



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

RESPONSES TO SGX AND SPONSOR'S QUERIES

The board of directors ("**Board**") of Y Ventures Group Ltd. ("**Company**" and together with its subsidiaries, the "**Group**") refers to queries raised by the Singapore Exchange Securities Trading Limited ("**SGX**") and the Company's Sponsor, RHT Capital Pte. Ltd. ("**Sponsor**") on the Company's announcement on 21 January 2019 in relation to the restatement of accounts for the half year ended 30 June 2018 ("**Announcement**") and the Company's responses are set out below.

Unless otherwise defined, all capitalized terms used herein shall bear the same meanings ascribed to them in the Announcement.

1. Query 1: What are the inadequacies in the Company's internal controls which has led to the lapses in recording of transactions?

Company's response: Since its listing, the Group's transaction volume and business operations have expanded, with the Group handling additional key suppliers and higher number of products transacted. As a result, the Group faced higher complexity in the buying process and documentation of its inventory, specifically in 2018. Coupled with its tight manpower, there was considerable stress on its then existing internal control systems and standard operating procedure. The management of the Company ("**Management**") has identified three key inadequacies in the Company's internal controls arising from administrative inadvertence that led to the lapses in the recording of transactions for the HY2018 Results. The administrative inadvertence was discovered by the Management as a result of the Group's own internal checks as part of its existing control procedures.

A brief description of each category identified by the Management and the steps taken by the Company to rectify these inadequacies are set out in the table below:

SN	Inadequacies Identified by the Management	Description and History	Steps taken to rectify Inadequacies
1	Entry of incorrect unit costs for inventories as at 30 June 2018	Reconciliation of inventory is done using Excel on a monthly basis. This system was adequate at listing as the Company had one key supplier which accounted for a majority of the Group's purchases.	As at the date of this announcement, the Company has developed an in-house computerised Inventory Management System that is able to track all transactions (receiving of goods, sales, returns etc) on online marketplaces on an hourly basis.

		Since its listing, the Group's transaction volume and business operations have expanded, with the Group handling additional key suppliers and higher number of products transacted. This has led to an increased complexity in the buying process and documentation.	This will improve accuracy in assignment of cost for FIFO (first-in first-out) accounting purposes and reduce the risk of clerical errors arising from incorrect unit costs being manually keyed in.
2	Understatement of administrative expenses	Certain intercompany transactions and balances were not fully reconciled and eliminated at Group level as at 30 June 2018.	In the past, the Group carried out half-yearly consolidation of accounts. Consolidation of accounts is now done on a monthly basis and this will enable the Management to detect any discrepancies in a more timely manner. The Management will also ensure that all intercompany transactions and balances are properly reconciled and eliminated.
3	Insufficient manpower and expertise in the Finance and Accounting department to handle the increased transaction volume and business operation expansion	As at 30 June 2018, the Finance and Accounting department consisted of four staff, namely the then Chief Financial officer (" CFO "), a Finance Manager and two Junior Accountants.	As at the date of this announcement, the Company has increased the manpower in its Finance and Accounting department to six, in tandem with its growth in transaction volume and business operations. The Finance and Accounting department currently comprise of the CFO, an Assistant Finance Manager, an Assistant Accounts Manager, a Senior Executive, and two Executives. Out of the team of six, two are Certified Public Accountants (CPA) and two are in the process of obtaining their CPA.

2. Query 2: How were these internal control lapses discovered? When was it discovered?

Company's response: When the Company's current CFO was appointed on 1 September 2018, the Company started performing consolidation of its accounts on a monthly basis in order to have a better indication of its financial situation, due to the growing transaction volume and business operation. This was also in preparation for the full year statutory audit. It is the Group's existing internal control procedure to have the CFO review the reasonableness of the financial results compiled by the accounting staff. It was during such an internal check and review of the Group's financials that the administrative inadvertence was discovered.

Following the consolidation review by the Management of group financials for the year up to 30 September 2018 being performed, the Management detected certain accounting inadvertences in the accounting records for the nine months period ended 30 September 2018, when the preliminary set of financial figures were ready in late October 2018. The Company's Executive Directors conducted further checks and reviews with the assistance of the new CFO, and subsequently discovered the accounting inadvertences around mid-November 2018. At that stage, there was still additional work required to be conducted in order to verify the financial figures against the source records and to assess the impact of the administrative inadvertence.

During this period, the Finance and Accounting team worked on verifying the correct financial figures as well as the factors and cause that led to such accounting inadvertence, as well as develop and put in place the steps highlighted above referred to in Query 1 above to improve the processes to prevent future lapses. In the course of the Management's internal review and fact-finding process, the Management also met the former CFO of the Company to ascertain the issues and relevant facts that had led to the administrative inadvertence.

3. Query 3: How did these lapses escape the external auditor's statutory audit checks last year?

Company's response: The Management had performed a detailed review of the accounting records before finalising the management accounts for the financial year ended 31 December 2017 to prepare for the audit. The external auditor performed their audit and rendered a clean opinion on the financial statements last year. The external auditor did not note any material misstatements in the Group's closing inventories and cost of sales last year upon performance of their audit procedures.

4. Query 4: Who are the persons in the Company involved and responsible for these internal control lapses?

Company's response: The Finance and Accounting team is responsible for preparation of the announcement of the HY2018 Results.

5. Query 5: Are the financial results for other periods, including but not limited to the results disclosed in the IPO prospectus, potentially misstated due to these errors and/or these internal control lapses? If yes, how material are these differences and what are the quantum of these discrepancies?

Company's response: The Management and the Company's external auditors confirms that there are no material misstatements for the prior periods including those disclosed in the IPO prospectus.

6. Query 6: What is the view of the AC and the Board in terms of whether there are concerns over fraud/misappropriation of assets in view that the misstatements arise from PPE?

Company's response: The overstatement of PPE by US\$20,453 relates to erroneous recording based on amount paid to a supplier. This is a one-off error of recording an item of PPE which was paid for but not yet received as at 30 June 2018 as the Management had not completed their verification check for all PPEs that was received as at 30 June 2018. To avoid such cut-off errors in future, the Management will ensure that all future PPE additions recorded are physically checked and verified. There is no evidence of fraud or misappropriation of assets by the Company based on the available information.

7. Query 7: Views and basis of the Audit Committee on the following:

a. Whether the steps taken to address internal control lapses are sufficient

Company's response: Currently, the steps taken by the Company as set out in Query 1 is satisfactory to address the identified internal control lapses and ensure that the restated HY2018 Results are true and fair and there are no material misstatements.

b. Whether the Company's internal controls are adequate and sufficient.

Company's response: The Audit Committee is of the view that the Company's present internal controls are adequate and sufficient as the administrative inadvertence were mainly due to inadequate system support and human errors. The Audit committee noted that the administrative inadvertence was detected as a result of the Group's own internal check as part of its existing control procedures. Going forward, the Audit Committee will convene more regular Audit Committee meetings in addition to the half-yearly meetings and continue to engage with Crowe Horwath First Trust Risk Advisory Pte Ltd, the Company's internal auditors, to closely monitor the following:

- i) Internal Audit Reports for FY2019, which will include review of the steps taken by the Company to address the internal control lapses;
- ii) Offsite meeting with both the External and Internal Auditors without the presence of senior management on a yearly basis;
- iii) Updating and creation of the mandatory standard operating procedures of the Company; and
- iv) Testing of the Company's computerised Inventory module.

The Group will also request its external auditors to review its full year results for FY2018 and half-year results announcements for the period ending 30 June 2019. Further, the Group is currently in discussion with its external auditor to perform agreed upon procedures to test the inventory carrying balance as at 30 June 2019 to assist Management in the verification of the inventory carrying balance as at 30 June 2019.

The Company is in the midst of responding to further queries from the SGX and Sponsor and will release any material updates to Shareholders by way of announcement.

By Order of the Board

Low Yik Sen
Executive Chairman and Managing Director
30 January 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 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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