Deloitte.

Y Ventures Group Ltd

Executive Summary on Agreed Upon Procedures

STRICTLY PRIVATE AND CONFIDENTIAL

16 March 2021

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1. Introduction

1.1 Deloitte & Touche Enterprise Risk Services Pte Ltd ("D&T ERS") was appointed on 12 March 2019 to perform certain Agreed Upon Procedures ("AUP") in response to queries raised by Singapore Exchange Regulation Pte Ltd ("SGX RegCo") in relation to the restatement of accounts for the first half year ended 30 June 2018 by Y Ventures Group Ltd ("Y Ventures" or "the Company").

1.2 This Executive Summary sets out the procedural steps performed on the Company and its key subsidiaries ("the Group") under the AUP and the factual findings arising thereof.

1.3 The scope of the AUP is as follows:

1.3.1 Review the adequacy and effectiveness of the internal controls of the Group, and highlight any internal control lapses for the financial reporting period starting from 1 January 2014 and 31 December 2018 (review period);

1.3.2 Quantify and particularise any Misstatements in the Group's prior year financial statements as disclosed in the initial public offering ("IPO") offer document to 31 December 2018 as a result of the internal control lapses;

1.3.3 Investigate the circumstances, and responsible parties involved in /surrounding the internal control lapses and Misstatements identified; and

1.3.4 Identify any possible breaches of the Singapore Exchange Rulebooks, Companies Act (Cap 50) and/or Securities and Futures Act (Cap 289) in relation to the internal control lapses and Misstatements identified and identify the parties responsible for the possible breaches.

1.4 Our work may be limited by access to information sources. In such circumstances, our ability to report adequately may be materially prejudiced and you should not rely on our work and the Executive Summary as being comprehensive, as we may not become aware of all facts or information that may be regarded as relevant.

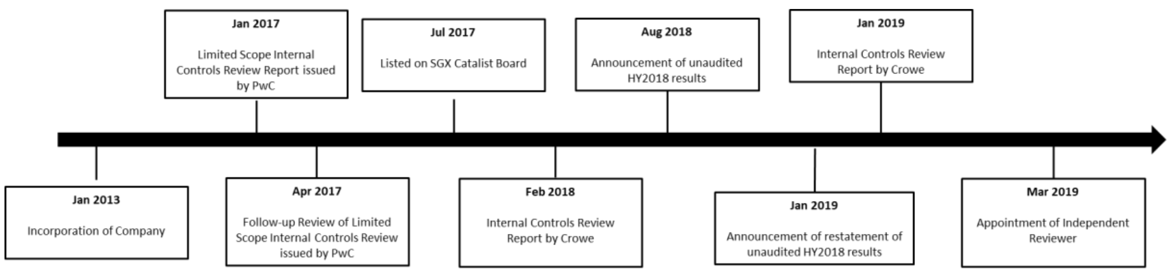
1.5 We did not verify the authenticity, correctness and integrity of the information provided to us. We accept no responsibility for matters not covered by this Executive Summary or omitted due to the limited nature of our review.

1.6 The performance of the services does not constitute an audit, review or compilation of the Group's financial statements or specified elements, accounts or items thereof, in accordance with generally accepted accounting standards or applicable audit or attestation professional standards, nor an examination or compilation of, or any application of, agreed upon procedures to, any prospective financial statements.

2. Executive Summary

2.1 The Company was listed on SGX Catalist Board on 11 July 2017. For the financial year ended 31 December 2018 (“FY2018”), more than 97% of the Group’s revenue was from the sale of books on the Amazon online marketplace. The Group’s business model was to procure books from publishers and have them delivered directly to the customers using warehouses operated by Amazon for the receiving, storage, and delivery of the books. The majority of the operating expenses for the Group in FY2018 comprised selling expenses, administrative expenses, and staff costs which accounted for about 51%, 26%, and 22% of the Group’s operating expenses respectively.

2.2 A timeline of key events leading up to this review is as follows:



2.3 On 21 January 2019, the Company after discussions with the Board, AC, Sponsor and Baker Tilly (“Baker”) (the external auditors), announced the restatement of its unaudited results for the half-year ended 30 June 2018 (“Misstatements”). On 30 January 2019, the Company further announced, in its response to queries from the SGX RegCo and Sponsor in relation to the Misstatements, that “there were certain administrative inadvertences in the recording of the accounting entries” and these “administrative inadvertences” were discovered by the Company as a result of the Group’s own internal checks as part of its existing control procedures. The Company also made a number of subsequent announcements[1] in relation to the restatement of the accounts for the half-year ended 30 June 2018.

Deloitte & Touche Enterprise Risk Services Pte Ltd was appointed on 12 March 2019 to perform certain Agreed Upon Procedures (“AUP”) in response to queries raised by SGX RegCo in relation to the Misstatements. The scope of the AUP is as follows:

- Review the adequacy and effectiveness of the internal controls of the Group, and highlight any internal control lapses for the financial reporting period starting from 1 January 2014 and 31 December 2018 (review period);
- Quantify and particularise any Misstatements in the Group’s prior year financial statements as disclosed in the IPO offer document and till 31 December 2018 as a result of the internal control lapses;
- Investigate the circumstances, and responsible parties involved in/surrounding the internal control lapses and Misstatements identified; and

[1] The announcements were made on 1 February and 28 February 2019.

- Identify any possible breaches of the Singapore Exchange Rulebooks, Companies Act (Cap 50) and/or Securities and Futures Act (Cap 289) in relation to the internal control lapses and Misstatements identified and identify the parties responsible for the possible breaches.

Audits undertaken by Group in conjunction with its IPO

2.4 In March 2017, PricewaterhouseCoopers Risk Services Pte Ltd ("PwC") was appointed to review the internal controls of the Company in preparation for the IPO. The areas covered were: (a) Revenue and Receivables Management; (b) Procurement and Payables Management; (c) Inventory Management; (d) Cash and Bank Management; (e) Human Resource and Payroll Management; and (f) General Control Environment. A total of 39 internal control issues were identified and of which, 34 were of higher risks (labelled as Category A issues in the PwC report).

2.5 In April 2017, PwC performed a follow-up for the review period of 25 January to 24 February 2017 and reported that 30 of the 34 Category A issues had been rectified. The remaining 4 internal control issues were not considered to be fully implemented due to the lack of transactions during the follow-up review period, of which 3 were related to human resource and payroll and 1 partial remediation on the controls over the maintenance of bank accounts and mandates. The dual signatories and upper monetary limits for an overseas bank account with Bank of America were not established due to logistics and overseas travel issues. Nonetheless, alternative measures were implemented to address the associated risks. Whilst controls and procedures had been implemented after the pre-IPO review by PwC, there were non-compliances with the implemented Standard Operating Procedures ("SOP") post-IPO.

2.6 In conjunction with the IPO, Baker was engaged as the financial auditor to prepare the financial statements for the years ended 31 December 2014, 2015, and 2016 that were included in the IPO Offer Document. As part of the audit, Baker highlighted audit observations on control weaknesses during their audit on the Group. These audit observations were subsequently confirmed by Baker to have been adequately addressed by the Group.

2.7 We understand the Board provided their confirmations on the adequacy of the Company's internal controls in the IPO Offer Document based on, inter alia, the aforementioned reports (including receiving negative assurance from Baker that nothing has come to their attention that there are material internal control deficiencies in relation to the audit observations raised that would have a material impact on their opinion expressed on the financial statements) issued by PwC and Baker. On the same basis, the Sponsor had provided their confirmations that the Company has established adequate procedures, systems, and controls (including accounting and management systems) to meet its obligations under the Catalist Rules during the registration of the IPO Offer Document.

Internal audits undertaken by the Group post-IPO

2.8 Following the Company's listing on SGX Catalist Board in July 2017, Crowe Horwath First Trust Risk Advisory Pte Ltd ("Crowe") was appointed as the internal auditors. Crowe's FY2017 internal audit plan covered: (a) general control environment and (b) cash and bank management for the Group, and (c) sales, receivables, and collections for the E-Commerce Division and SKAP Logistics Pte Ltd

("SKAP") (a wholly-owned subsidiary). Its proposed FY2018 and FY2019 internal audit plans covered: (a) general control environment, (b) human resource and payroll for the Group, and (c) IT general controls and cyber-security management for Luminore 8 (a newly acquired subsidiary then). We understand that the appointment and audit plans were approved by the Audit Committee ("AC"), comprising then of Ms. Wong Sok Mei, Mr. Edward Tiong Yuh Suh, and Mr. Ng Tiong Gee. However, there was no documentation of the approval for the audit plans.

2.9 We understand from Crowe that they had originally included a review of inventory management (E-Commerce Division) and procurement (E-Commerce Division and SKAP) in their proposed internal audit plans for FY2017 to FY2019. However, further to discussions with the Group, the proposed scope was amended to that as stated in the paragraph above. In this regard, the internal audit focus in FY2018 was on controls surrounding the IT systems as the Group was preparing for an Initial Coin Offering ("ICO").

2.10 The AC explained that the proposed audit plans did not cover controls relating to inventory management or procurement as PwC already covered these areas during their recent audit and the recommendations arising thereof had been implemented.

2.11 We are unable to comment if the inherent risks of the Group were considered in determining the audit scope as there was no documentation on the discussions on the audit plan for FY2017 and FY2018.

<u>Misstatements</u>

2.12 We have reviewed the "administrative inadvertences" in relation to the Misstatements and noted their causes as follows:

Misstatements	Causes of Misstatements	Impact on Profit/Loss for the half-year ended 30 June 2018 (USD)
1 and 2A – Overstatement of inventory	• Ineffective monitoring of inventory balance • Inadequate review on accounting entries	683,454
2B – No provision for slow-moving inventory	• Ineffective monitoring of inventory balance • Inadequate review on accounting entries	48,240
3 – Payments of inventory should not be classified as advance to supplier	• Inadequate review of the financial closing and reporting process	175,800
4 to 6 –Inter-company payments and balances	• Inadequate review on accounting entries	396,858

Misstatements	Causes of Misstatements	Impact on Profit/Loss for the half-year ended 30 June 2018 (USD)
4 - Inter-company payments between JND and JNIC (TW) not eliminated 5 - Consolidation adjustment for inter-company advances and sale of inventory were incorrect and not supported 6 - Difference in Inter-company balances not detected	• Inadequate review of the financial closing and reporting process	
7 – Advance payments to suppliers wrongly recorded as inventories / fixed assets	• Weaknesses in procurement and payment process • Inadequate review on accounting entries	(889)
Total		**1,303,463**

2.13 The Misstatements were identified through the Group's internal review procedures after the unaudited results containing the Misstatements have been announced. The causes of the Misstatements could be broadly categorised as: (a) ineffective monitoring of inventory balance; (b) weaknesses in the procurement and payment process; (c) inadequate review of accounting entries; and (d) inadequate review of the financial closing and reporting process. In the overall, there was non-compliance with the Group's internal procedures implemented following the review on the Group's internal controls pre-IPO.

<u>(a) Ineffective monitoring of inventory balance</u>

2.14 Due to the contractual terms in relation to the use of the Amazon warehouses, the Group was unable to perform physical inventory counts and relied on the inventory records provided by Amazon to obtain the ending quantity balances. As enhancements to reconciling and reviewing inventory movement records, the Group adopted PwC's recommendation as follows: (a) reconciled and independently reviewed inventory movement and net resultant inventory balances with records obtained from third party warehouse operators and e-commerce platform and the Company's inventory movement records, and (b) reconciled and independently reviewed inventory inflow and outflow to the ending inventory balance recorded on various documents.

2.15 The procedures (a) and (b) were documented in the Inventory Management SOP whereby the inventory related reconciliations were to be prepared by the Channels Executive and reviewed by the Channels Manager, with Mr. Chin Ngai Sung ("former CFO") reviewing the inventory cost journal at month end. We noted there were errors in inventory quantities and unit costs (as elaborated in paragraphs 2.16 to 2.19) notwithstanding the Group's inventory reconciliation procedures.

Error in inventory quantities

2.16 The inventory balance as at 30 June 2018 was calculated wrongly due to an error in the Excel formulas which resulted in certain units of inventory retrieved from Amazon's records being double counted. In addition, the inventory from one of the Amazon's warehouses in Canada was omitted from the inventory balance.

Error in inventory costs

2.17 There were instances whereby the unit costs of several inventories entered into the Excel spreadsheets did not tally with the prices stated in the supplier invoices. These errors in turn affected the calculation of inventory value and the cost of goods sold.

2.18 The Group also did not maintain stock ageing reports and monitor inventory ageing to make provisions for slow-moving inventory as prescribed by its own SOP. In relation to the subsidiary in Taiwan, we noted that there were no provisions made for slow-moving inventory.

2.19 Notwithstanding that the former CFO had reviewed the journal entry that recorded the cost of goods sold (which was derived from the inventory balance), he did not detect the above errors. These errors ought to have been detected during the review process.

(b) Weaknesses in procurement and payments process

2.20 The SOP relating to advance payments states that an approved purchase order and vendor proforma invoice would be required for advance payments. The transactions would then be recorded in the Finance System as "Advance Payment for Purchases". A Commercial / Tax invoice should then be provided by the vendor subsequently. Following which, the Accounts Executive should record the corresponding purchase entries in the Finance System after the receipt of goods/services. For outstanding goods that have yet to be received for more than 90 days, they should be monitored by the Accounts Executive and follow up actions should be determined by the CFO.

2.21 However, these procedures stated in the SOP were not adhered to. The Company made 3 advance payments totalling MYR 2,641,008 to AchieveNet Sdn Bhd ("AchieveNet") for data mining rig equipment and inventory between January and March 2018 without an approved purchase order and vendor proforma invoice. The payments were made solely based on quotations with no invoices or other documents provided by AchieveNet. The purchases were inaccurately recorded as inventory and fixed assets as at 30 June 2018 even though the delivery orders showed that the goods were delivered between July and December 2018.

(c) Inadequate review of accounting entries

2.22 The Group's accounting system allowed journal entries to be posted without independent review. In addition to the limitation of the accounting system, the process to review and approve the journal entries before posting was not documented. Whilst we understand that the former CFO or Assistant Accounts Manager had reviewed the manual journal entries before they were posted onto the accounting system, we noted some instances where there was no evidence of review.

2.23 Separately, there was no formalised SOP to require an independent party (i.e. the CFO) to review manual journal entries that had been posted onto the accounting system. We noted that this practice was previously recommended by PwC in its Limited Scope Internal Controls Review Report, and was indicated as fully implemented by PwC in the follow up review dated April 2017. However, there were various instances with no evidence of review as well.

(d) Inadequate review of the financial closing and reporting process

2.24 The Group did not have a formal documented process on financial closing and reporting, particularly on month-end closing cut-off and the preparation of consolidation worksheet. Whilst we understand that the consolidation worksheet was reviewed by the CFO, there were no supporting documentation on such reviews performed in the consolidation process and we have noted errors in the inter-company transactions and balances that should have been detected during the review.

2.25 Separately, the Group did not perform any verification work as part of its month-end closing cut-off procedures to ascertain if the inventory had been received as at the financial year end. As a result, the Group was unable to satisfy the statutory auditors that certain inventory had been received by the Group as at the financial year ended 31 December 2017. This in turn led to an audit adjustment (i.e. reclassification of the inventory to “advance payment to supplier”) being passed in the audited financial statements for the financial year ended 31 December 2017. The audit adjustment was subsequently reversed in the restated unaudited HY2018 results when the Group later uncovered that the inventory had been received prior to 31 December 2017.

2.26 The lack of SOP on financial closing and reporting process was not in accordance with the recommendation arising from the Limited Scope Internal Controls Review Report, which states that the policies and procedures for key processes (whereby financial closing should be one such process) be formalised[2].

Risk of misstatements in the Group’s financial statements prior to 1HFY18

2.27 In relation to the inventory balance held at third party online platforms’ warehouses as at 31 December 2017, we understand from our inquiry that Baker had performed the following procedures:

- Obtained an understanding from the Group’s management that: (a) the Group prepared monthly inventory listings, based on online platforms’ inventory reports and shipping documents; (b) corresponding monthly journals were raised to record monthly cost of goods sold, and (c) the monthly journals were reviewed and approved by the former CFO, on a monthly basis;
- A walkthrough test to confirm the understanding of the management’s processes;
- Tested the implementation of the monthly review control for selected months in 2017; and

[2] For avoidance of doubt, the key processes identified by PwC in its report did not specifically make reference to the financial closing and reporting process.

- A substantive test to audit year-end inventory quantities, FIFO costing, and valuation of inventories at year-end.

2.28 For the prior period financial statements, Baker had opined that the annual financial statements from FY2014 to FY2017 to be true and fair. In response to this review, Baker informed us that they had performed the statutory audits in compliance with Singapore Standards on Auditing to ascertain that there were no exceptions which could result in the risk of material misstatements.

2.29 In February 2019, the Group announced that Baker had confirmed that they were not aware of any material misstatements that would require them to modify or withdraw their audit opinions for the prior period financial statements. A major root cause of the Misstatements was ineffective monitoring of inventory by the Group which resulted in inaccurate inventory balances as of 30 June 2018. The value of inventory held in Amazon warehouses during the period from FY2014 to FY2016 accounted for approximately 80% of the total inventory balance. We were not able to ascertain the accuracy of these inventory during this period in the course of our review as the Group did not retain any documentation on the inventory balances provided by the warehouses. In this regard, we were unable to assess if there were any Misstatements during the period without having the benefit of reviewing complete and contemporaneous supporting documents (including working papers which could have encompassed documentation on the inventory balances supporting Baker's opinion on the FY2014 to FY2017 financial statements) despite our and the Group's efforts to locate the documents due to passage of time, staff turnover and inadequate record keeping.

Group's Inventory Management System

2.30 Arising from Baker's audit of the Group's financial statements reported in the IPO Offer Document, it was noted that the Group did not maintain an inventory ageing report and Baker had recommended the Group to implement a proper inventory ledger system as soon as possible. The Group had addressed Baker's concerns by putting in place a process to ensure that the inventory ageing was properly monitored using Excel spreadsheets, while they continued to source for a suitable Inventory Management System ("IMS"). Since the IPO, the Group's inventory balance had increased by 254% from USD 2,631,667 on 31 December 2016 to USD 9,312,820 on 31 December 2018. Whilst the increase in inventory balance could possibly increase the magnitude of the Misstatements, the risk of errors remained, as there were lapses in implementing the compensating controls over inventory balance as stated in paragraph 2.15 above.

2.31 We understand the Group entered into discussions with three vendors to identify a solution for inventory management since October 2017 (post-IPO). As the vendors were unable to meet the Group's specific requirements, the Group decided to develop its own inventory system and eventually rolled out its in-house IMS in December 2018.

2.32 Based on our review of the Group's IMS and the internal control measures disclosed in its announcements dated 30 January 2019 and 1 February 2019, the following controls were implemented:

(a) Inventory balances were downloaded from AmazonSellerCentral.com every hour;

(b) Inventory unit costs based on tax invoices were manually input into Excel spreadsheets and uploaded to the IMS to allocate individual inventory unit costs on a FIFO basis; and

(c) Inventory reconciliation between the purchases recorded in General Ledger and the value of inventory (computed based on inventory quantities reflected in Amazon's records) were performed, with variances more than 1.5% investigated.

2.33 As part of our review of the accuracy of unit costs recorded in the IMS, we had obtained the revised inventory listing of a Group's subsidiary (LYJ International Pte Ltd) from the IMS as at 30 June 2018, selected a sample of more than 200 inventory units (or approximately 100 Stock Keeping Units) and cross-checked the unit costs stated in the supporting suppliers' invoices against those recorded in the IMS for the period covered under 1HFY18. Based on our review, there were discrepancies between the unit costs recorded in the IMS and those stated in the suppliers' invoices, which had resulted in a minor variance in the restated inventory balance as at 30 June 2018. The Group has since tightened its controls over the IMS and has diligently reviewed the data on inventory unit costs prior to uploading such pricing information onto the IMS.

<u>Internal control weaknesses identified in this review</u>

2.34 We have reviewed the internal control issues reported by PwC and Crowe. Some of these control lapses had recurred due to non-compliance with the policies and procedures implemented following PwC's and/or Crowe's findings. Of the 41 observations that were previously reported by PwC and/or Crowe as 'rectified', 36 had recurred and of which 3 led to the Misstatements. In addition, there were 7 internal control lapses that were not satisfactorily remedied. For the avoidance of doubt, however, these 7 internal control lapses were not related to the Misstatements.

2.35 We have also selected six financial statement line items (or accounts) in the Group's financial statements for FY2014 and FY2018 based on a set of criteria and reviewed the corresponding internal controls over financial reporting of these accounts. From the review, we have identified three additional internal control issues in processes that were previously not included in the audits by PwC or Crowe. These issues are:

(a) Process to review Related Party Transactions ("RPT") and Interested Party Transactions ("IPT") was not documented;

(b) Process to review and approve consolidation worksheets was not documented[3]; and

(c) Inadequate Information Technology general controls over applications.

2.36 A summary of the internal control issues mentioned in paragraphs 2.34 to 2.35 is set out in Annex A of this Report. As at the date of this Report, we understand the Group has noted the internal control weaknesses identified and implemented the recommendations. We recommend that the Group with the assistance of its internal auditor, assess the internal control lapses and recommendations and implement them accordingly.

[3] This was one of the causes of Misstatements as stated in paragraph 2.24.

Potential breaches of SGX Listing Rules and/or applicable laws and regulations

2.37 The potential breaches by the Group and/or its directors, officers, and employees arising from the issues set out above are as follows:

Reference	Commentary
Catalist Rule 703	Requirements: Catalist Rule 703(4) (a) states that in complying with the Exchange's disclosure requirements, an issuer must observe the Corporate Disclosure Policy set out in Appendix 7A. Paragraph 27(a) of the Corporate Disclosure Policy requires each announcement to be factual, clear and succinct. Commentary: As a result of the errors and omissions in the accounting records maintained by the Group, the net profits reported in its 1HFY18 financial statements (as announced on 14 August 2018) was materially overstated by USD 1.3 million. The 1HFY18 financial statements announcement dated 14 August 2018 was therefore not in accordance with the criteria stated in Catalist Rule 703(4) (a) read with Paragraph 27(a) of the Corporate Disclosure Policy.
Catalist Rule 719 – Internal Controls and Risk Management System	Requirement: Internal Controls and Risk Management Systems (1) An issuer should have adequate and effective systems of internal controls (including financial, operational, compliance and information technology controls) and risk management systems. The audit committee may commission an independent audit on internal controls and risk management systems for its assurance, or where it is not satisfied with the systems of internal controls and risk management. In arriving at the decision, the audit committee should consider the recommendation of the continuing sponsor. Commentary: There were inherent limitations of using Excel spreadsheets to manage inventory records and Baker had previously highlighted to the Group the importance of having an inventory management system with the following features: (i) monthly reconciliation of the stock listing with general ledger stock control balance, and follow up of discrepancies noted; (ii) monthly reconciliation of the stock listing compare physical stock count, and follow up of the stock count discrepancies; (iii) monthly stock ageing report prepared and reviewed for slow-moving and obsolete stocks; and (iv) accurate costing of stock movements. While the Group had put in place procedures to address the above concerns, these procedures were not adhered to by the Finance team and thereby resulted in the Misstatements. The internal control lapses, in particular the inadequate review of the accounting entries, had resulted in errors in the accounting records not being detected. This in turn caused the Misstatements and indicated inadequacy and ineffectiveness of the Group's existing systems of internal controls.

Annex A

Summary of the internal control issues by Deloitte as at 31 December 2018, which includes internal control raised by PwC and Crowe that was not fully implemented.

Legend:

- Recurred – internal control issues had recurred after previously reported by PwC and/or Crowe as rectified.
- Not fully implemented – internal control issues raised by PwC and/or Crowe and had not been satisfactorily implemented as at 31 December 2018.
- Additional – internal control issues identified from this review that was not included in the scope of PwC and/or Crowe's audits.

S/N	Internal Control Issues	Internal Control Weakness		
		Recurred	**Not fully implemented**	**Additional**
General				
1	Policies and procedures should be formalised, timely updated and approved for key processes.	Policies and procedures that were formalised were not updated periodically since 2017.	Policies and procedures for certain key processes such as Sales, Receivables and Collections, Investment Management, Cash Management and Petty Cash Management were not implemented.	Policies and procedures for certain key processes such as Financial Reporting, Property Plant and Equipment, Investment Management, Related Party Transactions were not established.
2	Delegation of Authority ("DOA") matrix should be reviewed and approved by the Board of Directors.	DOA for key business processes has not been reviewed and approved by the Board of Directors upon listing.	NIL	DOA for certain business processes had not been established.
3	Controls over reviewing and granting of user access rights in existing systems and e-commerce platform accounts.	• User access rights were not reviewed periodically. • Users are granted access rights to all entities in the accounting systems even though they only manage the accounts for some of the entities.	NIL	NIL

S/N	Internal Control Issues	Internal Control Weakness		
		Recurred	**Not fully implemented**	**Additional**
		• System audit log was not generated and independently reviewed periodically.		
4	Controls over financial closing and reporting.	Provision was not provided for unutilised leave balance carried forward for each employee during the year-end closing.	NIL	NIL
5	Annual budgets and periodic cash flow forecasts for the Group and key processes should be prepared and reviewed by the appropriate authority.	Cashflow forecasts were not performed prior to FY2019.	NIL	NIL
6*	A list of manual journal vouchers should be generated for periodic review by an independent authority.	A list of manual journal entries was not generated monthly for independent review consistently.	NIL	NIL
7	Controls over vendor and customer masterfile in the QuickBooks system.	• No documented process to review (post creation/amendment) vendor and customer creation records. • Vendor and customer creation/amendment forms were not sequentially numbered. • Edit logs of vendor and customer Masterfile amendments were not generated for independent review periodically.	NIL	NIL
8	Controls overs Spreadsheets for key reports and listing.	Access to key reports and listings maintained in Microsoft Excel	NIL	NIL

S/N	Internal Control Issues	Internal Control Weakness		
		Recurred	**Not fully implemented**	**Additional**
		spreadsheets were not restricted with passwords.		
9	Process to review RPT and IPT was not documented.	NIL	NIL	Since the Company was listed, IPTs were assessed on an annual basis for the purpose of financial statements preparation. However, there were no documented policies and procedures to manage RPTs and IPTs.
10*	Process to review and approve consolidation worksheets was not documented.	NIL	NIL	There was no formalised process to document the review and approval of the consolidation exercise.
11	Inadequate IT general controls over applications.	NIL	NIL	There were process gaps relating to: • Shared privilege accounts. • Lack of approvals for user provisioning and termination. • Lack of periodic review of user access rights. • Lack of change request approvals. • Data recovery testing not performed.
Revenue and Receipts Management				
12	Controls over the setting of selling price and discounts on all e-commerce platforms.	• Break-even pricing worksheet/costing sheets were not reviewed. • Post-edit of selling price creations and amendments on the e-	Documented evidence of price adjustment was not retained and while Management had indicated a change in processes whereby review and approval of price adjustments would not be	NIL

S/N	Internal Control Issues	Internal Control Weakness		
		Recurred	**Not fully implemented**	**Additional**
		commerce platform was not reviewed. • Price was not supported with approved change request forms.	documented, this has not been updated in the SOP.	
13	Controls over reconciling and reviewing of sales revenue and collections from e-commerce platforms.	For non-books business, reconciliations between the warehouse's monthly balance and the Monthly Sales Report generated from the e-commerce platforms were not performed.	NIL	NIL
14	Controls over the sales ordering and invoicing process.	• Contracts were not vetted by legal counsels. • Instances whereby sales contracts were not established with customers. • Instances whereby sales invoices were not reviewed prior to billing.	NIL	NIL
15	Credit assessments for new and existing customers should be formally performed and reviewed. Credit limits should be granted to all credit customers and set in the accounting system.	• Customer creation/amendment forms were not sequentially numbered. • A periodic review of credit terms and limits for existing customers was not performed.	Customer and credit evaluation prior to granting of credit terms were not performed. For existing clients, credit reviews were not performed periodically (SKAP Waste Management Pte Ltd).	NIL
16	Controls over reviewing of Monthly Sales Report.	Review of the Monthly Sales Reports performed by the CFO after the posting of sales revenue into the System was not performed.	NIL	NIL
17	Control over quoted prices for disposal services.	Price guidelines had not been implemented. For quoted prices below	NIL	NIL

S/N	Internal Control Issues	Internal Control Weakness		
		Recurred	**Not fully implemented**	**Additional**
		the specified price (i.e. $60), documented approval from the Administrator was not obtained.		
18	Reconciliation of sales transactions between QuickBooks and JCRM and reasons for discrepancies should be documented and approved.	Monthly reconciliations between the accounting system and JCRM systems were not reviewed by the Finance Team.	NIL	NIL
19	Process of reviewing account receivables should be formalised and improved (SKAP Waste Management Pte Ltd).	NIL	Reviews of quarterly AR ageing were not documented. Formal reminder letters were not issued for outstanding ARs.	NIL
20	Collection Receipt should be acknowledged and dated by warehouse personnel.	Collection Receipt was not acknowledged by warehouse personnel.	NIL	NIL
Procurement and Payables Management				
21	Basis of purchases should be formally documented with a Purchase Plan that is independently reviewed by appropriate authority prior to placing order. Purchase contracts should be signed with key vendors with terms and conditions vetted by legal counsel prior to contracting.	• For the purchase of non-books, there was no documentation on the basis for the quantity and unit price purchase. • Purchase contracts were not reviewed by the Group's legal counsel.	NIL	Purchase approvals were not obtained per the DOA and Authorization Limit which stated that trade and non-trade payables/purchases amounting to SGD 1,000 and above should be authorised by either one of the Directors. For trade payables/purchases from Elsevier, the limit was SGD 3,000.

S/N	Internal Control Issues	Internal Control Weakness		
		Recurred	Not fully implemented	Additional
22	Competitive quotes should be obtained for comparison prior to commitment to purchase. Where not applicable or impractical, justifications for competitive waivers should be documented and approved prior to vendor selection.	Competitive quotations were not obtained and corresponding justifications for the competitive waivers were not documented and approved.	NIL	NIL
23	Three-way match should be performed prior to approval for payment. All invoices should be invalidated upon payment processing.	• Instances whereby a three-way match was not performed consistently. • Instances whereby invoices were not invalidated.	NIL	NIL
24	Vendor evaluation should be performed based on established criteria for new vendors. Periodic vendor performance evaluations should be performed and independently reviewed for all vendors.	• Criteria for new vendors' evaluation had not been established. • Periodic vendor performance evaluation was not performed.	NIL	NIL
25*	Prepayments should be made in accordance with the payment terms stated on an approved Purchase Order with periodic monitoring of delivery goods and services formally performed and reviewed by an independent authority.	• Instances whereby no follow-up actions were taken for long outstanding prepayments. • Instances whereby payments were not in accordance with payment terms.	NIL	NIL
26	Monthly reconciliations between AP sub-ledgers to General Ledger should be timely	• Reconciliations between AP sub-ledgers and General ledgers were not performed.	NIL	NIL

S/N	Internal Control Issues	Internal Control Weakness		
		Recurred	**Not fully implemented**	**Additional**
	prepared and independently reviewed with dated sign-offs. Periodic supplier reconciliations performed for major suppliers should be independently reviewed with dated sign-offs.	• Reconciliations between SOA and AP sub-were not performed.		
Inventory Management				
27*	Controls over reconciling and reviewing of inventory movement records.	As inventory movements (inflow and outflows) were not reconciled due to the limitations of the Group to access the Amazon warehouses, the Group implemented other mitigating control (reconciliation between the purchases recorded in General Ledger and the value of inventory from Amazon warehouse) from December 2018. However, there was no documented review on the inventory spreadsheet (used to compute inventory balance) in December 2018.	NIL	NIL
28	Controls over safekeeping of inventory and inventory count procedures.	Inventory counts for locally held inventory at UrbanFox Warehouse were not conducted on a blind count basis.	NIL	NIL
29	Inventory Ageing Report should be generated for review periodically.	Inventory ageing was not monitored periodically.	NIL	NIL

S/N	Internal Control Issues	Internal Control Weakness		
		Recurred	**Not fully implemented**	**Additional**
Cash and Bank Management				
30	Controls over maintenance of bank accounts and mandates should be enhanced.	NIL	• Dual signatories and upper monetary limits for an overseas bank account with Bank of America were not established due to logistics and overseas travel issues. Nonetheless, alternative measures were implemented to address the associated risks. • Instances whereby bank mandate was not accompanied by Board Resolutions.	NIL
31	Controls over bank reconciliations.	Instances whereby reviews of bank reconciliations were not documented.	NIL	NIL
32	Controls over petty cash and cash advance.	Cash counts were conducted but were not reviewed by an independent party.	NIL	NIL
33	Bank Reconciliation Reports should be acknowledged by the preparer and reviewer.	Instances whereby reviews of bank reconciliations were not documented.	NIL	NIL
34	Bank Mandate should be retained and filled appropriately.	Instances whereby bank mandate was not accompanied by Board Resolutions.	NIL	NIL
35	System access rights to remove general ledger account in QuickBooks should be restricted.	Access to remove general ledger accounts were not restricted and granted to Accounts Executives.	NIL	NIL

S/N	Internal Control Issues	Internal Control Weakness		
		Recurred	**Not fully implemented**	**Additional**
Human Resource and Payroll Management				
36	Controls over manpower requisition and hiring.	Instances whereby new hires were not supported with manpower requisition forms, interview notes, background checks, and performance appraisal forms.	NIL	NIL
37	Controls over resignation and termination.	Resignations were not formally acknowledged by the Company prior to processing.	NIL	NIL
38	Controls over increment and bonus pay-out should be enhanced.	NIL	Performance appraisal feedback to support staff confirmation / increments were not documented.	NIL
39	Overtime ("OT") payments should be supported with an OT requisition form approved prior to OT performance and a timesheet independently verified by the appropriate authority.	OT requisitions were not approved by appropriate authority prior to the performance of OT.	NIL	NIL
40	A detailed monthly payroll report should be prepared and independently reviewed and approved by appropriate authority prior to payroll disbursements.	Instances whereby payroll reports were not signed and approved prior to payroll disbursements.	NIL	NIL
41	Monthly payroll reconciliations should be formally prepared and independently reviewed and approved by the appropriate authority.	Instances whereby payroll reconciliations were not reviewed and approved timely, before payroll disbursements.	NIL	NIL

<table>
<tr><th rowspan="2">S/N</th><th rowspan="2">Internal Control Issues</th><th colspan="3">Internal Control Weakness</th></tr>
<tr><th>Recurred</th><th>Not fully implemented</th><th>Additional</th></tr>
<tr><td>42</td><td>Controls over reimbursement of staff expense claims.</td><td>Instances whereby staff expense claims did not adhere to the established SOPs.

Instances whereby travel expenses were not supported by approved travel requisition forms and budget.</td><td>NIL</td><td>NIL</td></tr>
</table>

* Refers to internal control issues that resulted in the Misstatements as stated in paragraphs 2.13.