



(Incorporated in the Republic of Singapore on 20 October 2010)
(Company Registration Number 201022364R)

**RESPONSES TO QUERIES FROM THE SINGAPORE EXCHANGE SECURITIES TRADING LIMITED
ON THE COMPANY'S ANNOUNCEMENT DATED 15 MAY 2019 IN RELATION TO THE DISCLAIMER
OF OPINION BY AUDITORS ON THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR
ENDED 31 DECEMBER 2018**

The Board of Directors (the "**Board**") of Libra Group Limited (the "**Company**") and together with its subsidiaries, the "**Group**") refers to the Company's announcements dated 15 May 2019 in relation to the disclaimer of opinion by auditors on the financial statements for the financial year ended 31 December 2018 (the "**Disclaimer Announcement**"). Unless otherwise defined or the context otherwise requires, all capitalised terms shall bear the same meaning as ascribed to them in the Disclaimer Announcement.

The Company sets out below its responses to queries from the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") on the Disclaimer Announcement.

Q1. *Why was EY not able to obtain all the necessary information and explanation in respect of the audit of YC Group and the reliability of the financial statements of the YC Group?*

Company's Response:

Although Baker Tilly Malaysia (BTMY) had completed the statutory audit for YC Group, BTMY had not provided Ernst & Young (EY) with the formal audit clearance in accordance with the group's audit instructions.

In the course of the group audit, EY had arranged to review BTMY's audit working papers in relation to the statutory audit of YC Group. However, BTMY had not responded to EY's queries which were raised in the course of the review. Accordingly, EY was unable to obtain the necessary information and explanation in respect of the audit of YC Group, and therefore unable to opine on the reliability of the financial statements of YC Group.

Q2. *What were these queries raised by EY?*

Company's Response:

The queries raised by EY relate to both the opening balance as at 31 March 2018 and the closing balance as at 31 December of YC Group, especially in relation to the impact of the adoption of SFRS(I) 15 on revenue recognition streams of the individual operating companies, coupled with the ongoing litigation, as announced on 19 October 2018, between the current and the previous shareholders/management of YC Group.

Q3. *Were the queries raised by EY material?*

Company's Response:

The queries raised on YC Group was deemed material by EY in its view of the relative composition of YC Group numbers to Libra Group's overall consolidated financial position.

Q4. *Why did BTMY not respond to EY's queries and the reason for BTMY to not provide EY with the formal audit clearance?*

Company's Response:

Given the significance of contribution from YC Group to Libra Group's overall consolidated financial position and FY2018 being the first year of audit of YC Group by EY as Group Auditor, EY carried out a full scope audit of YC Group rather than rely on BTMY's audit conclusion/clearance using their audit methodologies.

Save for the abovementioned, EY was not able to perform a full scope audit of YC Group completely due to time constraint and the departure of the previous management team of YC Group, which resulted the unavailability of certain financial information and necessary documents. In addition, BTMY and EY was unable to provide and obtain respectively all the further explanations which require the inputs of the previous management team of YC Group. Nevertheless, BTMY had provided all audit working paper with full access to their engagement team to EY for their review.

Q5. *Please confirm that this was not arising from any actual/suspected irregularities noted.*

Company's Response:

No actual/suspected irregularities were identified by the Board.

Q6. *What is this special audit by Baker Tilly? Why is there a need for this special audit?*

Company's Response:

The special audit was carried out by BTMY to ascertain the opening balance of YC Group as at 31 March 2018, this reference date being two days subsequent to the completion date for Libra Group's acquisition of YC Group of 28 March 2018, for the purpose of management consolidating the financials of YC Group with that of Libra Group coupled with the management having to carry out a purchase price allocation assessment to determine the goodwill arising from the acquisition.

Q7. *Was the special audit a normal review for the sole purpose of the purchase price allocation assessment and management consolidation of the financials of YC Group and Libra Group?*

Company's Response:

Yes, it was just a normal review for the sole purpose of the purchase price allocation assessment and management consolidation of the financials of YC Group and Libra Group.

Q8. Please confirm that the special audit was not arising from any actual/suspected irregularities noted.

Company's Response:

The Board confirms that the special audit was not arising from any actual/suspected irregularities noted.

Q9. On the accounting for financing transactions, noted that the management will be procuring Internal Auditors to recommend further internal controls.

(a) Has this process started?

(b) And if not, what is the targeted timeline?

Company's Response:

(a) No.

(b) The Company target to have the recommended further internal controls to be presented by the IA to the Board in August 2019.

Q10. The AC and the Sponsor will work with the auditors to complete the review of financing transactions and to provide their findings to the Board to ascertain the completeness of the financing transactions. What is the targeted timeline for completion and to provide findings?

Company's Response:

The Company intends to get the auditors to complete the review and to provide the findings before the end of 2019Q3.

Q11. Noted from the Annual Report that the Company's current liabilities exceeded its current assets by \$12.5m, and loss of \$4.4m. What is the Board's assessment and basis on the ability to operate on a going concern?

Company's Response:

Of the Company's total current liabilities of \$13.1 million, the amount due to subsidiaries (excluding YC Group) amounts to \$10.8 million. These subsidiaries have agreed not to recall the amounts owed by the Company for at least twelve months from 15 May 2019. At the consolidated level (excluding YC Group), the Group's net current assets exceeded its current liabilities by \$5.1million.

On 15 April 2019, the Company entered into a memorandum of understanding (the "MOU") with Mr Chu Sau Ben, (the "Purchaser") and YC Capital Consolidated Sdn. Bhd. ("YCC" and together with its subsidiaries, the "YC Group") in relation to the proposed disposal of the Group's 51% interest in the issued and paid up shares of YCC (the "Proposed YC Disposal") and the consideration amount of S\$12,000,000 is the same amount that the Group had paid the Purchaser for the YC Acquisition.

And also taking into consideration that there is no specific qualification by EY on going concern, the Board shares similar view that the Company will be able to continue to operate on a going concern basis.

Q12. Noted that one of the directors of Libra Group has agreed to provide continuing financial support, and the subsidiaries have agreed not to recall the amounts owed by the Company for at least next twelve months.

- (a) What is this financial support and by which director?**
 - (b) Was there any undertaking provided by the director to provide continuing financial support?**
 - (c) Has the Company/Board assessed the financial ability of the director to provide the financial support?**
 - (d) Which are the said subsidiaries and the amounts owed?**
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Company's Response:

- (a) The Company has drawn on bank facilities whereby Mr Chu Sau Ben (Executive Chairman, Executive Director and CEO) has provided personal guarantees.
- (b) Mr Chu Sau Ben has provided an undertaking to the Company to provide continuing financial support.
- (c) Yes. Mr Chu Sau Ben holds 135,523,000 of the Company's shares which are worth approximately S\$11.9 million.
- (d)

Kin Xin Engineering Pte Ltd	S\$0.3 million
Libra Engineering Pte Ltd	S\$4.4 million
Cyber Builders Pte Ltd	S\$2.9 million
Libra Building Construction Pte Ltd	S\$3.2 million

By Order of the Board
LIBRA GROUP LIMITED

Chu Sau Ben
Executive Chairman, Executive Director and Chief Executive Officer

6 June 2019

This announcement has been prepared by the Company and its contents have been reviewed by the Company's sponsor, RHT Capital Pte. Ltd. (the "Sponsor") for compliance with the relevant rules of the Listing Manual Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited (the "SGX-ST"). The Sponsor has not independently verified the contents of this announcement.

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

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