INDEPENDENT AUDITOR'S REPORT

To the Members of Yuuzoo Corporation Limited

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of YuuZoo Corporation Limited (the "Company") and its subsidiaries (the "Group"), which comprise the statement of financial position of the Group and of the Company as at 31 December 2016 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.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the Financial Reporting Standards in Singapore ("SFRSs") 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 2016 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the 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 Matters

We draw attention to the following notes of the consolidated financial statements:

(i) Note 2.11, Note 3.1(e) and Note 16 on the recognition of gross revenue from YuuCollect, a service provided by a subsidiary

YuuCollect is a platform which facilitates the transfer of funds between a merchant and an end user. A merchant is an e-commerce entity which uses the YuuCollect service to transfer funds from an end user to the end user's deposit account with the merchant. An end user is an entity which engages the services of the merchants.

The Group charges the merchant a transaction fee for facilitating the transfer of funds from the end user to the end user's deposit account with the merchant. The amount of cash collected in its entirety (gross) from the end user is recognised as revenue in the books of the subsidiary. Correspondingly the amount of cash paid to the merchant, net of the relevant transaction charge, is recorded as cost of sales.

The Group is of the opinion that the platform used to transfer and facilitate the movement of funds is unique for the purposes it aims to achieve. The Group is of the view that it has created an ecosystem, through its YuuCollect platform, that allows the merchant and end user to transact, without which the transaction between the two parties would not have been possible. The Group is of the view that it takes an element of credit risk for the transfer of funds. Therefore, the Group is of the view that it has a basis to account for the transaction on a gross basis instead of only recognising the transaction charges (net basis) as income.

Significant judgment is required in assessing whether revenue should be recognised on a gross basis, or a net basis, based on the requirements of FRS 18 *Revenue Recognition*.

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Emphasis of Matters (Continued)

(ii) Note 3.2(d)(i) on management impairment assessment on the available-for-sales ("AFS") investments

The AFS amounting to SGD 33,252,000, as reflected on the Consolidated Statement of Financial Position, comprise of 11 entities with 9 entities formed in 2015, and 2 entities in 2016 as the acquirers of the franchises sold by the Group. The management is of the view that it would be premature to assess the performance and/or impairment of the AFS due to the preliminary stages of its operations. The AFS are expected to take a period of time, from 1 to 2 years from the date of signing the franchise sales agreement, to commence and to stabilise as a sustainable operation. Accordingly, the management is of the view that it would be premature to assess the impairment of the AFS or the Group's ability to realise income from the sales of AFS within 2 years from the date of sales of franchises. Should the AFS fail to demonstrate and/or achieve financial viability within the next financial year, the risk of realisability of the AFS could be heightened and impairment to bring the AFS to a realisable amount would be necessary. To validate the revenue recognised on the sales of the franchises, it is critical that the AFS are capable of being monetised within a reasonable time.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, 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.

Key audit matters	How the matter was addressed in the audit
1) Revenue recognition for franchise sales and fair value of available-for-sales ("AFS") investments	
The Group revised its accounting policy on the revenue recognition for the sales of e-commence platforms deemed as franchise sales and the corresponding fair value of the available-for-sale investments received as consideration. Previously, the Group recognised the franchise revenue based on fair value calculated using the income approach which relied on future number of users, revenue from those users, that is future potential income. In 2016, the Group changed the valuation methodology to the cost approach and the fair value of those franchises were estimated based on the cost of development of those platforms sold to franchisees using associated staff costs as a determinant. In compliance with *FRS 8 Accounting policy, Changes in Accounting Estimates and Errors*, the change was applied retrospectively. The Board is of the view that the change in accounting policy will provide reliable and relevant information, especially in reflecting a significantly more conservative accounting policy.	Our audit procedures in relation to management's use of cost approach to estimate the fair value of the franchises sold included: • Obtained the time cost schedule of associated staff costs and checked the job designations of those staff to ensure that management's representation that those costs were incurred for the development of those platforms is reasonable; • Assessed the management's control and extraction of those associated staff costs; and • Obtained market pricing for the last transacted sales of the platforms to which fair value adjustment factors were applied based on judgement.

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Key Audit Matters (Continued)

Key audit matters	How the matter was addressed in the audit
As a result of the change, the Group: • recorded a decrease in FY2015 revenue of SGD 35,484,000, which represents 39% of FY2015 revenue; • recorded a decrease in available-for-sale investments of SGD 35,484,000, which represents 65% decline in fair value of FY2015 AFS investments. In 2016, under the revised accounting policy mentioned above, the Group recognised franchise revenue amounting to SGD 22,985,000 (2015: SGD 13,642,000), which constituted 23% (2015: 28%) of total revenue of the Group. At the end of the reporting period, the carrying amount of the Group's AFS investments related to franchise revenue constituted 39% (2015: 25%) of the total assets of the Group. The estimation of the fair value of AFS investments, determination of whether the Group had significant influence over those unquoted investments and impairment assessment requires management to make key judgements and significant accounting estimates as follows: • Estimation of the time cost of the personnel involved in the development of the underlying platforms sold to the franchisees and determining the range of market prices for the platforms sold on a stand-alone basis; • No significant influence in the franchisee company as the Group do not have any representation on the board of directors in the franchisee company and is not able to unilaterally appoint a representative to the board and key management; and • AFS investments were not impaired. The key assumptions, judgements and disclosures on the revenue recognition policy, determination of whether the Group had significant influence and the fair value measurements of AFS investments are disclosed in Note 2.11, Note 3.1(a), Note 3.1(b), Note 3.2(d)(i), Note 8 and Note 16.	Our audit procedures in relation to management's assertion that they do not have significant influence over those franchise companies included: • Assessed those franchise agreements for the Group's power to participate in the financial and operating policy decisions; • Assessed the right of the Group to appoint directors and key management of those franchisee companies; and • Assessed the basis for not impairing AFS investments – please see EOM (ii).

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Key Audit Matters (Continued)

Key audit matters	How the matter was addressed in the audit
2) Fair value and impairment of AFS – RS Media and Entertainment Group Holding Ltd ("RS Media")	
As at 31 December 2016, the Group recognised an impairment loss on the AFS investment in RS Media of SGD 4,677,000 (2015: NA) which represented 32% (2015: NA) of profit before tax. In determining the impairment loss, management was required to exercise judgement on whether there was sufficient and appropriate evidence to justify that the AFS investment in RS Media could be recovered. The Group had received an option letter signed by another shareholder of RS Media to buy back the Group's AFS investment in RS Media at the cost of the investment by the Group. In the absence of available information to assess the financial position of the other shareholder of RS Media to re-acquire the shareholdings from the Group, management had exercised judgment and recognised full impairment losses on the AFS investment in RS Media. The determination of the recoverable amount of the AFS requires management to make significant estimates on the expected fair value less cost to sell for the AFS. The key judgements and disclosures on the impairment on the AFS investment in RS Media are disclosed in Note 3.2(d)(ii) and Note 8.	Our audit procedures included the following: • Discussed with management on the financial position and financial performance of RS Media; • Considered the ability of the shareholders of RS Media to buyback the Group's AFS investment in the event of the exercise of put option by the Group; and • Obtained assurance from the internal legal counsel on the enforceability of the option agreement.

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Key Audit Matters (Continued)

Key audit matters	How the matter was addressed in the audit
3) Receivables from YZ Group	
In 2015, the Group had outstanding receivables from the sale of franchises and related services to YZ Group amounting to SGD 17,254,000. The Group did not receive any repayments since 2014. In 2015, YZ Group returned 7 franchises valued at SGD 14,851,000 to offset those receivables. The Group recognised an impairment loss of SGD 2,403,000 in 2015 on the remaining receivables from YZ Group. The estimation of the fair value of those franchises received from YZ Group were based on matters discussed in **Key Audit Matter (1)**. Accordingly, management estimated that the fair value of the returned franchises amounted to SGD 14,851,000 in 2015. The significant estimates and disclosures on the impairment losses on the receivables from YZ Group are disclosed in Note 3.2(b)(i) and Note 9 respectively.	Our audit procedures included the following: • Assessed the agreements from YZ Group on the return of the 7 franchises to the Group; • Obtained the time cost schedule of associated staff costs and checked the job designations of those staff to ensure that management's representation that those costs were incurred for the development of those platforms is reasonable; • Assessed the management's control and extraction of those associated staff costs; and • Obtained market pricing for the last transacted sales of the platforms to which fair value adjustment factors were applied based on judgement.
4) Impairment of investments in associate Infocomm Asia Holdings Pte. Ltd. ("IAH") and receivables from IAH	
The Group recognised impairment losses of SGD 2,383,000 (2015: NA) on its investment in IAH and SGD 5,110,000 (2015: NA) on its receivables from IAH. In total, the impairments losses of SGD 7,493,000 (2015: NA) represented 51% (2015: NA) of the profit before tax for the financial year ended 31 December 2016. The impairment assessment required the use of significant judgements about future business plans, jurisdiction risks, growth rates, discount rates applicable in different markets and the option issued by the owner of IAH to re-acquire the Group's investment at the original cost. The key assumptions and details of the impairment loss on IAH are disclosed in Note 3.2(d)(iii), Note 6 and Note 9.	Our audit procedures focused on evaluating and challenging the key assumptions used by management in performing the impairment assessment. The procedures included: • Challenged the cash flow forecasts used with comparison to recent performance; • Challenged management on whether IAH has achieved their previous forecasts; • Considered the ability of the shareholder of IAH to buyback the Group's AFS investment in the event of the exercise of put option by the Group; and • Obtained assurance from the internal legal counsel on the enforceability of the option agreement.

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Key Audit Matters (Continued)

Key audit matters	How the matter was addressed in the audit
5) Receivables from RM Bidder LLC ("RM Bidder")	
The Group had SGD 3,622,000 (2015: NA) of outstanding receivables from RM Bidder which represented 4% of total assets. The Group did an impairment assessment on the receivables from RM Bidder. The recovery of the receivables is dependent on the legal position of the Group as to whether they have a right to claim back the amounts paid for the aborted acquisition. The Group sought legal opinions from its legal advisors which included its in-house legal counsel and an external law firm in which one of the Group's independent director is a partner of the law firm. The key judgements and the details of the impairment assessment of the receivables are disclosed in Note 3.1(d) and Note 9.	Our audit procedures focused on evaluating the legal advice that the Group had received from its legal advisors. The procedures included: • Evaluated the independence and competence of the legal advisors; • Assessed the legal advice obtained by the Group from its legal advisors; and • Assessed the aging and noted that receivables are fairly current (November 2016) and the discussion to resolve the matter is still ongoing based on review of correspondence file.
6) Impairment of intangible assets in relation to Emerging Markets Telecommunication Services Limited (Nigeria) ("Etisalat") and the related legal case	
The Group entered into a service agreement with Mr. Mark Cramer-Roberts ("MCR") for a consideration amount of USD 1,960,000 (SGD 2,667,000) for the facilitation, extension and renewal of contract with Etisalat. The consideration was to be paid in shares of the Group and to the extent the realisable value of the shares at open market were to be below the consideration, the difference is to be topped up with additional shares in the Group. The Group had issued 14,913,073 shares to designated parties nominated by MCR at SGD 0.1788 per share, with total value of SGD 2,667,000. The value of the shares issued was capitalised as an intangible assets. In the current financial year, the Group recognised amortisation expenses of SGD 251,000 and impaired SGD 2,274,000 of those intangible assets, which in total represented 16% (2015: NA) of profit before tax. The significant assumptions and details of the impairment loss are disclosed in Note 3.2(d)(iv) and Note 5.	With respect to the impairment of the intangible assets, our audit procedures focused on evaluating and challenging the key assumptions used by management in performing the impairment assessment. The procedures included: • Challenged the cash flow forecasts used by management with respect to the assumptions; • Evaluated the growth rates and discount rates used in the cash flow forecasts; and • Considered the financial position of Etisalat with respect to the market available information.

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Key Audit Matters (Continued)

Key audit matters	How the matter was addressed in the audit
On 27 February 2017, the Group received a Writ of Summons and Statement of Claims from the nominated parties for additional shares with a value of SGD 270,879 in the Group. With respect to the Claims, the management has exercised significant judgement and determined that no provision is required and have disclosed it as a contingent liability. The details on the contingent liabilities are disclosed in Note 26(a).	With respect to the legal claims for additional shares, our procedures included: • Reviewed the agreement between the Group, the nominated parties and MCR for the relevant Clauses for claims for additional shares; • Obtained an opinion from the in-house legal counsel on the maximum quantum of losses from this claim; • Evaluated the independence and competence of the in-house legal counsel; and • Assessed the quantum of the claims based on the expected impact on the financial statements.
7) Impairment assessment of intangible assets other than those related to Etisalat	
As at 31 December 2016, the carrying amount of the Group's intangible assets constituted 44% (2015: 36%) of the total assets of the Group. Management is required to assess at the end of each reporting period whether there is any indication that the intangible assets may be impaired. The recoverable amount of intangible assets was determined using fair value less cost to sell which involves significant judgments and estimations by management. The key assumptions to the impairment assessment of intangible assets are disclosed in Note 3.	Our audit procedures focused on challenging the key assumptions used by the Group in its impairment assessment. The procedures included: • Evaluated independence and competence of the valuer; • Challenged the key assumptions used by the valuer in computing the fair value of those intangible assets; and • Assessed for any material changes to the valuation from the date of the valuation to the end of the reporting period.

Other Matter

The financial statements for the financial year ended 31 December 2015 were audited by another independent auditor whose report dated 11 May 2016 expressed a disclaimer of opinion on those financial statements as follows:

(i) "As stated in Notes 3.1(a) to the financial statements, the Group reported revenue of SGD 49,126,000 for the financial year ended 31 December 2015, and as of that date, the Group has recognised assets available for sale of SGD 50,423,000 from franchise sales based on valuations obtained from independent third parties. Due to various reasons including the lack of comparable business models, lack of an operating track record, future economic uncertainty, and the sensitivity of the valuation models to underlying parameters, we have been unable to obtain sufficient information to satisfy ourselves as to whether the valuation models, estimates and assumptions used for the fair value estimates meet the revenue recognition criteria in relation to probability of future economic benefits and its reliable measurement. Consequently, we were unable to determine whether any adjustment to the accompanying financial statements was necessary"

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Key Audit Matters (Continued)

Other Matter (Continued)

In 2016, management revised the valuation method of recognition of revenue from sales of franchise from the income approach to the cost approach. The revised valuation approach does not rely on future potential income and does not place reliance on future economic determinants. Post revision, the fair value of revenue recognised was determined with reference to the associated staff costs to develop those platforms (cost approach) and compared to market pricing for the last transacted sales of the platforms to which fair value adjustment factors were applied based on judgement.

The change in valuation methodology had been retrospectively applied in 2015 (see Note 3.1(a), Note 3.1(b), Note 3.2(d)(i), Note 8 and Note 16) and accordingly the issue highlighted by the predecessor auditor is no longer applicable.

(ii) *"Additionally, as disclosed in Note 3.2(ii) to the financial statements, included in trade and other receivables is an amount of SGD 17,091,000. The recoverability of this amount is dependent on the value of the assets proposed to be provided by the debtor in settlement of the debt. The value of these asset is dependent on certain estimates and assumptions in relation to future performance of these assets. We were unable to obtain sufficient information to ascertain the appropriateness and reliability of such estimates and assumptions, nor were we able to obtain sufficient appropriate audit evidence with respect to the recoverability of such receivables through alternative means. Consequently, we were unable to determine whether any adjustment to the accompanying financial statements was necessary"*

In 2016, management assessed the fair value of those franchises and intangible assets returned by the debtor to the Group. The valuation of those franchises and intangible assets was based on the cost approach estimated using the associated staff costs to develop those platforms. The excess of the receivables of SGD 2,403,000 over the fair value of those franchises and intangible assets were recognised as impairment losses in FY2015.

Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the information included in the directors' statement (but does not include the financial statements of the Group and our auditor's report thereon), which we obtained prior to the date of this auditor's report, and the remaining parts of the annual report which are expected to be made available to us after that date. Our opinion on the financial statements does not cover the other information and we do not and will 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 identified above 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 on the other information that we obtained prior to the date of this auditor's report, 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.

When we read the remaining parts of the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and take appropriate actions in accordance with SSAs.

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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

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

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. 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 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 judgment and maintain professional skepticism 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.
- 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.

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

We communicate with those charged with governance 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 those charged with governance 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 those charged with governance, 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.

The engagement partner on the audit resulting in this independent auditor's report is Mr. Su Chun Keat.

RT LLP
Public Accountants and
Chartered Accountants

Singapore
Date: 13 June 2017