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

RESPONSES TO SGX QUERIES

The board of directors ("**Board**") of Y Ventures Group Ltd. (the "**Company**" and together with its subsidiaries, the "**Group**") refers to queries raised by the Singapore Exchange Securities Trading Limited ("**SGX**") on the Company's announcement dated 28 February 2019 ("**Announcement**") in relation to the Group's unaudited financial statements for the full year ended 31 December 2018 ("**FY2018 Results**") 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: In relation to the Announcement, we noted that the gross profits ("GP") and net profits of the Company has declined from FY2017 to FY2018, majorly as a result of:**

   i) Cost of sales ("COS") increasing by 52.3% while revenue only grew by 27.9%, thereby resulting in a decline in GP of 6.3%;
   ii) Selling and distribution expenses increasing by 57%;
   iii) Administrative expenses increasing by 45.1%;

   It was further disclosed that the decline in GP and GP margin (from 41.6% in FY2017 to 30.5% in FY2018) was as a result of the Group reducing the selling price of books in FY2018 to gain market share, along with increased competition and impact of trade war hence resulting in pressures on gross profit margin for the non-books category. Revenue from the sale of books make up 81% and 85% of the revenue of the Group in FY2018 and FY2017 respectively.

   It was disclosed in the review of financial performance section of the FY2018 Results that the increase in COS was due to increase in costs of products, logistics, inward freight and handling charges as well as allowance for obsolete inventories:

   (a) Amongst the various factors quoted, which is the largest (few) contributing factor(s) resulting in the increase in COS by 52.3% when revenue only grew by 27.9%?

   Company's response: The Group's revenue only grew by 27.9% mainly due to the decrease in the selling prices of books in FY2018 as the Group undertook pricing strategies in order to gain market share in the various online marketplaces where the company operates in.

(b) What is the nature of the obsolete inventories? Are there such allowances in prior years? Are the quantum of such allowances comparable to FY2017's

Company's response: The obsolete inventories are non-books products, including private label products in the Home & Décor category. These allowances for obsolete inventories were provided for stocks that were slow-moving and/or product segments which the Group is discontinuing. Most of these inventories were purchased in early 2018 but the sudden increase in market competition and trade war have made the business conditions challenging. There was no allowances in the previous year.

(c) In identifying the reasons for the decline in GP margins being the reduction of selling price of books to gain market share in the various online market places, can the Company provide some statistics to support the tangible gains in market share in the various online market places?

Company's response: The Group sells its products in various online marketplaces where multiple sellers compete to sell similar products to customers. The Group has undertaken certain pricing strategies to compete more effectively in these online marketplaces and the increased sales is a tangible result of these strategies. Due to the commercial sensitivity, the Company is unable to provide further statistics.

(d) For our understanding, please describe the number of vendors, and whom are the major vendors from whom the Group is procuring inventories from, and how this has changed since FY2017

Company's response: In FY2017, the Group's single largest major supplier was the Elsevier Group, which accounted for approximately 47.6% of the Group's total purchases for FY2017, which supplied medical textbooks and reference materials to the Group. In FY2018, the Group has added more than 5 new publishers in similar fields of publishing as well as other academic fields.

2. Query 2: On the increase in selling and distribution expenses, it was disclosed that this is a result of increase in selling fees charged by online market places, increased outward freight charges as well as expenses for increasing market share in the new online market places.

(a) Which is/are the largest component(s) contributing to the increase?

Company's response: The largest component contributing to the increase was the increase in selling fees charged by online marketplaces.

(b) Given that the selling and distribution expenses are essential for the sale of goods on the various online market places, and considering that GP and selling and distribution expenses would result in a net negative balance, is the Company of the view that such expenses can be further reduced in future and if yes, how so?

Company's response: The Company is of the view that such expenses can be further reduced in future as the losses are mainly attributable to the distribution of non-books products, which the Group will be scaling down in the future. Due to a lack of economies of scale and unfavourable market conditions, the non-books products incurred relatively higher selling and distribution expenses, representing approximately 16% of the Group's revenue, as compared to books products. The Company also has plans to focus on the supplementary services based model in the non-books products segment which would have minimal corresponding selling and distribution expenses. The supplementary services based model include the provision of data services and ecommerce market access for non-books brands. In addition, as the Group develops its relationship with its suppliers, it will explore negotiating for better pricing terms.

3. **Query 3: On the increase in administrative expenses, it was disclosed that this is as a result of one-off expenses which include allowance for doubtful receivable, bad debt written off, impairment loss of financial asset carrying at fair value and professional fees. Also there were one-time start-up costs, R&D costs and costs arising from increased headcount.**

   (a) Which is/are the largest component(s) contributing to the increase?

   Company's response: The increase in manpower costs which contributed to approximately half of the total increase in administrative expenses was a result of an increase in the operational headcount required for the Company's expansion into new product segments and geographical regions. In relation to one-off expenses, professional fees for the proposed initial coin offering was the largest contributor to the increase in administrative expenses.

   (b) Who are the vendors of whom the allowance for doubtful debt is made? What were the quantum of such allowances in prior years?

   Company's response: The vendors are mainly offline wholesalers in the non books trade whom we mostly worked with only in 2018.

   What is the nature of the impairment loss of financial asset carrying at fair value?

   Company's response: The impairment loss of financial asset carrying at fair value relates to the Group's divestment of its shareholding interest in Luminore 8 Pte. Ltd. to approximately 20% as announced on 26 October 2018 and 15 November 2018.

4. **Query 4: Given that the Company has attributed the decrease in working capital from US$5.9m to US$2.8m partly to the increase in inventories by 58% from US$6.0m to US$9.6m, as a result of the Company increasing the books stocks in anticipation of higher sales in FY2019, please provide the change in number of platforms/avenues on which the Company is marketing its books from FY2017 to FY2018, and the anticipated number in FY2019 (if any).**

   Company's response: The Company has started selling its books stocks on 7 new online marketplaces in Southeast Asia, including Singapore, Malaysia and Indonesia and we have no immediate plans to expand to new territories in FY2019.

5. **Query 5: On the review of cash position of the Company, it is stated that the Group will be focusing its efforts on the online distribution of books and embarking on the supplementary services based model, and will streamline its operations to improve cost and operating efficiency. What are some steps that the Company intend to take to improve its costs and operating efficiency?**

   Company's response: The Company intends to reduce manpower costs associated with the non-books products segment as well as scale down on its non-books products distribution businesses which are loss-making. The Company's investment into the non-books products business have developed capabilities that allow the Company to help other non-books products brands to access new markets with a data driven ecommerce strategy. Embarking on a supplementary services based model will allow the Company to monetize the capabilities in a less capital intensive manner. In addition, as the Company embarks on a supplementary services based model, the operating and marketing expenses associated with the non-books products distribution businesses will also be significantly reduced.

By Order of the Board

Lew Chern Yong
Executive Chairman and Director
7 March 2019

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*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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