



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

ANNOUNCEMENT PURSUANT TO RULE 704(4) OF THE CATALIST RULES

EMPHASIS OF MATTER BY THE INDEPENDENT AUDITOR ON THE AUDITED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

Pursuant to Rule 704(4) of the Listing Manual Section B: Rules of Catalist (“**Catalist Rules**”) of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”), the Board of Directors (“**Board**”) of Y Ventures Group Ltd. (the “**Company**” and together with its subsidiaries, the “**Group**”) wishes to announce that the Company’s Independent Auditor, Baker Tilly TFW LLP (the “**Independent Auditor**”), has in their Independent Auditor’s Report dated 3 April 2021, expressed an emphasis of matter in respect of the Independent Review report and Singapore Exchange Regulation’s Regulatory Announcement on the Independent Review report dated 16 March 2021, on the audited financial statements of the Company and the Group for the financial year ended 31 December 2020 (“**FY2020**”).

The audit opinion is not modified in respect of this matter.

Please refer to the copy of the Independent Auditor’s Report (Appendix 1) and extracts of the relevant notes to the financial statements (Appendix 2) attached herein for further details.

The Board: (i) is in the opinion that sufficient information has been disclosed for trading of the Company’s securities to continue in an orderly manner; and (ii) confirmed that all material disclosures have been provided for trading of the Company’s shares to continue.

Shareholders of the Company are advised to read the Group’s audited financial statements for FY2020 contained in its Annual Report for FY2020, which will be issued in due course.

By Order of the Board

Lew Chern Yong
Executive Chairman and Director
5 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.

The contact person for the Sponsor is Mr Leong Weng Tuck - Registered Professional, 6 Raffles Quay, #24-02, Singapore 048580, sponsor@rhtgoc.com

Independent Auditor's Report

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF Y VENTURES GROUP LTD.

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Y Ventures Group Ltd. (the "Company") and its subsidiaries (the "Group") as set out on pages 10 to 61, which comprise the statements of financial position of the Group and of the Company as at 31 December 2020, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group and the statement of changes in equity of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group, the statement of financial position and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2020, and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and changes in equity of the Company for the financial year ended on that date.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority (ACRA) *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* (ACRA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

We draw attention to Note 30 to the financial statements which described the Independent Review report and Singapore Exchange Regulation's ("SGX RegCo") Regulatory Announcement on the Independent Review report dated 16 March 2021.

Our opinion is not modified in respect of this matter.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
Y VENTURES GROUP LTD. (cont'd)**

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Emphasis of Matter* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Valuation of inventories at the lower of costs and net realisable value

Refer to Notes 2(j) and 17 to the financial statements.

The key audit matter:

The Group's inventories totalled US\$22,115,681 (2019: US\$22,007,020) which accounted for 84% (2019: 84%) of the Group's total assets as at 31 December 2020. As disclosed in Note 2(j) to the financial statements, inventories are stated at the lower of cost and net realisable value. Management identified the slow-moving and obsolete inventories, also estimates the net realisable value for inventories by taking into consideration the current economic condition, historical sales record and inventory ageing analysis. Write-down of inventories to their net realisable values charged to the Group's profit or loss for the current financial year amounted to US\$112,658 (2019: US\$25,666). The write-down to net realisable value for slow-moving and obsolete inventories is considered a key audit matter, as it requires management to exercise judgement in identifying slow-moving and obsolete inventories and making estimates of the net realisable value to determine the appropriate level of write-down required. Any significant changes in anticipated future selling prices and saleability may affect the valuation of the inventories.

Our audit procedures to address the key audit matter

- We obtained an understanding of management's policy and assessed the design and implementation of key internal controls relating to the identification of slow moving and obsolete inventories and reviewed the reasonableness of significant judgment applied by management in assessing the write down of inventories.
- We evaluated management's policy for the identification of slow moving and obsolete inventories by reviewing the inventory aging report and comparing to historical sales record.
- We reviewed and tested the accuracy of inventory ageing report used by management to identify slow moving and obsolete inventories.
- We obtained management's assessment of slow moving and obsolete inventories as at the end of the reporting period and evaluated whether the Group's policy on writing down to net realisable value was consistently applied and remained appropriate.
- We verified that inventories are recorded at the lower of cost and net realisable value by comparing, on a sample basis, the recorded unit cost of inventories against recent/subsequent selling prices.
- We also assessed the adequacy and appropriateness of the disclosures made in the financial statements.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF Y VENTURES GROUP LTD. (cont'd)

Other Information

Management is responsible for the other information. The other information comprises the information included in the 2020 Annual Report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and SFRS(I), and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
Y VENTURES GROUP LTD. (cont'd)**

Auditor's Responsibilities for the Audit of the Financial Statements (cont'd)

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
Y VENTURES GROUP LTD. (cont'd)**

Report on other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this Independent Auditor's Report is Tiang Yii.

Baker Tilly TFW LLP
Public Accountants and
Chartered Accountants
Singapore

3 April 2021

APPENDIX 2

Extract of Note 2(j) to the Financial Statements for the financial year ended 31 December 2020

2 Summary of significant accounting policies

j) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a first-in, first-out basis. Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses.

Extract of Note 17 to the Financial Statements for the financial year ended 31 December 2020

17 Inventories

	Group	
	2020	2019
	US\$	US\$
Finished goods	22,115,681	22,007,020

Inventories recognised as an expense in cost of sales for the financial year ended 31 December 2020 amounted to US\$20,428,214 (2019: US\$14,269,637).

Extract of Note 30 to the Financial Statements for the financial year ended 31 December 2020

30 Independent Review Report and Singapore Exchange Regulation's ("SGX RegCo") Regulatory Announcement on the Independent Review report dated 16 March 2021

Following the Company's announcements of 14 August 2018, 21 January 2019, 30 January 2019, 1 February 2019 and 12 March 2019 on the misstatements in its unaudited financial statements for the half year ended 30 June 2018 ("HY2018"), on 12 March 2019, the Company announced that in consultation with SGX RegCo and the Company's Sponsor, the Company had appointed Deloitte and Touche Enterprise Risk Services Pte Ltd ("Deloitte") as the independent reviewer. It was announced that the scope of the independent review will include, inter alia, the review of the adequacy and effectiveness of the internal controls of the Group for the financial reporting period starting from 1 January 2014 to 31 December 2018; quantify and particularise any misstatements in the Group's prior years' financial statements as disclosed in the IPO offer document and to-date as a result of the internal control lapses and misstatements identified; and 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. The HY2018 misstatements were identified through the Group's internal review procedures after the unaudited results containing the misstatements have been announced.

**30 Independent Review Report and Singapore Exchange Regulation's ("SGX RegCo")
Regulatory Announcement on the Independent Review report dated 16 March 2021 (cont'd)**

As at the date of this report, the review has been concluded and the Company had on 16 March 2021 received the Independent Review report from Deloitte. The Company had on 16 March 2021 announced that the Group has noted the internal control weaknesses identified by Deloitte and had implemented their recommendations or undertaken alternative measures. The Company also further noted that Deloitte has highlighted, among other things, breaches of Catalist Rule 703(4)(a) and Rule 719(1).

Deloitte concluded that the HY2018 misstatements had occurred mainly because employees had not complied with internal procedures the Group had implemented during its Initial Public Offering (IPO).

Deloitte reported that the underlying causes of the misstatements are 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. The erroneous financial records were undetected due to oversight by the former Chief Financial Officer of the Group.

Deloitte also stated in the Independent Review report that Deloitte was unable to assess if any misstatements in the financial statements for FY2014 to FY2017 had occurred. Deloitte had not had the benefit of reviewing complete and contemporaneous supporting documents. The documents were unavailable due to the passage of time, staff turnover and inadequate record keeping. SGX RegCo will also engage the relevant regulatory authorities where appropriate on this matter.

The Board has further noted that Deloitte has highlighted, among other things, the following potential breaches as extracted from the Independent Review Report:

- (i) Catalist Rule 703(4)(a) states that in complying with the SGX-ST'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.

As a result of the errors and omissions in the accounting records maintained by the Group, the net profits reported in its HFY18 financial statements (as announced on 14 August 2018) was materially overstated by US\$1.3 million. The HFY18 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.

- (ii) Catalist Rule 719(1) states that 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.

**30 Independent Review Report and Singapore Exchange Regulation's ("SGX RegCo")
Regulatory Announcement on the Independent Review report dated 16 March 2021 (cont'd)**

There were inherent limitations of using Excel spreadsheets to manage inventory records and the external auditor had previously highlighted to the Group the importance of having an inventory management system with the following features:

- (a) monthly reconciliation of the stock listing with general ledger stock control balance, and follow up of discrepancies noted;
- (b) monthly reconciliation of the stock listing comparing physical stock count, and follow up of the stock count discrepancies;
- (c) monthly stock ageing report prepared and reviewed for slow-moving and obsolete stocks; and
- (d) accurate costing of stock movements.

While the Group had put in place procedures to address the above concerns, these procedures were not followed 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.

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 Group noted the internal control weaknesses identified by Deloitte and had implemented their recommendations or undertaken alternative measures.

The Board of Directors and management have reviewed the findings in the Independent Review report and determined that no restatements to prior years' financial statements and these financial statements were necessary.

On 16 March 2021, SGX RegCo announced that they will investigate further potential Catalist listing rule breaches by the Company, its directors and/or key executive officers as highlighted in the Independent Review report. SGX RegCo also states in their announcement that the Company has implemented all internal control recommendations highlighted in Deloitte's report. SGX RegCo expects the audit committee to continue to monitor the internal controls in its finance function and include these areas of review as part of the scope of its annual internal audit.

At the date of these financial statements, the Company had not received any further communications from SGX RegCo after its announcement on 16 March 2021. The Company will inform shareholders when there is any new development in due course.