dividend policy but the Board will review the dividend payment from time to time and any dividend declaration will be communicated to shareholders via announcements through SGXNET.



Question 10

How will the capital expenditure trend be like over the next 2-3 years? How will they be funded?

Company's Response:

As disclosed in page 35 of the Annual Report, the Group intends to use the IPO proceeds allocated for business expansion of S\$ 3.0 million for its capital expenditure.