

YuuZoo Networks Group Corporation
(Formerly known as YuuZoo Corporation Limited)
(Company Registration No.1988567)

**DIFFERENCE BETWEEN UNAUDITED AND AUDITED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017**

The Board of Directors (the "Board") of YuuZoo Networks Group Corporation (the "Company" and, together with its subsidiaries, the "Group") refers to the Company's unaudited full year results announcement for the financial year ended 31 December 2017 ("FY2017") released on 1 March 2018 (the "Unaudited Results").

Pursuant to Rule 704(5) of the Listing Manual of the Singapore Exchange Securities Trading Limited (the "SGX-ST"), the Board wishes to highlight the non-cash adjustment between the Unaudited Results and the audited financial statements for FY2017 (the "Audited Results") noted below.

A comparison of the Audited Results and the Unaudited Results with the resulting material variances and relevant explanatory notes are shown below:

CONSOLIDATED INCOME STATEMENT FOR FY2017

	Group			
	12 months ended 31 December			
	2017	2017	Significant	
	(Unaudited)	(Audited)	Variances	Note
	SGD'000	SGD'000	SGD'000	
Revenue	62,182	18,000	(44,182)	1
Other income	8,063	176	(7,887)	2
Total income	70,245	18,176	(52,069)	
Cost of services	(8,874)	(11,797)	(2,923)	3
Amortisation and impairment of intangible	(25,488)	(39,282)	(13,794)	4
Depreciation	(128)	(85)	43	
Impairment of assets available for sale	(17,531)	(38,567)	(21,036)	4
Impairment of investment in associate	(687)	(687)	-	
Employee Benefits expenses	(8,170)	(7,944)	226	
Share of loss of associate	-	(48)	(48)	
Other expenses	(6,257)	(13,157)	(6,900)	5
Profit / (Loss) before income tax	3,110	(93,391)	(96,501)	
Taxation	(818)	(7,297)	(6,479)	6
Profit / (Loss) after income tax	2,292	(100,688)	(102,980)	
Other comprehensive income:				
Exchange differences on translation	(4,325)	(1,778)	2,547	
Total comprehensive income / (loss)	(2,033)	(102,466)	(100,433)	
Profit / (Loss) attributable to:				
Equity holders of the Company	2,292	(100,851)	(103,143)	7
Non controlling interests	-	163	163	8
	2,292	(100,688)	(102,980)	
Total comprehensive income / (expenses)				
Equity holders of the Company	(2,033)	(102,633)	(100,600)	7
Non controlling interests	-	167	167	8
	(2,033)	(102,466)	(100,433)	
EBITDA	28,726	(54,024)	(82,750)	
EBIT	2,292	(100,688)	(102,980)	

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2017

	Group			Note	Company			Note
	31 Dec 2017	31 Dec 2017	Significant		31 Dec 2017	31 Dec 2017	Significant	
	(Unaudited)	(Audited)	Variances		(Unaudited)	(Audited)	Variances	
	SGD'000	SGD'000	SGD'000		SGD'000	SGD'000	SGD'000	
Non-current assets								
Property, plant and equipments	10,862	6,186	(4,676)	9	-	-	-	
Investment in subsidiaries	-	-	-		84,444	7	(84,437)	15
Investment in associates	-	212	212		-	-	-	
Intangible assets	26,926	-	(26,926)	10	326	-	(326)	10
Trade and other receivables	1,905	-	(1,905)	11	-	-	-	
Assets available for sale	54,241	-	(54,241)	10	-	-	-	
Total non-current assets	93,934	6,398	(87,536)		84,770	7	(84,763)	
Current assets								
Trade and other receivables	9,023	4,677	(4,346)	11	36,162	-	(36,162)	16
Prepayments	178	169	(9)		60	58	(2)	
Cash and cash equivalents	3,248	3,234	(14)		-	-	-	
Total current assets	12,449	8,080	(4,369)		36,222	58	(36,164)	
Total assets	106,383	14,478	(91,905)		120,992	65	(120,927)	
Equity								
Share capital	77,445	77,445	-		100,665	100,665		
Share premium	47,599	47,599	-		254,362	254,362		
Other reserves	7,251	9,840	2,589	14	44,802	48,723		
Accumulated losses	(38,203)	(141,346)	(103,143)		(285,563)	(404,108)	(118,545)	
Total equity attributable to owner of the Company	94,092	(6,462)	(100,554)		114,266	(358)	(118,545)	
Non-controlling interest	-	316	316		-	-	-	
Total equity	94,092	(6,146)	(100,238)		114,266	(358)	(118,545)	
Non-current liabilities								
Deferred tax liabilities	-	9	9		-	-	-	
Current liabilities								
Trade and other payables	11,766	13,620	1,854	13	6,726	423	(6,303)	16
Deferred revenue	-	-	-		-	-	-	
Income tax payable	525	6,995	6,470	12	-	-	-	
Total current liabilities	12,291	20,615	8,324		6,726	423	(6,303)	
Total liabilities	12,291	20,624	8,333		6,726	423	(6,303)	
Total liabilities and equity	106,383	14,478	(91,905)		120,992	65	(124,848)	

CONSOLIDATED CASH FLOW FOR FY2018

	Group			
	12 months ended 31 December			
	2017	2017	Significant	
	(Unaudited)	(Audited)	Variances	Note
	SGD'000	SGD'000	SGD'000	
Cash flows from operating activities				
Profit/(Loss) before tax	3,110	(93,391)	(96,501)	
Adjustment for				
Depreciation of property plant and equipments	128	85	(43)	
Amortisation and impairment of intangible assets	25,488	39,282	13,794	4
Impairment loss on associates	687	687	-	
Impairment loss on available-for-sale investments	17,531	38,567	21,036	4
Non-cash revenue generated	(46,692)	-	46,692	1
Share-based compensation	(147)	(101)	46	
Deferred revenue realised	-	(1,701)	(1,701)	
Allowance for doubtful debts for trade and other receivables	42	5,053	5,011	5
Gain on bargaining purchase	(7,987)	-	7,987	2
Share of loss of associate	-	48	48	
Operating cash flows before working capital changes	(7,840)	(11,471)	(3,631)	
Working capital changes:				
Trade and other receivables	(3,690)	(1,168)	2,522	11
Prepayments	(4)	5	9	
Trade and other payables	8,797	5,129	(3,668)	13
Deferred revenue	(1,701)	-	1,701	
Cash used in operations	(4,438)	(7,505)	(3,067)	
Income tax paid	(293)	(293)	-	
Net cash used in operating activities	(4,731)	(7,798)	(3,067)	
Investment activities				
Purchase of property, plant and equipment	(136)	(114)	22	
Development costs incurred/purchase of intangible asset	(311)	(356)	(45)	
Acquisition of business	-	(610)	(610)	
Net cash used in investing activities	(447)	(1,080)	(633)	
Financing activities				
Gross proceed from issuance of shares	8,757	7,703	(1,054)	
Share issue expenses	(1,054)	-	1,054	
Net cash provided by financing activities	7,703	7,703	-	
Net change in cash and cash equivalents	2,525	(1,175)	(3,700)	
Cash and cash equivalents at the beginning of the financial ye	3,813	3,813	-	
Net effect of exchange differences	(3,090)	596	3,686	
Cash and cash equivalents at the end of the financial year	3,248	3,234	(14)	

EXPLANATORY NOTES:

1. The decline in revenue of the Group of S\$ 44.182 million was a result of management's decision to fully impair the intangible assets and AFS, hence the revenues from network development fees and franchise sales was reversed. This decision was made after an assessment by management on the recoverability of the AFS and the probably future economic benefits from the intangible assets, which had been impacted by the current change in the technological and industry landscape.
2. Other income of the Group comprise mainly of gain on bargain purchase related to the formation of Yuulog France of approximately S\$ 7.9 million. In an update to shareholders on 6 September 2018, it was announced that an application was made to the French Courts for Judicial Recovery Proceedings for YuuLog France. Given the latest development at YuuLog France, Management decided to value the building in YuuLog France based on its "forced sale" value.
3. The increase in cost of services was a result of cost relating to merchant fees from YuuCollect not previously recognized.
4. The increase of S\$13.794 million for the amortisation and impairment of intangible assets and S\$21.036 million for the impairment of assets available for sale is due to the full impairments made to those intangible assets.

The intangible assets relating to advertising rights (celebrity branded network) and development cost, including data user and computer software were fully impaired because of an assessment made by management on the probable future economic benefits that could be derived from those intangible assets.

The AFS were fully impaired because after a few years of operations after entering the Franchise Agreements, those franchisees did not generate profits.

5. The increase in other expenses is mainly result of higher allowance for doubtful debts of S\$5.0 million. During the year, management reviewed the collectability from several debtors and additional allowances were necessary.
6. The increase in tax expense is mainly due to a tax assessment raised by IRAS in 2018 which relates to profits generated by the Group for YA2013 to YA2015.

On 25 September 2018, the Company received a letter from IRAS that the Company's income are not subject to income tax in Singapore for YA 2013 to YA 2015.

7. The increase in loss attributable to equity holder of the company are due to the reasons as described above.
8. Share of the non controlling interests was previously omitted in the 4Q2017 results announcement.
9. The property, plant and equipment balance comprise mainly of the building owned by Yuulog France, amounting to S\$ 10.644 million. As stated in the comments on other income, management decided to value the building in YuuLog France based on its "forced sale" value. This resulted in the decrease in the carrying value of the building owned by YuuLog France to S\$ 5.968 million.
10. Intangible assets and assets available for sale has been fully impaired.

As stated in the comments on amortisation and impairment of intangible assets, full impairment to the intangible assets was made due to management's view that there was no probable future economic benefit that can be derived from those assets. Full impairment was made on the AFS because the franchisees did not generate profit after a few years of entering the Franchise Agreement.

11. Trade and other receivables (current and non-current) balances declined from S\$ 10.928 million to S\$ 4.677 million because of additional allowance for doubtful debts made after management reviewed the collectability from several debtors and additional allowances were necessary.
12. The increase in income tax payable of S\$ 6.740 million is due a tax assessment raised by IRAS in 2018 which relates to profits generated by the Group for YA2013 to YA2015. However, the company is still appealing on the tax assessment.
13. The increase in trade and other payables of S\$ 1.854 million is mainly due to the recognition of the commitment to a capital injection of S\$ 0.8 million and financial support of S\$ 2.406 million made for Yuulog France operations. This was made given the latest development at YuuLog France. In addition, an amount of S\$ 1.815 million was recognised from cost of services relating to merchant fee from YuuCollect not previously recognised.
14. The increase in Other reserves of S\$ 2.589 million was due to a decrease in translation losses resulting from the impairments made to the intangible assets and AFS.
15. Investment in subsidiaries was written down to S\$ 7.0 million as a result of the impairment assessment done by management during the financial year.

16. Management performed an assessment of impairment of the investment in subsidiaries. For subsidiaries that are in a net liability position, management decided to provide for allowance of doubtful debts for those subsidiaries, after offsetting the payable and the receivable balances arising from subsidiaries.

By Order of the Board
YuuZoo Networks Group Corporation
Mohandas
Chief Executive Officer
26th September 2018