



Y VENTURES GROUP LTD.
(Company Registration No.: 201300274R)
(Incorporated in the Republic of Singapore)

**RESPONSE TO QUESTIONS FROM THE SECURITIES INVESTORS ASSOCIATION
(SINGAPORE) ON THE ANNUAL REPORT FOR FY2020**

The Board of Directors (the “**Board**” or “**Directors**”) of Y Ventures Group Ltd. (the “**Company**” and together with its subsidiaries, the “**Group**”) refers to the questions raised by the Securities Investors Association (Singapore) (“**SIAS**”) in relation to the Company’s Annual Report for the financial year ended 31 December 2020 (“**FY2020**”) and appends the replies as follows:

Question 1

As shown in the corporate profile, the group has three main businesses, namely e-commerce retail and distribution, logistics and freight forwarding and waste management services. In the main core business of sales of books on online marketplaces, the group achieved external revenue of US\$34.6 million (page 134 – Segment information).

- (i) **What are the types of books being sold online by the group? What are the best-selling books and journals? How many titles does the group hold in its inventory?**
- (ii) **Which online marketplaces contribute to the bulk of the group’s revenue?**
- (iii) **To better understand the group’s core business, can management present a case study during the AGM to show how it has helped its supplier/principal (i.e., publisher) achieve better sales?**
- (iv) **Separately, can management help shareholders understand the strategic value of the group’s waste management business, Skap Waste Management Pte. Ltd. in its long-term plans?**

Company’s response

- (i) The Group sells mainly professional and reference books for use in higher education and research.

Some of the best-selling books include titles such as “*Pocket Drug Guide for Nurses*” and “*Bates’ Guide to Physical Examination*”.

The Group holds approximately 10,000 titles in its inventory.
- (ii) The sales from Amazon USA, Amazon Canada and Amazon UK contribute to the bulk of the Group’s revenue.
- (iii) The Group uses our proprietary data analytics to forecast demand volatility and ensure that sufficient inventory is in place to reduce loss sales and yet prevent oversupply of stocks in the market which has helped its suppliers / principal achieve better sales. The Group also utilizes our pricing algorithm to ensure that prices are competitive with that of similar titles. Due to commercial sensitivity, the Company is unable to present a case study during the AGM on how it utilises such proprietary data analytics and pricing algorithm.

- (iv) The Group is committed to environmental conservational efforts with our subsidiary, SKAP Waste Management Pte. Ltd. (“**SKAP Waste**”), which is a waste management services company actively supporting the environmental cause of reduce, reuse and recycle in Singapore.

Question 2

As disclosed in the financial review (page 4), revenue increased by 41.8% to US\$35.0 million in FY2020. The increase in revenue from the sales of goods in FY2020 was mainly attributable to book sales that amounted to US\$23.3 million in FY2020 as compared to US\$34.5 million in FY2019.

18 Trade and other receivables

	Group		Company	
	2020	2019	2020	2019
	US\$	US\$	US\$	US\$
Trade receivables				
- third parties	406,207	169,481	–	–
- subsidiary	–	–	675,573	530,300
	406,207	169,481	675,573	530,300

(Source: company annual report)

As shown in Note 18 (page 117 – Trade and other receivables), trade receivables from third parties increased significantly from US\$169,481 to US\$406,207.

- (i) **Can management help shareholders understand the reasons for the increase?**
- (ii) It was also disclosed that the group receives payments from customers based on a billing schedule as established in contracts. **What are the credit terms offered to its customers?**
- (iii) **Can management disclose the identity/profile of the debtor who accounted for 85% of the trade receivables as at 31 December 2020?**

Company’s response

- (i) The increase in trade receivables from third parties was largely due to a surge in sales on Amazon in the last month of December 2020, which was credited into the Group’s bank accounts around January 2021.
- (ii) No credit terms are given to customers for the online marketplaces but sales proceeds are paid to the Company every 7 days.
- (iii) The Group’s trade receivables comprise 1 debtor (2019: 1 debtor), namely Amazon, that represented approximately 86% (2019: 70%) of the trade receivables as at 31 December 2020.

Question 3

The company disclosed that the internal audit function was outsourced to Yang Lee & Associates for FY2020. The internal auditors report primarily to the chairman of the audit committee (AC) and have unfettered access to all the group’s corporate documents, records, properties and personnel including the AC. The AC has determined that the internal auditors are independent, effective and adequately resourced with the appropriate standing within the group and is able to perform its functions effectively and objectively.

(i) **Can the AC help shareholders understand the scope of the internal audit plan? Which operations/businesses were included in the scope for 2020?**

(ii) **What were the main findings by the internal auditor?**

In addition on 16 March 2021, the company announced the findings of the independent reviewer's report. The misstatements amounting to US\$1.3 million in 2018 were due to reasons such as ineffective monitoring of inventory balance, inadequate review of accounting entries, weaknesses in procurement and payment process. SGX RegCo has stated that it will investigate the potential listing rule breaches by the company, its directors and/or key executive officers as highlighted in Deloitte's report.

The audit committee comprises Goh Cher Shua (chairman), Edward Tiong Yung Suh (appointed on 29 May 2017), Ng Tiong Gee (appointed on 29 May 2017) and Tan Jia Kien.

(iii) **How did the AC review and justify its view of the adequacy and effectiveness of the group's internal controls?**

(iv) **For directors who were audit committee members during 2017/2018 period which was reviewed by the independent reviewer, how have the systems and processes of the AC and of the group been improved?**

(v) **Specifically, is the AC satisfied with the implementation of the inventory management system? What level of oversight does the AC provide to ensure compliance with the procedures in the SOP for inventory management?**

Company's response

(i) The internal audit scope for FY2019 covered LYJ International Pte Ltd ("**LYJ**"), the purchasing arm of the E-commerce business of the Group. In FY2020, the internal audit scope covered Y Ventures Inc. ("**YINC**"), the sales arm of the E-commerce business and two other entities of the Group namely JustNile Pte Ltd ("**JNPL**") dealing with general import and export of products and JustNile (SEA) Pte Ltd ("**JSEA**") procuring of book products. The scope of the internal audit had covered more than 90% of the purchases and sales of the Group in the last two years.

Entity & Scope of review for FY2020 are as follows:

S/N	Entity	Scope of review
1	YINC	<ul style="list-style-type: none"> Sales and credit management Financial accounting Inventory management
2	JNPL	<ul style="list-style-type: none"> Purchases and creditor management Inventory management
3	JSEA	<ul style="list-style-type: none"> Purchases and creditor management Financial accounting

(ii) The main findings are set out below follows:

S/N	Nature of issue	Entity	Priority level	Remarks
Purchases and creditor management				
1	Document the criteria set for preparation of buy lists in the R-System to allow proper review	JSEA	Moderate ⁽¹⁾	Completed

Sales and credit management				
2	Establish standard criteria for setting selling prices in the Sellery system tool and ensure they are appropriately reviewed and approved	YINC	Moderate ⁽¹⁾	In-progress – Management commits to setting standard criteria for setting and adjusting selling prices in the Sellery system tool with documented evidence.
General				
3	Set up dual authorisation for the bank account with Bank of America	YINC	Moderate ⁽¹⁾	Completed

Note:

(1) Moderate priority level refers to internal control weaknesses identified which requires attention of the department responsible and should be addressed within a reasonable timeframe (generally within 3 months)

(iii) In relation to the Independent Review Report received by the Company from Deloitte & Touche Enterprise Risk Services Pte Ltd (“**Deloitte**”), the Company had announced on 16 March 2021 that Deloitte had made recommendations relating to internal controls in revenue and receipts management, procurement and payables management, inventory management, cash and bank management and human resource and payroll management. The Company and AC had reviewed and noted the internal control weaknesses identified by Deloitte and had implemented their recommendations or undertaken alternative measures.

The Company has also documented and implemented the revised Standard Operating Procedures (“**SOPs**”). In addition, as mentioned in the responses to Question 3(i), the internal audit scope for the last two years has covered more than 90% of the purchases and sales of the Group without major issues raised. With the above improvement, the Company has made a positive turnaround to report a profit in FY2020.

(iv) Further to the responses in Question 3(iii), the Company has since taken steps to improve its systems and processes by implementing an integrated Enterprise Resource Planning system “Microsoft Dynamics 365 Business Central” (“**BC-365 ERP**”) which was rolled out in September 2020.

(v) Yes, AC is satisfied with the implementation of the BC-365 ERP system which is an integrated system. Separately, the SOPs are reviewed and updated regularly by the management, which is circulated to the AC as a form of oversight. The AC is kept abreast on any updates to the SOP and discussions are held during the AC meetings.

By Order of the Board

Lew Chern Yong
Executive Chairman and Director
26 April 2021

*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 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 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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