

Annual Report 2021

LS 2 Holdings Limited

Solutions. Innovation. Robotics.



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This Annual Report 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 Annual Report has not been examined or approved by the SGX-ST and the SGX-ST assumes no responsibility for the contents of this report, including the correctness of any of the statements or opinions made or reports contained in this Annual Report.

The contact person for the Sponsor is Mr Lay Shi Wei - Registered Professional, 6 Raffles Quay, #24-02, Singapore 048580, sponsor@rhtgoc.com.

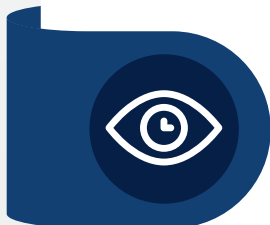
CORPORATE PROFILE

LS 2 Holdings Limited 【亮星集团有限公司】 (“LS 2 Holdings” or the “Company”, and together with its subsidiaries, the “Group”), is a one-stop integrated environmental services provider, offering a comprehensive suite of cleaning services to a diverse and growing base of customers from the private and public sectors. With an established track record spanning more than 20 years, the Group believes in making strategic investments in new equipment, technology and people to boost its competitive edge and market position. It is an early adopter of new and innovative solutions, and provides regular training for its large workforce of around 2,000, in order to enhance its service offerings to meet customers’ needs and drive service excellence.

Attesting to the quality of its service standards and skilled workforce, the Group has been awarded various accreditations, including FM02 L6 BCA, Clean Mark Gold, ISO 9001:2015, ISO 45001:2018, BizSAFE STAR, and SkillsFuture Employer Awards, among others.

The Company is listed on SGX Catalist board since 24 February 2022.

VISION



To be regionally recognised as a SMART Environmental Services partner through people and technology.

MISSION



To provide trusted Environmental Services through our commitment to INNOVATE and maintain LONG-TERM SUSTAINABLE PARTNERSHIPS

CHAIRMAN'S
STATEMENT

壬寅嘉祥星洲
曾俊波啟



陳永傑先生謹啟

“

WE INTEND TO EXPAND OUR EXISTING BUSINESS IN SINGAPORE BY INCREASING OUR BUSINESS DEVELOPMENT ACTIVITIES BY REACHING OUT TO PROPERTY DEVELOPERS AND ASSET MANAGERS, EXPANDING AND UPSKILLING OUR WORKFORCES, TENDERING FOR HIGHER-MARGIN PROJECTS IN THE PRIVATE SECTOR AND ATTRACTING NEW CUSTOMERS TO BROADEN AND DIVERSIFY OUR CUSTOMER BASE FURTHER.

”


Dear Shareholders,

On behalf of the Board of Directors (the “Board”) of LS 2 Holdings Limited (“LS 2” or the “Company”) and its subsidiaries (collectively, the “Group”), I am pleased to present to you our annual report for the financial year ended 31 December 2021 (“FY2021”).

While we see that COVID-19 is disrupting organisations and workforces, we also see a silver lining: An unprecedented crisis like the one we are currently facing to design the new normal and emerge stronger. The Group is confident that we are uniquely positioned to provide the value and outcomes Singapore is looking for.

With an experienced and competent management team with young and qualified personnel, we possess extensive experience, technical expertise and business relationships with industry players in the environmental services sector. In line with our Group’s approach to adopting innovative solutions, our management team includes young and qualified personnel who we believe bring a fresh perspective to the management and operations of our Group. Our workforce of about 2,000 workers allows us to ensure efficient day-to-day deployment of such workers to various project sites across Singapore and maintain “floating” teams that can respond effectively and at short notice to emergencies requiring additional manpower and/or to fill any unplanned manpower gaps. Our investments in

CHAIRMAN'S STATEMENT



equipment and technology for the management and automation of cleaning processes also enable us to ease the manual workload of our workers and increase the efficiency and productivity of our services to provide consistent and quality cleaning outcomes.

FY2021 has been a year of continuous progress for our Company and the Company's wholly-owned subsidiary, LS 2 Services, being awarded 8 Conservancy Contracts with 6 Town Councils further cemented our stronghold in the public sector.

With the Group's competitive pricing, complemented by our industry transformation initiatives, we have embarked on our venture into retail malls, providing cleaning and pest control services with up to 13 neighbourhood malls across the island.

FINANCIAL YEAR IN REVIEW

The Group has reported revenue of S\$53.8 million, a decrease of 1.5% from S\$54.6 million in FY2020. This decrease was mainly attributable to the completion of two existing contracts from the private sector secured in previous financial years, which lapsed in FY2020. This amount was partially offset by new contracts commencing in FY2021.

LOOKING AHEAD

We expect FY2022 to be challenging as the economy is still vulnerable to pandemic-related risks and further manpower challenges. We will continue to stay ahead of the curve by investing in equipment and technology to improve cleaning processes' management, automation, efficiency, and productivity.

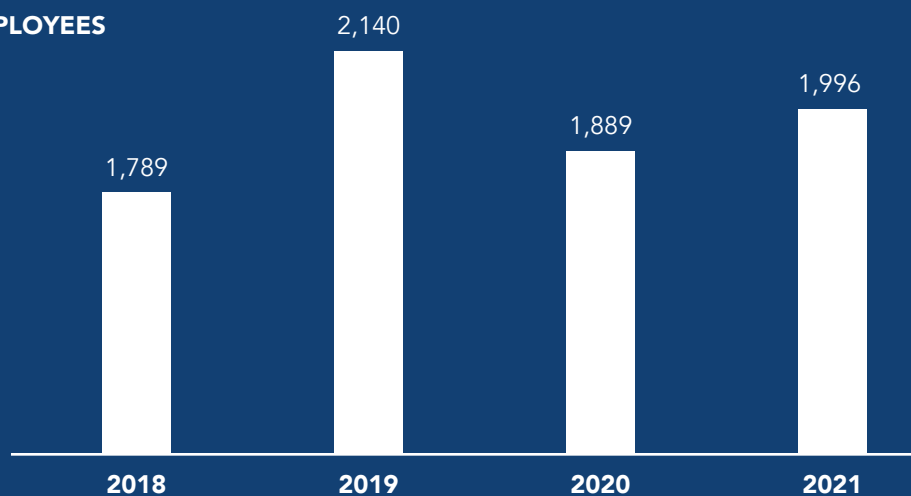
We believe that the COVID-19 pandemic has resulted in a higher demand for cleaning services and presents an opportunity for our Group to grow our existing business. We intend to expand our existing business in Singapore by increasing our business development activities by reaching out to property developers 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. In addition to the cleaning services that we specialise in, we also have an established network of subcontractors whom we work with to deliver integrated environmental services such as waste management services to our customers. Such a network of partners also supplements the cleaning services.

ACKNOWLEDGEMENTS

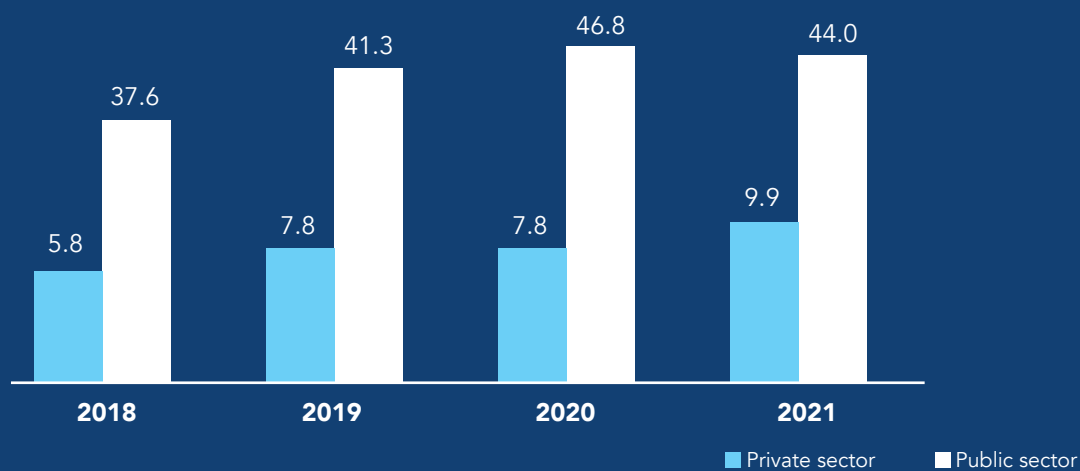
The last two years of tackling this pandemic have shown us that we have the pillars of support to overcome and prevail. I am grateful to our valued shareholders, customers, business associates and bankers for their support. I will also like to sincerely thank our management team and staff for their dedication and contribution as frontline warriors. The Group has displayed courage and perseverance as we chart a new way forward together.

BUSINESS HIGHLIGHTS

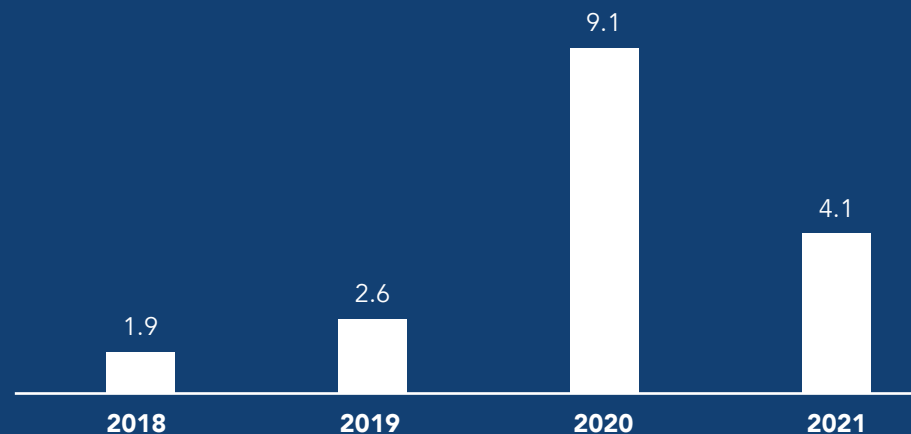
NO. OF EMPLOYEES



SALES BY TYPE OF CUSTOMERS S\$' MILLION

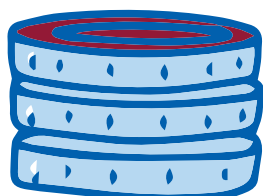


EBITDA S\$' MILLION



FINANCIAL HIGHLIGHTS

REVENUE



S\$
53.8_m

GROUP TOTAL NET ASSETS VALUE



S\$
10.4_m

EBITDA

S\$
4.1_m



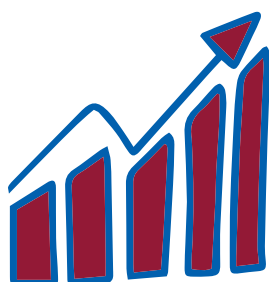
NET ASSETS VALUE PER SHARE*1

6.60
cents



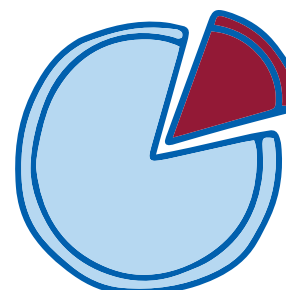
EARNINGS PER SHARE*1

1.36
cents



PROFIT TO EQUITY HOLDERS

S\$
2.1_m



*1, computation based on preplacement share capital of 157,250,000 shares

GOING FURTHER



OUR LISTING MARKS A KEY MILESTONE IN OUR JOURNEY TO BEING A LEADER OF THE INDUSTRY. IMPROVED ACCESS TO CAPITAL MARKETS, AN ENHANCED PUBLIC IMAGE AND THE MEANS TO ACCELERATE BUSINESS EXPANSION COME TOGETHER TO STRENGTHEN OUR ABILITY TO GENERATE SUSTAINABLE VALUE FOR OUR STAKEHOLDERS.

Over **20** years
of relevant experience



Portfolio of

over **200** clients



About **2,000**
well-trained and knowledgeable staff

OPERATION REVIEW

LS 2 Holdings Limited (“**LS 2 Holdings**” or the “**Company**”, and together with its subsidiaries, the “**Group**”), started its business in 1993 as LS 2 Services Pte Ltd, a small-scale cleaning company and has successfully transformed into an established home-grown integrated environmental services provider in Singapore. The Group successfully listed its shares on the Catalist board of the Singapore Exchange Securities Trading Limited on 24 February 2022.

OUR BUSINESS

We are an established brand with a track record of more than 20 years. Our decades of experience in the industry have enabled us to fine-tune our methods and processes to understand and meet the environmental needs of our customers. We believe in adopting innovative solutions in the provision of our services to enhance productivity and deliver consistent and quality cleaning outcomes to our customers.

We specialise in the provision of cleaning services, including conservancy services, facilities cleaning services, housekeeping services, school cleaning services, road and beach cleaning services, pandemic disinfection services, façade cleaning services and F&B cleaning services to our customers in both the public and private sectors in Singapore. In addition to the cleaning services that we specialise in, we also have an established network of subcontractors whom we work with to deliver integrated environmental services such as waste management services to our customers. Such network of partners also supplements the cleaning services we provide, such as in the areas of external façade cleaning where specialised licences, equipment and manpower are required.

Our customers comprise entities from both the private and public sectors in Singapore and include town councils, facilities managers for commercial and private residential properties, public and private education institutions, and private companies. Our subsidiary, LS 2 Services, has obtained FM02 L6 registration for housekeeping, cleansing, desilting, and conservancy services under the BCA's contractors registration system and is a registered government supplier of cleaning services under the financial grade S10, both of which are not subject to tendering limits.

We have a workforce of about 2,000 workers. This allows us to ensure efficient day-to-day deployment of such workers to various project sites across Singapore and also maintain “floating” teams which can respond effectively and at short notice to emergencies which require additional manpower and/or to fill any unplanned manpower gaps. Our investments in equipment and technology for the management and automation of cleaning processes also enable us to ease the manual workload of our workers and increase the efficiency and productivity of our services to provide consistent and quality cleaning outcomes.

OUR PROSPECTS

Environmental services are enjoying an upsurge in demand in Singapore and is expected to increase in the future, driven by economic sophistication, urbanisation, and population growth. The industry is also moving towards the adoption of more outcome-based contracts and digitalisation, and we have invested resources to ride on these trends. We will 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 continue investing in equipment and technology.

FINANCIAL REVIEW

FINANCIAL PERFORMANCE

In FY2021, the Group posted a total revenue of S\$53.8 million, a decrease of S\$0.8 million or 1.5% as compared to S\$54.6 million in FY2020. This decrease was mainly attributable to the completion of two contracts from the private sector which lapsed in FY2020 and were not renewed in FY2021. The value of the two contracts were approximately S\$5.3 million. This amount was substantially offset by new contracts commencing in FY2021.

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 a gain on disposal of investment properties and financial assets at FVPL.

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 increase was mainly attributable 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. The increase was due to a decrease in grant income recognised in FY2021 by S\$3.5 million from S\$8.2 million in FY2020 to S\$4.7 million in FY2021 which were offset against employee benefits. These grant income pertain to the Job Support Scheme, Special Employment Credit, and the Wage Credit Scheme. The increase in direct operating costs was offset against a decrease in purchases and related costs by S\$0.8 million, in tandem with a lower revenue.

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. The increase was mainly due to an increase in depreciation expense recognised from right-of-use assets capitalised in PPE which 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.

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 and recognised in FY2020.

Finance expenses 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 interests as a result of lesser utilisation of the bank facility during the financial year and the Group had repaid part of the loan obtained for the investment properties which were disposed in FY2021.



FINANCIAL REVIEW

BALANCE SHEET

Total non-current assets decreased by S\$1.1 million from S\$6.7 million as at 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 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 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.

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

CASH FLOWS

The Group recorded a net cash used in operating activities in FY2021 of S\$0.8 million compared to a 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.



BOARD OF DIRECTORS



MR. TAN HOO KIAT
Executive Chairman and
Executive Director

Mr. Roger Tan is responsible for the overall strategic direction and expansion plans for the growth and development of our Group. Mr. Roger Tan joined our Group in May 2000 upon his acquisition of LS 2 Services and has more than 20 years of experience in the environmental services industry. Prior to acquiring LS 2 Services, Mr. Roger Tan was the sole proprietor of Weicom Services, a service maintenance business.

In recognition of his contributions to public service, Mr. Roger Tan was

conferred the Public Service Medal (Pingat Bakti Masyarakat) at the Singapore National Day Awards in 2017. Mr. Roger is currently serving as the chairman of the Bukit Batok East Citizens' Consultative Committee's ("**Bukit Batok East CCC**") Community Development and Welfare Fund and vice-chairman of the Bukit Batok East CCC since 1 January 2020.

Mr. Roger Tan completed the executive management programme at the Singapore University of Social Sciences.



**MR. ONG KHONG WENG,
ALVIN**
Chief Executive Officer
and Executive Director

Mr. Alvin Ong is responsible for directing and controlling the operations of our Group. Prior to joining our Group in September 2021, Mr. Alvin Ong was the managing director of Integrated Training Consultants Pte. Ltd., a training and consultancy services firm that provides training and consulting services to the environmental services industry, from February 2007 to September 2021 and was responsible for the overall growth and development of the firm. From June 2003 to December 2006, Mr. Alvin Ong was general manager of CSP Maintenance Pte. Ltd., a cleaning and maintenance services firm, where he was in charge of managing the operations and business development of the company, including oversight of budgeting and human resource matters. Mr. Alvin Ong has more than 18 years of experience in the environmental services industry.

Mr. Alvin Ong is currently serving as the chairman of the Nee Soon South Citizens' Consultative Committee's ("**Nee Soon South CCC**") Community Development and Welfare Fund, the vice-chairman of the Nee Soon South CCC since 1 April 2016, vice chairman of the Nee Soon South Community Centre Management Committee since 1 April 2018 and a member of the North West Community Development Council since 27 July 2020.

Mr. Alvin Ong graduated with Bachelor of Commerce in marketing, information systems and electronic commerce from the University of Western Australia and received his Diploma in business studies in marketing from Ngee Ann Polytechnic.

BOARD OF DIRECTORS



MR. TAN SIANG LENG
Independent Director

Chairman of Audit Committee
Member of Remuneration Committee
Member of Nominating Committee

Mr. Tan has been a qualified chartered accountant with the Institute of Singapore Chartered Accountants since 2007 and an accredited tax practitioner with Singapore Chartered Tax Professionals since 2011. He worked at PricewaterhouseCoopers Singapore from December 2003 to September 2009, first as an associate, before being promoted to senior associate and assistant manager and then audit assurance manager.

Mr. Tan has been senior finance officer at the Asian Development Bank since February 2020, where he is responsible for finance and administration matters. Mr. Tan previously worked at APM Property Management Pte Ltd, a wholly-owned subsidiary of ARA Asset Management Limited, a real estate and asset and property management firm, where he

was head of the finance department from February 2014 to May 2015 and deputy director from December 2016 to January 2020. Mr. Tan's responsibilities at APM Property Management Pte Ltd included finance matters such as budget, reporting, management, controls and analysis. Between April 2016 and December 2016, Mr. Tan was deputy director of regional finance at Raffles Medical Group Limited where he was responsible for regional finance matters including merger and acquisition activities, international tax and harmonisation. Prior to this, Mr. Tan was vice president of corporate finance at International City Holdings Pte Ltd from October 2010 to January 2014.

Mr. Tan graduated with a Bachelor of Accountancy from Singapore Management University.



MR. NG HONG WHEE
Independent Director

Chairman of Remuneration Committee
Member of Audit Committee
Member of Nominating Committee

Mr. Ng is our Independent Director and was appointed to our Board on 2 December 2021. Mr. Ng has been an independent director of Spackman Entertainment Group since June 2014.

From July 2011 to July 2015, Mr. Ng was the executive chairman and chief executive officer of Sincap Group Limited, a company listed on Catalist. Following his cessation as executive chairman and chief executive officer, he was the president of the China operations of Sincap Group Limited until November

2015. From 2004 to 2011, Mr. Ng was the business development and financial director of Southern Angels Pte. Ltd., a manufacturer of fish paste in Indonesia. In October 1999, he joined Tan Kian Tin & Co. (a Certified Public Accounting firm) as an audit supervisor and was gradually promoted to an audit manager in 2001, a position he held until February 2012 when he continued as a consultant until April 2012.



MR. CHUA SER MIANG
Independent Director

Chairman of Nominating Committee
Member of Audit Committee
Member of Remuneration Committee

Mr. Chua is currently a Director in Crowe Horwath Capital Pte Ltd, a corporate finance advisory firm providing financial advisory for equity and debt fundraising and financial advisory for corporate actions. He has over 20 years of experience in corporate finance where he was primarily involved in advising local and foreign corporates on financial and equity capital market transactions including public listings, fund raising, and mergers and acquisitions. Mr. Chua had previously held senior positions in other financial institutions including DMG & Partners Securities and Daiwa Securities SMBC Singapore. Mr. Chua started his career as a Senior Review Officer with the Monetary Authority of Singapore in 1993.

Mr. Chua holds a Master's degree in Global Finance & Banking from King's College London, and graduated with a Bachelor's degree in Business Administration (Honours) from the National University of Singapore. He is also a CFA charterholder. Mr. Chua presently serves as an independent director on the Boards of Aoxin Q&M Dental Group Limited and VCPlus Limited, both of which are companies listed on the Catalist Board of the SGX-ST.

KEY EXECUTIVES

ONG HAN POH

Group Financial Controller

Mr. Ong joined our Group in August 2021 and is responsible for the overall financial accounting, reporting as well as corporate finance matters relating to our Group. Prior to joining our Group, Mr. Ong was group financial controller at JEP Holdings Limited from April 2016 to August 2021, where he was responsible for the overall financial accounting, financial reporting as well as corporate finance matters. From January 2011 to March 2016, he was finance manager with Tee Yih Jia Food Manufacturing Pte Ltd where he oversaw group consolidation and the accounts of the group's overseas subsidiaries and joint ventures.

Mr. Ong graduated with a diploma in management accounting from Tunku Abdul Rahman College, Malaysia in 1998 and has been a chartered management accountant with the Chartered Institute of Management Accountants since 2000, he is also an associate of the Institute of Singapore Chartered Accountants and a chartered management accountant of the Chartered Institute of Management Accountants.

TAN WEI YING

Chief Operating Officer

Ms. Tan is responsible for, among others, implementing customer and business development strategies and managing client relationships. She joined the Group in September 2017 as corporate service manager and was promoted to corporate service director in July 2019. Subsequently, in September 2021, she was promoted to Chief Operating Officer of the Group.

Ms. Tan obtained a Bachelor of Business from Nanyang Technological University. In addition to her tertiary qualification, she is also a certified professional with the Institute for Human Resource Professionals, and holds a Level 4 Diploma in Leadership and Management from The City and Guilds of London Institute, and a Diploma in Environmental Services and Professional Diploma in Leadership and People Management from WSQ. She also completed the EMAS Leap Programme administered by the Environmental Management Association of Singapore in 2019 and was awarded a certificate in cleaning and disinfection for non-healthcare facilities by Republic Polytechnic in 2020.

SUSAN LEE

Operations Director

Ms. Susan Lee is responsible for overseeing the operations of our Group's projects. Prior to joining our Group, she was a senior manager at UEMS Solutions Pte Ltd, overseeing both Khoo Teck Puat Hospital and Yishun Community Hospital housekeeping operations. She joined Ramky Cleantech Services Pte. Ltd. in October 2009 as head of training and development and was subsequently head of business development from April 2011, and head of operations from November 2015, a position she held until May 2019. She was a sales manager at Sembcorp Environment Pte. Ltd. from January 2005 to September 2009.

Ms. Susan Lee obtained a Diploma in Computer Studies from Ngee Ann Polytechnic and a Bachelor of Commerce from Deakin University, Australia. She also holds an advanced certificate in training and assessment and a Diploma in Adult and Continuing Education under WSQ framework.

KEY EXECUTIVES

TAN WEI LI
Group Finance Manager

Ms. Tan is responsible for, among others, preparation of management reports and performing analyses of revenue performance and growth. She also assists in the preparation of annual budgets, work with the external auditors to facilitate their work, as well as assisting in compliance reporting matters. She joined our Group in January 2021 as financial, planning and analysis manager and was promoted to Group Finance Manager of our Group in September 2021. Prior to joining our Group, Ms. Tan was an audit assistant and, subsequently, an audit senior associate at Ernst & Young LLP from September 2018 to December 2020.

Ms. Tan graduated with a Bachelor of Accountancy from the Singapore Management University.

ZIILIA SEAH
Sales and Marketing Manager

Ms. Seah joined our Group as Sales and Marketing Manager in November 2018 and is responsible for account and contract management, internal stakeholder management and business development. Prior to joining our Group, she was an assurance senior associate with Baker Tilly Singapore from September 2017 to October 2018 where she provided assurance services including designing and implementing external audit engagement plans and assisting in MAS compliance audits.

Ms. Seah graduated from Nanyang Technological University with a Bachelor of Accountancy with honours and obtained a Diploma in Environmental Services from Singapore Workforce Skills Singapore in 2020. She also holds certificates in managing inventory and cleaning, and disinfection for non-healthcare facilities awarded by WSQ and Republic Polytechnic in 2018 and 2020, respectively.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive:

Tan Hoo Kiat

(Executive Chairman and Executive Director)

Ong Khong Weng, Alvin

(Chief Executive Officer and Executive Director)

Non-Executive

Tan Siang Leng

(Lead Independent Director)

Ng Hong Whee

(Independent Director)

Chua Ser Miang

(Independent Director)

AUDIT COMMITTEE

Tan Siang Leng (Chairman)

Ng Hong Whee

Chua Ser Miang

NOMINATING COMMITTEE

Chua Ser Miang (Chairman)

Tan Siang Leng

Ng Hong Whee

REMUNERATION COMMITTEE

Ng Hong Whee (Chairman)

Tan Siang Leng

Chua Ser Miang

REGISTERED OFFICE

1 Bukit Batok Crescent,
#04-11 WCEGA Plaza
Singapore 658064
Tel : +65 6281 1843
Fax : +65 6281 1805
Website : www.LS2.sg

COMPANY SECRETARY

Tan Wee Sin

CONTINUING SPONSOR

RHT Capital Pte. Ltd.
6 Raffles Quay
#24-02
Singapore 048580
Registered Professional: Lay Shi Wei

SHARE REGISTRAR

Boardroom Corporate & Advisory Services Pte. Ltd.
1 Harbourfront Avenue
#14-07 Keppel Bay Tower
Singapore 098632

AUDITOR

Nexia TS Public Accounting Corporation
80 Robinson Road
#25-00
Singapore 068898
Director-in-charge: Meriana Ang Mei Ling
(Date of appointment: 28 February 2022)

BANKERS

Oversea-Chinese Banking Corporation Limited
DBS Bank Limited
Standard Chartered Bank (Singapore) Limited
Maybank Singapore Limited

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CORPORATE GOVERNANCE

Corporate Governance Statement

The Board of Directors (the “**Board**” or “**Directors**”) of LS 2 Holdings Limited is committed in upholding high standards of corporate governance and practices throughout LS 2 Holdings Limited (the “**Company**”) and its subsidiaries (the “**Group**”), as a fundamental part of its responsibility to protect shareholders’ interests, enhance shareholders’ value and the financial performance of the Group.

This report describes the Group’s corporate governance practices and structures with specific references made to the principles and provisions of the Code of Corporate Governance 2018 (the “**Code**”) issued on 6 August 2018.

The Company was recently listed on the Catalist board of the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) on 24 February 2022, and the Board confirms that the Company has adhered to all principles and provisions set out in the Code pursuant to Rule 710 of the Listing Manual Section B: Rules of Catalist (the “**Catalist Rules**”) issued by SGX-ST as set out in this report. Where there are deviations from the Code, appropriate explanations will be provided.

BOARD MATTERS

As at the date of this Annual Report, the Board comprises of the following members:

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 Non-Executive Director)
Mr. Ng Hong Whee	(Independent Non-Executive Director)
Mr. Chua Ser Miang	(Independent Non-Executive Director)

The profile of each Director is presented under the “Board of Directors” section of the Annual Report.

The Board’s Conduct of its Affairs

Principle 1: The Company is headed by an effective Board which is collectively responsible and works with Management for the long-term success of the company.

Provision 1.1 of the Code : Directors’ duties and responsibilities

The Board is entrusted with the responsibility of the overall management of the Company.

The principal functions of the Board, in addition to carrying out its statutory responsibilities, are as follows:

- overseeing the Company’s business and its performance and is collectively responsible for the long-term success of the Company;
- overall responsibility for establishing and maintaining a framework of good corporate governance in the Group, including the risk management system and internal control to safeguard shareholders’ interests and the Group’s assets and to take into account the interests of key stakeholder groups in its decision making;
- provide their independent judgement, diversified knowledge and experience to weigh on issues of strategy, performance, resources and standards of conduct and ethics;
- regularly reviews the Group’s strategic business plans, the assessment of key risks by Management and the operational and financial performance of the Group to enable the Group to meet its objectives; and

CORPORATE GOVERNANCE

- responsible for shaping the Company's strategic direction and integrate sustainability components into all the Company's business and operations. This integration involves the consideration of Environmental, Social and Governance ("**ESG**") factors in the Company's business and operations. The Board will work alongside the Management to advance sustainability efforts within the Company.

All Directors recognise that they must discharge their duties and responsibilities at all times as fiduciaries in the interests of the Company. The Board is a representation of the shareholders in the Company and is accountable to them through effective governance of the business. All Directors are required to avoid situations where their own personal or business interests may conflict or appear to conflict with the interests of the Company.

Where a Director has a conflict of interest in the matter discussed, or it appears that the Director might have a conflict of interest in relation to the matter discussed, the Director must immediately declare his personal or business interest at the Board meeting or send a written notice to the Company containing details of his personal or business interest in the matter and the actual or potential conflict of interest.

Any Director facing a conflict of interest in the matter discussed will recuse himself from the discussions and abstain from participating in any Board decisions and voting on resolutions regarding the matter and refrain from exercising any influence over other members of the Board, unless the Board is of the opinion that his presence and participation is necessary to enhance the efficacy of such discussion.

Provision 1.2 of the Code : Induction, training and development

A formal letter is provided to each Director upon their appointment, setting out their relevant duties and obligations, to acquaint them with their responsibilities as Directors of the Company.

The Company conducts an orientation programme for new directors and are briefed by Management to familiarise themselves with the Group's business and governance policies and practices. The orientation programme aims to provide the new directors with an understanding of the Group's businesses to enable them to assimilate into their new roles and to get acquainted with Management, thereby facilitating Board interaction and independent access to Management.

To keep abreast with developments in the relevant sectors and to ensure that the Directors are kept informed of relevant new laws, regulations and changing commercial risks that will affect the Group, the Company encourages its Directors to attend relevant instructional or training courses at the Company's expense. In particular, the Board is regularly kept informed and updated on courses and seminars offered by the Singapore Institute of Directors which are relevant to the training and professional development of the Directors. The Directors are also briefed on the new requirements of the SGX-ST, Companies Act 1967 and other regulatory requirements from time to time by the Company Secretary, the Auditors and the Sponsor.

As stipulated under Rule 406(3)(a) of the Catalist Rules, Directors who are appointed and who have no prior experience as directors of a listed company in Singapore will have to attend the Listed Entity Director ("**LED**") courses organised by the Singapore Institute of Directors within one (1) year of his appointment. Except for Mr. Ng Hong Whee and Mr. Chua Ser Miang who are currently serving as directors of companies listed on the SGX-ST, the remaining directors with no prior experience as a director of a listed company in Singapore have to undergo training in the roles and responsibilities of a listed company as prescribed by SGX-ST in accordance with Rule 406(3) and they had completed the required LED courses as at the date of this Report.

Provision 1.3 of the Code : Matters requiring Board's approval

Notwithstanding that the daily operations and management of the Company is delegated to the Executive Directors, the Board has put in place internal guidelines on matters which require the Board's approval, including but not limited to the following:

- the appointment of directors, the company secretary and the sponsor;
- any major transactions such as, inter alia, capital funding, acquisitions and disposals of assets;

CORPORATE GOVERNANCE

- release of the Group's financial results announcements, annual report and convening of shareholders' meeting, circulars to shareholders and related announcements through SGXNET;
- alterations to the share capital of the Company;
- approving interested person transactions exceeding a certain threshold;
- any material regulatory matters and litigation cases;
- compliance matters associated with the Catalist Rules, Securities and Futures Act or other relevant laws and regulations.

Clear directions have been disseminated to the Management that reserved matters must be approved by the Board.

Provision 1.4 of the Code : Board Committees

The Board objectively discharges its duties and responsibilities at all times and makes decisions in the interests of the Group. The Board has delegated specific responsibilities to the various committees established by the Board, namely the Audit Committee ("AC"), the Nominating Committee ("NC") and the Remuneration Committee ("RC") (collectively known as the "Board Committees"). Each committee has the authority to examine issues relevant to their term of reference and to make fair, proper and appropriate recommendations to the Board when required. The ultimate responsibility for the final decision on all matters, however, lies with the entire Board.

Provision 1.5 of the Code : Board and Board Committees Meeting

The Board meets regularly on a biannual basis and ad-hoc Board Committee and/or Board meetings are convened as and when required. In between Board meetings, any important matter will be tabled for the Board's approval by way of circulating resolutions in writing.

The Constitution of the Company allows directors to participate in Board meetings via electronic means. The Directors are free to discuss any information or view as presented by any member of the Board and Management.

When necessary or appropriate, members of the Board exchange views outside the formal environment of Board meetings. Each Board member is expected to objectively discharge his duties and responsibilities at all times as fiduciaries in the best interest of the Company.

The attendance record of each director at meetings of the Board and Board Committees during FY2021 is disclosed below:

Name of Director	Board Meeting		AC Meeting		NC Meeting		RC Meeting	
	No. of Held	No. of Attended	No. of Held	No. of Attended	No. of Held	No. of Attended	No. of Held	No. of Attended
Tan Hoo Kiat	1	1	1	1*	1	1*	1	1*
Ong Khong Weng, Alvin	1	1	1	1*	1	1*	1	1*
Tan Siang Leng	1	1	1	1	1	1	1	1
Ng Hong Whee	1	1	1	1	1	1	1	1
Chua Ser Miang	1	1	1	1	1	1	1	1

* By way of invitation.

The Company Secretary or his representative also attends the Board and Board Committee meetings.

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Provision 1.6 of the Code : Access to information

The Company recognises that the flow of relevant, complete and accurate information on a timely basis is critical for the Board to discharge its duties effectively. The Management provides the Board with key information that is complete, adequate and in advance to enable the Directors to make timely decisions, effectively discharge their duties and make a balanced and informed assessment of the performance, position and prospects of the Company.

The Management provides members of the Board with quarterly management accounts, as well as relevant background and explanatory information relating to the matters that would be discussed in the Board meetings, prior to the scheduled meetings. All directors are also furnished with timely updates on the financial position and any material development of the Group as and when necessary. Any additional materials or information requested by the Directors are promptly furnished. If necessary, management staff who are able to explain and provide insights to the matters to be discussed are invited to present to the Board and answer any queries that the Directors may have.

Provision 1.7 of the Code : Access to management and company secretary

The Directors are updated regularly on corporate governance requirements, changes in listing rules and regulations, and the performance of the Group. The Directors have separate and independent access to Management, including the CEO, the Group Financial Controller (“**GFC**”) and other key management personnel (“**Key Management Personnel**”) as well as the Group’s internal and external auditors, and Company Secretary at all times.

The Company Secretary or his representative attends all Board meetings and ensures the Board procedures and the performance of the Group’s compliance obligations pursuant to the relevant statutes and regulations are followed. Under the direction of the Executive Chairman and CEO, the Company Secretary ensures good information flow within the Board and Board Committees and between senior management and Non-Executive Directors, as well as facilitating orientation and assisting with professional development if required. The appointment and removal of the Company Secretary are subject to the approval of the Board as a whole.

The Directors, either individually or as a whole, has direct access to the Group’s independent professional advisors, if necessary, to enable each Director to discharge his responsibility effectively. Any cost of obtaining professional advice will be borne by the Company.

Board Composition and Guidance

Principle 2: The Board has an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interests of the company.

Provision 2.1 of the Code : Director’s independence

Provision 2.2 of the Code : Independent directors make up a majority of the Board where the Chairman is not independent

Provision 2.3 of the Code : Non-executive directors make up a majority of the Board

As at the date of this Annual Report, the Board comprises of five (5) directors. The five (5) directors consist of one (1) Executive Chairman (“**Chairman**”) and Executive Director, one (1) Chief Executive Officer (“**CEO**”) and Executive Director and three (3) Independent Non-Executive Directors (“**INED**”). Each INED has no relationship with the Company, its related companies, its substantial shareholders, or their officers that could interfere, or be reasonably perceived to interfere, with the exercise of the INED’s independent business judgement in the best interests of the Group. No individual or small group of individuals dominates the Board’s decision making. The Company is in compliance with the Provision 2.2 and 2.3 of the Code.

All Directors are required to disclose any relationships or appointments which would impair their independence to the Board as and when the need arises. The NC reviews on an annual basis the independence of the Directors under Provision 2.1 of the Code, and as and when circumstances require. In respect of the review of the independence of each director, the NC assessed the independence of each director and had considered Mr. Tan Siang Leng, Mr. Ng Hong Whee and Mr. Chua Ser Miang to be independent.

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Each member of the NC has abstained from deliberations in respect of the assessment of his own independence.

In accordance with the Catalist Rules which sets out specific circumstances in which a director is deemed non-independent, including, effective 1 January 2022, the requirement for directors wishing to remain as independent after serving more than nine (9) years, to seek 2-tier voting by shareholders. None of the INED has served on the Board beyond nine (9) years from their respective date of appointment.

Provision 2.4 of the Code : Board size and diversity

The NC reviews the size and diversity of the Board and Board Committees on an annual basis. The Board comprises of business leaders and professionals with financial, environmental and business management backgrounds. The Board, as a whole, has an appropriate balance and mix of skills with the necessary core competencies such as accounting, finance, business or management experience and industry knowledge, strategic planning experience and customer-based experience or knowledge. This allows the Board to foster constructive debate and avoid groupthink. The Board Diversity Policy was established in February 2022 and sets out the approach to achieve diversity in the Company's Board. The Company recognises and embraces the importance and benefits of having a diverse Board to enhance the quality of its performance. It is accordingly committed to promote diversity in the Board.

In consideration of the current scope and nature of the operations of the Group's operations, the NC is of the view that the current size and diversity of the Board provides an appropriate balance and allows for effective decision making at the Board and Board Committees meetings.

Provision 2.5 of the Code : Meeting of Non-Executive Directors ("NEDs") without Management

Although all the Directors have an equal responsibility for the Group's operations, the role of NEDs are particularly important in ensuring that the strategies proposed by Management are constructively challenged from an objective perspective, and at the same time take into account any constructive suggestions that will shape the Company's policies. NEDs also aid in the review of Management's performance and monitor Management's reporting framework.

The NEDs meet regularly without the presence of Management. During FY2021, the NEDs met once in the absence of Management.

Chairman and Chief Executive Officer

Principle 3: There is a clear division of responsibilities between the leadership of the Board and Management, and no one individual has unfettered powers of decision-making.

Provision 3.1 of the Code : Separation of the roles of the Chairman and CEO

Provision 3.2 of the Code : Division of responsibilities between the Chairman and CEO

Provision 3.3 of the Code : Lead Independent Director

The roles of the Chairman and CEO are separated to ensure a clear division of the responsibilities. Mr. Tan Hoo Kiat is the Executive Chairman of the Group and Mr. Ong Khong Weng, Alvin is the CEO of the Group. The Chairman and the CEO are not related to each other.

The Chairman is responsible for the oversight of our Group's business and strategic planning, and overall development of our Group. He is also responsible for our Group's expansion plans for growth and development, including sourcing for investment opportunities to promote the growth of our Group's business whilst the CEO is responsible for the business management and day-to-day operations of the Group.

The Board is of the view that as all major decisions are made in consultation with the Board which comprises of a majority of INEDs, there are adequate measures in place to ensure accountability and against any uneven concentration of power and authority in a single individual.

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The Chairman encourages constructive relations among the Board and between the Board and Management and the Chairman, with the help of the Company Secretary, ensures that Board meetings are convened as and when necessary and sets the meeting agenda in consultation with the CEO and fellow directors and other executives, and if warranted, with professional advisors. The Chairman also leads the Board discussions and ensures that quality, quantity and timeliness of the flow of information between the Management, the Board and shareholders. He assumes the lead role in promoting high standards of corporate governance processes as well as the culture of openness and debate at Board meetings. He also encourages constructive relationship within the Board and between the Board and Management while facilitating the effective contributions of non-executive directors and independent directors during Board meetings.

Mr. Tan Siang Leng has been appointed as the Lead Independent Director (“LID”) and he is available to shareholders, where they have concerns, and for which contact through the normal channels of the Executive Chairman and CEO or Management are inappropriate or inadequate. When necessary, the INEDs will meet without the presence of the other Directors and the LID will provide feedback to the Chairman after such meetings.

All INEDs led by the LID, meet at least once annually without the presence of Executive Directors and Management to discuss matters of significance which are thereon reported to the Chairman accordingly.

Board Membership

Principle 4: The Board has a formal and transparent process for the appointment and re-appointment of directors, taking into account the need for progressive renewal of the Board.

Provision 4.1 of the Code : Role of the NC

Provision 4.2 of the Code : Composition of NC

The NC comprises of the following three (3) members, all of whom including the Chairman, are INEDs.

- Mr. Chua Ser Miang (Chairman)
- Mr. Tan Siang Leng (Member)
- Mr. Ng Hong Whee (Member)

The written term of reference of the NC have been approved and adopted, and includes the following:

- the review of structure, size and composition of the Board and Board Committees.
- the review of succession plans for the Board Chairman, Directors, CEO and members of Key Management Personnel.
- the development of a transparent process for evaluating the performance of the Board, its Board Committees and Directors, including assessing whether Directors are able to commit enough time to discharge their responsibilities and the maximum number of listed company Board representations which a Director may hold.
- the review of training and professional development programmes for the Board and its Directors.
- the appointment and re-appointment of all Directors (including any Alternate Directors).

The NC is responsible for identifying and nominating candidates for the Board, determining annually, whether a Director is independent in accordance with the guidelines set out in the Code, filling board vacancies as well as to put in place plans for succession.

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Provision 4.3 of the Code : Director appointment and re-nomination

The process for selection and appointment of new directors will be led by the NC in the following order: (i) determining the desirable competencies for the appointment, and after consultation with the Management, (ii) assessing the suitability of the candidates and conducting an open dialogue to ensure that each candidate is aware of his role and obligations and (iii) submitting a final shortlist for recommendation to the Board.

The search and nomination process for new directors, led by the NC, is as follows:

- the NC evaluates the balance, skills, knowledge and experience of the existing Board and the requirements of the Group. In light of such evaluation, the NC determines the role and key attributes that an incoming director should have;
- after endorsement by the Board of the key attributes required, the NC taps on the networking resources of the existing Directors and seeks recommendations from them in relation to the potential candidates and goes through a shortlist process. If candidates identified from this process are not suitable, executive recruitment agencies are appointed to aid in the search process;
- the NC meets with the shortlisted candidate(s) to assess suitability and to ensure that the candidate(s) is/are aware of the expectations and the level of commitment required; and
- the NC recommends the most suitable candidate to the Board for appointment as Director.

At each Annual General Meeting ("**AGM**") of the Company, the Constitution of the Company requires one-third of the directors to retire from office by rotation, and in accordance with the SGX-ST Catalist Rules, all Directors will be required to submit themselves for re-nomination and re-election on a rotational basis and at least once every three (3) years.

A retiring Director is eligible to offer himself for re-election. Each member of the NC abstains from voting on any resolutions and making any recommendations and/or participating in any deliberations of the NC in respect of the assessment of his own performance or re-nomination as Director.

Pursuant to Rule 720(4) of the Catalist Rules, all Directors must submit themselves for re-nomination and re-appointment at least once every three (3) years. Pursuant to Articles 96 and 97 the Constitution of the Company, at each AGM of the Company, at least one-third of the Directors for the time being or if their number is not three or a multiple of three, the number nearest to one-third but not less than one-third shall retire by rotation and that all Directors shall retire at least once every three (3) years and such retiring Director shall be eligible for re-election.

Pursuant to Article 100 of the Company's Constitution, all newly appointed Directors shall retire and being eligible, submit themselves for re-nomination and re-election at the forthcoming AGM ("**Retiring Directors**").

Accordingly, the NC had recommended the aforesaid re-election of all five (5) Directors and the Board had accepted the NC's recommendation. In recommending the re-election of these five (5) Directors, the NC has considered the Directors' overall contributions and performance. The details of the directors seeking for re-election as required under Appendix 7F of the Catalist Rules are set out on pages 36 to 46 of this Annual Report.

Provision 4.4 of the Code : Circumstances affecting director's independence

As described under Principle 2 of this report, the Company has put in place a process to ensure the continuous monitoring of the independence of the Directors. Each Independent Director is required annually to confirm his independence. Further, the NC determines annually, and as and when circumstances require, whether a Director is independent, taking into consideration the disclosures by the Directors of any relationships with the Company, its related corporations, its substantial shareholders or its officers and the checklist completed by each Independent Director. Having made its review, the NC is of the view that all independent directors have satisfied the criteria for independence.

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Provision 4.5 of the Code : Multiple directorships

The NC monitors and determines annually whether Directors who have multiple board representations and principal commitments, give sufficient time and attention to the affairs of the Company and adequately carry out his duties as a Director of the Company. The NC takes into account the results of the assessment of the effectiveness of the individual director and his actual conduct on the Board, in making this determination.

The NC has ascertained that for the period under review, where a Director had other listed company board representations and/or other principal commitments, the Director was able to carry out and had been adequately carrying out, his duties as a Director of the Company. The Directors have expressed that they are committed to carrying out their roles and responsibilities to their best of efforts. The NC concluded that there is no need to impose a limit on the number of board representations at this stage.

Currently, the Company does not have any alternate directors.

Board Performance

Principle 5: The Board undertakes a formal annual assessment of its effectiveness as a whole, and that of each of its board committees and individual directors.

Provision 5.1 of the Code : Performance criteria and process for evaluation of the effectiveness of the Board

Provision 5.2 of the Code : Disclosure of assessment of the Board, Board committees and each director

Based on the recommendations by the NC, the Board has established processes and objective performance criteria for evaluating the effectiveness of the Board as a whole and its Board Committees and for assessing the contribution by the Executive Chairman and individual Directors to the effectiveness of the Board. Part of the evaluation process is through the review of the appraisal and evaluation forms, which helps to assess the Directors through the following key performance criteria:

- Board size and composition of the Board
- Board independence
- Board processes
- Board information and accountability
- Board performance in discharging principal functions
- Board Committee performance
- Board time commitment
- Board diversity
- Overall contribution

Each Director is required to complete assessment forms to evaluate the Board, Board Committees and individual Directors, which takes into consideration factors such as commitment of time for meetings, level of participation and contribution at such meetings and the technical knowledge of the Directors. The evaluation of individual Directors aims to assess whether each Director continues to contribute effectively and demonstrate commitment to the role, including commitment of time for Board and Board Committee meetings, and any other duties.

The Company Secretary had been requested to collate the Board's and Directors' evaluation and to provide the summarised observations for the Chairman of the NC and the Board Chairman. The Board Chairman will act on the results of the performance evaluation and the recommendation of the NC, and where appropriate, in consultation with the NC, new members may be appointed or in the case of resignation, new directors may be sought.

Following the review of the assessment of the Board, its committees and individual directors, including the Chairman for FY2021, both the NC and the Board are of the view that the Board and its committees have operated effectively and each director has contributed to the overall effectiveness of the Board in FY2021.

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The NC is responsible for assessing the effectiveness of the Board, the Board Committees and each individual Director. All NC members have abstained from voting or review process of any matters in connection with the assessment of his own performance.

REMUNERATION MATTERS

PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

Principle 6: The Board has a formal and transparent procedure for developing policies on director and executive remuneration, and for fixing the remuneration packages of individual directors and key management personnel. No director is involved in deciding his or her own remuneration.

Provision 6.1 of the Code : RC to recommend remuneration framework and packages

Provision 6.2 of the Code : Composition of RC

RC Composition and Role

The RC comprises of the following three (3) members, all of whom including the Chairman, are INEDs.

- Mr. Ng Hong Whee (Chairman)
- Mr. Tan Siang Leng (Member)
- Mr. Chua Ser Miang (Member)

The RC is responsible for ensuring a formal and transparent procedure for developing policies on director and executive remuneration, and for determining the remuneration packages of individual Directors and Key Management Personnel.

The written term of reference of the RC have been approved and adopted, including but not limited to, the following:-

- reviewing and recommending to the Board for the endorsement, a general framework for computation of directors' fees of the Board and Key Management Personnel. For Executive Directors and Key Management Personnel, the framework covers all aspects of executive remuneration. Such remuneration packages include but are not limited to director's fees, salaries, allowances, bonuses and benefits in kind;
- reviewing and recommending the specific remuneration packages for each Director and the Company's Key Management Personnel;
- review the remuneration of employees related to the Directors, CEO or substantial shareholders, if any, to ensure that their remuneration packages are in line with staff remuneration guidelines and commensurate with their respective job scopes and level of responsibilities. Any bonuses, pay increases and/or promotion for these related employees will also be subject to the review and approval of the RC;
- review the ongoing appropriateness and relevance of the Company's remuneration policy (including but not limited to Directors' fees, salaries allowances, bonuses, options, share-based incentives and awards and benefits-in-kind are covered) and other benefit programmes (where appropriate);
- reviewing the Company's obligations arising in the event of termination of service contracts entered into between the Group and its Executive Directors or Key Management Personnel, as the case may be, to ensure that the service contracts contain fair and reasonable termination clauses which are not overly onerous to the Group;
- reviewing annually the remuneration package in order to maintain their attractiveness to retain and motivate the Directors and Key Management Personnel and to align the interests of the Directors and Key Management Personnel with the long-term interests of the Company;

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- if necessary, seeking expert advice within and/or outside the Company on remuneration matters, ensuring that existing relationships, if any, between the Company and its appointed remuneration consultants will not affect the independence and objectivity of the remuneration consultants; and
- undertake such other functions and duties as may be required by the Board under the Code, statute or Catalist Rules (where applicable).

Provision 6.3 of the Code : RC to consider and ensure all aspects of remuneration are fair

The RC reviews the reasonableness of the contracts of service of Executive Directors and Key Management Personnel to ensure that their compensation are commensurate with the responsibilities and risks involved in their roles and that their remuneration packages are comparable within the industry. They are also responsible for the administration of the LS 2 Performance Share Plan and LS 2 Employee Share Option Scheme to motivate eligible participants towards better performance through increased dedication and loyalty.

The Independent Directors are entitled to Directors' fees in accordance with their contributions, considering factors such as effort and time spent, and their responsibilities. The Directors' fees are recommended by the RC and endorsed by the Board, and are subject to shareholders' approval at the AGM. Except as disclosed in this Annual Report, the Independent Directors did not receive any other remuneration from the Company.

The Executive Directors have each entered into a service agreement with the Company ("**Service Agreement**"), under which the terms of their employment are stipulated, including a monthly base salary, annual wage supplement and benefits commensurate with the position. The Executive Directors also participate in a profit-sharing scheme that is pegged to the Group's profitability. The Executive Directors are not entitled to Directors' fees and there are no post retirement and severance benefits except the common practice of giving notice or salary in lieu of notice in the event of termination. The Service Agreements are valid for five (5) years ("**Initial Term**") and upon the expiry of the Initial Term, the Service Agreement shall be automatically renewed on a biennial (once every two (2) years) basis on such terms and conditions as the parties may agree.

All recommendations made by the RC on the remuneration of directors and key executives will be submitted for endorsement by the Board. None of the RC is involved in setting his remuneration package. Each RC member shall abstain from reviewing, deliberating and voting on any resolution in respect of his remuneration package or that of any employees who are related to him.

Provision 6.4 of the Code : Expert advice on remuneration

The members of the RC are familiar with executive compensation matters as they have prior experience in principal commitments, managing businesses and/or are holding board representation in other listed companies. The RC also has access to expert advice regarding executive compensation matters, if required. The Board did not engage any external remuneration consultant to advise on remuneration matters for FY2021.

LEVEL AND MIX OF REMUNERATION

Principle 7: The level and structure of remuneration of the Board and key management personnel are appropriate and proportionate to the sustained performance and value creation of the company, taking into account the strategic objectives of the company.

Provision 7.1 and 7.3 of the Code : Remuneration of Executive Directors and key management personnel are appropriately structured to link rewards to performance

Save for directors' fees, which are subject to the approval of the shareholders at every AGM, the INEDs do not receive any other remuneration from the Company. No Director or member of the RC is involved in deciding his own remuneration.

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Based on the Remuneration Framework, the service contract for Executive Directors and Key Management Personnel comprises a fixed component (in the form of basic salary, fixed allowance and other benefits-in-kind) and variable components (in the form of annual performance bonus) which is based on the Group's and individual performance. The service agreements of Executive Directors provide for a fixed appointment period, after which they are subject to renewal.

The Company has in place Performance Incentive Schemes ("**Schemes**") such as the LS 2 Employee Share Option Scheme ("**ESOS**") and LS 2 Performance Share Plan ("**PSP**"). These Schemes serves to motivate eligible participants towards better performance through the award of shares to align themselves with the performance of the Company.

Provision 7.2 of the Code : Remuneration of Non-Executive Directors

Save for directors' fees, which are subject to shareholders' approval at every AGM, the INEDs do not receive any other remuneration from the Company.

Disclosure on Remuneration

Principle 8: The company is transparent on its remuneration policies, level and mix of remuneration, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation.

Provision 8.1 and 8.3 of the Code : Remuneration disclosures of directors and key management personnel

Considering the competitive pressures in the industry and the talent market, the Board had, on review decided to disclose the remuneration of the Directors of the Company and the top Key Management Personnel of the Company with a breakdown of the components in percentage for FY2021 as set out below:

Name	Fees	Salary ⁽¹⁾	Bonus ⁽¹⁾	Others ⁽²⁾	Total
Directors					
S\$250,000 – S\$499,999					
Mr. Tan Hoo Kiat	–	85%	11%	4%	100%
Below S\$250,000					
Mr. Ong Khong Weng, Alvin ⁽³⁾	–	87%	7%	6%	100%
Mr. Tan Siang Leng ⁽⁴⁾	–	–	–	–	–
Mr. Ng Hong Whee ⁽⁴⁾	–	–	–	–	–
Mr. Chua Ser Miang ⁽⁴⁾	–	–	–	–	–
Key Management Personnel					
Below S\$250,000					
Mr. Ong Han Poh	–	91%	9%	–	100%
Ms. Tan Wei Ying ⁽⁵⁾	–	91%	9%	–	100%
Mr. Mah Kok Hing, Joseph ⁽⁶⁾	–	91%	9%	–	100%
Ms. Lee Sun Sun, Susan	–	91%	9%	–	100%
Ms. Tan Wei Li ⁽⁵⁾	–	91%	9%	–	100%
Ms. Seah Rui Zi, Ziilia	–	91%	9%	–	100%

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Notes

- (1) Salaries and bonuses include employer contributions to the Central Provident Fund. Bonuses also include performance-related incentives.
- (2) Allowances and fringe benefits (including benefits in kind).
- (3) Mr. Alvin Ong's service agreement commenced from 29 September 2021.
- (4) Independent directors commenced their roles from 2 December 2021 and their directors' fees are subject to shareholders' approval at AGM.
- (5) Ms. Tan Wei Ying and Ms. Tan Wei Li are daughters of Mr. Tan Hoo Kiat who is the Executive Chairman and Executive Director of the Group and Controlling Shareholder of the Company.
- (6) Mr. Mah Kok Hing, Joseph has tendered his resignation (refer to an announcement released to SGXNET on 6 May 2022).

The Company believes that the current format of disclosure is sufficient indication of each director's remuneration package, given that remuneration continues to be a sensitive subject.

The Group does not have other Key Management Personnel save for those disclosed above.

There were no termination, retirement and post-employment benefits granted to Directors and Key Management Personnel in FY2021. Save for those disclosed above, there were no other employees within the Group who were substantial shareholders of the Company, immediate family members of a Director, the CEO, or a substantial shareholder of the Company whose remuneration exceeded S\$100,000 in FY2021.

Provision 8.2 of the Code : Remuneration of employee who are substantial shareholders, immediate family members of Executive Director or substantial shareholder

The table below shows the annual remuneration (in incremental bands of S\$100,000) of employees who are immediate family members of a Director, the CEO or a substantial shareholder in FY2021:

Remuneration Band and Names of Executives

Below S\$100,000

Ms. Tan Wei Ying

Ms. Tan Wei Li

Ms. Tan Wei Ying and Ms. Tan Wei Li, are daughters of Mr. Tan Hoo Kiat, Executive Chairman and Executive Director of the Group and controlling shareholder of the Company.

ACCOUNTABILITY AND AUDIT

RISK MANAGEMENT AND INTERNAL CONTROLS

Principle 9: The Board is responsible for the governance and risk and ensures that Management maintains a sound system of risk management and internal controls, to safeguard the interests of the company and its shareholders.

Provision 9.1 of the Code : Board determines the nature and extent of risks

The Board and Management acknowledge that it is responsible for the overall risk management and internal control framework, but recognise that no cost-effective control system will preclude all errors and irregularities, and a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatements or losses, human errors, frauds and lapses in judgement.

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The Group has implemented a system of internal controls designed to provide reasonable but not absolute assurance that assets are safeguarded, proper accounting records are maintained, operational controls are adequate and business risks are suitably managed. The Board determines the nature and extent of the significant risks which the Company is willing to take in achieving its strategic objectives and value creation. The Company's risk management framework and internal control system covers financial, operational, compliance and information technology risks and internal controls. The AC oversees the Management in the design, implementation and monitoring of the risk management and internal control systems, and reviews the adequacy and effectiveness of such systems at least annually.

Provision 9.2 of the Code : Assurance from the Board and management

The Board is collectively responsible for the success of the Company and works with the Management to achieve this. The Company reports its financial results half-yearly.

Through these reports, the Board aims to provide shareholders with a balanced assessment of the Group's financial performance, position and prospects.

The Management provides all members of the Board with sufficient and timely information on its financial performance and potential issues prior to all scheduled Board and Board Committees meetings.

In line with the continuous disclosure obligations of the Company and in accordance with the Catalist Rules and the Companies Act, the Board adopts a policy whereby shareholders will be informed of all major developments of the Company.

Financial information and other price sensitive information are circulated in a timely manner to the shareholders through announcements via SGXNET, press releases, the Company's website, media and analysts' briefings. The Company's corporate information as well as annual reports are also available on the Company's website.

The Management makes available to all Directors its half-year and full-year management accounts and where required, such other necessary financial information for other periods, if applicable.

The Board has received assurance from (a) the executive directors and the group financial controller that the financial records have been properly maintained and the financial statements for FY2021 give a true and fair view of the Company's operations and finances; and (b) the executive directors and key management personnel regarding the adequacy and effectiveness of the Company's internal control systems.

Based on the review, work done by the internal and external auditors, the Board, with the concurrence of the AC, is of the opinion that the Group's internal controls addressing financial, operational, compliance risks, IT, risk management systems or significant business risks are adequate and effective.

Audit Committee

Principle 10: The Board has an Audit Committee which discharges its duties objectively.

Provision 10.1 of the Code : Duties of Audit Committee

Provision 10.2 of the Code : Composition of Audit Committee

Provision 10.3 of the Code : Audit Committee does not comprise former partners or directors of the company's auditing firm

The AC comprises of the following three (3) members, all whom including the Chairman, are INEDs and have recent and relevant accounting or related financial expertise or experience to discharge their responsibilities:

- Mr. Tan Siang Leng (Chairman)
- Mr. Ng Hong Whee (Member)
- Mr. Chua Ser Miang (Member)

The Board is of the view that all the AC members are appropriately qualified to discharge their responsibilities.

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The external auditors were also invited to be present at AC meetings, as and when required, held during the year to answer or clarify any matters on accounting and auditing or internal controls.

The AC is of the opinion that the independence and objectivity of the external auditors have not been affected based on the amount of non-audit fees paid in FY2021.

The written terms of reference of the AC has been approved and adopted, and they include the following:

- to review with the external auditors their audit plan, audit report, management letter and the Management's response;
- to review the half-year and full-year financial statements on significant financial reporting issues and judgments before submission to the Board for approval;
- to review any formal announcements relating to the Company's financial performance;
- to discuss problems and concerns, if any, arising from the interim and final audits, in consultation with the external auditors;
- to meet with the internal and external auditors without the presence of the Management, at least annually, to discuss any problems and concerns they may have;
- to review the assistance given by the Management to external auditors;
- to review and evaluate the adequacy and effectiveness of the Company's internal controls, including financial, operational, compliance and information technology controls;
- to review the effectiveness of the Company's internal audit function;
- to review annually the scope and results of the external audit and its cost-effectiveness as well as the independence and objectivity of the external auditors;
- to review arrangements by which staff of the Company may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters within its terms of reference or whistleblowing reports;
- to report to the Board its findings from time to time on matters arising and requiring the attention of the AC;
- to review interested person transactions falling within the scope of the Catalist Rules;
- to undertake such other reviews and projects as may be requested by the Board;
- to review the assurance from the Executive Directors and the GFC on the financial records and financial statements; and
- to consider the appointment/re-appointment of external auditors, the audit fee and matters relating to the resignation or dismissal of auditors.

The AC has put in place a Whistleblowing policy ("**Policy**"), whereby all employees and external parties, such as shareholders, consultants, suppliers, customers, contractors and other stakeholders, may use the procedures set out in the Policy to report any concern or complaints regarding questionable accounting or auditing matters, internal controls, disclosure matters, conflict of interest, insider trading, collusion with competitors, serious breaches of Group policy, unsafe work practices or any other matters involving fraud, corruption or employee misconduct. The Policy sets out the procedures for a whistleblower to make a report to the Company on misconduct or wrongdoing relating to the Group and its officers directly to AC Chairman, as appropriate without fear and reprisals. The AC is responsible for the oversight and monitoring

CORPORATE GOVERNANCE

of whistleblowing and oversees the whistleblowing policy and its related procedures. All whistleblowing reports received are reviewed by the AC. Upon receipt of any report, the AC will review it, and if deemed necessary, appoint an independent investigator with no personal interest in the matter to investigate the matters disclosed. All whistleblowing reports received, including the whistleblower's identity and the persons implicated in the report, are kept strictly confidential. Whistleblowers who make any frivolous or malicious allegations may be subject to legal action by the individuals accused of fraudulent conduct. The Company has the right to report such incidences of false and malicious allegation to external regulatory authorities for further investigation. The whistleblowing policy is published on the Company's website at <https://www.LS2.sg>, and a copy of the whistleblowing policy is also disseminated to all employees of the Group.

As at the date of this Annual Report, there were no complaints, concerns of issue and whistleblowing reports received through the whistleblowing channel.

The AC assists the Board in discharging its responsibility to safeguard the Group's assets, maintain adequate accounting records and develop and maintain effective systems of internal control, with the overall objective of ensuring that the Management creates and maintains an effective control environment. The AC provides a channel of communication between the Board, the Management, and the internal and external auditors on audit matters.

The AC also has explicit authority to investigate any matter within its terms of reference, full access to and co-operation by the Management and full discretion to invite any Director to attend its meetings, and reasonable resources to enable it to discharge its functions properly. The AC meets with the internal and external auditors, without the presence of the Management, at least once a year.

Any change to accounting standards and issues which have a direct impact on financial statements will be highlighted to the AC from time to time by the external auditors. The external auditors will work with the Management to ensure that the Group complies with the new accounting standards, if applicable.

Financial Matters

In the review of the financial statements, the AC has discussed with Management the accounting principles that were applied and their judgement of items that might affect the integrity of the financial statements. The following significant matters impacting the financial statements were discussed with Management and the external auditors and were reviewed by the AC:

Significant matters	How the AC reviewed these matters and what decisions were made
Revenue Recognition	<p>The AC considered the approach and audit procedures applied to a recognition of revenue in the accounting period in which the services are rendered.</p> <p>The assessment of the revenue recognition was an area of focus of the external auditors. The external auditors have included this item as a key audit matter in its audit report for FY2021.</p>
Recoverability of Trade Receivables	<p>Trade receivables amounted to S\$19.4 million as at 31 December 2021. The AC considered management's approach, methodology and judgement pertaining to recoverability of trade receivables. The AC also considered the observations and findings presented by the external auditor with reference to the payment track records of trade debtors and expected credit loss of trade receivables.</p> <p>The assessment of the recoverability of trade receivables was an area of focus of the external auditors. The external auditors have included this item as a key audit matter in its audit report for FY2021.</p>

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Interested Person Transactions (“IPTs”)

The AC reviewed the Group’s IPTs to ensure that the transactions were executed at normal commercial terms and did not prejudice the interests of the Group and its minority shareholders.

The Company has not obtained a general mandate from shareholders for IPTs. 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, and the AC is satisfied that there were no material contracts of the Company and its subsidiaries involving the interests of the executive directors or any Director or controlling shareholder subsisted at the end of the financial year. In the event that a member of the AC is involved in any IPTs, he or she will abstain from reviewing that particular transaction.

External Auditors

In assessing independence of external auditors, Messrs. Nexia TS Public Accounting Corporation, the AC reviewed the fees and expenses paid to the external auditors, including fees paid for non-audit services during the year. Save for the table below, there were no non-audit services rendered by the external auditors for FY2021. The AC is of the opinion that the external auditors is independent and was adequate and effective in performing its audit.

	S\$	% of fees
Audit fees	60,000	22.7
Non-audit fees		
- Reporting auditors in relation to the listing of the Company	200,000	75.6
- Tax services	4,600	1.7
Total fees	264,600	100.0

The financial statements of the Company and its subsidiary are audited by Messrs. Nexia TS Public Accounting Corporation. The AC and the Board are of the view that the audit firms are adequately resourced, of appropriate standing within the international affiliation, have reviewed and are satisfied that the appointment would not compromise the standard and effectiveness of the audit of the Company and that the Company has complied with Rule 712 and Rule 715 of the Catalist Rules of the SGX-ST.

The AC has recommended to the Board that Messrs. Nexia TS Public Accounting Corporation be nominated for re-appointment as the external auditors of the Company at the forthcoming AGM of the Company to be held on 27 May 2022. None of the AC members are former partners or directors of the Company’s external firm within the last twelve (12) months and none of the AC members hold any financial interest in the external audit firm.

Provision 10.4 of the Code : Internal audit function

The internal auditors carried out its function with reference to the standards set by locally or internationally recognised professional bodies including the Standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors.

The Company does not have a risk management committee. The Board is overall responsible for the management of risk within the Group. It ensures that the Management maintains a sound system of risk management and internal controls to safeguard shareholders’ interests and the Company’s assets, and determines the nature and extent of the significant risks which the Board is willing to take in achieving its strategic business objectives.

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The size of the operations of the Group does not warrant the Group having an in-house internal audit function at this juncture. Messrs. BDO Advisory Pte Ltd ("**BDO**"), the Company's internal auditors ("**IA**") conducted a review of the Group's operations and business to identify and assess risks relevant to the Group with the objective of mitigating the risks and allocating the Group's resources to create and preserve value aligned to the Group's strategy. Management has adopted a risk management framework and the Enterprise Risk Management ("**ERM**") manual. BDO will facilitate an enterprise risk assessment with the Management and relevant employees to identify key risks that would impact the achievement of the Group's business objectives in FY2022. The risk assessment exercise shall cover pertinent risks in strategic, operational, financial, regulatory compliance and information technology areas.

The Management is responsible for ensuring that the risks identified are relevant to the business environment and that controls or mitigating factors are in place. The Board reviews and approves policies and procedures for managing the identified risks. The AC provides independent oversight to the effectiveness of the risk management process.

The IA reports directly to the AC on all internal audit matters. The AC reviews and approves the internal audit plan submitted by the IA. The IA reports to the AC any significant weaknesses and risks identified in the course of internal audits conducted on an on-going basis. The main objective of the internal audit function is to assist the Group in evaluating and assessing the effectiveness of internal controls, and to highlight the areas where control weaknesses exist, if any. The Company continues to work with the internal auditors to identify other scope of work which will help to further enhance the robustness of the controls of the Company. The effectiveness of the Group's system of internal controls are in place to address the key financial, operational, compliance and information technology risks affecting the operations are reviewed by the AC, together with the Board.

In compliance with Rule 1204(10) of the Catalist Rules, the Board, with the concurrence of the AC, is of the opinion that the Company has a robust and effective internal control system. The system of internal controls is sufficiently adequate and effective to address the information technology controls and risk management systems, as well as the financial, operational, compliance and information technology risks based on the internal controls established and maintained by the Group and reports from the internal auditors and external auditors.

The Board notes that the system of internal controls provides reasonable but not absolute assurance that the Group will not be affected by any event that could be reasonably foreseen as it strives to achieve its business objectives. In this regard, the Board also notes that no system can provide absolute assurance against the occurrence of material errors, poor judgement in decision-making, human errors, frauds or other irregularities.

The AC has reviewed the independence, adequacy and effectiveness of the internal audit function at least annually to ensure that it is adequately resourced and has appropriate standing within the Company. The outsourced internal audit team is headed by a Partner who has more than 25 years of experience in audit and advisory services, and supported by appropriate personnel with relevant experience and qualification. Based on the review, the AC was of the view that the internal audit function is independent, effective and adequately resourced.

The AC meets with the internal auditors at least once a year without the presence of Management.

The AC approves the hiring, removal, evaluation and compensation of the internal auditors, who has unfettered access to all the Company's documents, records, properties and personnel, including access to the AC.

Provision 10.5 of the Code : AC meets the auditors without the presence of management annually

The AC shall meet External and Internal Auditors without the presence of the Management at least once a year so that any matter can be raised directly. For FY2021, the AC has met with the External and Internal Auditors without the presence of the Management.

CORPORATE GOVERNANCE

SHAREHOLDER RIGHTS AND ENGAGEMENT

SHAREHOLDER RIGHTS AND CONDUCT OF GENERAL MEETINGS

Principle 11: The company treats all shareholder fairly and equitably in order to enable them to exercise shareholders' rights and have the opportunity to communicate their views on matters affecting the company. The company gives shareholders a balanced and understandable assessment of its performance, position and prospects.

Provision 11.1 of the Code : Shareholders' rights

The Board is committed to be open and transparent in the conduct of the Company's affairs, while preserving the commercial interests of the Company. The Board is mindful of its obligations to provide timely and fair disclosure of material information in accordance with the Corporate Disclosure Policy of the SGX-ST. Financial results, annual reports and other material information are released via SGXNET. Announcements released via SGXNET are also uploaded promptly on the Company's corporate website. The Company's website: www.LS2.sg, contains regular up-to-date information and corporate profile of the Group. All shareholders and the public can access for more information of the Company through this website.

Provision 11.2 of the Code : Resolutions

All resolutions at general meetings are voted on by poll so as to better reflect shareholders' shareholding interests and ensure greater transparency. Shareholders are briefed by the appointed polling agent on the poll voting procedures at the general meetings. The appointed scrutineer will ensure that the poll process is properly carried out and the counting of the votes is verified by the scrutineer. The poll voting results of all votes cast for, or against, or abstain, each resolution and the respective percentages are announced at the meeting and via SGXNET upon the conclusion of the general meetings.

Provision 11.3 of the Code : Attendance at general meetings

All Directors, including the respective Chairman of the AC, NC and RC are in attendance at the general meeting to allow shareholders the opportunity to express their views and ask Directors questions regarding the Company. In addition, external auditors are also invited to attend AGMs to assist the Directors in answering any queries relating to the conduct of the audit and the contents of the auditors' report.

Provision 11.4 of the Code : Voting procedures

The Company is in full support of shareholder participation at general meetings. For those who hold their shares through nominee or custodial services, they are allowed, upon prior request through their nominee, to attend the general meetings as observers without being constrained by the two-proxy rule.

The Constitution allows a shareholder and corporation which provide nominee or custodial services to appoint not more than two (2) proxies to attend and vote at general meetings. The Constitution contains provision for any shareholder to vote in absentia, such as via mail, electronic mail or facsimile. The Board does not implement absentia-voting methods by mail, electronic mail or facsimile, until issues on security and integrity are satisfactorily resolved.

Provision 11.5 of the Code : Minutes of general meeting

The Company Secretary shall prepare each item of special business in the notices of the shareholders' general meetings and where appropriate, an explanation for the proposed resolution. Separate resolutions are proposed for each distinct issue. Minutes of general meetings, which include substantial comments or queries from shareholders and responses from the Board and Management are available to shareholders upon request.

The Company will, within one (1) month after the date of the AGM, publish the minutes of the AGM on SGXNET and the Company's website, and the minutes will include the responses to the questions referred to the above.

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Provision 11.6 of the Code : Dividend policy

The Company does not have a fixed dividend policy. The form, frequency and amount of dividends will depend on the Company's earnings, operational and capital requirements, cash flow and financial conditions, as well as general business conditions and other factors which the Board may deem appropriate. The Board endeavours to maintain a balance between meeting shareholder's expectations and prudent capital management. The Board will review the dividend payment from time to time and any dividend declaration will be communicated to shareholders via announcement through SGXNET.

Principle 12: The company communicates regularly with its shareholders and facilitates the participation of shareholders during general meetings and other dialogues to allow shareholders to communicate their views on various matters affecting the company

Provision 12.1 of the Code : Communication with shareholders

Shareholders are informed of shareholders' meeting through notices published in the newspapers and reports, or circulars sent to all shareholders.

At general meetings, shareholders are given the opportunity to express their views and ask questions regarding the Group and its businesses. The Constitution contains provision for any shareholder to vote in absentia by appointing not more than two (2) proxies to attend and vote at general meetings.

Each item of special business in the notices of the shareholders' general meetings is accompanied, where appropriate, by an explanation for the proposed resolution. Separate resolutions are proposed for each distinct issue.

Provision 12.2 of the Code : Investor Relations policy

Provision 12.3 of the Code : Investor engagement

The Company has an Investor Relations ("IR") policy outlining the principles and practices adopted in the course of its investor relations activities, including communication with shareholders and the investment community.

The IR policy reflects avenues for communication between shareholders and the Company, including shareholders' meetings, the Company's annual report and sustainability report, the information available on the Company's website, results announcements, meetings with analysts and media, and describes how shareholders may contact the Company should they have questions. The policy thus allows for an ongoing exchange of views with shareholders, thereby promoting regular, effective and fair communication.

MANAGING STAKEHOLDERS RELATIONSHIPS

ENGAGEMENT WITH STAKEHOLDERS

Principle 13: The Board adopts an inclusive approach by considering and balancing the needs and interests of materials stakeholders, as part of its overall responsibility to ensure that the best interests of the company are served.

The Company has identified key stakeholders as those who are impacted by the Group's business and operation activities, and have a significant impact on the Group's sustainability. Such stakeholders include employees, shareholders, workers, its consumers, its suppliers and business partners, communities, government and regulators, and its financiers. The Company engages its stakeholders through various channels to ensure that business interests of the Group are balanced against the needs and interest of its stakeholders.

The Group's policies including the Board Diversity Policy, the IR Policy and Whistleblowing Policy facilitate the Group's engagement with its key stakeholders. In addition, the Group will be issuing its first sustainability report in due course to keep stakeholders informed on the commitment made by the Company in fostering the creation of long-term value for the stakeholders and sustainable development of the global economy.

Stakeholders may contact the Company through '**Contact**' in the Company's corporate website.

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Additional Information Required by the Singapore Exchange Securities Trading Limited

1. SECURITIES TRANSACTIONS

In compliance with Rule 1204(19) of the Catalist Rules, the Company imposes a trading embargo on its Directors and employees of the Company from trading in its securities for the period of one (1) month prior to the announcement of the half-year and full-year financial results, or when they are in possession of unpublished material price-sensitive information.

An internal memorandum was circulated informing all persons covered by the policy that they are prohibited from dealing in the securities of the Company during the 'closed window' period until after the release of the results. The Company's internal memorandum includes the clause whereby an officer of the Company is prohibited from dealing in the Company's securities on short-term considerations.

In view of the policy in place, the Board is of the opinion that the Company has complied with the recommended best practices on dealings in securities under Rule 1204(19) of the Catalist Rules.

2. NON-SPONSORSHIP FEES

The Company was listed on the Catalist Board of the SGX-ST on 24 February 2022, and RHT Capital Pte. Ltd. ("**RHT Capital**") was the Full Sponsor and Issue Manager of the Company in respect of the listing. Pursuant to the listing, Full Sponsor and Issue Manager fees of S\$388,000 (excluding GST) were paid in FY2021 and FY2022. Save as disclosed above, with reference to Rule 1204(21) of the Catalist Rules, no non-sponsor fees were paid to the Company's Sponsor, RHT Capital, for FY2021.

3. USE OF IPO PROCEEDS

As at the date of this Report, the status on the use of the Listing net proceeds is as follows:

	Amount allocated	Amount utilised	Balance
	S\$'000	S\$'000	S\$'000
Business expansion (including strengthening our market position in Singapore, expanding the scope of our service offerings, engaging in strategic acquisitions and joint venture partnerships and investing in equipment and technology)	3,000	285	2,715
Working capital	1,356	–	1,356
Total	<u>4,356</u>	<u>285</u>	<u>4,071</u>

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4. ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-APPOINTMENT

Pursuant to Rule 720(5) of Catalist Rules, the information relating to the directors who are seeking re-appointment at the forthcoming AGM of the Company, as set out in Appendix 7F to the Catalist Rules is set out below:

	Tan Hoo Kiat	Alvin Ong
Date of appointment	18 June 2020	28 September 2021
Date of last re-appointment	N/A	N/A
Age	60	45
Country of principal residence	Singapore	Singapore
The Board's comments on the re-appointment	Based on the recommendation of the NC, the Board (save for Tan Hoo Kiat who abstain from deliberating his own re-election) propose to the Company's shareholders to approve the re-election of Tan Hoo Kiat as an Executive Chairman and Executive Director of the Company.	Based on the recommendation of the NC, the Board (save for Alvin Ong who abstain from deliberating his own re-election) propose to the Company's shareholders to approve the re-election of Alvin Ong as the Chief Executive Officer and Executive Director of the Company.
Whether the appointment is executive, and if so, the area of responsibility	Executive, responsible for overseeing our Group's business and strategic planning, and overall development our Group and executing expansion plans for growth and development, including sourcing for investment opportunities to promote the growth of our Group's business	Executive, responsible for directing and controlling the operation of the Group and executing expansion plans for growth and development, including sourcing for investment opportunities to promote the growth of our Group's business
Job title (e.g. Lead ID, AC Chairman, AC Member etc.)	Executive Chairman and Executive Director	Chief Executive Officer and Executive Director
Working experience and occupation(s) in the past 10 years	2000 - present LS 2 Holdings & its subsidiaries, Executive Chairman and Executive Director	2021 - present LS 2 Holdings Limited, Chief Executive Officer and Executive Director 2003 - 2006 CSP Maintenance Pte Ltd, General Manager 2007 - 2021 Integrated Training Consultants Pte. Ltd, Managing Director

CORPORATE GOVERNANCE

	Tan Hoo Kiat	Alvin Ong
Shareholding interest in the listed issuer and its subsidiaries	120,250,000 shares (Direct Interest)	37,000,000 shares (Direct Interest)
Any relationship (including immediate family relationships) with any existing director, existing executive director, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	Father of Ms. Tan Wei Ying and Ms. Tan Wei Li, both are Key Management Personnel of the Company.	No
Conflict of interest (including any competing business)	No	No
Undertaking (in the format set out in Appendix 7H) under Rule 720(1) has been submitted to the Company	Yes	Yes
Other principal commitments including directorships		
Present	<u>Listed company</u> <ul style="list-style-type: none"> LS 2 Holdings Limited <u>Non-listed companies</u> <ul style="list-style-type: none"> LS 2 Services Pte Ltd LS 2 Management Pte Ltd LS 2 Facilities Pte Ltd THK Capital Pte Ltd Urban Cobots Pte. Ltd. 	<u>Listed company</u> <ul style="list-style-type: none"> LS 2 Holdings Limited <u>Non-listed companies</u> <ul style="list-style-type: none"> LS 2 Services Pte Ltd LS 2 Management Pte Ltd LS 2 Facilities Pte Ltd Urban Cobots Pte. Ltd.
Past (for the last 5 years)	<ul style="list-style-type: none"> Advance Cleaning Pte. Ltd. News Environmental Pte Ltd 	<ul style="list-style-type: none"> Integrated Training Consultants Pte. Ltd.
Information required pursuant to Listing Rule 704(7)		
a Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?	No	No
b Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	No	No

CORPORATE GOVERNANCE

	Tan Hoo Kiat	Alvin Ong
c Whether there is any unsatisfied judgment against him?	No	No
d Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	No	No
e Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No	No
f Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No	No
g Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No	No
h Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No	No
i Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No	No

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	Tan Hoo Kiat	Alvin Ong
<p>j Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:</p> <p>(i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or</p> <p>(ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or</p> <p>(iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or</p> <p>(iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?</p>	Yes ⁽ⁱ⁾	No
<p>k Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?</p>	No	No

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^① By a letter dated 3 September 2018, LS 2 Services Pte Ltd ("LS 2 Services") was informed by MOM that an investigation by MOM had revealed that LS 2 Services had committed offences under the Employment Act 1968 ("Employment Act") for deploying workers to work more than 72 hours of overtime in a month. The letter further stated that, instead of prosecution, MOM was prepared to compound the offences for S\$1,500 ("Fine"). The Fine has been fully paid by LS 2 Services. Subsequently, on 18 September 2018, LS 2 Services received a further letter from MOM which referred to the offer of composition dated 3 September 2018 and the contraventions referred to therein and informing LS 2 Services that the Controller of Work Passes had decided to debar LS 2 Services from applying for or being issued with new work passes until 15 February 2019. The debarment has been lifted since 15 February 2019.

From time to time, MOM conducts audits and investigations on companies in the ordinary course of the company's operations. Arising from one (1) such routine audit, LS 2 Services received cautions, dated 15 December 2020 and 17 December 2020, from MOM stating that MOM had concluded investigations into LS 2 Services and found that LS 2 Services had contravened the requirement to give every employee a complete and accurate itemised pay slip not later than three (3) days after the salary is paid to the employee under Section 96(1) of the Employment Act, in relation to five (5) employees for July and August 2020 whereby LS 2 Services had provided these workers an incomplete and inaccurate itemised pay slip.

Section 96(1) of the Employment Act requires every employer to give to every employee a pay slip within the time prescribed, for all salary paid by the employer for the salary period to which the pay slip relates. MOM has prescribed that the pay slip should be given together with payment, or if unable to do so, within three (3) working days of payment. Pursuant to Section 96(2) of the Employment Act, such pay slip must be in the form prescribed and contain all the information prescribed. MOM has prescribed that the required information includes, among others, details of any other additional payment for each salary period, such as rest day pay and public holiday pay. Pursuant to Section 96(4) of the Employment Act, an employer is taken to have failed to comply with Section 96(1) of the Employment Act if the pay slip given to an employee is incomplete or inaccurate, whether or not the employer knew that the pay slip is incomplete or inaccurate. The cautions further stated that the caution was being issued in lieu of an administrative penalty.

The contravention of Section 96(1) of the Employment Act arose as a result of these five (5) employees working on rest days and public holidays, but the remuneration of such work not being itemised completely and/or accurately in their payslips. As such, LS 2 Services also received an advisory from MOM on 15 December 2020 on its obligations under the Employment Act. The advisory stated that MOM had concluded its investigation into LS 2 Services and was issuing an advisory on Employment Act obligations to LS 2 Services. The advisory stated that LS 2 Services must abide by the requirements under the Employment Act, specifically under Section 37(3) in relation to work on rest days and Section 88(4) in relation to payment for work done on public holidays. Section 37(3) of the Employment Act sets out the amount of payment that should be made to employees for working on rest days, which differs whether the period of work is less than half of such employee's normal hours of work, more than half but does not exceed his normal hours of work, or exceeds his normal hours of work for one day. Section 88(4) of the Employment Act provides that an employee may be required by his employer to work on any public holiday and in such event, he shall be paid, among others, an extra day's salary at the basic rate of pay for one day's work in addition to the gross rate of pay for that day. No other penalties were imposed on LS 2 Services.

On 17 August 2021, LS 2 Services received a stern warning from MOM following an inspection conducted by MOM on 22 June 2021 at which foreign workers employed by LS 2 Services were found not residing at their registered premises in MOM's online foreign worker address service. No other penalties were imposed on LS 2 Services.

The directors of LS 2 Services during the relevant period of the above actions were Mr. Tan Hoo Kiat and Ms. Tan Wei Ying.

CORPORATE GOVERNANCE

	Tan Siang Leng	Ng Hong Whee	Chua Ser Miang
Date of appointment	2 December 2021	2 December 2021	2 December 2021
Date of last re-appointment	N/A	N/A	N/A
Age	46	55	53
Country of principal residence	Singapore	Singapore	Singapore
The Board's comments on the re-appointment	Based on the recommendation of the Nominating Committee, the Board (save for Tan Siang Leng who abstain from deliberating his own re-election) propose to the Company's shareholders to approve the re-election of Tan Siang Leng as the Lead Independent Director of the Company.	Based on the recommendation of the Nominating Committee, the Board (save for Ng Hong Whee who abstain from deliberating his own re-election) propose to the Company's shareholders to approve the re-election of Ng Hong Whee as an Independent Director of the Company.	Based on the recommendation of the Nominating Committee, the Board (save for Chua Ser Miang who abstain from deliberating his own re-election) propose to the Company's shareholders to approve the re-election of Chua Ser Miang as an Independent Director of the Company.
Whether the appointment is executive, and if so, the area of responsibility	Non-Executive	Non-Executive	Non-Executive
Job title (e.g. Lead ID, AC Chairman, AC Member etc.)	Lead Independent Director, Chairman of Audit Committee and Members of the Remuneration Committee and Nominating Committee	Independent Director, Chairman of Remuneration Committee and Members of the Audit Committee and Nominating Committee	Independent Director, Chairman of Nominating Committee and Members of the Audit Committee and Remuneration Committee
Working experience and occupation(s) in the past 10 years	<p>2020 - present Asian Development Bank, Senior Finance Officer</p> <p>2016 - 2020 APM Property Management Pte Ltd, Deputy Director</p> <p>2016 - 2016 Raffles Medical Group Limited, Deputy Director of regional finance</p>	<p>2011 - 2015 Sincap Group Limited, Executive Chairman and Chief Executive Officer</p> <p>2014 - 2015 Imperium Crown Ltd., Non-Executive Director of property investment</p> <p>1999 - 2012 Tan Kian Tin & Co., Audit supervisor, audit manager and audit consultant</p>	<p>2002 - present Crowe Horwath Capital Pte. Ltd., Director of corporate finance advisory</p> <p>2013 - 2020 Eastwin Capital Pte Ltd, Director of corporate finance advisory</p>

CORPORATE GOVERNANCE

	Tan Siang Leng	Ng Hong Whee	Chua Ser Miang
	<p>2014 - 2015 APM Property Management Pte Ltd, Finance Department Head</p> <p>2010 - 2014 International City Holdings Pte Ltd, Vice President of corporate finance</p>		<p>2013 - 2014 Stamford Management Pte Ltd, Principal Consultant</p> <p>2006 - 2012 DMG & Partners Securities Pte Ltd, Director of corporate finance department</p>
Shareholding interest in the listed issuer and its subsidiaries	No	No	No
Any relationship (including immediate family relationships) with any existing director, existing executive director, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	No	No	No
Conflict of interest (including any competing business)	No	No	No
Undertaking (in the format set out in Appendix 7H) under Rule 720(1) has been submitted to the Company	Yes	Yes	Yes
Other principal commitments including directorships			
Present	<p><u>Listed company</u></p> <ul style="list-style-type: none"> LS 2 Holdings Limited 	<p><u>Listed companies</u></p> <ul style="list-style-type: none"> LS 2 Holdings Limited Spackman Entertainment Group Ltd. <p><u>Non-listed companies</u></p> <ul style="list-style-type: none"> NHW Pte Ltd WGP Holdings Pte Ltd 	<p><u>Listed companies</u></p> <ul style="list-style-type: none"> LS 2 Holdings Limited Aoxin Q & M Dental Group Limited VCPlus Limited <p><u>Non-listed companies</u></p> <ul style="list-style-type: none"> China Knowledge Data Technology Pte. Ltd. Acumen Diagnostics Pte. Ltd. Acumen Research Laboratories Pte. Ltd.

CORPORATE GOVERNANCE

	Tan Siang Leng	Ng Hong Whee	Chua Ser Miang
Past (for the last 5 years)	<ul style="list-style-type: none"> • 2 Dots Pte Ltd • Singthai Food Pte Ltd • Tanaland Trading Pte Ltd • The Clarity Experience Pte Ltd 		<ul style="list-style-type: none"> • Deskera Holdings Ltd. • Eastwin Capital Pte. Ltd. • Yamada Green Resources Limited
Information required pursuant to Listing Rule 704(7)			
a Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?	No	No	No
b Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	No	No	No
c Whether there is any unsatisfied judgment against him?	No	No	No
d Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	No	No	No

CORPORATE GOVERNANCE

	Tan Siang Leng	Ng Hong Whee	Chua Ser Miang
e Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No	No	No
f Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No	No	No
g Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No	No	No
h Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No	No	No
i Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No	No	No

CORPORATE GOVERNANCE

	Tan Siang Leng	Ng Hong Whee	Chua Ser Miang
<p>j Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:</p> <p>(i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or</p> <p>(ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or</p> <p>(iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or</p> <p>(iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?</p>	No	Yes ⁽ⁱ⁾	Yes ⁽ⁱⁱ⁾
<p>k Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?</p>	No	No	No

CORPORATE GOVERNANCE

⁽ⁱ⁾ Mr. Ng Hong Whee is an independent director of Spackman Entertainment Group Limited (“Spackman”) which has received a notice of compliance from the Singapore Exchange Regulation Pte. Ltd. (“SGX RegCo”) dated 3 September 2020 (“NOC”). The NOC was concerned with certain transactions that Spackman had entered into with certain shareholders of Spackman Media Group Limited (“SMGL”) pursuant to which Spackman increased its shareholding interest in SMGL to 43.88% (“Past Transactions”), and a proposed disposal of such interests to Spackman Equities Group (“Proposed Disposal”).

The concerns arose from, amongst others, past and current common directors in these companies, and that the consideration for the Proposed Disposal was substantially lower than what Spackman had paid in the Past Transactions. Accordingly, the NOC directed that Spackman’s audit and risk management committee (“ARMC”) perform a holistic review of the Past Transactions and provide the SGX RegCo with details of past due diligence performed on the Past Transactions. In addition, Spackman was not to enter into a binding agreement in relation to the Proposed Disposal prior to completion of the ARMC’s review, and the SGX RegCo being satisfied with the findings of the review. As at the date of this Annual Report, the review is ongoing.

Mr. Ng Hong Whee is not one of the common directors (past and current) in the companies involved, and is not personally involved in any of the Past Transactions or the Proposed Disposal. He is also not related to any of the vendors of the Past Transactions. Further, as a member of the ARMC, Mr. Ng Hong Whee has complied with the directions set out in the NOC by working with Spackman to appoint an independent reviewer to undertake a review of the Past Transactions, and ensure Spackman’s compliance with the NOC.

⁽ⁱⁱ⁾ Mr. Chua Ser Miang was an independent director of Yamada Green Resources Ltd (“Yamada Green”) from September 2013 to March 2021. In September 2017, the then-auditors of Yamada Green, BDO LLP, made a report to the Ministry of Finance regarding the group’s financial records for FY2017. Deloitte & Touche Financial Advisory Services Pte Ltd was appointed to perform a review of the bank statements, and the key findings were announced on 1 April 2018. On 21 August 2018, Yamada Green announced that its bamboo plantations had been disposed of in August 2017, without having been brought to the Board’s attention and for its approval. The audit committee (of which Mr Chua Ser Miang was a member) of Yamada Green engaged Foo Kon Tan LLP to conduct an investigation into the matter, and the key findings of such investigation were announced on 28 January 2019. Mr Chua Ser Miang was not a subject of the abovementioned investigations.

DIRECTORS' STATEMENT

For the financial year ended 31 December 2021

The directors present their statement to the members together with the audited financial statements of LS 2 Holdings Limited and its subsidiary corporations (the "Group") for the financial year ended 31 December 2021 and the balance sheet of the Company as at 31 December 2021.

In the opinion of the directors,

- (a) the balance sheet of the Company and the consolidated financial statements of the Group as set out on pages 57 to 103 are drawn up so as to give a true and fair view of the financial position of the Company and of the Group as at 31 December 2021 and the financial performance, changes in equity and cash flows of the Group for the financial year covered by the consolidated financial statements; and
- (b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

Directors

The directors of the Company in office at the date of this statement are as follows:

Tan Hoo Kiat	
Ong Khong Weng, Alvin	(Appointed on 28 September 2021)
Tan Siang Leng	(Appointed on 02 December 2021)
Ng Hong Whee	(Appointed on 02 December 2021)
Chua Ser Miang	(Appointed on 02 December 2021)

Arrangements to enable director to acquire shares or debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object was to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, other than as disclosed under "Share options" in this statement.

Directors' interests in shares or debentures

According to the register of director's shareholdings, none of the directors holding office at the end of the financial year had any interest in the shares or debentures of the Company or its related corporations, except as follows:

	Holdings registered in the name of director	
	At 31.12.2021	At 1.1.2021 or date of appointment, if later
The Company		
(No. of ordinary shares)		
Tan Hoo Kiat	120,250,000	157,250,000*
Ong Khong Weng, Alvin	37,000,000	–

* On 10 September 2021, the Share Split was effected and each share of the Company was sub-divided into 157,250,000 shares.

DIRECTORS' STATEMENT

For the financial year ended 31 December 2021

Directors' interests in shares or debentures (cont'd)

By virtue of Section 7 of the Singapore Companies Act, Mr. Tan Hoo Kiat and Mr. Ong Khong Weng, Alvin are deemed to have an interest in the shares of the Company and all the subsidiary corporations of the Company.

The directors' interests in the shares of the Company at 21 January 2022 were the same at 31 December 2021.

Performance share plan

The LS 2 Performance Share Plan (the "LS 2 PSP") was approved by the Company's shareholders at an Extraordinary General Meeting held on 22 December 2021.

The LS 2 PSP will provide eligible participants ("PSP Participants") with an opportunity to participate in the equity of our Company and to motivate them towards better performance through increased dedication and loyalty. The LS 2 PSP forms an integral and important component of our compensation plan and is designed primarily to reward and retain employees whose services are vital to the growth and performance of our Company and/or our Group. Under the LS 2 PSP, the award of fully-paid shares, free of charge (the "Award") are granted to the Group employees including Group Executive Directors and Group Non-Executive Directors who in the opinion of the Remuneration Committee ("RC"), have contributed or will contribute to the success and development of the Group.

Employees who are controlling shareholders or associates of controlling shareholders, and who are also Group Executives shall be eligible to participate in the LS 2 PSP at the absolute discretion of the RC if their participation and the terms of each grant of Award and the actual number of Shares to be granted to them have been approved by the independent shareholders at a general meeting in separate resolutions for each such person, and in respect of each such person, in separate resolutions for each of (a) his participation, and (b) the terms of each grant of Award and the actual number of shares to be granted to him, provided always that it shall not be necessary to obtain the approval of the independent shareholders of the Company for the participation in the LS 2 PSP of a controlling shareholder or an associate of a controlling shareholder who is, at the relevant time, already a PSP Participant.

The Award will be determined at the absolute discretion of the RC which will oversee and administer the LS 2 PSP, provided that no member of the RC shall participate in any deliberation or decision in respect of Awards granted or to be granted to him/her. In considering the grant of an Award to a participant, the RC shall take into account (where applicable) criteria such as the rank, scope of responsibilities, performance, years of services and potential for future development of the PSP Participant. The length of the vesting period in respect of each Award will be determined by the RC on a case-by-case basis taking into consideration the length of service of the participant and the need to retain the participant so as to encourage him/her to continue serving the Group for a further period even after having satisfied the performance target. No minimum vesting periods are prescribed under the LS 2 PSP. The criteria and terms of the Awards will be applied consistently to all participants including the controlling shareholders and their associates.

The aggregate number of shares over which the RC may grant under the LS 2 PSP on any date, when aggregated any other share-based incentive scheme, shall not exceed 15% of the issued share capital of the Company (excluding treasury shares and subsidiary holdings) from time to time. There were no Award granted to controlling shareholders of the Company or their associates (as defined in the SGX-ST Listing Manual Section B: Rules of Catalist) and no participant has received 5% or more of the total number of shares available under the Memories PSP during the financial year ended 31 December 2021. There were no Awards granted during the financial year ended 31 December 2021.

DIRECTORS' STATEMENT

For the financial year ended 31 December 2021

Share options

The LS 2 Employee Share Option Scheme (the "LS 2 ESOS") was approved by the Company's shareholders at an Extraordinary General Meeting held on 22 December 2021.

The LS 2 ESOS will provide eligible participants ("ESOS Participants") with an opportunity to participate in the equity of our Company and to motivate them towards better performance through increased dedication and loyalty. The LS 2 ESOS is primarily a share incentive scheme. It recognises the fact that the services of ESOS Participants are important to the success and continued well-being of our Group. Implementation of the LS 2 ESOS will enable our Company to give recognition to the contributions made by such ESOS Participants. Under the LS 2 ESOS, the award of options (the "Options") are granted to the Group employees including Group Executive Directors and Group Non-Executive Directors who in the opinion of the RC, have contributed or will contribute to the success and development of the Group.

Employees who are controlling shareholders or associates of controlling shareholders, and who are also Group Executives shall be eligible to participate in the LS 2 ESOS at the absolute discretion of the RC if their participation and the terms of each grant of Option and the actual number of shares to be granted to them have been approved by the independent shareholders at a general meeting in separate resolutions for each such person, and in respect of each such person, in separate resolutions for each of (a) his participation, and (b) the terms of each grant of Option and the actual number of shares to be granted to him, provided always that it shall not be necessary to obtain the approval of the independent shareholders of the Company for the participation in the LS 2 ESOS of a controlling shareholder or an associate of a controlling shareholder who is, at the relevant time, already a ESOS Participant.

The RC may, subject to the rules of the LS 2 ESOS, offer to grant Option to such grantees as it may select in its absolute discretion at any time during the period when the LS 2 ESOS is in force, except that no Option shall be granted during the period of 30 days immediately preceding the date of announcement of the Company's interim and/or final results (whichever the case may be).

The aggregate number of Shares over which the RC may grant Options on any date, when added to the number of shares issued and issuable or transferred and to be transferred in respect of all Options granted under the LS 2 ESOS and the number of shares issued and issuable or transferred and to be transferred in respect of all options or awards granted under any other share option schemes or share schemes of our Company, including the LS 2 PSP, shall not exceed 15.0% of the total number of issued shares (excluding shares held by our Company as treasury shares) on the day immediately preceding the offer date of the Options.

The aggregate number of LS 2 ESOS Shares which may be issued or transferred to ESOS Participants who are controlling shareholders and their associates shall not exceed 25.0% of the shares available under the LS 2 ESOS.

The number of Shares which may be issued or transferred pursuant to Options under the LS 2 ESOS to each Participant who is a controlling shareholder or his associate shall not exceed 10.0% of the shares available under the LS 2 ESOS.

Subject to the rules of the LS 2 ESOS in relation to adjustments, the exercise price for each share in respect of which an Option is exercisable shall be determined by the RC at its absolute discretion, and shall be fixed by the RC at the market price; or a price which is set at a discount to the market price, the quantum of such discount to be determined by the RC in its absolute discretion, provided that the maximum discount which may be given in respect of any Option shall not exceed 20.0% of the market price in respect of that Option, or such other percentage as may be prescribed by the Catalist Rules.

In making any determination on whether to give a discount and the quantum of such discount as set out above, the RC shall take into consideration such criteria as the RC may, at its absolute discretion, deem appropriate, including but not limited to: (a) the performance of our Group, as the case may be, taking into account financial parameters such as net profit after tax, return on equity and earnings growth; (b) the years of service and individual performance of the eligible Participant; (c) the contribution of the eligible Participant to the success and development of our Company and/or our Group; and (d) the prevailing market conditions.

DIRECTORS' STATEMENT

For the financial year ended 31 December 2021

Share options (cont'd)

Options granted with the exercise price set at market price shall only be exercisable, in whole or in part (provided that an Option may be exercised in part only in respect of 100 Shares or any multiple thereof), by a Participant at any time, after the first anniversary of the offer date of that Option, provided always that the Options shall be exercised before the tenth anniversary of the relevant offer date or such earlier date as may be determined by the RC, failing which all unexercised Options shall immediately lapse and become null and void and a Participant shall have no claim against the Company.

Options granted with the exercise price set at a discount to market price shall only be exercisable, in whole or in part (provided that an Option may be exercised in part only in respect of 100 Shares or any multiple thereof), at any time, by a Participant after the second anniversary from the offer date of that Option, provided always that the Options shall be exercised before the tenth anniversary of the relevant offer date and fifth anniversary from the relevant offer date (in the case of a Participant who is a non-executive Director), or such earlier date as may be determined by the RC, failing which all unexercised Options shall immediately lapse and become null and void and a Participant shall have no claim against the Company.

There were no options granted during the financial year to subscribe for unissued shares of the Company or its subsidiary corporations.

No shares have been issued during the financial year by virtue of the exercise of options to take up unissued shares of the Company or its subsidiary corporations.

There were no unissued shares of the Company or its subsidiary corporations under option at the end of the financial year.

Audit Committee

The members of the Audit Committee at the end of the financial year were as follows:

Tan Siang Leng (Chairman)
Ng Hong Whee
Chua Ser Miang

All members of the Audit Committee are independent non-executive directors.

The Audit Committee carried out its functions in accordance with Section 201B(5) of the Companies Act 1967 of Singapore. In performing those functions, the Committee reviewed:

- the scope and the results of internal audit procedures with the internal auditor;
- the audit plan of the Company's independent auditor and any recommendations on internal accounting controls arising from the statutory audit;
- the assistance given by the Company's management to the independent auditor and the internal auditor; and
- the balance sheet of the Company and the consolidated financial statements of the Group for the financial year ended 31 December 2021 before their submission to the Board of Directors.

The Audit Committee has recommended to the Board that the independent auditor, Nexia TS Public Accounting Corporation, be nominated for re-appointment at the forthcoming Annual General Meeting of the Company.

DIRECTORS' STATEMENT

For the financial year ended 31 December 2021

Independent auditor

The independent auditor, Nexia TS Public Accounting Corporation, has expressed its willingness to accept reappointment.

On behalf of the Board of Directors

TAN HOO KIAT
Director

ONG KHONG WENG, ALVIN
Director

INDEPENDENT AUDITOR'S REPORT

To the Members of LS 2 Holdings Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of LS 2 Holdings Limited (the "Company") and its subsidiary corporations (the "Group"), which comprise the consolidated balance sheet of the Group and the balance sheet of the Company as at 31 December 2021, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 57 to 103.

In our opinion, the accompanying consolidated financial statements of the Group and the balance sheet of the Company are properly drawn up in accordance with the provisions of the Companies Act 1967 of Singapore (the "Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)s") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2021 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the financial year ended on that date.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the Accounting and Corporate Regulatory Authority ("ACRA") *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are matters that, in our professional judgement, were of most significance in our audit of the financial statements for the financial year ended 31 December 2021. The matter below was addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on the matter.

Revenue recognition

Refer to Note 2.2(a) and Note 4 to financial statements.

The Group derives revenue from contract cleaning services, pest control services and waste management services which is recognised in the accounting period in which the services are rendered. For recurring service contracts, revenue is recognised over time as the services are provided. The stage of completion is determined based on the output method which commensurates with the pattern of transfer of provision of services to the customers. During the financial year ended 31 December 2021, the Group recognised total revenue of \$53,829,715.

We focus on this area as a key audit matter as there is presumed fraud risk with regards to revenue recognition and revenue being one of the key performance indicators of the Group, represents the most significant item on the Group's financial statements. The potential existence of management override controls and large volume of transactions also increase the inherent risk of material misstatement in the amount of revenue reported.

INDEPENDENT AUDITOR'S REPORT

To the Members of LS 2 Holdings Limited

Key Audit Matters (cont'd)

Revenue recognition (cont'd)

Refer to Note 2.2(a) and Note 4 to financial statements.

How our audit addressed the matter

In obtaining sufficient audit evidence, the following procedures have been performed:

- Reviewed and assessed that the Group's revenue recognition policies are in accordance with SFRS(I) 15 *Revenue from Contracts with Customers* and have been consistently applied within the Group;
- Reviewed significant sale contracts of the Group to assess whether revenue is recognised in accordance with the Group's accounting policies;
- Obtained an understanding of the design and implementation of internal controls relating to revenue and receivables and on a sample basis, tested the operating effectiveness of the key controls over the revenue recognition;
- Performed substantive procedures such as test of details of revenue transactions throughout the financial year on a sampling basis by verifying sales supporting documents, analytical procedures on samples of sale contracts to ascertain the accuracy of the contractual revenue recorded during the financial year and performed cut-off test to ascertain that revenue has been properly taken up in the correct financial year;
- Reviewed credit notes issued subsequent to the end of the financial year and ascertained that revenue is adjusted accordingly, if any; and
- Assessed the risks of material misstatement arising from ordinarily presumed fraud risk on revenue recognition in accordance with SSA 240 *The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements* and reviewed management journal entries to detect any unusual transactions in relation to revenue for evidence of fraud.

Recoverability of trade receivables

Refer to Note 2.10(b), Note 3 and Note 12 to financial statements

As at 31 December 2021, the Group's trade receivables from non-related parties increased from \$13,011,100 as at the end of the previous financial year to \$19,376,590, which are significant to the Group. These trade receivables represented approximately 62.7% of the Group's total assets as at 31 December 2021.

In accordance with SFRS(I) 9 *Financial Instruments*, the Group is required to recognise expected credit loss ("ECL") allowance on financial assets. For trade receivables, the Group uses a provision matrix to measure the lifetime ECL allowance and trade receivables are grouped based on shared credit risk characteristics and days past due for the purpose of the ECL assessment. In calculating the expected credit loss rates, the Group considers historical loss rates for each category of customers and adjustments are made to reflect current and forward-looking macroeconomic factors affecting the ability of the customers to settle the receivables.

We focused on this area due to the inherent subjectivity that is involved in making judgement in relation to credit risk exposures to assess the recoverability of trade receivables.

INDEPENDENT AUDITOR'S REPORT

To the Members of LS 2 Holdings Limited

Key Audit Matters (cont'd)

Recoverability of trade receivables (cont'd)

Refer to Note 2.10(b), Note 3 and Note 12 to financial statements

How our audit addressed the matter

In obtaining sufficient audit evidence, the following procedures have been performed:

- Obtained an understanding and evaluated the Group's processes and ECL assessment for trade receivables;
- Assessed the appropriateness of the estimates and judgments used by management in the estimation of credit losses and consequently the allowances required by comparing against the aging profile of trade receivables, historical default rates, debt collection patterns and other information on creditworthiness of the Group's customers;
- Assessed the reliability of trade receivables aging report by reviewing the aging of trade receivables against the sales invoices on sampling basis;
- Verified to subsequent receipts and any other evidence to support the recoverability of trade receivables; and
- Reviewed and considered the adequacy of disclosures made in the financial statements in respect of the credit risk of trade receivables.

Other Matter

The consolidated balance sheet of the Group and the balance sheet of the Company as at 31 December 2020, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year then ended, and notes to the financial statements (the "comparative numbers") which were presented using the pooling-of-interest method under the predecessor accounting as the Company and its subsidiary corporations were considered to be under common control before and after the restructuring exercise which was completed during the financial year ended 31 December 2021 for the purpose of the initial public offering ("IPO") of the Company on Catalist, the sponsor-supervised listing platform of the Singapore Exchange Securities Trading Limited ("SGX-ST") (Note 1.2).

No audit report was issued in respect of the comparatives as the Company was exempted from statutory audit requirement in preceding financial period in accordance with Section 205C of the Act. Management is responsible for the preparation of the comparatives that give a true and fair view in accordance with the provisions of the Act and SFRS(I)s. We have audited the comparatives as part of our audit of the combined financial statements of the Group for the financial year ended 31 December 2020 as included in the Appendix A of the Company's offer document dated 15 February 2022.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT

To the Members of LS 2 Holdings Limited

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and SFRS(I)s, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

INDEPENDENT AUDITOR'S REPORT

To the Members of LS 2 Holdings Limited

Auditor's Responsibilities for the Audit of the Financial Statements (cont'd)

We communicate with the director regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement director on the audit resulting in this independent auditor's report is Meriana Ang Mei Ling.

Nexia TS Public Accounting Corporation
Public Accountants and Chartered Accountants

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2021

	Note	2021 \$	2020 \$
Revenue	4	53,829,715	54,639,534
Other income	5	586,607	339,349
Other loss – Loss allowance on non-trade receivables from non-related parties	26(b)(iii)	(95,940)	–
Expenses:			
- Direct operating costs			
- Purchases and related costs		(10,028,126)	(10,818,306)
- Employee benefits	6	(34,793,431)	(30,649,476)
		(44,821,557)	(41,467,782)
- Depreciation of property, plant and equipment	14	(1,557,649)	(1,403,451)
- Depreciation of investment properties	17	(32,834)	(39,400)
- Other expenses	7	(5,382,354)	(4,436,878)
- Finance expense	8	(316,042)	(390,652)
Total expenses		(52,110,436)	(47,738,163)
Profit before income tax		2,209,946	7,240,720
Income tax (expense)/credit	9	(73,817)	90,216
Total comprehensive income, representing net profit for the financial year		2,136,129	7,330,936
Earnings per share (“EPS”) for net profit attributable to equity holders of the Company (Cents per share)			
Basic and diluted EPS	10	1.36	4.66

BALANCE SHEETS

As at 31 December 2021

	Note	Group		Company	
		2021 \$	2020 \$	2021 \$	2020 \$
(Unaudited)					
ASSETS					
Current assets					
Cash and bank balances	11	3,095,315	7,299,679	7,194	40,525
Trade and other receivables	12	22,241,316	16,610,860	667,680	–
		25,336,631	23,910,539	674,874	40,525
Non-current assets					
Investments in subsidiary corporations	13	–	–	104	–
Property, plant and equipment	14	5,583,746	4,963,591	4,429	–
Investment properties	17	–	945,612	–	–
Financial assets, at fair value through profit or loss (“FVPL”)	18	–	767,756	–	–
		5,583,746	6,676,959	4,533	–
Total assets		30,920,377	30,587,498	679,407	40,525
LIABILITIES					
Current liabilities					
Trade and other payables	19	8,237,986	8,144,903	703,059	41,299
Borrowings	20	6,448,850	5,540,079	–	–
Current income tax liabilities		162,289	227,229	–	–
		14,849,125	13,912,211	703,059	41,299
Non-current liabilities					
Borrowings	20	5,639,724	2,821,229	–	–
Deferred income tax liabilities	21	58,886	117,545	–	–
		5,698,610	2,938,774	–	–
Total liabilities		20,547,735	16,850,985	703,059	41,299
Net assets/(liabilities)		10,372,642	13,736,513	(23,652)	(774)
EQUITY					
Capital and reserves attributable to equity holders of the Company					
Share capital	22	1	3,000,002	1	1
Retained profits/ (Accumulated losses)		7,372,640	10,736,511	(23,653)	(775)
Merger reserve	24	3,000,001	–	–	–
Total equity		10,372,642	13,736,513	(23,652)	(774)

The accompanying notes form an integral part of these financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2021

	Note	Share capital \$	Retained profits* \$	Merger reserve \$	Total equity \$
Group					
2021					
Beginning of financial year		3,000,002	10,736,511	–	13,736,513
Dividends paid	23	–	(5,500,000)	–	(5,500,000)
Restructuring exercise	24	(3,000,001)	–	3,000,001	–
Total comprehensive income – Net profit for the financial year		–	2,136,129	–	2,136,129
End of financial year		<u>1</u>	<u>7,372,640</u>	<u>3,000,001</u>	<u>10,372,642</u>
2020					
Beginning of financial year		3,000,000	3,405,575	–	6,405,575
Issue of new shares	22	2	–	–	2
Total comprehensive income – Net profit for the financial year		–	7,330,936	–	7,330,936
End of financial year		<u>3,000,002</u>	<u>10,736,511</u>	<u>–</u>	<u>13,736,513</u>

* Retained profits of the Group are fully distributable.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2021

	Note	2021 \$	2020 \$
Cash flows from operating activities			
Net profit for the financial year		2,209,946	7,240,720
Adjustments for:			
- Loss allowance on non-trade receivables from non-related parties	26(b)(iii)	95,940	-
- Bad debt written off		-	41,000
- Depreciation of property, plant and equipment	14	1,557,649	1,403,451
- Depreciation of investment properties	17	32,834	39,400
- Property, plant and equipment written-off	7	196	2,596
- Gain on disposal of property, plant and equipment	5	(11,289)	(4,645)
- Gain on disposal of investment properties	5	(3,283)	-
- Gain on disposal of financial assets, at FVPL	5	(16,032)	-
- Interest income	5	(1,533)	(4,906)
- Interest expense	8	316,042	390,652
		4,180,470	9,108,268
Changes 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		(507)	(92)
Interest received		-	3,402
Net cash (used in)/provided by operating activities		(853,204)	10,919,221
Cash flows from investing activities			
Proceeds from disposal of property, plant and equipment		24,283	31,545
Proceeds from disposal of investment properties		916,061	-
Proceeds from disposal of financial assets, at FVPL		783,788	-
Additions to property, plant and equipment ⁽¹⁾		(910,724)	(378,165)
Net cash provided by/(used in) investing activities		813,408	(346,620)

⁽¹⁾ Included in the additions to property, plant and equipment during the financial year ended 31 December 2021 are government grant receivables of \$273,587 (2020: Nil) and prepayments for property, plant and equipment of \$199,701 (2020: Nil) which are included in trade and other receivables as at end of the financial year.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2021

	Note	2021 \$	2020 \$
Cash flows from financing activities			
Dividends paid	23	(5,500,000)	–
Release of bank deposit pledged		–	300,000
Principal repayment of lease liabilities		(994,786)	(933,745)
Proceeds from issuance of shares		–	2
Proceeds from borrowings		3,000,000	–
Repayments 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		(315,517)	(390,560)
Interest received		1,533	1,504
Net cash used in financing activities		(4,164,568)	(4,847,553)
Net (decrease)/increase in cash and cash equivalents		(4,204,364)	5,725,048
Cash and cash equivalents			
Beginning of the financial year		7,299,679	1,574,631
End of the financial year	11	3,095,315	7,299,679

Reconciliation of liabilities arising from financing activities

	1 January 2021 \$	Proceeds from borrowings \$	Principal and interest payments \$	Non-cash changes		31 December 2021 \$
				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)	98,384	1,752,966	1,977,877
Non-trade payable to a director	324,902	–	(324,902)	–	–	–

	1 January 2020 \$	Principal and interest payments \$	Non-cash changes			31 December 2020 \$
			Interest expense \$	Effect of lease termination \$	Additions \$	
Bank borrowings	4,181,042	(1,467,743)	84,963	–	–	2,798,262
Trade receivables factoring	4,784,894	(659,811)	218,248	–	–	4,343,331
Lease liabilities	1,600,062	(1,021,094)	87,349	(10,463)	563,861	1,219,715
Non-trade payable to a director	2,325,313	(2,000,411)	–	–	–	324,902

The accompanying notes form an integral part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

These notes form an integral part of and should be read in conjunction with the accompanying 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 \$1, comprising one ordinary share held by the director of the Company, Mr Tan Hoo Kiat (Mr. Roger Tan). For the purpose of acquiring the existing companies of the Group pursuant to the Group Restructuring Exercise (Note 1.2), 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 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 13.

1.2 Restructuring exercise

The Group was formed through the corporate exercise (the "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 \$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 an investment 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 \$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 \$2. Ms. Tan Wei Ying is the daughter of Mr. Roger Tan. Following such acquisition, LS 2 Services became a wholly-owned subsidiary corporation of the Company.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

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 \$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 \$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 \$3,000,103 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. Significant accounting policies

2.1 Basis of preparation

These financial statements have been prepared in accordance with Singapore Financial Reporting Standards (International) ("SFRS(I)s") under the historical cost convention, except as disclosed in the accounting policies below.

The financial statements are presented in Singapore Dollar ("\$") except otherwise indicated.

The preparation of these financial statements in conformity with SFRS(I) requires management to exercise its judgement in the process of applying the Group's accounting policies. It also requires the use of certain critical accounting estimates and assumptions. The areas involving a higher degree of judgement or complexity, or areas where estimates and assumptions are significant to the financial statements are disclosed in Note 3.

Coronavirus (COVID-19) Impact

The COVID-19 has affected almost all countries in the world and resulted in border closures, production stoppages, workplace closures, movement controls and other measures imposed by the various governments. The Group's business is essential services and was permitted to operate with additional safety measures implemented, therefore the Group's operations have not been significantly disrupted and its financial performance was not adversely affected by the spread of COVID-19 since 2020.

Set out below is the impact of COVID-19 on the Group's financial performance reflected in this set of financial statements for the financial year ended 31 December 2021:

- (a) The Group has assessed that the going concern basis of preparation for these financial statements remain appropriate.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

2. Significant accounting policies (cont'd)

2.1 Basis of preparation (cont'd)

Coronavirus (COVID-19) Impact (cont'd)

- (b) The Group has considered the market conditions (including the impact of COVID-19) as at the end of each financial year affected by COVID-19, in making estimates and judgements on the recoverability of assets and assessment of fair value of investment properties. The critical accounting estimates, assumptions and judgements applied are disclosed in Note 3 to the financial statements.

Interpretation and amendments to published standards effective in 2021

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:

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

1 June 2020	Amendments to: - SFRS(I) 16 Leases (COVID-19-Related Rent Concessions)
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 Revenue recognition

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Revenue is recognised when the Group satisfies a performance obligation by transferring a promised goods or service to the customer, which is when the customer obtains control of the goods or service. A performance obligation may be satisfied at a point in time or over time. The amount of revenue recognised is the amount allocated to the satisfied performance obligation.

(a) *Rendering of services*

Revenue from contract cleaning services, pest control services and waste management services are recognised in the accounting period in which the services are rendered. For recurring service contracts, revenue is recognised over time as the services are provided. The stage of completion is determined based on the output method (time lapsed) which commensurates with the pattern of transfer of provision of services to the customers.

(b) *Interest income*

Interest income is recognised using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

2. Significant accounting policies (cont'd)

2.3 Government grant

Grants from the government are recognised as a receivable at their fair value when there is reasonable assurance that the grant will be received and the Group will comply with all the attached conditions.

Government grants receivable are recognised as income over the periods necessary to match them with the related costs which they are intended to compensate, on a systematic basis. Government grants relating to expenses are shown as an offset against the related cost. Government grants with no direct expenses are presented separately as other income.

Government grants relating to assets are deducted against the carrying amount of the assets.

2.4 Group accounting

(a) *Subsidiary corporations*

(i) *Consolidation*

Subsidiary corporations are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiary corporations are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date on that control ceases.

In preparing the consolidated financial statements, transactions, balances and unrealised gains on transactions between group entities are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment indicator of the transferred asset. Accounting policies of subsidiary corporations have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests comprise the portion of a subsidiary corporation's net results of operations and its net assets, which is attributable to the interests that are not owned directly or indirectly by the equity holders of the Company. They are shown separately in the consolidated statement of comprehensive income, statement of changes in equity, and balance sheet. Total comprehensive income is attributed to the non-controlling interests based on their respective interests in a subsidiary corporation, even if this results in the non-controlling interests having a deficit balance.

(ii) *Acquisitions*

The acquisition method of accounting is used to account for business combinations entered into by the Group, other than those entities which are under common control.

The consideration transferred for the acquisition of a subsidiary corporation or business comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes any contingent consideration arrangement and any pre-existing equity interest in the subsidiary corporation measured at their fair values at the acquisition date.

Acquisition-related costs are expensed as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

2. Significant accounting policies (cont'd)

2.4 Group accounting (cont'd)

(a) *Subsidiary corporations (cont'd)*

(ii) *Acquisitions (cont'd)*

On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree at the date of acquisition either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

The excess of (a) the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the (b) fair value of the identifiable net assets acquired is recorded as goodwill. Please refer to the paragraph "Intangible assets – Goodwill" for the subsequent accounting policy on goodwill.

(iii) *Business combinations involving entities under common control*

The consolidated financial statements comprise the financial statements of the Company and its subsidiary corporations as at the balance sheet date. The financial statements of the subsidiary corporations used in the preparation of the consolidated financial statements are prepared for the same balance sheet date as the Company. Consistent accounting policies are applied for like transactions and events in similar circumstances.

Intragroup balances and transactions, including income, expenses and dividends, are eliminated in full. Profits and losses resulting from intragroup transactions that are recognised in assets, such as inventory and plant and equipment, are eliminated in full.

Business combinations involving entities under common control are accounted for by applying the pooling of interest method under the predecessor accounting.

The consolidated financial statements of the Group were prepared by applying the pooling of interest method as the Restructuring Exercise as described in Note 1.2 is a legal reorganisation of entities under common control. Under this method, the Company has been treated as the holding company of the subsidiary corporations for the financial years presented rather than from the completion of the Restructuring Exercise. Accordingly, the results of the Group include the results of the subsidiary corporations for the entire periods under review. Such manner of presentation reflects the economic substance of the companies, which were under common control throughout the relevant period, as a single economic enterprise, although the legal parent-subsidiary relationships were not established.

Pursuant to this:

- Assets and liabilities are brought into the consolidated financial statements at their existing carrying amounts from the perspective of the controlling party;
- The consolidated statement of comprehensive income includes the results of the acquired entities since the earliest date the entities are under common control;
- No adjustments are made to reflect the fair values on the date of combination or recognise any new assets or liabilities;
- No additional goodwill is recognised as a result of the combination;

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

2. Significant accounting policies (cont'd)

2.4 Group accounting (cont'd)

(a) *Subsidiary corporations (cont'd)*

(iii) *Business combinations involving entities under common control (cont'd)*

- The cost of investment is recorded at the aggregate of the nominal value of the equity shares issued; and
- On consolidation, the difference between the cost of investment and the nominal value of the share capital of the merged subsidiary corporations are reflected within the equity of the Group as merger reserve.

(iv) *Disposals*

When a change in the Group's ownership interest in a subsidiary corporation results in a loss of control over the subsidiary corporation, the assets and liabilities of the subsidiary corporation including any goodwill are derecognised. Amounts previously recognised in other comprehensive income in respect of that entity are also reclassified to profit or loss or transferred directly to retained earnings if required by a specific Standard.

Any retained equity interest in the entity is remeasured at fair value. The difference between the carrying amount of the retained interest at the date when control is lost and its fair value is recognised in profit or loss.

Please refer to the paragraph "Investments in subsidiary corporations" for the accounting policy on investments in subsidiary corporations in the separate financial statements of the Company.

(b) *Transactions with non-controlling interests*

Changes in the Group's ownership interest in a subsidiary corporation that do not result in a loss of control over the subsidiary corporation are accounted for as transactions with equity owners of the Company. Any difference between the change in the carrying amounts of the non-controlling interest and the fair value of the consideration paid or received is recognised within equity attributable to the equity holders of the Company.

2.5 Property, plant and equipment

(a) *Measurement*

(i) *Property, plant and equipment*

Property, plant and equipment are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses.

(ii) *Components of costs*

The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

2. Significant accounting policies (cont'd)

2.5 Property, plant and equipment (cont'd)

(b) Depreciation

Depreciation is calculated using the straight-line method to allocate their depreciable amounts over their estimated useful lives as follows:

	<u>Useful lives</u>
Leasehold buildings	50 years
Furniture and fittings	5 years
Motor vehicles	5 years
Office equipment	5 years
Renovation	5 years
Tools and machinery	5 years
Other equipment	2 to 3 years

The residual values, estimated useful lives and depreciation method of property, plant and equipment are reviewed, and adjusted as appropriate, at each balance sheet date. The effects of any revision are recognised in profit or loss when the changes arise.

Fully depreciated property, plant and equipment are retained in the financial statements until they are no longer in use.

(c) Subsequent expenditure

Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably. All other repair and maintenance expenses are recognised in profit or loss when incurred.

(d) Disposal

On disposal of an item of property, plant and equipment, the difference between the disposal proceeds and its carrying amount is recognised in profit or loss.

2.6 Borrowing costs

Borrowing costs are recognised in profit or loss using the effective interest method.

2.7 Investment properties

Investment properties are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated using straight line method to allocate the depreciable amounts over the lease period of 30 years. The residual values, useful lives and depreciation method of investment properties are reviewed, and adjusted as appropriate, at each balance sheet date.

Investment properties are subject to renovations or improvements at regular intervals. The cost of major renovations and improvements is capitalised and the carrying amounts of the replaced components are recognised in profit or loss. The cost of maintenance, repairs and minor improvements is recognised in profit or loss when incurred.

On disposal of an investment property, the difference between the disposal proceeds and the carrying amount is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

2. Significant accounting policies (cont'd)

2.8 Investments in subsidiary corporations

Investments in subsidiary corporations are carried at cost less accumulated impairment losses in the Company's balance sheet. On disposal of such investments, the difference between disposal proceeds and the carrying amounts of the investments are recognised in profit or loss.

2.9 Impairment of non-financial assets

Investment properties

Property, plant and equipment

Right-of-use assets

Investment properties, property, plant and equipment and right-of-use assets are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired.

For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash inflows that are largely independent of those from other assets. If this is the case, the recoverable amount is determined for the cash-generating units ("CGU") to which the asset belongs.

If the recoverable amount of the asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount.

The difference between the carrying amount and recoverable amount is recognised as an impairment loss in profit or loss.

An impairment loss for an asset is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of this asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of accumulated depreciation) had no impairment loss been recognised for the asset in prior years.

A reversal of impairment loss for an asset is recognised in profit or loss.

2.10 Financial assets

(a) *Classification and measurement*

The Group classifies its financial assets at amortised cost and fair value through profit or loss (FVPL).

The classification depends on the Group's business model for managing the financial assets as well as the contractual terms of the cash flows of the financial assets.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

The Group reclassifies debt instruments when and only when its business model for managing those assets changes.

At initial recognition

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not a fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction cost of financial assets carried at fair value through profit or loss are expensed in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

2. Significant accounting policies (cont'd)

2.10 Financial assets (cont'd)

(a) Classification and measurement (cont'd)

At subsequent measurement

- Debt instrument

Debt instruments mainly comprise of cash and cash equivalents, trade and other receivables, and unlisted debt securities.

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the contractual cash flow characteristics of the asset.

(i) Amortised cost

Debt instruments that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt instrument that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is recognised or impaired. Interest income from these financial assets is included in interest income using the effective interest rate method.

(ii) FVPL

Debt instruments that are held for trading as well as those that do not meet the criteria or classification as amortised cost or fair value through other comprehensive losses are classified as FVPL. Movement in fair values and interest income is recognised in profit or loss in the period in which it arises and presented in "other income".

(b) Impairment

The Company assesses on a forward-looking basis the expected credit losses associated with its debt financial assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Company applies the simplified approach permitted by the SFRS(I) 9 *Financial Instruments*, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

For cash and bank deposits and other receivables, the general 3 stage approach is applied. Credit loss allowance is based on 12-month expected credit loss if there is no significant increase in credit risk since initial recognition of the assets. If there is a significant increase in credit risk since initial recognition, lifetime expected credit loss will be calculated and recognised.

(c) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade date – the date on which the Company commits to purchase or sell the asset.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

On disposal of a debt instrument, the difference between the carrying amount and the sale proceeds is recognised in profit or loss. Any amount previously recognised in other comprehensive income relating to that asset is reclassified to profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

2. Significant accounting policies (cont'd)

2.10 Financial assets (cont'd)

(c) Recognition and derecognition (cont'd)

Trade receivables that are factored out to banks and other financial institutions with recourse to the Group are not derecognised until the recourse period has expired and the risks and rewards of the receivables have been fully transferred. The corresponding cash received from the financial institutions is recorded as borrowings.

2.11 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2.12 Borrowings

Borrowings are presented as current liabilities unless the Group has an unconditional right to defer settlement for at least 12 months after the balance sheet, in which case they are presented as non-current liabilities.

Borrowings are initially recognised at fair values (net of transaction costs) and subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

2.13 Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. They are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). Otherwise, they are presented as non-current liabilities.

Trade and other payables are initially recognised at fair value, and subsequently carried at amortised cost using the effective interest method.

2.14 Leases

(a) When the Group is the lessee

At the inception of the contract, the Group assesses if the contract contains a lease. A contract contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Reassessment is only required when the terms and conditions of the contract are changed.

- Right-of-use assets

The Group recognises a right-of-use asset and lease liability at the date which the underlying asset is available for use. Right-of-use assets are measured at cost which comprises the initial measurement of lease liabilities adjusted for any lease payments made at or before the commencement date and lease incentive received. Any initial direct costs that would not have been incurred if the lease had not been obtained are added to the carrying amount of the right-of-use assets.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

Right-of-use assets are presented within "Property, plant and equipment".

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

2. Significant accounting policies (cont'd)

2.14 Leases (cont'd)

(a) *When the Group is the lessee (cont'd)*

- Lease liabilities

The initial measurement of a lease liability is measured at the present value of the lease payments discounted using the implicit rate in the lease, if the rate can be readily determined. If that rate cannot be readily determined, the Group shall use its incremental borrowing rate.

Lease payments include the following:

- Fixed payment (including in-substance fixed payments), less any lease incentives receivables;
- Variable lease payment that are based on an index or rate, initially measured using the index or rate as at the commencement date;
- Amount expected to be payable under residual value guarantees
- The exercise price of a purchase option if is reasonably certain to exercise the option; and
- Payment of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

For a contract that contain both lease and non-lease components, the Group allocates the consideration to each lease component on the basis of the relative stand-alone price of the lease and non-lease component. The Group has elected to not separate lease and non-lease component for property leases and account these as one single lease component.

Lease liability is measured at amortised cost using the effective interest method. Lease liability shall be remeasured when:

- There is a change in future lease payments arising from changes in an index or rate;
- There is a change in the Group's assessment of whether it will exercise an extension option; or
- There is modification in the scope or the consideration of the lease that was not part of the original term.

Lease liability is remeasured with a corresponding adjustment to the right-of-use assets, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

- Short-term and low-value leases

The Group has elected to not recognise right-of-use assets and lease liabilities for short-term leases that have lease terms of 12 months or less and leases of low value leases. Lease payments relating to these leases are expensed to profit or loss on a straight-line basis over the lease term.

- Variable lease payments

Variable lease payments that are not based on an index or a rate are not included as part of the measurement and initial recognition of the lease liability. The Group shall recognise those lease payments in profit or loss in the periods that triggered those lease payments.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

2. Significant accounting policies (cont'd)

2.14 Leases (cont'd)

(b) *When the Group is the lessor:*

The Group leases office spaces and investment properties under operating leases to non-related parties.

- Lessor – Operating leases

Leases where the Group retains substantially all risks and rewards incidental to ownership are classified as operating leases. Rental income from operating leases (net of any incentives given to the lessees) is recognised in profit or loss on a straight-line basis over the lease term.

Initial direct costs incurred by the Group in negotiating and arranging operating leases are added to the carrying amount of the leased assets and recognised as an expense in profit or loss over the lease term on the same basis as the lease income.

Contingent rents are recognised as income in profit or loss when earned.

2.15 Income taxes

Current income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a tax authority will accept an uncertain tax treatment. The Group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

Deferred income tax is recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except when the deferred income tax arises from the initial recognition of an asset or liability in a transaction that is not a business combination and affects neither accounting nor taxable profit or loss at the time of the transaction.

A deferred income tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilised.

Deferred income tax is measured:

- at the tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date; and
- based on the tax consequence that will follow from the manner in which the Group expects, at the balance sheet date, to recover or settle the carrying amounts of its assets and liabilities except for investment properties. Investment property measured at fair value is presumed to be recovered entirely through sale.

Current and deferred income taxes are recognised as income or expenses in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

2. Significant accounting policies (cont'd)

2.16 Employee compensation

Employee benefits are recognised as an expense, unless the cost qualifies to be capitalised as an asset.

(a) *Defined contribution plans*

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities such as the Central Provident Fund on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid.

(b) *Employee leave entitlement*

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

(c) *Profit sharing and bonus plans*

The Group recognises a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group recognises an accrual when it is contractually obliged to pay or when there is a past practice that has created a constructive obligation to pay.

2.17 Currency translation

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The financial statements of the Group are presented in Singapore Dollar ("S\$"), which is the functional currency of the Company.

Transactions in a currency other than the Singapore Dollar ("foreign currency") are translated into the Singapore Dollar using the exchange rates at the dates of the transactions. Currency exchange differences resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the balance sheet date are recognised in profit or loss. Non-monetary items measured at fair values in foreign currencies are translated using the exchange rates at the date when the fair values are determined.

2.18 Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents include cash on hand and deposits with financial institutions which are subject to an insignificant risk of change in value.

2.19 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares are deducted against the share capital account.

2.20 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the executive committee whose members are responsible for allocating resources and assessing performance of the operating segments.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

2. Significant accounting policies (cont'd)

2.21 Dividends to Company's shareholders

Dividends to the Company's shareholders are recognised when the dividends are approved for payment.

3. Critical accounting estimates, assumptions and judgements

Estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

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.

In determining the ECL, management has taken into account 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. The carrying amount of the Group's trade receivable as at 31 December 2021 and 2020 is disclosed in Note 12 to the financial statements.

Notwithstanding the above, the Group evaluates the expected credit loss on customers in financial difficulties separately. No loss allowances on trade receivables were recognised by the Group for the financial years ended 31 December 2021 and 2020 as the default rate is assessed to be nil and there is no customer in financial difficulties during both financial years:

4. Revenue

Disaggregation of revenue from contracts with customer

The Group derives revenue from the transfer of services over time. Revenue is attributed to different type of customers.

	Group	
	2021	2020
	\$	\$
Public sector	43,960,456	46,836,890
Private sector	9,869,259	7,802,644
	53,829,715	54,639,534

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

5. Other income

	Group	
	2021	2020
	\$	\$
Government grants:		
- Absentee Payroll Funding ⁽¹⁾	120,984	85,828
- Enterprise Development Grant ⁽²⁾	8,110	23,860
- WorkPro Grant ⁽³⁾	–	24,000
- SkillsFuture Enterprise Credit ⁽⁴⁾	10,000	–
	139,094	133,688
Rental income (Note 17)	52,350	49,950
Gain on disposal of financial assets, at FVPL	16,032	–
Gain on disposal of property, plant and equipment	11,289	4,645
Gain on disposal of investment properties	3,283	–
Insurance claims	160,295	121,981
Interest income	1,533	4,906
Short term leases of property, plant and equipment ⁽⁵⁾	114,988	–
Others	87,743	24,179
	586,607	339,349

⁽¹⁾ The Absentee Payroll Funding (“AP”) is introduced to help employer defray manpower costs incurred when they send their employees for certifiable skills training.

⁽²⁾ The Enterprise Development Grant (“EDG”) is introduced in 2018 to help enterprises grow and transform through upgrade of business capabilities, innovation and overseas venture.

⁽³⁾ The WorkPro Grant is introduced in 2013 to encourage employers to implement age-and family-friendly workplaces and adopt flexible work arrangement for all local workers.

⁽⁴⁾ The SkillsFuture Enterprise Credit (“SFEC”) encourages employers to invest in enterprise transformation and capabilities of their employees.

⁽⁵⁾ The Group has assessed the recoverability of outstanding lease income from certain debtor as at 31 December 2021, and loss allowance amounting to \$95,940 was recognised in the statement of comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

6. Employee benefits

	Group	
	2021	2020
	\$	\$
Salaries and wages	27,978,645	24,921,699
Other short-term benefits	4,244,992	3,132,445
Employer's contribution to defined contribution plans including The Central Provident Fund	2,569,794	2,595,332
	34,793,431	30,649,476

Key management's remuneration is disclosed in Note 25(d) to the financial statements.

The above salaries and wages are presented as net, after offsetting against the following grant income recognised in the respective financial years:

	Group	
	2021	2020
	\$	\$
Jobs Support Scheme ⁽¹⁾	1,838,116	6,494,114
Special Employment Credit ⁽²⁾	1,120,682	1,542,028
Wage Credit Scheme ⁽³⁾	554,768	131,603
Jobs Growth Incentive ⁽⁴⁾	1,174,225	–
Other grants	43,226	25,130
	4,731,017	8,192,875

⁽¹⁾ The Jobs Support Scheme ("JSS") is a temporary scheme introduced in the Singapore Budget 2020 to help enterprises retain local employees. Under the JSS, employers will receive cash grants in relation to the gross monthly wages of eligible employees.

⁽²⁾ Special Employment Credit ("SEC") was introduced as a Budget Initiative in 2011 to support employers, and to raise the employability of older Singaporean. It was enhanced in 2012 to provide employers with continuing supporting to hire older Singaporean workers.

⁽³⁾ Wage Credit Scheme ("WCS") was introduced as a Budget Initiative in 2013 to help businesses which may face rising wage costs in a tight labour market. It was enhanced in 2015 to give business more time to adjust to rising wages.

⁽⁴⁾ The Jobs Growth Incentive ("JGI") supports employers to expand local hiring from September 2020 to September 2022 (inclusive), the duration of JGI support will depend on when the local hire was hired and the characteristics of the local hire.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

7. Expenses by nature

	Group	
	2021	2020
	\$	\$
Foreign worker levy ⁽¹⁾	3,220,226	2,113,291
Insurance charges	366,877	358,532
License fees	143,510	154,458
Property, plant and equipment written-off	196	2,596
Professional fees	149,006	192,695
Lease expense – short term leases and low-value assets (Note 15(d)) ⁽²⁾	84,313	226,062
Repair and maintenance	391,534	258,596
Software charges	93,969	115,582
Staff welfare	177,624	423,142
Travelling and transportation	212,742	187,656
Utilities	177,989	193,348
Staff recruitment	89,780	17,945
Commission to real estate agents	46,150	12,624
Others	228,438	180,351
	5,382,354	4,436,878

⁽¹⁾ No foreign worker levy rebates and waiver were recognised during the financial year ended 31 December 2021 (2020: \$900,000). As part of the Solidarity Budget, the Singapore Government provided companies who hire foreign worker on work permits and S-passes with Foreign Worker Levy waivers and FWL rebates to ease the labour costs of such firms during the Circuit Breaker Period. The grant was disclosed as an offset against the foreign worker levy.

⁽²⁾ No temporary housing support and rental waiver were recognised during the financial year ended 31 December 2021 (2020: \$44,100 and \$6,190). The temporary housing grant was provided to companies who are affected by Malaysia's implementation of a Movement Control Order to help employer defray additional costs of housing affected workers in a short-term housing. The grant was disclosed as an offset against the lease expense – short term leases (Note 15(d)).

8. Finance expense

	Group	
	2021	2020
	\$	\$
Interest expenses:		
- Term loan	64,964	84,963
- Lease liabilities (Note 15(c))	98,402	87,349
- Trade receivables factoring	152,169	218,248
- Others	507	92
	316,042	390,652

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

9. Income taxes

	Group	
	2021	2020
	\$	\$
Tax expense/ (credit) attributable to profit is made up of:		
- Current income tax	122,505	131,104
- Deferred income tax (Note 21)	(68,440)	22,395
	54,065	153,499
Under/(over) provision in prior financial years:		
- Current income tax	9,971	24,155
- Deferred income tax (Note 21)	9,781	(267,870)
	19,752	(243,715)
	73,817	(90,216)

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the Singapore standard rate of income tax as follows:

	Group	
	2021	2020
	\$	\$
Profit before income tax	2,209,946	7,240,720
Tax calculated at tax rate of 17% (2020: 17%)	375,691	1,230,922
Effects of:		
- income not subject to tax	(318,290)	(1,112,006)
- expenses not deductible for tax purposes	32,577	34,671
- tax exemption	(17,425)	(16,575)
- tax incentives	(5,066)	-
- under/(over) provision of tax in prior financial years	19,752	(243,715)
- others	(13,422)	16,487
	73,817	(90,216)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

10. Earnings per share

Basic earnings per share is calculated by dividing the net profit attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial year.

	2021	2020
Net profit attributable to equity holders of the Company (\$)	2,136,129	7,330,936
Weighted average number of ordinary shares outstanding for basic earnings per share (\$)	157,250,000	157,250,000 ⁽¹⁾
Basic earnings per share (cents)	1.36	4.66

The diluted earnings per share is the same as the basic earnings per share as there were no dilutive potential ordinary shares.

⁽¹⁾ For comparative purpose, the Company's pre-invitation number of ordinary shares of 157,250,000 has been used in the calculation of basic earnings per share for the financial year ended 31 December 2020.

11. Cash and bank balances

	Group		Company	
	2021	2020	2021	2020
	\$	\$	\$	\$
				(Unaudited)
Cash at bank and cash on hand	3,095,315	6,246,796	7,194	40,525
Short-term bank deposits	-	1,052,883	-	-
	3,095,315	7,299,679	7,194	40,525

As at 31 December 2020, the bank deposits were placed with financial institutions with maturity period of 4 to 12 months with the average of fixed interest rate of 0.5%.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

12. Trade and other receivables

	Group		Company	
	2021	2020	2021	2020
	\$	\$	\$	\$
				(Unaudited)
Trade receivables - Non-related parties	19,376,590	13,011,100	-	-
Non-trade receivables:				
- Non-related parties	242,325	1,296,804	-	-
- Related parties	-	103,199	-	-
	242,325	1,400,003	-	-
Less: Loss allowance - Non-related parties (Note 26(b)(iii))	(95,940)	-	-	-
Non-trade receivables - Net	146,385	1,400,003	-	-
Deposits	207,537	354,213	-	-
Goods and services tax receivables	43,680	-	43,680	-
Government grant receivables	1,514,286	1,618,638	-	-
Prepayments	328,838	226,906	-	-
Deferred IPO expenses	624,000	-	624,000	-
	22,241,316	16,610,860	667,680	-

The carrying amounts of the trade receivables include the amounts of \$9,410,807 (2020: \$6,903,593) which are subject to factoring arrangement. Under this arrangement, the Group has factored the relevant receivables in exchange for cash and is prevented from selling or pledging these receivables. However, the Group has retained the late payment and credit risk. The Group therefore continues to recognise the factored assets in their entirety in the consolidated balance sheet. The amount repayable under the factoring agreement is presented as borrowings (Note 20). The Group considers that the held to collect business model remains appropriate for these receivables and hence continues measuring them at amortised cost.

Non-trade receivables from related parties are unsecured, interest-free and receivable on demand.

Included in non-trade receivables as at 31 December 2020 were costs recoverable from suppliers in relation to the consumption of the Group's supplies and manpower by the suppliers in providing the services to the Group amounting \$1,247,183.

Government grant receivables

Included in the government grant receivables are:

- (a) Government grant of \$596,872 as at 31 December 2021 (2020: \$795,330) from the Special Employment Credit, that are used to compensate wages paid during the respective financial years and are expected to be received in the following year.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

12. Trade and other receivables (cont'd)

Government grant receivables (cont'd)

- (b) Job Growth Incentive of \$618,226 as at 31 December 2021 (2020: Nil) which was recognised during the qualifying period in the financial year ended 31 December 2021, that are used to support employers to expand local hiring during the financial year and are expected to be received in the following year.
- (c) Productivity Solutions Grant of \$299,188 as at 31 December 2021 (2020: Nil), that are used to support equipment investment to enhance business processes and support the growth and transformation by strengthening the business foundations.
- (d) As at 31 December 2020, the Company was expected to receive \$823,308 from the Jobs Support Scheme, that were used to help enterprises retain local employees and were received during the financial year ended 31 December 2021.

13. Investments in subsidiary corporations

	Company	
	2021	2020
	\$	\$
		(Unaudited)
<u>Equity investments at cost</u>		
Beginning of financial year	-	-
Additions	104	-
End of financial year	104	-

The Group has the following subsidiary corporations as at 31 December 2021 and 2020:

Name	Principal activities	Country of business/ incorporation	Proportion of ordinary shares directly held by the Company		Proportion of ordinary shares held by the Group	
			2021	2020	2021	2020
			%	%	%	%
LS 2 Services Pte Ltd ^(a)	Cleaning services and landscape care and maintenance service activity	Singapore	100%	-	100%	-
LS 2 Management Pte. Ltd. ^(a)	Other holding companies	Singapore	100%	-	100%	-
LS 2 Facilities Pte. Ltd. ^(b) (formerly known as THK Property Holdings Pte. Ltd.)	Facilities management for buildings and offices	Singapore	100%	-	100%	-

^(a) Audited by Nexia TS Public Accounting Corporation.

^(b) The company was incorporated on 8 July 2021 and its first financial year ending on 31 December 2022

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

14. Property, plant and equipment

	Leasehold buildings	Furniture and fittings	Motor vehicles	Office equipment	Renovation	Tools and machinery	Other equipment	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Group								
2021								
Cost								
Beginning of financial year	3,461,978	77,505	1,972,641	533,730	98,953	1,823,785	183,235	8,151,827
Additions	1,267,312	4,545	106,561	333,389	102,581	116,311	260,295	2,190,994
Effect of lease termination	(688,573)	-	-	-	-	-	(109,934)	(798,507)
Disposal/write-off	-	-	(118,198)	(4,929)	-	(1,060)	-	(124,187)
End of financial year	4,040,717	82,050	1,961,004	862,190	201,534	1,939,036	333,596	9,420,127
Accumulated depreciation								
Beginning of financial year	612,296	32,097	1,183,160	228,564	32,450	981,841	117,828	3,188,236
Depreciation charge	676,373	15,588	299,969	134,819	27,398	297,426	106,076	1,557,649
Effect of lease termination	(688,573)	-	-	-	-	-	(109,934)	(798,507)
Disposal/write-off	-	-	(106,572)	(3,627)	-	(798)	-	(110,997)
End of financial year	600,096	47,685	1,376,557	359,756	59,848	1,278,469	113,970	3,836,381
Net book value								
End of financial year	3,440,621	34,365	584,447	502,434	141,686	660,567	219,626	5,583,746

- (a) Right-of-use ("ROU") assets acquired under leasing arrangements are presented together with the owned assets of the same class. Details of such leased assets are disclosed in Note 15.
- (b) Included within the additions during the financial year ended 31 December 2021 were leasehold buildings, motor vehicles, office equipment and other equipment acquired under lease arrangements amounting to \$1,752,966 (2020: \$563,861) (Note 15(f)).
- (c) Property, plant and equipment of the Group with aggregate carrying amounts of \$3,042,759 as at 31 December 2021 (2020: \$3,205,923) are pledged as collateral for lease liabilities and term loan of the Group of \$554,467 and \$1,876,398 respectively (2020: \$591,589 and \$2,798,262) (Note 20(a)).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

14. Property, plant and equipment (cont'd)

	Leasehold buildings	Furniture and fittings	Motor vehicles	Office equipment	Renovation	Tools and machinery	Other equipment	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Group								
2020								
Cost								
Beginning of financial year	3,348,607	72,220	1,741,343	432,557	91,238	1,959,625	166,821	7,812,411
Additions	339,937	5,285	344,945	115,683	7,715	55,160	73,301	942,026
Effect of lease termination	–	–	–	–	–	–	(14,771)	(14,771)
Disposal/write-off	(226,566)	–	(113,647)	(14,510)	–	(191,000)	(42,116)	(587,839)
End of financial year	3,461,978	77,505	1,972,641	533,730	98,953	1,823,785	183,235	8,151,827
Accumulated depreciation								
Beginning of financial year	275,769	17,557	954,040	135,396	13,688	866,435	84,551	2,347,436
Depreciation charge	563,093	14,540	342,767	94,796	18,762	289,792	79,701	1,403,451
Effect of lease termination	–	–	–	–	–	–	(4,308)	(4,308)
Disposal/write-off	(226,566)	–	(113,647)	(1,628)	–	(174,386)	(42,116)	(558,343)
End of financial year	612,296	32,097	1,183,160	228,564	32,450	981,841	117,828	3,188,236
Net book value								
End of financial year	2,849,682	45,408	789,481	305,166	66,503	841,944	65,407	4,963,591

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

14. Property, plant and equipment (cont'd)

	Company	
	2021	2020
	\$	\$
		(Unaudited)
Office equipment		
Cost		
Beginning of financial year/date of incorporation	-	-
Additions	5,423	-
End of financial year/period	5,423	-
Accumulated depreciation		
Beginning of financial year/date of incorporation	-	-
Depreciation charge	994	-
End of financial year/period	994	-
Net book value		
End of financial year/period	4,429	-

15. Leases – The Group as a lessee

Nature of the Group's leasing activities

Leasehold buildings

The Group leases office spaces and residential units for the purpose of back-office operations and staff accommodation respectively.

Motor vehicles

The Group leases lorries and vans to support the operations.

Office equipment

The Group leases photocopiers to support the operations.

Tools and machinery

The Group leases cleaning and waste management tools and machinery to support the operations.

Other equipment

The Group leases miscellaneous equipment to support the operations.

There are no externally imposed covenants on these lease arrangements.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

15. Leases – The Group as a lessee (cont'd)

- (a) Carrying amounts

ROU assets classified within property, plant and equipment

	Group	
	2021	2020
	\$	\$
Leasehold buildings	911,354	267,315
Motor vehicles	368,426	427,290
Office equipment	225,542	215,223
Tools and machinery	145,067	196,267
Other equipment	219,626	65,407
	1,870,015	1,171,502

- (b) Depreciation charge during the financial year

	Group	
	2021	2020
	\$	\$
Leasehold buildings	623,273	509,993
Motor vehicles	214,119	214,712
Office equipment	65,203	58,520
Tools and machinery	51,200	51,200
Other equipment	106,076	79,701
	1,059,871	914,126

- (c) Interest expense

	Group	
	2021	2020
	\$	\$
Interest expense on lease liabilities (Note 8)	98,402	87,349

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

15. Leases – The Group as a lessee (cont'd)

- (d) Lease expense not capitalised in lease liabilities

	Group	
	2021	2020
	\$	\$
Lease expense – short term leases and low-value assets (Note 7)	84,313	226,062

- (e) Total cash outflow for all leases in the financial year ended 31 December 2021 was \$1,177,501 (2020 \$1,297,446).
- (f) Additions of ROU assets in the financial year ended 31 December 2021 were \$1,752,966 (2020: \$563,861) (Note 14(b)).

16. Commitments

The Group has leased out its owned property, plant and equipment to third party for monthly lease payments. Where considered necessary to reduce credit risk, the Group may obtain bank guarantees for the term of the lease. This lease is classified as an operating lease because the risk and rewards incidental to ownership of the assets are not substantially transferred. Short term lease from these property, plant and equipment is disclosed in Note 5.

In the previous financial year, the Group has leased out their owned investment properties to third part for monthly lease payments. The Group had disposed the investment properties during the financial year as disclosed in Note 17. Rental income from investment properties is disclosed in Note 5.

Undiscounted lease payments from the operating leases to be received after the reporting date are as follows:

	Group	
	2021	2020
	\$	\$
Not later than one year	13,500	56,400
Between one and five years	–	14,100
	13,500	70,500

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

17. Investment properties

	Group	
	2021	2020
	\$	\$
<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 investment properties	–	820,000

The following amounts are recognised in profit and loss:

	Group	
	2021	2020
	\$	\$
Rental income (Note 5)	52,350	49,950
Direct operating expenses arising from:		
- Investment properties that generate rental income	(28,214)	(20,816)

The Group had disposed the below investment properties during the financial year:

Location	Description/existing use	Tenure
1 Sunview Road #02-14 Eco-Tech @ Sunview Singapore 627615	A leasehold unit of approximately 242 square metres	30 years lease from 25 January 2013
1 Sunview Road #02-15 Eco-Tech @ Sunview Singapore 627615	A leasehold unit of approximately 242 square metres	30 years lease from 25 January 2013

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

17. Investment properties (cont'd)

During the financial year ended 31 December 2021, pursuant to two separate sale and purchase agreements dated 12 October 2021 respectively, the Group's subsidiary corporation, LS 2 Services Pte Ltd sold the above two investment properties to THK Capital Pte. Ltd. for a total consideration of \$916,061. The consideration for the disposal was based on carrying amount of the investment 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 \$3,283 during the financial year (Note 5).

18. Financial assets, at fair value through profit or loss ("FVPL")

	Group	
	2021	2020
	\$	\$
Beginning of financial year	767,756	767,756
Disposal	(767,756)	-
End of financial year	-	767,756

During the financial year ended 31 December 2021, pursuant to a Directors' resolution passed on 12 October 2021, the Group's subsidiary corporation, LS 2 Services Pte Ltd, agreed to transfer two life insurance policies to Mr. Roger Tan for a total consideration of \$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 \$16,032 was recognised in the profit or loss for the financial year (Note 5). The consideration was fully settled in cash by Mr. Roger Tan on the completion of such transfer on 30 December 2021.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

19. Trade and other payables

	Group		Company	
	2021	2020	2021	2020
	\$	\$	\$	\$
				(Unaudited)
Trade payables - Non-related parties	2,719,244	2,459,933	-	-
Non-trade payables				
- A director	-	324,902	-	29,999
- A subsidiary corporation	-	-	682,680	11,300
- A related party	-	53,422	-	-
- A non-related party	25,131	-	-	-
	25,131	378,324	682,680	41,299
Accrued expenses	4,459,932	3,299,557	379	-
Deferred grant income	-	1,252,051	-	-
Deposit	-	9,400	-	-
Goods and services tax payables	893,012	538,638	-	-
Retention payable	140,667	207,000	-	-
	8,237,986	8,144,903	683,059	41,299

Non-trade payables to a director, a subsidiary corporation and a related party are unsecured, interest-free and repayable on demand.

As at 31 December 2020, deferred grant income of \$1,252,051 related to the Jobs Support Scheme, had been deferred as the Group recognised the grant as deduction against the employee benefits in profit or loss on a systematic basis over the period of economic uncertainty in which the Group recognised the related salary cost from April 2020 to August 2021.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

20. Borrowings

	Group	
	2021	2020
	\$	\$
<i>Current</i>		
Trade receivables factoring	5,234,299	4,343,331
Term loan (secured)	139,102	560,914
Lease liabilities	1,075,449	635,834
	6,448,850	5,540,079
<i>Non-current</i>		
Term loan (secured)	4,737,296	2,237,348
Lease liabilities	902,428	583,881
	5,639,724	2,821,229
Total borrowings	12,088,574	8,361,308

(a) *Security granted*

(i) Lease liabilities

Secured lease liabilities amounting to \$554,467 (2020: \$591,589) are secured over the tools and machinery and motor vehicles of the Group (Note 14(c)) and personal guarantee from a director of subsidiary corporation, LS 2 Services Pte Ltd.

(ii) Term loan

- Properties term loan amounting to \$1,876,398 (2020: \$2,798,262) are secured over leasehold buildings of the Group (Note 14(c)) and personal guarantee from a director of subsidiary corporation, LS 2 Services Pte Ltd.
- Temporary bridge loan of \$3,000,000 (2020: Nil) are secured by personal guarantees from directors of the Company.

(iii) Trade receivables factoring

Trade receivables factoring amounting to \$5,234,299 (2020: \$4,343,331) are secured over certain trade receivables (Note 12).

(b) *Fair value of non-current borrowings*

	Group	
	2021	2020
	\$	\$
Term loan (secured)	5,250,627	2,738,941

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

20. Borrowings (cont'd)

(b) *Fair value of non-current borrowings (cont'd)*

The fair value of non-current borrowings (excluding lease liabilities) above are determined from the cash flow analyses discounted at market borrowing rates of an equivalent instrument at the balance sheet date which the directors expect to be available to the Group as follows:

	Group	
	2021	2020
	\$	\$
Term loan (secured)	<u>2.25% - 4.88%</u>	<u>2.25% - 3.21%</u>

The fair values are within Level 2 of the fair value hierarchy.

21. Deferred income taxes

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. There is no offsetting of deferred income tax assets and liabilities as at 31 December 2021 and 2020.

The movements in the deferred tax account are as follows:

	Group	
	Accelerated tax depreciation	
	\$	
2021		
Beginning of financial year	117,545	
Tax credited to profit or loss (Note 9)	<u>(58,659)</u>	
End of financial year	<u>58,886</u>	
2020		
Beginning of financial year	363,020	
Tax credited to profit or loss (Note 9)	<u>(245,475)</u>	
End of financial year	<u>117,545</u>	
	Group	
	2021	2020
	\$	\$
Representing:		
<i>Non-current</i>		
Deferred tax liabilities	<u>58,886</u>	<u>117,545</u>

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

22. Share capital

	Group		Company	
	No. of ordinary shares	Amount \$	No. of ordinary shares	Amount \$
				(Unaudited)
2021				
Beginning of financial year	3,000,002	3,000,002	1	1
Sub-division of shares pursuant to the restructuring exercise	157,249,999	-	157,249,999	-
Restructuring exercise	(3,000,001)	(3,000,001)	-	-
End of financial year	<u>157,250,000</u>	<u>1</u>	<u>157,250,000</u>	<u>1</u>
2020				
Beginning of financial year/ date of incorporation	3,000,000	3,000,000	-	-
Issuance of new shares:				
- at date of incorporation of the Company	1	1	1	1
- at date of incorporation of the LS 2 Management Pte. Ltd.	1	1	-	-
End of financial year/period	<u>3,000,002</u>	<u>3,000,002</u>	<u>1</u>	<u>1</u>

As the Company was incorporated on 18 June 2020, for the purpose of these consolidated financial statements, the share capital as at 31 December 2020 represents the aggregation of the Group's interest in the issued and paid up capital of the Company and all of its subsidiary corporations under common control.

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

On 1 September 2021, the issued and paid-up share capital of LS 2 Services Pte Ltd of 3,000,000 ordinary shares were transferred to the Company for an aggregate nominal cash consideration of as a result of the Restructuring Exercise as disclosed in Note 1.2(c) to financial statements.

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.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the respective companies. All ordinary shares rank equally with regards to the respective companies' residual assets.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

23. Dividends

	Group	
	2021	2020
	\$	\$
<u>Ordinary dividends</u>		
First interim dividend of \$0.33 (2020: Nil) per share paid in respect of the financial year ended 31 December 2021	1,000,000	–
Second interim dividend of \$1.50 (2020: Nil) per share paid in respect of the financial year ended 31 December 2021	4,500,000	–
	5,500,000	–

On 31 March 2021 and 30 June 2021, interim one-tier tax exempt dividends of \$1,000,000 and \$4,500,000 respectively were declared and paid by the subsidiary corporation, LS 2 Services Pte Ltd during the financial year ended 31 December 2021.

24. Merger reserve

	Group	
	2021	2020
	\$	\$
Beginning of financial year	–	–
Net difference between consideration paid and the share capital of the subsidiary corporations under common control	3,000,001	–
End of financial year	3,000,001	–

Merger reserve represents the difference between the cost of investment and the nominal value of share capital of the subsidiary corporations acquired under common control pursuant to the Restructuring Exercise (Note 1.2). Merger reserve is non-distributable.

25. 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:

	Group	
	2021	2020
	\$	\$
(a) Purchase of services		
- Project management fees ⁽¹⁾	82,857	2,392,908
- Training session ⁽²⁾	19,402	–
	102,259	2,392,908
(b) Sale of investment properties (Note 17)	916,061	–
(c) Sale of financial assets, at FVPL (Note 18)	783,788	–

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

25. Related party transactions (cont'd)

- (1) News Environmental Pte. Ltd. ("NEWS"), an associate company of Mr. Roger Tan had provided project management services to the Group. The Group's subsidiary corporation, 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 the Group engages (including but not limited to NEWS), the Group agrees 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 pays to the project management firm comprises only the Management Fees. NEWS ceased to be a related party to the Group on 11 March 2021 following disposal of his entire shareholding interests in NEWS by Mr. Roger Tan.
- (2) The Group's subsidiary corporation, LS 2 Services Pte Ltd engaged Integrated Training Consultants Pte Ltd, an associate company of Mr. Alvin Ong to provide training services to the Group.
- (d) The remuneration of the Group's executive directors and other members of key management during the respective financial years are as follows:

	Group	
	2021	2020
	\$	\$
Salaries and bonuses	834,679	258,800
Employer's contribution to The Central Provident Fund	64,419	16,145
	899,098	274,945
Comprised of amounts paid to:		
- Executive directors	546,705	274,945
- Other key management personnel	352,393	-
	899,098	274,945

26. Financial risk management

Financial risk factors

The Group's activities expose it to market risk (including currency risk, price risk and interest rate risk), credit risk, liquidity risk and capital risk.

The Board of Directors are responsible for setting the objectives and underlying principles of financial risk management for the Group. This includes establishing policies such as authority levels, oversight responsibilities, risk identification and measurement and exposure limits.

The finance personnel measure actual exposures against the limits set and prepare regular reports for the review of the management team and the directors. The information presented is based on information received by key management.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

26. Financial risk management (cont'd)

Financial risk factors (cont'd)

(a) Market risk

(i) Currency risk

Foreign currency risk arises from transactions denominated in currencies other than the functional currency of the Group. The Group does not have significant exposure to currency risk as it operates only in Singapore. Revenue and expenses are predominantly denominated in Singapore Dollar.

(ii) Price risk

The Group does not have exposure to equity price risk as it does not hold any equity financial assets.

(iii) Cash flow and Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates. As the Group has no significant interest-bearing assets, the Group's income is substantially independent of changes in market interest rates.

The Group obtains financing through bank facilities and seeks to minimise its interest rate exposure by obtaining the most favourable interest rates available.

The Group has borrowings at variable rates on which effective hedges have not been entered into. If the interest rates increase/decrease by 0.5% in the respective financial years ended 31 December 2021 and 2020 with all other variables including tax rate being held constant, the impact to the net profit of the Group as a result of changes in interest rate on these borrowings is not significant.

(b) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligation, resulting in financial loss to the Group. The major classes of the financial assets of the Group are cash and cash equivalents and trade receivables.

For trade receivables, the Group adopts the policy of dealing only with creditworthy customers to mitigate credit risk. For other financial assets, the Group adopts the policy of dealing only with high credit quality counterparties.

As the Group does not hold any collateral, the maximum exposure to credit risk for each class of financial instruments is the carrying amount of that class of financial instruments presented on the balance sheet.

The Group assesses concentration of credit risk by monitoring the individual profile of its trade receivables on an ongoing basis. At 31 December 2021, the Group has concentrated credit risk on 1 debtor and (2020: 1 debtor) respectively that individually represents more than 10% of the trade receivables.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

26. Financial risk management (cont'd)

Financial risk factors (cont'd)

(b) Credit risk (cont'd)

The credit risk for trade receivables based on information provided to the Board of Directors is as follows:

	Group	
	2021	2020
	\$	\$
<u>By type of customers</u>		
- Public sector	16,782,445	11,522,063
- Private sector	2,594,145	1,489,037
	19,376,590	13,011,100

(i) Impairment of trade receivables

The Group applies the simplified approach to provide for expected credit losses under the financial reporting standard on financial instruments, which permits the use of the lifetime expected loss provision for all trade receivables. A default on receivables is when the counterparty fails to make contractual payments when they fall due. Trade receivables are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. Where receivables have been written-off, the Group continues to engage in enforcement activity to attempt to recover the receivable due. When recoveries are made, these are recognised in profit or loss.

Trade receivables from public sector are generally of good reputations and payment records, therefore are assessed to have low credit risk and no credit loss allowances are required. The Group categories a receivable under private sector to be doubtful when a debtor fails to make contractual payments greater than 90 days and assesses the expected credit losses by using a provision matrix, estimated based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions. Management has assessed that no credit loss allowances are required for trade receivables as at 31 December 2021 and 2020 and no bad debts were written-off except for a customer with outstanding amount of \$41,000 which was written-off as bad debt during the financial year ended 31 December 2020.

The Group's credit risk exposure in relation to trade receivables from customers as at 31 December 2021 and 2020 are set out in the ageing analysis as follows.

	Current	Past due				Total
		Within 30 days	30 to 60 days	60 to 90 days	More than 90 days	
	\$	\$	\$	\$	\$	\$
2021	5,946,260	4,660,260	2,612,408	2,405,619	3,752,043	19,376,590
2020	6,383,926	3,447,553	1,071,779	1,733,824	374,018	13,011,100

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

26. Financial risk management (cont'd)

Financial risk factors (cont'd)

(b) Credit risk (cont'd)

(ii) Cash and bank balances

As at 31 December 2021, the Group and the Company held cash and bank balances of \$3,095,315 and \$7,194 (2020: \$7,299,679 and \$40,525) with banks with high credit ratings respectively and are considered to have low credit risk. The cash balances are measured on 12-months expected credit losses and subject to immaterial credit loss.

(iii) Non-trade receivables

As at 31 December 2021 the Group has net non-trade receivables from non-related parties and related parties amounting to \$146,385 (2020: \$1,400,003). For non-trade receivables, the Group has applied 12-month ECL to measure the loss allowance. The counterparties generally have a low risk of default and do not have any past-due amounts accordingly no credit loss allowances are required except for a loss allowance amounting to S\$95,940 was recognised in profit or loss during the financial year.

(c) Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash and the availability of funding using a mix of long term and short-term financing, not limited to obtaining overdraft facilities, investing in fixed assets and properties held for investments, and managing the maturity profile of its borrowings, payables, and other liabilities. At the balance sheet date, assets held by the Group for managing liquidity risk included the cash at bank as disclosed in Note 11.

The table below analyses non-derivative financial liabilities of the Group and the Company based on remaining period from the balance sheet date to the contractual maturity date. The amount disclosed in the table below are the contractual undiscounted cash flows.

	Within 1 year \$	Within 2 to 5 years \$	More than 5 years \$
Group			
2021			
Trade and other payables	7,204,307	-	-
Borrowings	6,679,940	5,050,577	1,135,988
2020			
Trade and other payables	6,147,214	-	-
Borrowings	5,556,757	1,808,793	1,442,820
Company			
2021			
Trade and other payables	683,059	-	-
2020 (Unaudited)			
Trade and other payables	41,299	-	-

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

26. Financial risk management (cont'd)

Financial risk factors (cont'd)

(d) Capital risk

The Group's objectives when managing capital are to ensure that the Group is adequately capitalised and to maintain an optimal capital structure by issuing or redeeming additional equity and debt instruments when necessary.

Management monitors its capital based on gearing ratio. The gearing ratio is calculated as net debt divided by total capital. Net debt is calculated as borrowings plus trade and other payables less cash and cash equivalents. Total capital is calculated as total equity plus net debt. The Group is also required by certain financial institution to maintain certain level of net worth and gearing ratio.

	Group		Company	
	2021	2020	2021	2020
	\$	\$	\$	\$
				(Unaudited)
Net debt	17,231,245	9,206,532	695,865	774
Total equity	10,372,642	13,736,513	(23,652)	(774)
Total capital	27,603,887	22,943,045	672,213	-
Gearing ratio	62%	40%	N.M	N.M

N.M defined as Not Meaningful.

The Group is in compliance with all externally imposed level of net worth and gearing ratio for the financial years ended 31 December 2021 and 2020.

(e) Fair value measurements

The table below presents assets recognised and measured at fair value and classified by level of the following fair value measurement hierarchy:

- (i) quoted prices (unadjusted) in active markets for identical assets (Level 1);
- (ii) inputs other than quoted prices included within Level 1 that are observable for the asset, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (Level 2); and
- (iii) inputs for the asset that are not based on observable market data (unobservable inputs) (Level 3).

	Level 1	Level 2	Level 3
	\$	\$	\$
Group			
2021			
Financial assets, at FVPL	-	-	-
2020			
Financial assets, at FVPL	-	-	767,756

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

26. Financial risk management (cont'd)

Financial risk factors (cont'd)

(e) Fair value measurements (cont'd)

The fair value of financial instruments that are not traded in an active market is determined by independent third party. The fair value of financial instrument, which is the cash surrender value of the life insurance as provided by independent insurance companies on annual basis is computed based on accumulated values, less off applicable surrender penalty.

The carrying amounts of financial assets and liabilities carried at amortised cost approximate their fair values.

(f) Financial instruments by category

The carrying amounts of the different categories of financial instruments are as follows:

	Group		Company	
	2021	2020	2021	2020
	\$	\$	\$	\$
				(Unaudited)
Financial assets, at FVPL	-	767,756	-	-
Financial assets, at amortised cost	22,825,827	22,064,995	7,194	40,525
Financial liabilities, at amortised cost	19,292,881	14,508,522	703,059	41,299

27. Segment information

The Board of Directors is the Company's chief operating body for making decisions. Management has determined the operating segments based on the reports reviewed by the Board of Directors that are used to make strategic decisions, allocate resources and assess performance.

The Board of Directors considers the business from a business segment perspective. From a business segment perspective, management separately considers the "Cleaning services" which operates only in Singapore as its sole operating segment and other non-reportable business activities included in "Others" segment. No segment reporting by geographical location for the respective financial years ended 31 December 2021 and 2020 is required as all the Group's operations are in Singapore.

(i) Cleaning services

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.

(ii) Others

Others relate to ad-hoc services, investment activities and provision of treasury and administrative services.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

27. Segment information (cont'd)

Except as disclosed above, no operating segments have been aggregated to form the above reportable operating segments.

The Board of Directors assesses the performance of the operating segments based on a measure of profit before income tax. This measurement basis excludes the effects of expenditure from the operating segments such as restructuring costs and impairment loss that are not expected to recur regularly in every period which are separately analysed.

The segment information provided to the Board of Directors for the reportable segment and the reconciliation to the consolidated statement of comprehensive income are as follows:

	Cleaning services \$	Others \$	Total \$
2021			
Revenue	53,184,858	644,857	53,829,715
Other income	431,354	155,253	586,607
Other loss	-	(95,940)	(95,940)
Purchases and related costs	(9,466,891)	(561,235)	(10,028,126)
Employee benefits	(33,766,094)	(1,027,337)	(34,793,431)
Depreciation of property, plant and equipment	(1,301,356)	(256,293)	(1,557,649)
Depreciation of investment properties	-	(32,834)	(32,834)
Other expenses	(4,906,721)	(475,633)	(5,382,354)
Finance expense	(178,152)	(137,890)	(316,042)
Segment profit/(loss) before income tax	3,996,998	(1,787,052)	2,209,946
Income tax expenses			(73,817)
Net profit			2,136,129
Segment assets	21,494,929	9,425,448	30,920,377
Addition to:			
- Property, plant and equipment	1,587,594	603,400	2,190,994
Segment liabilities	15,145,576	5,402,159	20,547,735

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

27. Segment information (cont'd)

The segment information provided to the Board of Directors for the reportable segment and the reconciliation to the consolidated statement of comprehensive income are as follows: (continued)

	Cleaning services	Others	Total
	\$	\$	\$
2020			
Revenue	53,926,840	712,694	54,639,534
Other income	17,236	322,113	339,349
Purchases and related costs	(10,265,038)	(553,268)	(10,818,306)
Employee benefits	(29,749,782)	(899,694)	(30,649,476)
Depreciation of property, plant and equipment	(1,114,199)	(289,252)	(1,403,451)
Depreciation of investment properties	–	(39,400)	(39,400)
Other expenses	(3,691,642)	(745,236)	(4,436,878)
Finance expense	(257,959)	(132,693)	(390,652)
Segment profit/(loss) before income tax	8,865,456	(1,624,736)	7,240,720
Income tax credit			90,216
Net profit			7,330,936
Segment assets	16,026,997	14,560,501	30,587,498
Addition to:			
- Property, plant and equipment	542,841	399,185	942,026
Segment liabilities	13,151,451	3,699,534	16,850,985

28. Events after the balance sheet date

- (a) 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 share 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 \$5,550,000.
- (b) 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.
- (c) On 22 March 2022, the Company through its wholly-owned subsidiary corporation, LS 2 Facilities Pte. Ltd. incorporated a new subsidiary corporation, Urban CoBots Pte. Ltd. ("UCPL") in Singapore with an initial issued and paid-up share capital of \$100 comprising 100 ordinary shares at an issue price of \$1 per share. The Group holds 70% of the total shareholding.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

29. New or revised accounting standards and interpretations

Below are the mandatory standards, amendments and interpretations to existing standards that have been published, and are relevant for the Group's accounting periods beginning on or after 1 January 2022 and which the Group has not early adopted.

Amendments to SFRS(I) 1-1 Presentation of Financial Statements:

Classification of Liabilities as Current or Non-current (effective for annual periods beginning on or after 1 January 2023)

The narrow-scope amendments to SFRS(I) 1-1 Presentation of Financial Statements clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (e.g. the receipt of a waiver or a breach of covenant). The amendments also clarify what SFRS(I) 1-1 means when it refers to the 'settlement' of a liability.

The amendments could affect the classification of liabilities, particularly for entities that previously considered management's intentions to determine classification and for some liabilities that can be converted into equity.

The Group does not expect any significant impact arising from applying these amendments.

Amendments to SFRS(I) 1-16 Property, Plant and Equipment:

Proceeds before Intended Use (effective for annual periods beginning on or after 1 January 2022)

The amendment to SFRS(I) 1-16 Property, Plant and Equipment (PP&E) prohibits an entity from deducting from the cost of an item of PP&E any proceeds received from selling items produced while the entity is preparing the asset for its intended use. It also clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses the technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment.

Entities must disclose separately the amounts of proceeds and costs relating to items produced that are not an output of the entity's ordinary activities.

The Group does not expect any significant impact arising from applying these amendments.

Amendments to SFRS(I) 1-37 Provisions, Contingent Liabilities and Contingent Assets:

Onerous Contracts – Cost of Fulfilling a Contract (effective for annual periods beginning on or after 1 January 2022)

An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the costs of fulfilling it and any compensation or penalties arising from failure to fulfil it. The amendment to SFRS(I) 1-37 clarifies that the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling contracts.

The Group does not expect any significant impact arising from applying these amendments.

30. Authorisation of financial statements

These financial statements were authorised for issued in accordance with a resolution of Board of Directors of LS 2 Holdings Limited on 28 April 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%

SUBSTANTIAL SHAREHOLDERS

Name of Shareholder	Direct Interest		Deemed Interest	
	No. of Shares	%	No. of Shares	%
Tan Hoo Kiat	120,250,000	65%	–	–
Ong Khong Weng, Alvin	37,000,000	20%	–	–

STATISTICS OF SHAREHOLDINGS

As at 5 May 2022

TWENTY LARGEST SHAREHOLDERS

No.	Name	No. of Shares	%
1	TAN HOO KIAT	120,250,000	65.00%
2	ONG KHONG WENG, ALVIN	37,000,000	20.00%
3	TIGER BROKERS (SINGAPORE) PTE. LTD.	26,895,100	14.54%
4	PHILLIP SECURITIES PTE LTD	735,600	0.40%
5	ABN AMRO CLEARING BANK N.V.	65,000	0.04%
6	NG KIM WAH	20,400	0.01%
7	WONG CHEW PENG	10,000	0.01%
8	DBS NOMINEES PTE LTD	5,500	#
9	CHEE CHENG SOON	4,300	#
10	IFAST FINANCIAL PTE LTD	2,400	#
11	LEE SILK HOW	2,400	#
12	QUEK JIA LE	2,100	#
13	LAI AH KOK	2,000	#
14	LEE KOH YONG	1,400	#
15	MORGAN STANLEY ASIA (S) SEC PTE LTD	1,300	#
16	CHUNG CHIN YI (ZHONG JINGYI)	1,000	#
17	LEO CHING CHING JUNE (LIANG JINGJING JUNE)	1,000	#
18	NG KOK KENG	300	#
19	LIN YONG SHENG DESMOND	100	#
20	LIM AND TAN SECURITIES PTE LTD	100	#
		185,000,000	100.00%

denotes less than 0.01%

PERCENTAGE OF SHAREHOLDINGS HELD BY PUBLIC

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 and therefore, Rule 723 of Catalist Rules has been complied with.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting (“**AGM**”) of LS 2 Holdings Limited (the “**Company**”) will be held via electronic means on 27 May 2022 at 4:00 p.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors’ Statement and the Audited Financial Statements for the financial year ended 31 December 2021 together with the Auditor’s Report thereon. **(Resolution 1)**

2. To re-elect Mr. Tan Hoo Kiat who is retiring pursuant to Article 96 of the Constitution of the Company. **(Resolution 2)**

Mr. Tan Hoo Kiat will, upon re-election as a Director, remain as the Executive Chairman and Executive Director of the Company.

3. To re-elect the following Directors of the Company who are retiring pursuant to Article 100 of the Constitution of the Company:

- (a) Mr. Ong Khong Weng, Alvin **(Resolution 3)**
- (b) Mr. Chua Ser Miang **(Resolution 4)**
- (c) Mr. Tan Siang Leng **(Resolution 5)**
- (d) Mr. Ng Hong Whee **(Resolution 6)**

Mr. Ong Khong Weng, Alvin will, upon re-election as a Director, remain as the Chief Executive Officer and Executive Director.

Mr. Chua Ser Miang will, upon re-election as an Independent Non-Executive Director, remain as Chairman of the Nominating Committee and member of the Remuneration Committee and Audit Committee, and will be considered independent for the purposes of Rule 704(7) of the Catalist Rules.

Mr. Tan Siang Leng will, upon re-election as the Lead Independent Non-Executive Director, remain as Chairman of the Audit Committee and member of the Nominating Committee and Remuneration Committee, and will be considered independent for the purposes of Rule 704(7) of the Catalist Rules.

Mr. Ng Hong Whee will, upon re-election as an Independent Non-Executive Director, remain as Chairman of the Remuneration Committee and member of the Audit Committee and Nominating Committee, and will be considered independent for the purposes of Rule 704(7) of the Catalist Rules.

4. To approve the payment of Directors’ fees of up to S\$100,000 for the financial year ending 31 December 2022, to be paid half yearly in arrears. **(Resolution 7)**
5. To re-appoint Messrs. Nexia TS Public Accounting Corporation as the Auditors of the Company and to authorise the Directors of the Company to fix their remuneration. **(Resolution 8)**
6. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

NOTICE OF ANNUAL GENERAL MEETING

AS SPECIAL BUSINESS

To consider and, if thought fit, to pass the following resolutions as Ordinary Resolutions, with or without any modifications:

7. Authority to issue shares

That pursuant to Section 161 of the Companies Act 1967 ("**Act**") and Rule 806 of the Catalist Rules the Directors of the Company be authorised and empowered to:

- (a) (i) issue shares in the capital of the Company ("**Shares**") whether by way of rights, bonus or otherwise; and/or
- (ii) make or grant offers, agreements or options (collectively, "**Instruments**") that might or would require Shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into Shares,

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors of the Company may in their absolute discretion deem fit; and
- (b) notwithstanding that the authority conferred by this Resolution may have ceased to be in force, issue Shares in pursuance of any Instruments made or granted by the Directors of the Company while this Resolution was in force,

provided that:

- (1) the aggregate number of Shares (including Shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution), to be issued pursuant to this Resolution shall not exceed one hundred per centum (100%) of the total number of issued Shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of Shares to be issued other than on a pro-rata basis to existing shareholders of the Company shall not exceed fifty per centum (50%) of the total number of issued Shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);
- (2) (subject to such calculation as may be prescribed by the Singapore Exchange Securities Trading Limited ("**SGX-ST**") for the purpose of determining the aggregate number of Shares that may be issued under sub-paragraph (1) above, the percentage of total number of issued Shares (excluding treasury shares and subsidiary holdings) shall be based on the total number of issued Shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the time of the passing of this Resolution, after adjusting for:
 - (a) new Shares arising from the conversion or exercise of any Instruments or any convertible securities;
 - (b) new Shares arising from exercising of share options or vesting of share awards; and
 - (c) any subsequent bonus issue, consolidation or subdivision of Shares;
- (3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Catalist Rules for the time being in force (unless such compliance has been waived by the SGX-ST), all applicable legal requirements under the Act and the Constitution for the time being of the Company; and

NOTICE OF ANNUAL GENERAL MEETING

- (4) unless revoked or varied by the Company in a general meeting, such authority shall continue in force until the conclusion of the next AGM of the Company or the date by which the next AGM of the Company is required by law to be held, whichever is earlier. **(Resolution 9)**

[See Explanatory Note (i)]

8. Authority to issue shares under the LS 2 Performance Share Plan

That:

- (a) the share performance plan known as "LS 2 PERFORMANCE SHARE PLAN" (the "**PSP**"), under which awards (the "**Awards**") of fully paid-up ordinary shares in the capital of the Company will be granted, free of payment, to selected eligible participants of the Company and its subsidiaries (including executive directors, non-executive directors, independent directors, controlling shareholders of the Company and associates of controlling shareholders of the Company and employees of the Company and/or its subsidiaries) (collectively, the "**PSP Participants**"), particulars of which are set out in the said PSP, be and is hereby approved;
- (b) the Directors of the Company be and are hereby authorised:
- (i) to offer and grant Awards in accordance with the provisions of the PSP and pursuant to Section 161 of the Companies Act:
- (1) to allot and issue from time to time such number of fully-paid new Shares as may be required to be delivered pursuant to the vesting of the Awards under the PSP; and
- (2) notwithstanding the authority conferred by this resolution may have ceased to be in force) to allot and issue from time to time such number of fully-paid new Shares as may be required to be delivered pursuant to any Awards granted by the Directors in accordance with the PSP awarded while the authority conferred in this resolution was in force; and
- (ii) subject to the same being allowed by law, apply any Shares purchased under any share purchase mandate and to deliver such existing Shares (including treasury shares) towards the satisfaction of Awards granted under the PSP,

provided that the aggregate number of Shares to be issued or transferred pursuant to the Awards under the PSP on any date, when aggregated with the number of Shares over which options or awards are granted under any other share option schemes or share schemes of the Company (including the ESOS), shall not exceed fifteen per cent (15%) of the total issued share capital of the Company (excluding treasury shares and subsidiary holdings of the Company) on the day preceding that date. **(Resolution 10)**

[See Explanatory Note (ii)]

9. Authority to issue shares under the LS 2 Employee Share Option Scheme ("**ESOS**")

That:

- (a) the Directors of the Company be and are hereby authorised:
- (i) to establish and administer the ESOS;
- (ii) to modify and/or amend the ESOS from time to time provided that such modifications and/or amendments are effected in accordance with the provisions of the ESOS and to do all such acts and to enter into all such transactions, arrangements and agreements as may be necessary, desirable or expedient in order to give full effect to the ESOS; and

NOTICE OF ANNUAL GENERAL MEETING

- (iii) to offer and grant Options in accordance with the provisions of the ESOS and pursuant to Section 161 of the Companies Act:
 - (1) to allot and issue from time to time such number of fully-paid new Shares as may be required to be delivered pursuant to the exercising of the Options under the ESOS; and
 - (2) (notwithstanding the authority conferred by this resolution may have ceased to be in force) to allot and issue from time to time such number of new Shares as may be required to be delivered pursuant to the exercise of any Options granted by the Directors in accordance with the ESOS granted while the authority conferred in this resolution was in force; and
- (iv) subject to the same being allowed by law, apply any Shares purchased under any share purchase mandate and to deliver such existing Shares (including treasury shares) towards the satisfaction of the exercise of Options granted under the ESOS,

provided that the aggregate number of Shares to be issued or transferred pursuant to the Options under the ESOS on any date, when aggregated with the number of Shares over which options or awards are granted under any other share option schemes or share schemes of the Company (including the PSP), shall not exceed fifteen per cent (15%) of the total issued share capital of the Company (excluding treasury shares and subsidiary holdings of the Company) on the day preceding that date. **(Resolution 11)**

[See Explanatory Note (iii)]

By Order of the Board

Tan Wee Sin
Company Secretary

Singapore, 12 May 2022

Explanatory Notes:

- (i) The Ordinary Resolution 9 in item 7 above, if passed, will empower the Directors of the Company, effective until the conclusion of the next AGM of the Company, or the date by which the next AGM of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares, make or grant Instruments convertible into shares and to issue shares pursuant to such Instruments, up to a number not exceeding, in total, 100% of the total number of issued shares (excluding treasury shares and subsidiary holding) in the capital of the Company, of which up to 50% may be issued other than on a pro-rata basis to shareholders.

For determining the aggregate number of shares that may be issued, the total number of issued shares (excluding treasury shares and subsidiary holding) will be calculated based on the total number of issued shares (excluding treasury shares and subsidiary holding) in the capital of the Company at the time this Ordinary Resolution is passed after adjusting for new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time when this Ordinary Resolution is passed and any subsequent bonus issue, consolidation or subdivision of shares.

- (ii) The Ordinary Resolution 10 in item 8 above, if passed, will authorise the Directors of the Company to grant awards under the PSP in accordance with the provisions of the PSP and pursuant to Section 161 of the Companies Act 1967, to allot and issue shares under the PSP.

NOTICE OF ANNUAL GENERAL MEETING

The total number of new shares which may be issued pursuant to awards granted under the PSP shall not exceed fifteen per centum (15%) of the issued Shares of the Company (excluding any shares held in treasury and subsidiary holdings) on the day shareholders approve the PSP, provided always that the total number of new shares which may be issued pursuant to awards granted under the PSP when aggregated with the aggregate number of shares which may be granted under any other share plan or share option scheme shall not exceed any limits prescribed by the SGX-ST.

- (iii) The Ordinary Resolution 11 in item 9 above, if passed, will empower the Directors, effective until the conclusion of the next AGM of the Company, or the date by which the next AGM of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares in the Company pursuant to the exercise of options granted or to be granted under the ESOS up to a number not exceeding in aggregate, when added to the number of shares issued and issuable in respect of such ESOS and other shares issued and/or issuable under other share-based incentive schemes or share plans of the Company, fifteen per centum (15%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company from time to time.

IMPORTANT NOTICE TO SHAREHOLDERS REGARDING THE COMPANY'S ANNUAL GENERAL MEETING

The Annual General Meeting ("**AGM**") is being convened, and will be held, by way of electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020. The shareholder of the Company will not be able to attend the Meeting in person and shareholder (whether individual or corporate) must appoint the Chairman of the Meeting as his/her/its proxy to attend, speak and vote on his/her/its behalf at the Meeting if such Member wishes to exercise his/her/its voting rights at the Meeting.

The Company will not be issuing printed copies of this Notice of AGM ("**Notice**"), proxy forms and annual reports to its shareholders and members. Instead, the Notice, proxy forms and annual report are accessible by electronic means via the Company's website at the <https://www.LS2.sg/investor-pages/announcements> and on SGX website at <https://www.sgx.com/securities/company-announcements>.

A shareholder who is a relevant intermediary entitled to vote at the Meeting must appoint the Chairman of the Meeting to attend and vote instead of the Member.

"**Relevant intermediary**" means:

- (a) a banking corporation licensed under the Banking Act, Chapter 19 of Singapore, or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity;
- (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act, Chapter 289 of Singapore, and who holds shares in that capacity; or
- (c) the Central Provident Fund Board ("**CPF Board**") established by the Central Provident Fund Act, Chapter 36 of Singapore, in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the CPF Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

PARTICIPATION IN THE AGM VIA LIVE WEBCAST OR LIVE AUDIO FEED

1. As the AGM will be held by way of electronic means and shareholders will **NOT** be able to attend the AGM in person. All shareholders or their corporate representative (in the case of shareholders who are legal entities) will be able to participate in the AGM proceedings by accessing a live webcast or live audio feed. To do so, shareholders are required to pre-register their participation in the AGM by accessing the site <https://septusiasia.com/LS2> by 24 May 2022, Tuesday before 4:00 p.m. ("Registration Deadline") for verification of their status as shareholders (or corporate representative of such shareholders) ("Pre-registration").
2. Upon successful verification, each such shareholder or its corporate representative will receive an email by 26 May 2022 before 12:00 p.m. The email will contain instructions to access the live webcast or live audio feed of the AGM proceedings.

NOTICE OF ANNUAL GENERAL MEETING

- Shareholders or their corporate representative must not forward the email to other persons who are not shareholders and who are not entitled to participate in the AGM. Shareholders or their corporate representatives who have pre-registered by the Registration Deadline but do not receive an email by 26 May 2022 after 12:00 p.m. should contact the Company through email address: ir@LS2.sg or the Company's Share Registrar at email address: srs.teamc@boardroomlimited.com or call the general telephone number at +65 6536 5355 between 9:00 a.m. to 4:00 p.m. (SGT). Kindly state (i) Full name of shareholder (ii) Shareholder's identification or registration number.
- Shareholders holding shares through relevant intermediaries (other than SRS investors) will not be able to pre-register for the "live" webcast or "live" audio feed of the AGM. Such Members who wish to participate in the "live" webcast or "live" audio feed of the AGM should instead approach his/her relevant intermediary as soon as possible in order to make the necessary arrangements.

VOTING BY PROXY

- Shareholders may only exercise their voting rights at the AGM via proxy voting.

Shareholders who wish to vote on any or all of the resolutions at the AGM must appoint the Chairman of the AGM as their proxy to do so on their behalf. In the proxy form, a shareholder should specifically direct the Chairman on how to vote for or vote against or abstain from voting on each resolution to be tabled at the AGM, failing which the appointment of the Chairman of the AGM as proxy for that resolution will be treated as invalid.
- the instrument appointing the Chairman of the AGM as proxy must be
 - Deposited at the registered office of the Company at **1 Bukit Batok Crescent #04-11 WCEGA Plaza Singapore 658064**; or
 - Sent by email to ir@LS2.sg or via the AGM portal at <https://septusiasia.com/LS2>.

in any case, not less than seventy-two (72) hours before the time appointed for the AGM of the Company.

In view of the COVID-19 measures which may make it difficult for shareholders to submit completed proxy forms by post, shareholders are strongly encouraged to submit completed proxy forms electronically via email or the AGM portal.

- SRS Investors who wish to appoint the Chairman of the AGM as proxy should approach their SRS Operators at least seven (7) working days before the AGM (i.e. by 4:00 p.m. on Tuesday, 17 May 2022) to ensure that their votes are submitted.
- Please note that shareholder will not be able to vote through the "live" webcast and can only vote with their proxy forms which are required to be submitted in accordance with the foregoing paragraphs.
- All documents and information relating to the business of the AGM (including the Annual Report 2021 and Proxy Form) have been published on the Company's website at <https://www.LS2.sg/investor-pages/announcements> or the AGM portal at <https://septusiasia.com/LS2>.
- A Depositor's name must appear on the Depository Register maintained by The Central Depository (Pte) Limited ("CDP") at least seventy-two (72) hours before the time fixed for holding the AGM in order for the Depositor to be entitled to vote on any or all of the resolutions at the AGM by appointing the Chairman of the AGM as his/her proxy to do so on his/her behalf. In view of Section 81SJ(4) of the Securities and Futures Act (Cap. 289), Singapore, a Depositor shall not be regarded as a shareholder of the Company entitled to attend the AGM and to speak and vote thereat unless his/her name appears in the Depository Register maintained by the CDP at least seventy-two (72) hours before the AGM. Any shareholder who is holding his/her shares via the CDP but whose name is not registered with the CDP seventy-two (72) hours before the AGM will not be entitled to attend and vote at the AGM. Accordingly, even if such shareholder deposits his/her proxy form seventy-two (72) hours before the AGM, the Chairman of the Meeting who is appointed as his/her proxy will not be entitled to vote on his/her behalf at the AGM.

NOTICE OF ANNUAL GENERAL MEETING

SUBMISSION OF QUESTIONS PRIOR TO THE AGM

Shareholders will not be able to ask questions during the live webcast or live audio feed, therefore it is important for shareholders to register and submit their questions in advance of the AGM.

Shareholders may submit questions related to the resolutions to be tabled at the AGM via email to ir@LS2.sg or electronically via the shareholder portal accessible upon pre-registering at <https://septusasia.com/LS2>. Questions must be submitted by email to ir@LS2.sg or via the AGM portal at <https://septusasia.com/LS2> by **19 May 2022, Thursday before 6:00 p.m.** so that relevant and substantial queries will be addressed by the Board of Directors and publish on the **SGXNET** by **22 May 2022, Sunday before 4:00 p.m.**

Shareholders or their corporate representative must state his/her full name, and whether he/she is a shareholder or a corporate representative of a corporate shareholder and Shareholder's identification or registration number. Any question without the identification details will not be addressed.

The Company shall publish the minutes of the AGM on the SGXNET, and the Company's website within one (1) month after the date of AGM.

PERSONAL DATA PRIVACY:

By (a) submitting an instrument appointing the Chairman of the Meeting as a proxy to vote at the AGM and/or any adjournment thereof, or (b) completing the Pre-registration in accordance with this Notice, or (c) submitting any question prior to the AGM in accordance with this Notice, a Member consents to the collection, use and disclosure of the Member's personal data by the Company (or its agents or service providers) for the following purposes:

- (i) the processing and administration by the Company (or its agents or service providers) of proxy forms appointing the Chairman of the Meeting as a proxy for the AGM (including any adjournment thereof);
- (ii) the processing of the Pre-registration for purposes of granting access to Members (or their corporate representatives in the case of Members which are legal entities) to observe the AGM proceedings and providing them with any technical assistance where necessary;
- (iii) addressing relevant and substantial questions from Members received before the AGM and if necessary, following up with the relevant Members in relation to such questions;
- (iv) the preparation and compilation of the attendance lists, proxy lists, minutes and other documents relating to the AGM (including any adjournment thereof); and
- (v) enabling the Company (or its agents or service providers) to comply with any applicable laws, listing rules, regulations and/or guidelines.

LS 2 HOLDINGS LIMITED

[Company Registration No. 202016972G]
(Incorporated in the Republic of Singapore)

IMPORTANT:

1. Due to the current COVID-19 restriction orders in Singapore, shareholders will not be able to attend the Annual General Meeting ("AGM") in person. Instead, alternative arrangements set out in the Notice of AGM have been put in place to allow members to participate at the AGM. Shareholders **(whether individual or corporate) who wish to vote on any or all of the resolutions of the AGM must appoint the Chairman of the Meeting as his/her/its proxy to do so on their behalf, by giving specific instructions as to voting, or abstentions from voting, failing which the appointment of Chairman of the AGM as proxy for the AGM will be treated as invalid.**
2. For investors who have used their SRS monies to purchase the Company's shares, this Proxy Form is not valid for use and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. SRS investors who wish to appoint the Chairman of the Meeting as their proxy to vote on their behalf should approach their SRS Operators at least seven (7) working days before the AGM to specify voting instructions and to ensure that their votes are submitted.
4. By submitting an instrument appointing the Chairman of the Meeting as proxy, the member accepts and agrees to the personal data privacy terms set out in the Notice of the Annual General Meeting dated 12 May 2022.
5. **Please read the notes overleaf which contain instructions on, inter alia, the appointment of the Chairman of the Meeting as a member's proxy to attend, speak and vote on his/her/its behalf at the Annual General Meeting.**

PROXY FORM

(Please see notes overleaf before completing this Form)

I/We*, _____

of _____

being a *member/members of LS 2 Holdings Limited (the "**Company**"), hereby appoint the Chairman of the Annual General Meeting (the "**AGM**") as *my/our proxy to attend and vote for *me/us on *my/our behalf at the AGM of the Company, to be held by way of electronic means on Friday, 27 May 2022 at 4:00 p.m. and at any adjournment thereof. *I/We direct *my/our proxy to vote for or against or abstain from voting the Resolutions to be proposed at the AGM as indicated hereunder.

(Voting will be conducted by poll. If you wish the Chairman of the AGM as your proxy to cast all your votes "For" or "Against" a resolution, please tick (✓) within the "For" or "Against" box provided in respect of that resolution. Alternatively, please indicate the number of votes "For" or "Against" in the "For" or "Against" box provided in respect of that resolution.

If you wish the Chairman of the AGM as your proxy to abstain from voting on a resolution, please tick (✓) in the "Abstain" box provided in respect of that resolution. Alternatively, please indicate the number of votes that the Chairman of the AGM as your proxy is directed to abstain from voting in the "Abstain" box provided in respect of that resolution.

No.	Resolutions relating to:	For	Against	Abstain
1	Directors' Statement and Audited Financial Statements for the financial year ended 31 December 2021			
2	Re-election of Mr. Tan Hoo Kiat as a Director			
3	Re-election of Mr. Ong Khong Weng, Alvin as a Director			
4	Re-election of Mr. Chua Ser Miang as a Director			
5	Re-election of Mr. Tan Siang Leng as a Director			
6	Re-election of Mr. Ng Hong Whee as a Director			
7	Approval of Directors' fees of up to S\$100,000 for the financial year ending 31 December 2022, to be paid half yearly in arrears			
8	Re-appointment of Auditors			
9	Authority to issue shares			
10	Authority to issue shares under the LS 2 Performance Share Plan			
11	Authority to issue shares under the LS 2 Employee Share Option Scheme			

Dated this _____ day of _____ 2022

Total number of Shares in:	No. of Shares
(a) CDP Register	
(b) Register of Members	

Signature of Shareholder(s)
or, Common Seal of Corporate Shareholder

*Delete where inapplicable



Notes:

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act 2001), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.
2. **Due to the current COVID-19 restriction orders in Singapore, the AGM will be held by way of electronic means and shareholders will NOT be able to attend the AGM in person. A shareholder (whether individual or corporate) must appoint the Chairman of the AGM as his/her proxy to vote on his/her behalf at the AGM if such shareholders wish to exercise his/her voting rights at the AGM. This proxy form has been made available on SGXNet at <https://www.sgx.com/securities/company-announcements> and may be accessed at the Company's website at <https://www.LS2.sg/investor-pages/announcements>.**
3. SRS Investors who wish to appoint the Chairman of the AGM as proxy should approach their SRS Operators at least seven (7) working days before the AGM on Tuesday, 17 May 2022 at 4:00 p.m. to ensure that sufficient time is given to their respective relevant intermediaries to in turn submit a proxy form to appoint the Chairman of the AGM to vote on behalf by the cut-off date. "Relevant intermediary" is defined under Section 181(6) of the Companies Act 1967 as:
 - (a) a banking corporation licensed under the Banking Act (Cap. 19) or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity;
 - (b) a person holding a capital markets services licence to provide custodial services under the Securities and Futures Act (Cap. 289) and who holds shares in that capacity; or
 - (c) the Central Provident Fund Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.
4. Where a shareholder (whether individual or corporate) appoints the Chairman of the AGM as his/her/its proxy, he/she/it must give specific instructions as to voting, or abstentions from voting, in respect of a resolution in the form of proxy, failing which the appointment of the Chairman of the AGM as proxy for that resolution will be treated as invalid.
5. The instrument appointing the Chairman of the AGM as proxy must be submitted to the Company in the following manner:
 - (a) Deposited at the registered office of the Company at **1 Bukit Batok Crescent #04-11 WCEGA Plaza Singapore 658064**; or
 - (b) Sent by email to ir@LS2.sg or via the AGM portal at <https://septusasia.com/LS2>.

in any case, not less than seventy-two (72) hours before the time appointed for the AGM of the Company.

In view of the COVID-19 measures which may make it difficult for members to submit completed proxy forms by post, members are strongly encouraged to submit completed proxy forms electronically via email or the AGM portal.

6. The instrument appointing the Chairman of the AGM must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing the Chairman of the AGM as proxy is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised. Where an instrument appointing the Chairman of the AGM as proxy is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company), if the instrument appointing the Chairman of the AGM as proxy is submitted by post, be lodged with the instrument of proxy or, if the instrument appointing the Chairman of the AGM as proxy is submitted electronically via email, be emailed with the instrument of proxy, failing which the instrument may be treated as invalid.

Personal Data Privacy:

By (a) submitting an instrument appointing the Chairman of the Meeting as proxy to vote at the AGM and/or any adjournment thereof, or (b) completing the Pre-registration in accordance with the Notice, or (c) submitting any question prior to the AGM in accordance with the Notice, a member of the Company consents to the collection, use and disclosure of the member's personal data by the Company (or its agents or service providers) for the following purposes:

- (i) the processing and administering by the Company (or its agents or service providers) of proxy forms appointing the Chairman of the Meeting as a proxy for the AGM (including any adjournment thereof);
- (ii) the processing of the Pre-registration for purposes of granting access to members (or their corporate representatives in the case of members which are legal entities) to the live webcast of the AGM proceedings and providing them with any technical assistance where necessary;
- (iii) addressing relevant and substantial questions from Members received before the AGM and if necessary, following up with the relevant members in relation to such questions;
- (iv) the preparation and compilation of the attendance lists, proxy lists, minutes and other documents relating to the AGM (including any adjournment thereof); and
- (v) enabling the Company (or its agents or service providers) to comply with any applicable laws, listing rules, regulations and/or guidelines.

General:

The Company shall be entitled to reject the instrument appointing the Chairman of the AGM if it is incomplete, improperly completed or illegible, or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of Shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have Shares entered against his name in the Depository Register as at seventy-two (72) hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

