



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

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## RESPONSES TO SGX'S FURTHER QUERIES RECEIVED ON 29 JANUARY 2019

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The board of directors ("**Board**") of Y Ventures Group Ltd. ("**Company**", and together with its subsidiaries, the "**Group**") refers to the Company's announcement on (i) 21 January 2019 in relation to the restatement of accounts for the half year ended 30 June 2018 and (ii) 30 January 2019 in relation to its responses to queries raised by the Singapore Exchange Securities Trading Limited ("**SGX**") and the Company's Sponsor, RHT Capital Pte. Ltd. ("**Sponsor**") (the "**Announcements**"). The Company's responses to further queries received from the SGX on 29 January 2019 are set out below.

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

**1. Query 1: In response to the earlier queries regarding the entry of incorrect unit costs for inventories as at 30 June 2018:**

**a. What is the Board's views as to whether there are concerns over fraud arising from the input errors?**

**Company's response:** The Board is of the view that there is no fraud arising from the said input errors based on the additional work carried out by the Company to verify the restated financial figures, including checking the figures against the source records, and retracing the steps, processes and protocols involved when the wrong accounting entries were initially input by the relevant accounting staff. As announced by the Company on 30 January 2019 ("**Responses to Queries Announcement**"), this was an administrative inadvertence from the incorrect entry of unit costs for certain inventories as at 30 June 2018. The Company has since developed an in-house computerised Inventory Management System ("**IMS**") to reduce the risk of clerical and manual data entry errors. The Board noted that the administrative inadvertence was discovered through the Group's existing control procedures and the Management had acted promptly in conducting further checks and reviews as well as developed and put in place steps to improve the processes to prevent future recurrence.

**b. What are the current controls in place (i) surrounding accuracy of the carrying value of inventories, (ii) designed to avoid human error, e.g. maker-checker process / segregation of duty to avoid human errors, (iii) surrounding financial reporting?**

**Company's response:** The following procedures surrounding financial reporting are currently in place for the month-end accounts closing process to address the accuracy of the carrying value of the inventories, to avoid human error:

- (i) Use of an in-house computerised IMS that is able to track all transactions (receiving of goods, sales and returns) on online marketplaces, hence avoiding the risk of human error;
- (ii) Inventories purchased during the month are matched with the corresponding source documents to verify that the purchases have been received;

- (iii) Sample checks are conducted to match the inventory unit cost from the IMS against invoices from suppliers to ensure the accuracy of the unit cost stated in the IMS;
  - (iv) Sample checks are conducted to match the inventory quantity from the IMS to the inventory quantity balance indicated in the Company's seller accounts on the third party online marketplaces to verify the accuracy of the inventory quantity stated in the IMS;
  - (v) Monthly management accounts are prepared by the Accounts Executive and reviewed by both the Assistant Finance Manager and the Chief Financial Officer;
  - (vi) Consolidation of accounts are prepared on a monthly basis by the Assistant Finance Manager and reviewed by the Chief Financial Officer;
  - (vii) Intercompany transactions and balances are prepared on a monthly basis by the Assistant Finance Manager and reviewed by the Chief Financial Officer; and
  - (viii) Analytical procedures such as assessment of gross and net profit margin are prepared by the Assistant Finance Manager on a monthly basis and reviewed by the Chief Financial Officer.
- c. If there are no maker-checker processes in place for key accounting processes, coupled with the Company's response that there is insufficient manpower and expertise in the Finance and Accounting departments – for how long has the resourcing of the finance team been inadequate? Has such an issue been escalated to the Board or discussed by the Board thus far?**

**Company's response:** As set out above in Query 1(b), there are maker-checker processes in place. The current controls in place include improved and adequate maker-checker processes as set out in (v) to (viii).

**2. Query 2: On the new in-house computerized Inventory Management System:**

- a. Has it been tested to be able to withstand the current high transaction volumes? Will this system be able to withstand the transaction volume if the business grows further, or the Company engages with more suppliers moving forward?**

**Company's response:** The IMS has been designed to automatically retrieve all orders and inventory status from the Company's major online marketplaces through their Application Programming Interfaces ("APIs"), on an hourly basis. The 3<sup>rd</sup> party cloud hosting service automatically backs up all of the Company's data at regular intervals which minimises the risk of data loss. The Company has tested the system rigorously over the last few months and a key indicator of the robustness and scalability is the speed and accuracy at which the Company is able to retrieve the data through the cloud service. The accuracy of the data extracted with the IMS is verified by matching the data against the corresponding source documents such as supplier invoices and shipping documents. In light of the foregoing, the Management is of the view that the IMS will be able to withstand the current growth trends of the Group and the higher complexity in the buying process.

**b. For the new system, what are the controls in place with regards data entry, data maintenance and financial reporting?**

**Company's response:** With the new IMS in place, the movement of the inventory can now be monitored more frequently and discrepancies are flagged and reconciled on a daily basis. In addition, manual data entry input is only required for purchases of new products. These new data entries are stringently checked three rounds internally, including the Data Systems team (keys in data for new products), Operations team (checks the data keyed in against source documents such as supplier invoices), and Finance and Accounting team (matches the monthly inventory balances against the source documents such as supplier invoices). Please refer to the Company's responses to Query 1(b) above for further details on the procedures surrounding financial reporting which are currently in place.

**3. Query 3: What transpired between mid-November 2018 where errors were identified and work was done to assess the errors and identify how the lapses came to be, and late-December 2018 where a meeting with the former CFO was set up to discuss the adjustment worksheet? Why was there a gap of 1.5 months?**

**Company's response:** After mid-November 2018 when the accounting inadvertences were discovered following further checks and reviews by the Company's Executive Directors, the following steps were taken:

- (i) Additional work was carried out to verify the restated financial figures, including checking the figures against the source records, and retracing the steps, processes and protocols involved when the wrong accounting entries were initially input by the relevant accounting staff, to assess if there was any fraud involved or element of intentional acts to cause detriment to the Company;
- (ii) Identifying the factors and causes that led to such accounting inadvertence;
- (iii) Considering further steps and processes that the Company should take to prevent such inadvertence, setting up the new improved processes to prevent such inadvertence, including development, setting up and stress-testing of the computerised IMS to take over the previous method of reconciling inventory by Excel, in order to verify the restated financial figures using the restated inventory balance (first-in first-out accounting) generated with the computerised IMS;
- (iv) Preparation of the restated HY2018 Results; and
- (v) Assessment of the implications of the accounting inadvertence on the HY2018 Results.

**4. Query 4: On the review of the HY2018 Results:**

**a. Who were involved in the review of the HY2018 Results?**

**Company's response:** The Finance and Accounting team was responsible for preparing the HY2018 Results, which was reviewed by the CEO and the then CFO.

**b. At which point were the Audit Committee and Board made aware of the errors?**

**Company's response:** The Management informed the Audit Committee of the possible administrative inadvertence around mid-November 2018 after the preliminary set of financial figures were ready and further checks and reviews by the Company's Executive Directors were being done. Subsequently, the Audit Committee received frequent updates from the Management on the verified financial figures, the factors and causes that led to such accounting inadvertence, and the steps taken by the Company to improve the processes.

**5. Query 5: On the disclosure of the restated HY2018 Results:**

- a. What were the Board and Audit Committee's considerations when the errors were uncovered in mid-November 2018, such that the revised HY2018 Results were only announced on 21 Jan 2019?**

**Company's response:** The Board and Audit Committee's considerations in mid-November 2018 were that the Company had to verify the financial figures against the source records to assess the impact of the administrative inadvertence, determining the factors and causes that led to such accounting inadvertence and the urgency to put in place the necessary steps to address these administrative inadvertences. Once the development and stress-testing of the IMS was completed in December 2018, the financial figures were verified in early January 2019 using the restated inventory balance (first-in first-out accounting) generated with the computerised IMS.

- b. When were the Sponsors made aware of the errors? What were the Sponsors' advice to the Company with regards disclosures of the matter?**

The Sponsor was made aware of the administrative inadvertences in mid-November 2018. The Sponsor had requested that the Company provide details as to: (i) how and when the administrative inadvertences were detected; (ii) who was responsible for the internal control lapses; (iii) how the administrative inadvertences would impact the announced HY2018 Results (including providing the exact changes to the accounting entries); and (iv) what were the inadequacies in the internal controls and the measures taken to address the lapses. In addition, the Sponsor had also advised the Company to release an announcement as soon as the correct figures for HY2018 Results had been verified and cleared by the Audit Committee. The Sponsor had also cautioned that the Company be very careful in determining the actual figures for HY2018 Results as it would be a very material announcement.

**6. Query 6: has the Company obtained confirmations from the external auditor, Baker Tilly, that the prior years' audit opinions remain unchanged?**

**Company's response:** The Company's external auditors have confirmed that they are not aware of any material misstatements relating to the prior periods that will require them to modify or withdraw their audit opinions for the financial years ended 31 December 2014, 2015, 2016 and 2017.

**7. Query 7: Did the control environment change materially between the prior years and in HY2018? Otherwise, why are the prior years' results not materially misstated given the controls environment were largely similar?**

**Company's response:** While the control environment has not changed materially, the Group's transaction volume and business operations have expanded, resulting in higher complexity in the buying process and documentation of its inventory, specifically in 2018.

**8. Query 8: On the internal audits of the Company:**

- a. What were the scopes of the prior year internal audits conducted?**

**Company's response:** In preparation for the Company's initial public offering ("IPO"), PricewaterhouseCoopers Risk Services Pte Ltd ("PWC") was engaged to perform an internal controls review based on the financial period from 1 December 2015 to 30 November 2016 which included the review of the inventory management of the Company.

Following the Company's listing, it appointed Crowe Horwath First Trust Risk Advisory Pte Ltd ("**Crowe Horwath**") as its internal auditors. Their internal audit scopes were as follows:

Scope of review for the period 1 April 2017 to 30 September 2017:	(i) Bank and Cash Management (ii) Sales, Receivables and Collections (iii) Review of General Control Environment (iv) Follow-up Review of prior year's findings
Scope of review for the financial year ended 31 December 2018:	(i) Human Resource Management and Payroll (ii) Follow-up Review on prior year's findings

**b. Were the scopes of the internal audits reviewed by the Audit Committee?**

**Company's response:** The scopes of the internal audits were reviewed by the Audit Committee. The Audit Committee has also met with the Management to discuss details of the proposal before finalising the scopes.

**c. Given that inventories balances (US\$6.0 million) represent 61% of the total assets (US\$9.8 million) of the Company as at 31 Dec 2017, what is the Audit Committee's view as to whether controls surrounding inventories balances of the Company were adequately scoped in for internal controls review in prior years?**

**Company's response:** As mentioned in Query 9(a), in preparation for the Company's IPO, the internal controls of the Company was reviewed and all the recommendations from PWC at that time had been adequately addressed and implemented which included the inventory management processes. In determining the scope of the internal audit for FY2017, the Management and Audit Committee had considered the internal controls review by PWC which was completed in April 2017 and the Audit Committee was of the view that the internal controls were adequate and sufficient for the Company, including the inventory management processes, taking into account the volume of transactions at that time. Accordingly, the scope of the internal audit by Crowe Horwath for the remaining of FY2017 was then focused on other key areas. Further, the Management and the Audit Committee was expecting a stable growth in the transaction volume and business operations of the Company in line with the prior years, and were thus of the view that the internal controls continued to remain adequate and sufficient for the Company.

RHT Capital Pte. Ltd. ("**RHTC**") was the Full Sponsor to the Company for its listing on the Catalist. Having considered the work done for the purposes of the listing by the Company's external auditors, Baker Tilly TFW LLP, and the then internal auditors, PWC, as well as taking into consideration the restatement of the HY2018 Results by the Company, RHTC confirms that at the point of listing, nothing had come to its attention that would cause it to believe that there were significant internal control weaknesses in the internal controls of the Group.

In consultation with SGX Regulation ("**SGX RegCo**"), the Company will be appointing an independent reviewer to review the internal controls of the Group and assess the impact, if any, of such adjustments to prior years' financial statements as disclosed in the IPO offer document and to-date. The independent reviewer will report the findings directly to the Audit Committee of the Company, Sponsor and SGX RegCo. The Company is currently in discussions with potential professionals regarding the appointment of the independent reviewer. The appointment of the independent reviewer and the scope of review are subject to SGX RegCo's approval. The Company will provide further updates to the Shareholders when there are material developments on the above.

By Order of the Board

Low Yik Sen  
Executive Chairman and Managing Director  
1 February 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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