



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

**THE PROPOSED ACQUISITION OF 51% OF THE ISSUED AND PAID-UP SHARES IN
YC CAPITAL CONSOLIDATED SDN. BHD.**

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 10 October 2017, 2 January 2018, 10 January 2018 and 30 January 2018 (the “**Announcements**”) and the Company’s circular dated 19 January 2018 (the “**Circular**”) in relation to the proposed acquisition of 51% of the issued and paid-up shares in YC Capital Consolidated Sdn. Bhd.. Unless otherwise defined or the context otherwise requires, all capitalised terms shall bear the same meaning as ascribed to them in the Announcements and the Circular.

The Company sets out below its responses to queries from the SGX-ST on the Proposed YC Acquisition.

Q1. Is there a typo in the LPD, which should be 12 January 2018 (instead of 12 February 2018), in view of the date of circular being 19 Jan 2018.

Company’s Response:

The definition of “Latest Practicable Date” on page 3 of the Circular should read as “*12 January 2018, being the latest practicable date prior to the printing of this Circular*”.

Please refer to the Company’s announcement dated 30 January 2018.

Q2. Pg 14 of circular – purchase consideration should be “MYR 37,220,844” instead of “MYR 37,220,8434”.

Company’s Response:

The first paragraph of Section 2.6.1 on page 14 of the Circular should read as “*The aggregate consideration for the Proposed YC Acquisition is S\$12,000,000 (equivalent to approximately MYR37,220,844) (the “Consideration”), which shall be payable by the Company to the Vendor by way of an issue and allotment of 93,750,000 Consideration Shares to the Vendor at an issue price of S\$0.128 per Consideration Share on the Completion Date.*”.

Please refer to the Company’s announcement dated 30 January 2018.

Q3. How was the purchase consideration determined?

Company’s Response:

The Consideration was arrived at after arms’ length negotiations, on a willing-buyer-willing-seller basis, after taking into account, among others, the following factors:

- (i) the value of the Sale Shares assessed by the Company through an income-based approach and cost-based approach; and

- (ii) the terms of the Investment Property Disposal. The Consideration excludes the value of the Investment Property, and subsequent to Completion, the Company, Mr Choong Hin Seong and Tuan Haji Anuar bin Ahmad shall procure that the Target enter into a sale and purchase agreement (or similar agreement) in relation to disposal of the Investment Property.

Please refer to Section 2.6.1 on pages 14 and 15 of the Circular for further information on the Consideration and Section 2.6.3 on pages 17 and 18 of the Circular for further information on the Investment Property Disposal.

Q4. *How were the Earned-out Incentives NPAT thresholds determined?*

Company's Response:

The NPAT thresholds were determined based on an aggregation of the estimated potential performance for each of the Target Group Companies provided by Vendor and the 5-year forecast contained within the Valuation Report. Please refer to page 33 of the Valuation Report for further information on the assumptions used in the 5-year forecast.

The Earn-out Incentive is to incentivise the Vendor and to align his interest with the Company to achieve the targeted NPAT for the Target Group for FY2018. Please refer to Section 2.6.4 on pages 18 and 19 of the Circular for further information on the Earn-out Incentive.

Q5. *Who was negotiating the Proposed Acquisition on behalf of the Company?*

Company's Response:

The terms were negotiated by the management of the Company excluding Mr Chu Sau Ben.

Q6. *Was Mr Chu involved in any way in the deliberation and approval of the Proposed Acquisition by the Board of Libra?*

Company's Response:

Mr Chu Sau Ben was not involved in the deliberation and abstained from voting on Directions resolutions in relation to the Proposed YC Acquisition as he is an interested person under Chapter 9 of the Catalist Rules, and the Proposed YC Acquisition constitutes an interested person transaction under Chapter 9 of the Catalist Rules.

Q7. *What due diligence was performed by Libra?*

Company's Response:

The Company appointed:

- (i) Moore Stephens Associates PLT as its Malaysia financial advisers to carry out a financial due diligence on the Target Group;
- (ii) McMillan Tax Services Sdn Bhd as its Malaysia tax advisers to carry out a tax due diligence on the Target Group; and
- (iii) Foong & Partners as its Malaysia legal advisers to carry out a legal due diligence on the Target Group.

In addition, the Company commissioned BDO Advisory Pte. Ltd. to undertake an independent valuation of the Target Group to determine an indicative fair market value of the Sale Shares.

Save as disclosed in the Circular, there are no adverse findings from the due diligence carried out by the appointed professionals set out above.

Q8. *The financial due diligence conducted by Moore Stephens uncovered significant internal control lapses in the management of the Target Group. The existing management of the Target Group will continue to run the Target Group after completion of the Proposed Acquisition. What is the view and justification / bases by the Board and Nominating Committee of Libra on suitability of the directors and key management of the Target Group?*

Company's Response:

It is the Company's opinion that the current directors and key management of the Target Group are to be maintained for as long as practicable due to their strong sector knowledge. It is the Company's intention to manage the internal control lapses uncovered by strengthening the management team of the Target Group with new hires and the appointment of independent reputable professional firms to be the internal auditor and the statutory auditor of the Target Group.

The Nominating Committee of the Company has also assessed and concluded that the current directors and key management of the Target Group are suitable.

Q9. *Moore Stephens proposed adjustments to the financial statements of the Target Group, totalling MYR 30.395 million. Bulk of the adjustments are impairments and write-offs of receivables and payables, inter-company balances were also irreconcilable, and there were issues with collectability of debts and discrepancies in accounting records. Please provide more details on these adjustments, in particular:*

- (a) What were the nature of the miscellaneous deposits of MYR 5.5 million?***
 - (b) What did "Other receivables" of MYR 12.576 million pertain to?***
 - (c) What did "unreconciled inter-company balances" of MYR 5.8 million pertain to?***
 - (d) What does it mean when Moore Stephens stated that there were "variances between cash sales transactions and revenues recorded in the Target Group's accounting system"?***
 - (e) To provide details of improvements / controls implemented by the Target Group for each of the adjustment items highlighted by Moore Stephens.***
 - (f) The adjustments were proposed by Moore Stephens as it was unable to obtain sufficient evidence / supporting documents on deposits paid, receivables balances, payables balances, inter-company balances as well as discrepancies in accounting records. How is the Board of Libra satisfied that adequate controls and safeguards have been put in place, to prevent future recurrence?***
 - (g) In light of the significant adjustments, the serious lapse of internal controls, the seemingly lack of documentation in the Target Group, how is the Board of Libra satisfied that there were no irregularities surrounding the circumstances leading to the need for adjustments?***
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Company's Response:

- (a)** The bulk of the miscellaneous deposits of MYR5.5 million relates to deposits made with partner hotels for the accommodation for tour groups.
- (b)** The bulk of the other receivables of MYR12.576 million relates to prepayments made to Target Group's partners responsible for tour traffic.
- (c)** The bulk of the unreconciled inter-company balances of MYR5.8 million relates to carry forward balances that have not been reconciled between the Target Group Companies. The Target Group Companies have previously operated on a standalone basis and have never consolidated as a group. The unreconciled inter-company loans were not identified previously.

- (d) The statement made by Moore Stephens Associates PLT refers to the inability to reconcile the revenue recorded by the Point of Sale systems used by the Target Group with the revenue recorded by the outsourced accountant which was based on a cash receipt basis i.e. based on cash collected per bank statements.
- (e) The Target Group has undertaken to start improving internal control by:
- (1) Appointing a qualified accountant to be its Financial Controller (Lim Su Hwei).
 - (2) Hiring an in house full time accountant and switching all accounting matters in house for greater control.
 - (3) Adopting all the recommendations by Moore Stephens Associates PLT and is in the process of appointing Moore Stephens Associates PLT as internal auditors of the Target Group.
 - (4) Tightening up documentation and approval processes.
 - (5) Appointing a Group Credit Controller to assess all credit risk for debtors and other control items.
- (f) The Target Group has started to strengthen its finance team by appointing a qualified accountant to be its Financial Controller (Lim Su Hwei), hiring an in house accountant and appointing a Group Credit Controller. The Target Group will also appoint independent reputable professional firms to be the internal auditor and the statutory auditor of the Target Group. After Completion of the Proposed YC Acquisition, the Company will continue to assess and monitor the strength and requirements of the Target Group.
- (g) The Company has, insofar as possible, taken steps to ensure that all irregularities are identified and adjusted.
- (1) Please refer to Section 2.6.1 on page 15 of the Circular. The Company appointed Moore Stephens Associates PLT as its Malaysia financial advisers to carry out the financial due diligence on the Target Group; McMillian Tax Services Sdn Bhd as its Malaysia tax advisers to carry out the tax due diligence on the Target Group; and Foong & Partners as its Malaysia legal advisers to carry out the legal due diligence on the Target Group. In addition, the Company commissioned BDO Advisory Pte. Ltd. to undertake an independent valuation of the Target Group to determine the indicative fair market value of the Sale Shares.

The Company has taken a prudent approach in relation to the Proposed YC Acquisition, and has required financial, tax and legal due diligence to be carried out on the Target Group as a condition precedent of the YC SPA. It is therefore a legally binding contractual obligation of the YC SPA for due diligence investigations to be conducted on the Target Group. For this purpose, the Company has appointed qualified professional firms in Malaysia, namely, Moore Stephens Associates PLT, McMillian Tax Services Sdn Bhd and Foong & Partners to carry out such due diligence investigations, and all such due diligence investigations were duly conducted and completed.
 - (2) Please refer to Section 2.6.2(v) on page 16 of the Circular whereby the rectification, or the procurement of such rectification, to the satisfaction of the Company by the YC Shareholders of all issues and/or irregularities uncovered by the Company and/or its professional advisers during the Due Diligence Investigations on the Target Group which are capable of rectification is required as a condition precedent to Completion of the Proposed YC Acquisition.
 - (3) The Target Group has confirmed that they will undertake to adopt all the recommendations proposed by Moore Stephens Associates PLT. The Target Group is in the process of appointing reputable professional firms to be the internal auditor and the statutory auditor of the Target Group.
 - (4) The Target Group has undertaken steps to start improving internal control of the Target Group. Please refer to the Company's responses to Query 9(e) above.

Q10. Who is the CFO of the Target Group? Will this CFO continue in his role post completion of the Proposed Acquisition?

Company's Response:

The Financial Controller of the Target Group is Lim Su Hwei who will continue her role as Financial Controller of the Target Group after Completion of the Proposed YC Acquisition.

Q11. How does Libra intend to exercise greater oversight over the Target Group's finance, operations, internal controls and other related matters?

Company's Response:

It is the Company's intention to strengthen the management team of the Target Group with new hires and the appointment of independent reputable professional firms to be the internal auditor and the statutory auditor of the Company after Completion of the Proposed YC Acquisition. In addition, after Completion of the Proposed YC Acquisition, the Target Group Companies will be subsidiaries of the Company and comply with the Company's process and procedures.

Q12. The terms of the Proposed Acquisition include disposal of certain investment properties owned by the Target, within 12 months from completion of the Proposed Acquisition. It is stated that the consideration and timing of such disposal will be determined by the Company. Please explain the rationale for the Company taking on such a role given that Libra will not have any vested interest in the disposal.

Company's Response:

Upon Completion of the Proposed YC Acquisition, the Target will become a 51%-held subsidiary of Libra Engineering Sdn. Bhd., and an indirect subsidiary of the Company.

The Target owns the Investment Property and the Investment Property is used as security for indebtedness arising from banking facilities granted by RHB Bank Berhad and CIMB Bank Berhad (the "**Investment Property Indebtedness**").

The Company has been given the discretion to determine the terms and conditions of the Investment Property Disposal including the consideration and timing of the Investment Property Disposal so that insofar as possible, the Company may secure a transaction whereby the proceeds from the Investment Property Disposal is more than sufficient to discharge the Investment Property Indebtedness. Insofar as possible, the Company would like to avoid a scenario whereby the proceeds from the Investment Property Disposal is insufficient to discharge the Investment Property Indebtedness, and it has to look to the YC Shareholders to pay to the Target such shortfall so as to enable the Target to discharge the Investment Property Indebtedness.

The intention is to provide the Company with the sole discretion to approve or reject the terms and conditions of the Investment Property Disposal depending on market conditions etc. This is to ensure Company's right to receive and assess all offers to purchase the Investment Property.

Q13. How is the Board of Libra satisfied that the Proposed Acquisition is in the best interest of the Company and its minority shareholders?

Company's Response:

The Company has assessed the Target Group and has documented, in Section 2.5 on pages 13 and 14 of the Circular, the rationale for the Proposed YC Acquisition and the benefits to the Company. The Board believes that the Proposed YC Acquisition is in line with the Company's growth strategy to expand the Group's business into the Tourism Business. The Company obtained Shareholders' approval to diversify into the Tourism Business on 5 August 2015.

The Company is of the view that the prospects in relation to the tourism and travel services industry are positive due to, amount others, the expected continuation of strong growth figures for international tourism and the proliferation of regional low-cost carriers.

The Company believe that the principal businesses of FAME, KLPO, TDG and Cocoffee are also complementary to the Group's leisure and corporate travel and travel related services.

The Company has appointed the following independent professionals firms as part of its due diligence process:

- (i) BDO Advisory Pte. Ltd. as its independent professional valuer to conduct an independent valuation of the Target Group;
- (ii) RHT Capital Pte. Ltd. as its independent financial adviser to advise the Recommending Directors on the Proposed YC Acquisition as an interested person transaction;
- (iii) Stamford Corporate Services Pte. Ltd. as its Sponsor to review the Circular;
- (iv) Moore Stephens Associates PLT as its Malaysia financial advisers to carry out a financial due diligence on the Target Group;
- (v) McMillian Tax Services Sdn Bhd as its Malaysia tax advisers to carry out a tax due diligence on the Target Group; and
- (vi) Foong & Partners as its Malaysia legal advisers to carry out a legal due diligence on the Target Group.

Q14. Who is the legal partner from Shook Lin & Bok advising Libra on the Proposed Acquisition?

Company's Response:

The Company appointed Shook Lin & Bok LLP ("SLB") as its Singapore legal advisers in relation to the Proposed YC Acquisition on 31 August 2017.

From 31 August 2017 to 11 December 2017, the partner-in-charge from SLB was Ms Gwendolyn Gn. After Ms Gwendolyn Gn was appointed as an Independent Director of the Company on 12 December 2017, another partner in SLB, namely, Mr David Chong became the partner-in-charge of the matter. The day-to-day matters in relation to the Proposed YC Acquisition was led by Mr Joel Tan from SLB who was assisted by Ms Jodee Lee from SLB.

Please refer to Section 4 on pages 28 and 29 of the Circular which discloses that Ms Gwendolyn Gn is a partner in SLB, the Company's Singapore legal advisers to the Proposed YC Acquisition.

Q15. What is the status of the Company's appointment of a CFO? Who has been overseeing the finance function since the departure of the previous CFO in June 2017?

Company's Response:

The appointment of a Chief Financial Officer ("CFO") is currently still ongoing. The finance function was overseen by its Financial Controller supported by its Group Accountant which has recently been promoted to Group Finance Manager since the departure of the previous CFO in June 2017.

Q16. The Target is in the business of providing travel and tour agency, business of retailing of local goods and products / luxury items / latex/ etc. Should the Company seek business diversification mandate from shareholders?

Company's Response:

The Company has obtained shareholders' approval to diversify into the business of providing leisure and corporate travel and travel related services in Asia, which includes, among others, making arrangements for air tickets and accommodation, advising on leisure travel packages and offering of other travel related services and products (the "Tourism Business") at an extraordinary general meeting of the Company held on 5 August 2015.

YCT is principally engaged in the business of providing travel and tour agency services, and owns several wholly-owned subsidiaries, namely, FAME, KLPO, TDG and Cocoffee which are principally engaged in the business of retailing products catering to tourists. Based on the legal due diligence report issued by the Company's Malaysia legal advisers and the financial due diligence report issued by the Company's Malaysia financial advisers:

- (i) The principal activity of FAME is retailing local manufactured goods and products.
- (ii) The principal activity of KLPO is retailing luxury items such as watches, bags, jewellery and etc.
- (iii) The principal activity of TDG is trading in food and latex products.
- (iv) The principal activity of Cocoffee is retailing coffee and chocolate products.

YCT is also the primary feeder to FAME, KLPO, TDG and Cocoffee which principal businesses are ancillary to YCT's leisure and corporate travel, and travel related services.

Therefore, the businesses of FAME, KLPO, TDG and Cocoffee are covered under the Company's existing Tourism Business diversification mandate obtained from shareholders at the extraordinary general meeting of the Company held on 5 August 2015.

BY ORDER OF THE BOARD

Chu Sau Ben
Executive Chairman and Chief Executive Officer
2 February 2018

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

This announcement has not been examined or approved by the SGX-ST. The Sponsor and the SGX-ST assume 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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