For Immediate Release

INDEPENDENT AUDITOR'S REPORT

To the members of YuuZoo Networks Group Corporation (Formerly known as YuuZoo Corporation Limited)

Report on the Audit of the Financial Statements

Disclaimer of opinion

We were engaged to audit the financial statements of YuuZoo Networks Group Corporation (the "Company") and its subsidiaries (the "Group"), which comprise the statements of financial position of the Group and of the Company as at 31 December 2017 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 for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

We do not express an opinion on the accompanying consolidated financial statements of the Group and the statement of financial position of the Company. Because of the significance of the matters described in the *Basis for Disclaimer of Opinion* section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for Disclaimer of Opinion

(a) Appropriateness of Going Concern Assumption

i. Financial position of the Group

The Group reported a total loss of SGD 100,688,000 and net operating cash outflows of SGD 11,471,000 for the financial year ended 31 December 2017 ("FY2017"). The Group had net current liabilities of SGD 12,535,000 and net liabilities of SGD 6,146,000 as at 31 December 2017. The Group's ability to continue as a going concern is dependent on the continued listing of the Company, its ability to trade on the Singapore Exchange ("SGX") and the ability to secure financing as and when required.

As at the reporting date, other than the revenue generated from rendering of logistic services, the Group did not have any other revenue stream which could generate cash flows. As the cash was mainly received from the issuance of new shares of the Company, the Group's ability to sustain its cash required for operating activities depends on its ability to issue new shares of the Company in the next twelve months from the end of the reporting period. Trading of the Company's shares on SGX was suspended on 19 March 2018, thereby hampering the Company's ability to issue new shares for cash to fund the Group's operations in the near future. This has been the Company's source of cash generation in the past.

ii. Going concern of a subsidiary and financial commitment of the Group

On 1 September 2017, the Company, through its subsidiary YuuLog France, acquired Cinram Logistics France via Court Order of a French court (the "Court Order"). The Court Order stipulated that the Company had to commit to contribute share capital of Euro 500,000 and provide a committed revolving credit line of Euro 1,500,000 to YuuLog France. To date, YuuLog France is facing financial difficulties in managing this newly acquired business and had requested for cash injections from the Company to support its deteriorating financial position. However, the Company has not provided the cash injections as requested by YuuLog France.

Basis for Disclaimer of Opinion (Cont'd)

As YuuLog France is experiencing a rapid deterioration of its cashflow, the Company has initiated a judicial recovery proceeding. Should YuuLog France cease operations, following are some of the implications:

- revenue of the Group for the next financial year would be reduced significantly;
- given the current financial status, it would be a challenge for the Company to fulfil its obligations to provide additional cash injections through share capital and revolving credit line; and
- the Company may have other possible financial and legal consequences for not fulling its obligations, as required by the Court Order.

The Group is presently awaiting the outcome of the judicial recovery proceeding before planning the next course of action. In the event that the outcome is unfavourable, YuuLog France may be unable to continue as a going concern. Additionally, adjustments may have to be made for any losses on realisation of its assets and further costs which may arise. The financial statements of the Group do not include any adjustments relating to the recoverability and reclassification of recorded asset amounts or the amounts and reclassification of liabilities that might be necessary should YuuLog France be unable to continue as a going concern.

In view of the matters set out in subsections (i) and (ii) above, there are material uncertainties that may cast significant doubt on the ability of the Group to continue as a going concern. Accordingly, we have not been able to obtain sufficient appropriate audit evidence to ascertain the appropriateness of the preparation of the financial statements of the Group on a going concern basis.

(b) <u>Commercial Affairs Department ("CAD") investigation</u>

On 2 April 2018, the Company and its former Executive Chairman, who was also the former director and current shareholder of the Company, were served notices by the CAD of the Singapore Police Force in relation to an investigation into a possible offence under the Securities and Futures Act, Chapter 289. As the CAD has not provided details of its investigation, we are unable to ascertain: (i) whether the investigation would have an impact on the Company's and the Group's ongoing business operations; and (ii) the significant adjustments, if any, to the accompanying financial statements that may arise from the investigation.

(c) <u>Acquisition of a business – Cinram Logistics France</u>

The Company had performed an internal assessment of Purchase Price Allocation ("PPA") with respect to its acquisition of Cinram Logistics France in France on 1 September 2017 using provisional amounts. However, the Group did not fulfil the criteria of Financial Reporting Standard 103 *Business Combinations* of completing the assessment of PPA within a year.
As at 31 December 2017, the Group had not finalised its legal ownership over a building as part of the acquisition of the business. Therefore, we had not been able to obtain evidence of ownership of the building, encumbrances over the building acquired, if any, and contingent liabilities associated with the business acquired, if any.

Basis for Disclaimer of Opinion (Cont'd)

As a result, we were unable to obtain sufficient appropriate audit evidence with respect to:

i. the ownership of the building and the fair value of the net assets and liabilities acquired of SGD 758,000;
ii. the deferred tax liabilities for the fair value adjustment for the building acquired; and
iii. the non-controlling interest of SGD 148,000.

(d) Ernst & Young Advisory Pte Ltd ("EY") First Interim Report dated 30 April 2018

The Company was served a Notice of Compliance by SGX, which required the Company to undertake the following:

(i) The scope of the independent review as stipulated in the Notice of Compliance ("NOC") included the following:
  - Revenue recognition from franchise sales;
  - Receivables from YZ Group;
  - Receivables from RM Bidder LLC;
  - Impairment of intangible assets in relation to Etisalat; and
  - Receivables from related parties (Note 9 of the 2016 audited financial statements).

(ii) The Company to instruct EY to provide a copy of the executive summary of its initial findings to the SGX and the Company's audit committee ("AC") concurrently as soon as it is finalised ("Interim Report"); and

(iii) The AC to immediately release the Interim Report via SGXNet upon its receipt from EY. The NOC also observed that, "*On 26 February 2018, the Company provided the Exchange with a copy of EY's draft report dated 23 February 2018 ("EY Draft Report"). The Exchange notes from the EY Draft Report that EY was not given the necessary access to information and data as required. EY's review was also restricted by scope exclusions imposed by the Company, which were inconsistent with the spirit of an independent review*".

As at the date of our report, nothing has come to our attention that would cause us to believe that the observation by the SGX in the NOC has changed. Correspondingly, we are not able to determine if any adjustment would have to be made to the financial statements had the EY report been completed and finalised.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Financial Reporting Standards in Singapore and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, where due to fraud or error.

In preparing the consolidated 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.

Basis for Disclaimer of Opinion (Cont'd)

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our responsibility is to conduct an audit of the Group's financial statements and the statement of financial position of the Company in accordance with Singapore Standards on Auditing and to issue an auditor's report. However, because of the matters described in the *Basis for Disclaimer of Opinion* section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

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.

Emphasis of Matter

We draw attention to the Note 15 on the share capital for the Group and Company of the financial statements.

The par value for all the Company's ordinary shares is set at USD 0.10. On 14 August 2017, the Company had issued an aggregate of 7,500,000 drawdown shares at an issue price of SGD 0.0585 per share. In accordance with the requirements of the Bermuda Companies Act 1981, shares may not be issued at a price lower than its par value.

Our opinion is not modified in respect of the matter above.

The engagement partner on the audit resulting in this independent auditor's report is Mr. Ravinthran Arumugam.

RT LLP
Public Accountants and
Chartered Accountants

Singapore
21 September 2018