YuuZoo

2017 **ANNUAL REPORT**

YUUZOO NETWORKS GROUP CORPORATION
(formerly known as YuuZoo Corporation Limited)

CONTENTS

CORPORATE PROFILE

YuuZoo Networks Group Corporation (formerly known as YuuZoo Corporation Limited) ("**YuuZoo**" or the "**Company**", SGX: AFC.SI), a company initially incorporated in Bermuda and headquartered in Thailand, was listed via a Reverse Takeover ("**RTO**") on the main board of the Singapore Stock Exchange Securities Trading Limited ("**SGX-ST**") and commenced trading on 16 September 2014. On 9 August 2018, YuuZoo completed its continuation into the British Virgin Islands, and was accordingly continued in the British Virgin Islands as a BVI Business Company incorporated under the BVI Business Companies Act, 2004. As the first Singapore-based social media company to be listed on the SGX-ST mainboard, YuuZoo offers an agile and mobile, demand-driven commerce platform leveraging interest-specific social communities.

DRIVING DEMAND-DRIVEN COMMERCE: BECOMING A LEADER IN THE SOCIAL SPACE

YuuZoo uniquely combines interest-based social networking, demand-driven commerce, community-based television networks, gamification and payments in a mobile-optimised, fully localised virtual platform. With a single login, our users can access hundreds of networks comprising focused interest groups. With the same single login, our users are also able to post user-generated videos, buy demand-based merchandise online and play casual games to earn virtual currency through a loyalty-reward program. All YuuZoo's networks are localised for each market for language, cultural nuance, merchandise, and design. Further, all YuuZoo's networks are equipped with YuuZoo's proprietary online payment solution.

YuuZoo pursues an objective-oriented approach to fulfill the social demand for specific interest-based knowledge, interactions and experiences. This approach is designed through a transnational exchange of experience, mutual learning and cooperation among diverse individuals grouped together based on their specific interests. Overall, YuuZoo's aim is to understand and strengthen user engagement in our users' interest verticals and introduce highly relevant and specific content and product recommendations.

YuuZoo, using our in-house-built technology platform, has created a complete demand-driven commerce platform. This platform deploys a unique data analytics approach that intelligently understands and tracks our users' behaviours and sentiments. Through YuuZoo, any online social community has the ability to leverage the YuuZoo platform for growth. This is due to the platform's dynamism, and this in turn allows YuuZoo to be the preferred partner to bring a demand-driven solution to online communities.

LETTER TO SHAREHOLDERS

DEAR SHAREHOLDERS,

The global economy faced great challenges in 2017 and uncertainties continues to grow. Certain industries surged ahead, while others remained under pressure. The past year had not been without challenges for YUUZOO NETWORKS GROUP CORPORATION, but the Company remained resilient throughout. We have been going through major transformation over the past year and it is not easy to assess the transformation impact from a single year, but reflecting, it becomes clear just how much has changed.

For Yuuzoo, disruptive technologies, changing consumer preferences, and increasingly complex IT requirements for businesses continue to challenge traditional business models. But those changes also offer new growth opportunities. At YuuZoo, we know meeting those challenges to make the most of the opportunities, requires a passion for innovation that is ignited by a genuine desire to please our customers.

EMBRACING THE CHALLENGES

To achieve sustainable growth, Yuuzoo has established a new corporate vision – "Inspire Revenue" with the following clear goals:

- ***Profit:*** Maximizing return to shareholders while being mindful of our overall responsibilities.
- ***People:*** Being a great place to work where people are inspired to be the best they can be.
- ***Portfolio:*** Developing a portfolio of revenue generating businesses that satisfy digital trends, desires and needs.
- ***Partners:*** Nurturing a winning network of partners and building mutual loyalty.
- ***Planet:*** Being a responsible global citizen that makes a difference.

We believe there are numerous opportunities to bring innovative services to market that enhance the way people interact, their entertainment options, work and personal lives. The accelerating growth in data reservoirs and the ability to analyse that data, along with machines that quickly adapt and learn, offer new ways to make smarter decisions to please customers and use resources more efficiently. Whilst the digital world introduces new challenges, disruptions and embracing this constantly changing digital world will be the best strategy to remain relevant.

BUSINESS MODEL

YuuZoo has further sharpened its profile as that of an investment holding company. Former divisions have been transformed into independent subsidiaries, whereby each subsidiary is managed by a management team and a CEO largely independent from the Head Office.

Since its listing, YuuZoo has sought to create returns for its shareholders by acting as an investment holding company and developing the investments it holds in its subsidiaries and franchises. Current activities of the subsidiaries span several industries in several markets. Main areas of activity covers e-commerce, payments, campaign management, tribal social networking, video and games.

YuuZoo's business model allows returns to be delivered to shareholders in several ways. When the subsidiaries YuuZoo holds a stake in deliver operational profits, those profits can be returned to shareholders as dividends. When the franchise companies in which YuuZoo holds shares reach the right level of maturity, YuuZoo will seek to sell the shares and distribute the profits to shareholders. When YuuZoo sees the opportunity to buy companies or stakes in companies that are likely to deliver returns to shareholders through share appreciation or operational results, YuuZoo will act and acquire stakes or entire companies.

Strong industry growth is expected to continue in the key areas YuuZoo operates, such as tribal social networking, eCommerce, online and mobile payments, mobile games, and streaming video services.

PREPARING FOR THE FUTURE AHEAD

To prepare for the journey ahead, we would like to share with you the key changes that have already been implemented or are being implemented:

Strengthening Corporate Governance Team

- Introduction of new board members with new Terms of Reference in compliance with MAS guidelines
- Greater Oversight and Reporting Structure
- Implementation of the New Whistle-blowing Framework and Policy with assistance from independent Party

New Headquarters and Divisional Structure

- As a result of the grant of the Board of Investment Certificate from Thailand in 2017, YuuZoo has started to transfer its technology, platform and product development as well as its marketing and sales

LETTER TO SHAREHOLDERS

departments to YuuZoo Platform Co Limited, a fully owned subsidiary in Thailand. The said subsidiary is given an 8-year income tax exemption. The corporate head office will be split between Thailand and Singapore with the revenue generating functions being managed by Thailand, and the support functions by YuuZoo's local subsidiary in Singapore.

- Key divisions will include Social Commerce, Payments, Video, E-Sports and Games, Project and Campaign Management amongst others.
- We are confident that the new structure will allow the Company to function more efficiently and is in good hands under its dedicated Management Team.

Revamping of Payment Business

- YuuPay, the wholly-owned subsidiary of YuuZoo has started to ramp up in terms of sales since mid-2017. With new partnerships and payment gateway connectivity in USA and Indonesia, YuuPay is in a good position to facilitate traditional credit/debit card payment needs of online and mobile merchants globally. The Company is also working on expanding its alternative payment offerings with focus on cryptocurrency to ensure that we continue to be a one-stop payment solutions hub for a wide-range of merchant types and industries.

2018 OUTLOOK WITH STRONGER EARNING POTENTIAL

- Harbin Project – Showcases YuuZoo's Smart City capabilities in areas such as eCommerce, ePayments, Social Networking and eReal estate management.
- Payments Business – Building a strong credit card and debit card processing business.
- Platform Sales – Moved towards cash-based platform sales.

SUSTAINABILITY IN BUSINESS AND RESPONSIBILITY TO THE ENVIRONMENT WE OPERATE IN

The worldwide participation of our employees in Yuuzoo's global transformation towards higher performance has added to the collective strength of our company. Our teams feel engaged and empowered to do better and push our shared ambitions to greater heights. Our transformation journey will continue to build from what we have been achieving.

We will continue to conduct and grow our business in a sustainable way for the benefit of our stakeholders. An important component of delivering value to our shareholders and earning their trust over the long term is to make sure that Yuuzoo will be in a position to return capital in a consistent and transparent way and that we hold our conduct accountable to shareholders in every way.

WORDS OF THANKS

We want to thank our customers, partners and shareholders for their continued trust. And we want to thank our employees for their commitment, energy and irrepressible drive to always improve our capability as One YuuZoo team.

We conclude by expressing our sincerest gratitude to all our shareholders for the invaluable support. Thank you for your continuous belief in the Company. Rest assured that we are working hard to give you a rewarding 2018.

To our partners and franchisees globally, thank you for your commitment and co-operation. You are the ones helping us strengthen YuuZoo's footprint throughout the world, and together, there is no doubt that the years to come will be more fruitful for YuuZoo and our partnership.

Lastly, to all employees of YuuZoo across all sites, we wish to convey our admiration for all your dedication and hard work. May you continue to uplift the YuuZoo brand in all that you do.

Anthony Williams
Lead Independent Director

Mohandas
Chief Executive Officer

OPERATIONS REVIEW 2017

In 2017, YuuZoo announced several new initiatives, acquisitions and partnerships. Below listed are some of the principal ones. For the full list of announcements, please visit www.yuucorp.com.

SINGAPORE

In May 2017, YuuZoo announced the appointment of Mr Mohandas as YuuZoo's new Chief Operating Officer (COO). In his then new role, he had P&L responsibility for all YuuZoo's global operations, as well as, worked closely with YuuZoo's then existing Chairman, Mr Thomas Zilliacus in setting the strategic direction for the company. In April of the succeeding year 2018, Mr Mohandas was appointed Chief Executive Officer (CEO) and Executive Director and stepped down as Chief Operating Officer of YuuZoo.

In September the same year, the Company signed a three-year commercial agreement to use Vin eRetail, a leading global SaaS software for multichannel retailing. The software enables YuuZoo to tap into a vast network of merchants, brands, suppliers and marketplaces around the world. The software has been developed by Vinculum, a globally operating software company that enables the eCommerce ecosystem with SaaS-based products for multi-channel order management and fulfilment.

In October 2017, the Audit Committee (AC) was renamed as Audit and Governance Committee (AGC). Along with this, YuuZoo strengthened the composition of its Board to stir the Company to its vision and corporate goals.

YuuZoo also set up a new division within the Group called YuuInvest with a key objective of increasing the value of the Group as a whole. The division is in-charge of testing and assessing new ideas proposed by the Business Development Team, as well as, the value of the potential businesses for acquisition. YuuInvest works very closely with the Management and the Board on evaluating existing strategic partnerships, raising funds and investor management.

FRANCE

In March 2017, YuuZoo acquired an exclusive option to buy the holding company of Cinram Europe, one of the biggest logistics and distribution companies in Europe. Cinram is the market leader in entertainment sector logistics in France and other parts of Europe – the largest provider of supply chain solutions to some of the most exciting companies and brands within the FMCG, home entertainment, eCommerce and retail industries. For over 40 years the company has worked with many of the world's leading entertainment companies including Universal Pictures, Sky, UCA, Abbey Home Media, Paramount, Warner Bros., 20th Century Fox and Sony.

Following this acquisition, in August 2017, YuuZoo has set up a new company in France, YuuLog Europe, together with the management of Cinram France. The new company will also make France the base for YuuZoo's expansion into the rest of Europe through resellers, franchisees and marketing partners. The new base in Europe and the complete end-to-end eCommerce capabilities, combined with YuuZoo's offices in Asia, will allow YuuZoo to offer its services to eCommerce companies in Asia who want to enter the European market.

CHINA

In April 2017, YuuZoo signed a framework agreement with The Municipal Government of Harbin in China for a massive new project, which includes setting up and running the first eSports College and eSports Development Park in Harbin, China. Under the new framework agreement, the Municipal Government of Harbin will provide the venue and the land for the college and the development park. The Municipal Government will also provide finance, taxation, investment, publicity and other services and concessions required, whilst the Company will be responsible in the introduction of international eSports, planning and design of the college and the park, and will together with the Municipal Government seek investors and developers for this project.

YuuGames, a product under YuuZoo, spearheads Digital Gaming in China by setting up the largest O2O NBA-style eSports league as announced in December 2017. The new game cafes as visualised by YuuGames will have 3,000 cafes forming the core team, and over three years will target 8 million active members. The game cafes feature several promotional avenues, such as competitions, videos, pageants and championships. Around the core group of cafes, YuuGames will also target 20,000 cafes that host 30 million members by installing its "Yueba" mobile app for participation in various events.

In the same month, the Company declared the signing of a major new agreement with state-owned Harbin Water Investment Group Co Ltd, the Company that manages and controls all water-linked land in Harbin, China. Under the framework agreement, YuuZoo will develop an 85 hectares large river-fronting area of land located on a prime upmarket new development area earmarked by the local government for high-end residential, commercial, tourism, education and sports real estate development. The project integrates YuuZoo's wide area of eServices in eCommerce, ePayments, Social Networking and eManagement.

OPERATIONS REVIEW 2017

THAILAND

In July 2017, Infinity Warriors, the new mobile action game marketed by YuuZoo and developed under a cooperation agreement with Sandbox Global Co Ltd based in Thailand, reached number one spot for Action Games in Google Play Store Australia with 20,000 installs and counting.

In October the same year, another mobile game of YuuZoo and Sandbox called Unstoppable Rex has been downloaded over 186,000 times over the period from its soft launch in July 2017 through the official launch in September. It has generated an average revenue per paying user (ARPPU) of USD 23, attracting about 1,960 new and 2,209 regular mobile game players per day.

On 26 October 2017, YuuZoo announced that Thailand's Board of Investments (BOI) granted the Company an 8-year tax holiday on all its profits derived out of Thailand, by issuing a BOI Certificate (Type of Activity: Software development as listed under 5.7.2: Enterprises Software and/or Digital Content / Class of Investment Incentives: A3 plus BOI Super Cluster) to YuuZoo Platform Co. Ltd. With this being granted, the Company has moved its head office operations handling sales and technology to Thailand.

Moreover, the Thailand-based team also developed three major products in 2017 namely YuuFlix, YuuGive and YuuSports. YuuFlix is the key product for YuuZoo's streaming video division, that is catered for video and movie viewers who want to watch movies and shows on their phones and laptops. It's a state-of-the-art mobile app that combines SVOD , TVOD and AVOD capabilities into one platform. YuuGive is an exceptional eCommerce platform and app that turns buyers into givers. It operates under a distinctive donation model, allowing buyers to shop as usual, whilst YuuZoo donates 50 percent of its own commissions to registered and verified charities. Lastly, YuuSports is a sports-focused social eCommerce platform that allows sports fans all over the world to share news, updates and purchase sports-related products in one platform with fellow enthusiasts.

INDIA

In last year's Operational Review, YuuZoo announced the sale of franchise license with iComp Digital Media (a part of iComp Solutions Group). As part of that sale, YuuVillage and Tribe nation were launched respectively in 2017. YuuVillage provides farmers and rural villagers with an efficient and robust digital ecosystem that enables them to reach the world's fastest growing online economy. Through this product, local farmers will be able to bypass middlemen and sell directly to end consumers, thereby transforming themselves into competitive business owners and traders.

On the other hand, Tribe Nation is the strategic extension following the launch of YuuVillage. It's the first-of-its-kind subscription app which functions as a competitive 'supermarket', offering products at lower prices than existing market rates, for extended periods of time. Within the Tribe Nation app, consumers are given the flexibility of monthly or yearly subscriptions and delivery of fresh produce right at their doorsteps. It was also in 2017, the same year of its launch, that YuuVillage and Tribe Nation started generating revenue.

SOUTH KOREA

In October, YuuZoo announced that it is the proud provider of the social interactive app Sutagram and online video voting platform for Season 9 of the pageant in South Korea, Miss Supertalent of the World 2017 (Miss STOW), reaching out to millions of global audiences.

NIGERIA

SME Arena and WeConnect both launched in 2016 also started generating revenue for the Company. SME Arena serves as the first portal in Africa to combine social networking, eCommerce, an online business directory and entertainment, forming and offering consumers an exciting and new user experience, whilst WeConnect has been achieving great results in connecting Nigerians with information around things they love – through Social Network, Products – through the eCommerce portal and Football – through TV Shows and Games.

YuuWallet, YuuZoo's proprietary electronic wallet designed for use in developing markets, as well as, developed markets with low credit card penetration has been launched in Nigeria. It enables fast, easy and secure payments without credit cards and can also be used for sending, receiving and withdrawing money worldwide. It covers the full range of payments and money transactions, from large amounts to micro-payments that is now a welcomed payment options for Nigerians.

ADVISORY BOARD

ROBERT CROZIER

Robert (Bob) Crozier, who lives in London, UK, is currently Managing Director for the International division of Robb Report, the global publication and authority of luxury lifestyle, has spent over 40 years in print, online and other related media businesses across Europe, Middle East, Africa, Asia Pacific and the United States. He successfully managed two of the leading global brand names in international publishing, Forbes Global Magazine (EMEA and Asia/Pacific Editions), where he was the former Vice President, Managing Director and Publisher; and the Time Magazine, Atlantic Edition (EMEA) as President. Prior to joining Forbes in 1999, Crozier served in several posts including as President of Interactive Bureau (New York), and as International Publisher of American Express's Departures Magazine (London). Since 2003, Crozier has also been an Industry Council Advisor at GMT Communications LLC in London, Europe's longest-established private equity firm specialising in the communications arena.

KELLY O'DEA

USA-based Kelly O'Dea was described in a Harvard Business School case as a "global marketing pioneer, business builder and change leader". He has been a senior advisor to C-level clients in such companies as IBM, Microsoft, Samsung, Boeing, Compaq, Ford, Fujitsu, AT&T, PepsiCo, Kraft and Unilever. Resume includes: President - FCB (Foote, Cone and Belding Worldwide) (NYSE: IPG); Vice Chairman/Global Operations - Bozell Worldwide; President - Worldwide Client Services, Ogilvy & Mather (NASDAQ:WPPGY).

His technology experience spans 25 years across hardware, software, mobile, e-commerce and big data platforms. He is also co-founder of IgniteD2K, an emergent leader in next generation big data, real time software applications.

Kelly is the co-founder of Alliance for High Performance Leadership (AllianceHPL), a private strategic services firm focused on applied innovation. The subject of a Harvard Business School case, the firm has specialized in business / market strategies, brand development, marketing technology and design for large clients like Ford, Samsung and Lenovo and many early stage, new technology firms.

Kelly dedicates free time to education. He has been six-term Chairman of Outward Bound International and Chairman of The Thunderbird School of Global Management.

RAVI CHIDAMBARAM

Ravi Chidambaram, who resides in Singapore, is the President and Co-Founder of TC Capital, a boutique Asian investment bank. Prior to setting up TC Capital, Ravi spent 5 years with Goldman Sachs, where he worked on many landmark TMT deals. He built Deutsche Bank's Asian Telecom Group, which became a Top 5 advisor in Asian telecom M&A and equity underwriting. He started and ran Bear Stearns' European Technology practice, during which Bear Stearns topped the league tables in 1999 and 2000 for equity private placements in Europe for technology.

He holds a BA (Hons) from Duke University and an MBA from Wharton School. He was a Fulbright Scholar in Economics.

PETER TORNQUIST

Peter Tornquist, who lives in Stockholm, Sweden, is a Partner with CVC Capital Partners, a leading global private equity firm, headquartered in Luxembourg with a network of 19 offices across Europe, Asia and the USA. Previously, he was a Managing Director of Lehman Brothers responsible for its Nordic Investment Banking business and European Industrial Group, and a Senior Partner at Bain & Company and a member of its worldwide Executive Committee. Peter holds a Business degree from the Stockholm School of Economics and an MBA from IMD, Switzerland. Peter is based in Sweden and France.

MANEESH TRIPATHI

Maneesh Tripathi was appointed as Chief Executive Officer of Si2i Ltd (formerly known as Media Ring Ltd) in March 2010. Later, after the acquisition of the Affinity and the Selular Group in Indonesia he was appointed as Managing Director/Chief Executive Officer of Affinity Group and Selular Group Indonesia in May 2011.

Tripathi has played a key role in the integration, transition and growth plans of Affinity Group and Selular Group – (part of SGX Listed Singapore Si2i Ltd), having business in Mobile Devices, VAS and Telecom operator calling card and VOIP business in Indonesia. He is also the MD (operations) of the Singapore based VOIP and Technology business.

Tripathi has more than 25 years of experience in various leadership positions in Multinational Companies. In 2010, Tripathi joined Spice i2i as Group CEO. He is also a board member of many subsidiaries of Spice i2i Ltd.

Prior to this, Tripathi handled COO role for IBM (ISS) Asia Pacific and other senior management assignments with IBM, Philips, Olivetti, Sun and TCPL conducting business and working out of various countries like Japan, China, Singapore, Malaysia, Thailand, India, Saudi Arabia and Middle East. He managed various Business Head positions in IBM Global Services during his stint (10 years) where he lastly held the position of COO to run IBM ISS in Asia Pacific. He is also an honourary board member Global Indian International School Singapore.

Tripathi is an Engineer by qualification with a Degree in Electronics and Telecom from Jabalpur Engineering College (India) and has a PGCGM/ Management from Indian Institute of Management, (IIM) Calcutta, India.

BOARD OF DIRECTORS

THOMAS ZILLIACUS
Executive Chairman
(29 August 2014 - 27 April 2018)

Thomas Zilliacus is a globally recognised innovator and leader in the mobile business space. He has spent a significant number of years working in senior management positions alongside global mobile-industry leaders. He is chairman and founder of Mobile FutureWorks, Inc., an investment and development company, focused on the mobile space. Mobile FutureWorks currently holds approximately 13.97% of YuuZoo's outstanding shares. In total, Thomas has a 14.99% stake in YuuZoo.

Prior to forming Mobile FutureWorks, Inc., Thomas held various senior management positions with Nokia, the world's leading mobile-handset company at the time. Thomas' senior Nokia positions include Asia-Pacific Regional Director, a role Thomas built from the ground up, with the APAC region becoming Nokia's largest region worldwide for revenue. At Nokia, Thomas was also Managing Director for Nokia Southeast Asia Pte Ltd, and Senior Vice-President, Corporate Communications with overall global responsibility for Nokia's corporate image, marketing, PR and brand.

Thomas is a board member of Singapore-mainboard-listed S i2i Ltd, a company engaged in mobile handset manufacturing and distribution. He is chairman of S i2i's nominating committee and remuneration committee, and a member of its audit committee and share-value enhancement committee. Thomas is a board member or senior advisor to several companies in the IMM (Internet Mobile and Media) space. He is the co-founder and first chairman of the world's leading mobile services industry body, the Mobile Entertainment Forum.

ANTHONY WILLIAMS
Lead Independent Director

Anthony Williams is a partner of Denton's New York office. He focuses on commercial transactions, including mergers and acquisitions, private equity investments and financings of US and non-US clients. He also counsels domestic and multi-national corporations on all securities law topics and corporate finance matters. In addition to his extensive transactional practice, he acts as general counsel to family offices and private foundations and advises on all of their legal and business needs.

After working in Coudert Brothers LLP' Hong Kong office and founding its San Francisco office, Anthony served as Chairman of Coudert Brothers from 1993 to 2001. He has in depth international experience in financial management, investments, accounting and business development. He is a veteran of the United States Army.

Anthony has a J.D. from New York University School of Law. While at NYU, Anthony was managing editor of the New York University Journal of Internal Law. He graduated cum laude from Harvard University. Anthony is admitted to the bar New York, California and has court admissions in the Supreme Court of the United States.

MIKAEL STEWEN
Independent Director
(29 July 2015 – 30 October 2017)

Mikael Stewen was the General Manager and Sales Director of UPM-Kymmene Asia Pacific Pte. Ltd. (Singapore), a Finnish manufacturer of forest and paper products. He had over 30 years of expertise in sales, marketing, management, and cross-country operations. Previously, Mikael was Vice President for the Korea and Hong Kong headquarters of UPM-Kymmene. Mikael also held various senior positions at Finnpap, the Finnish Paper Mills Association, and managed the organisation's transnational operations in Turkey, Korea, Pakistan, Thailand, Indonesia, and Singapore. Mikael also had the distinction of serving in the diplomatic corps as the Finnish Embassy's Commercial Attaché to Cairo and Baghdad.

Mikael was an Independent Director in the YuuZoo board and was also a member of YuuZoo's Audit and Governance, Nominating, and Remuneration Committees respectively. He had a degree in Forestry from Ekenas Forestry Polytechnic in Finland.

CHRISTOPHER CHEONG
Independent Director

Christopher Cheong has more than 30 years' experience in finance, including total of 16 years as head/director of research of UOB Securities, SIAS Research and Voyage Research, 12 years as financial news editor and stock columnist in 3 Singapore newspapers, 12 years as vice president of Securities Investor Association Singapore, and 17 years as Chairman of Most Transparent Company Award Selection Committee. He is director of Bio-Scaffold International and chairman of YuuZoo Board Audit Committee.

Christopher had served in several financial committees including CPF Board Funds Performance Tracking Committee, Singapore Investment Banking Association Equity Derivatives Committee, ACRA Disciplinary Committee, Singapore Corporate Awards (Annual Reports) Judging Panel, Singapore Corporate Governance Award Committee, Stock Exchange of Singapore Committee of Education & Training, Singapore Exchange Securities Committee Invitee and the Review Committee of Best Practices in Corporate Disclosure Requirements.

Christopher earned his BBA (Hons) degree from the University of Singapore and a Master of Applied Finance degree from Macquarie University, where he was also awarded the Macquarie course prize. In August 2005, Christopher was awarded the Public Administration Medal (Bronze) by the Singapore Government.

BOARD OF DIRECTORS

ROBERT GUSTAV MALMSTROM

Independent Director

(2 October 2017 - 27 April 2018)

Robert Malmstrom is the current CEO and Member of the Board of Finance Link in Helsinki, Finland, a forerunner of financial factoring that has been at the helm of helping Finnish companies to improve liquidity and credit risk management for almost 20 years. He is a seasoned change leader with a stellar track record of successful implementation of performance and organisational change. With over 30 years of experience in M&A, Finance and Sales, Robert brings over his excellent track record in creating organic growth both in B2C and B2B businesses within the YuuZoo environment.

Prior to his involvement with Finance Link, he served as the Country Business Manager and Member of the European Planning Group of Citi Group, Global Consumer Group - Retail Finance in Finland where the division under his leadership achieved the highest growth, as well as, marketing and operational efficiency in Western Europe. He also served as a Senior Partner and Member of the Investment Committee of Ledstiernan Ab - Venture Capital (Finland and Sweden), a private equity and venture capital firm.

Robert earned his MBA, IMD in Lausanne, Switzerland and M.Sc. (Econ.) from Swedish School of Economics in Helsinki, Finland.

KIM ILMARI KARHU

Independent Director

(2 October 2017 – 20 February 2018)

Kim Ilmari Karhu is the Chairman of the Board for Boardman Ltd, the leading network for the development of active ownership and board work competences in Finland. His areas of speciality include Corporate Governance and Financial Reporting, board work and interaction with auditors, and internal control, risk management and internal audit.

An Authorised Public Accountant, he has served as an auditor for over 35 years for family companies, venture capital-owned and listed companies. He worked with top accounting and audit firms such as KPMG and PricewaterhouseCoopers Oy where he was a valued shareholder until 2015. All together over the past 16 years, he has sat in various intervals in PwC's Board of Directors.

Kim graduated from Helsinki Swedish Business School with a M.Sc.Econ. degree.

LEE SIEN LIANG, JOSEPH

Independent Director

Joseph Lee has 15 years of experience in the legal field. He is the co-founder and Deputy Managing Director of LVM Law Chambers LLC, focussing on commercial litigation and international arbitration. He has represented clients at all levels of the Singapore Courts and in international arbitration seated locally and regionally. He also sits as an arbitrator.

Prior to his current appointment, he practised in international law firms including Baker & McKenzie.Wong&Leow, Jones Day and Dentons Rodyk & Davidson LLP. He has vast experience acting for international conglomerates and listed companies.

KEY PERSON

MOHANDAS

Chief Executive Officer and Executive Director

Mohandas has over 15 years of expertise and involvement in online platforms and technologies. An experienced leader in business operations with a demonstrated history of working in the information technology and services industry, he also helms as a strong digital media strategist who demonstrates a good ability to predict and implement new technological trends in the digital and social space. Over the years, Mohandas has developed a keen understanding of consumer-focused strategies and incorporated emerging technologies and ideas into delivering suitable results for clients.

He first joined YuuZoo in August 2016 as Head of Global Business Operations where he maintained a strategic role in driving the overall business effectiveness of YuuZoo's global network of offices, franchisees and partners. Shortly after, he was appointed as a key member of the management team fulfilling the role of a Chief Operating Officer, responsible for the entire business efficiency of the organisation. In April 2018, Mohandas was appointed Chief Executive Officer and Executive Director and stepped down as Chief Operations Officer of YuuZoo.

Before joining YuuZoo, Mohandas is the owner and director of Mediaface Pte Ltd, a company specialising in digital assets, analytics, viral campaigns, digital brand awareness and marketing, branding and content. Mediaface's main offering was in the digital political communication domain serving clients in Washington DC, USA and Indonesia. His time with Mediaface allowed him to work closely with businesses and carry out a crucial role in steering client brands into the digital age. Mohandas's expertise also includes leveraging on the potential of the web and providing companies the added edge to stand apart and stay ahead of their competition.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Mohandas
Chief Executive Officer and Executive Director
(Appointed on 10 April 2018)

Anthony Williams
Lead Independent Director

Cheong Boon Leong Christopher
Independent Director
(Appointed on 24 March 2017)

Lee Sian Liang, Joseph
Independent Director
(Appointed on 4 July 2018)

AUDIT AND GOVERNANCE COMMITTEE

Cheong Boon Leong Christopher
Chairman

Anthony Williams
Member

Lee Sian Liang, Joseph
Member

NOMINATING COMMITTEE

Lee Sian Liang, Joseph
Chairman

Anthony Williams
Member

REMUNERATION COMMITTEE

Anthony Williams
Chairman

Cheong Boon Leong Christopher
Member

SECRETARY

Kiar Lee Noi

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AUDIT PARTNER-IN-CHARGE

Ravi Arumugam

REPORT ON CORPORATE GOVERNANCE

The board of directors (the "**Board**" or the "**Directors**") and the management ("**Management**") of YuuZoo Networks Group Corporation (formerly known as YuuZoo Corporation Limited) (the "**Company**"), a company incorporated by way of continuation in the British Virgins Islands as a limited liability company registered under the BVI Business Companies Act 2004 on 9 August 2018, is committed to observing and maintaining good corporate governance to protect the interests of the shareholders and other stakeholders and to promote investors' confidence.

The Company has substantially complied with the recommendations of the Code of Corporate Governance 2012 (the "**Code**") issued on 2 May 2012, and deviations from the Code are explained through self-regulatory corporate practices. This report describes the Company's corporate governance practices with reference to the principles of the Code and the extent of compliance thereto.

I. BOARD MATTERS

The Board's Conduct of its Affairs

Principle 1: Effective Board to lead and control the Company

The direction and control of the Company and its subsidiaries (collectively the "**Group**") rest firmly with the Board as it effectively assumes the overall responsibility for corporate governance, strategic direction, policy formulation and overseeing of the investments and operations of the Group.

The principal functions of the Board apart from its statutory duties that come under the purview of the Board include:

(a) providing entrepreneurial leadership, setting the strategic directions and long-term goals of the Group and ensuring that adequate resources are available to meet these objectives;

(b) reviewing and approving corporate plans, annual budgets, investment and divestment proposals, major funding proposals and financial plans of the Group;

(c) reviewing Management performance;

(d) reviewing and evaluating the adequacy and integrity of the Group's internal controls, risk management and financial reporting systems;

(e) ensuring the Group's compliance with laws, regulations, policies and guidelines;

(f) reviewing and approving interested person transactions ("**IPTs**") and material transactions requiring announcement under the Listing Manual of the Singapore Exchange Securities Trading Limited ("**SGX-ST**");

(g) identifying the key stakeholder groups and recognise that their perceptions affect the Group's reputation;

(h) ensuring accurate and timely reporting in communication with shareholders;

(i) determining the values and standards including ethical standards of the Group and ensure that obligations to the shareholders and others are understood and met; and

(j) considering sustainability issues including environmental and social factors in the formulation of Group's strategies.

All Directors exercise reasonable diligence and independent judgement when making decisions and are obliged to act honestly and consider the interests of the Company at all times.

REPORT ON CORPORATE GOVERNANCE

To facilitate effective execution of its function, the Board has delegated specific responsibilities to three (3) Board committees, namely, Audit and Governance Committee ("**AGC**"), Nominating Committee ("**NC**") and Remuneration Committee ("**RC**") (altogether, the "**Board Committees**"). The terms of reference of the Board Committees set out each committee's role and responsibility to examine any particular issue and report to the Board with their recommendations. The ultimate responsibility for the final decision on all matters, however, lies with the entire Board.

The Board meets at least once quarterly. The frequency of meetings and the attendance of each Director at every Board and Board Committee meeting are disclosed below. Telephonic attendance at Board meetings is allowed under the Articles of Association of the Company. The Board and Board Committees may also make decisions by way of circulating resolutions.

The attendance of the Directors at Board and Board Committees meetings during the financial year from 1 January 2017 to 31 December 2017 ("**FY2017**") is tabulated below:

	Board	**Audit and Governance Committee**		**Nominating Committee**		**Remuneration Committee**	
No. of Meetings held	**4**	**7**		**1**		**1**	
Name of Directors	**No. of Attendance**	**Membership**	**No. of Attendance**	**Membership**	**No. of Attendance**	**Membership**	**No. of Attendance**
Thomas Henrik Zilliacus(1)	4	No	6*	Yes	1*	No	1*
Anthony Williams	2	Yes	3	Yes	1	Yes (Chairman)	1
Cheong Boon Leong Christopher(2)	4	Yes (Chairman)	7	No	N.A.	No	N.A.
Robert Gustav Malmstrom(3)	1	Yes	3	No	N.A.	No	N.A.
Ozi Amanat(4)	N.A.	Yes	0	No	N.A.	No	N.A.
James Vincent Strabo(5)	1	Yes	1	Yes	1	Yes	1
Mikael Stewen(6)	3	Yes	4	Yes	1	Yes	1
Kim Ilmari Karhu(7)	1	Yes	2	No	N.A.	No	N.A.
Mohandas(8)	N.A.	No	N.A.	No	N.A.	No	N.A.
Lee Sian Liang, Joseph(9)	N.A.	Yes	N.A.	Yes (Chairman)	N.A.	No	N.A.

* By invitation

N.A.: Not Applicable

Notes:

(1) Resigned on 27 April 2018

(2) Appointed on 24 March 2017

(3) Appointed on 2 October 2017 and resigned on 27 April 2018

(4) Resigned on 31 January 2017

REPORT ON CORPORATE GOVERNANCE

(5) Appointed on 6 February 2017 and resigned on 7 July 2017

(6) Deceased on 31 October 2017

(7) Appointed on 2 October 2017 and resigned on 20 February 2018

(8) Appointed on 10 April 2018

(9) Appointed on 4 July 2018

Management is delegated the power to decide upon all matters in the Company:

(a) that concern the ordinary course of business; or

(b) that are unimportant; or

(c) that are urgent.

The following matters are deemed to be material and are specifically reserved for the Board's decision approval:

(a) transactions with a value above SGD1,000,000 in aggregate per agreement (excluding employment matters);

(b) any employment contract with a salary of more than SGD200,000 per annum;

(c) litigation where the sum at risk is SGD50,000 or greater (including costs);

(d) issuance of the Company's shares or other securities;

(e) a buy-back of the Company's shares;

(f) an IPT of more than SGD100,000;

(g) a whistle blowing report;

(h) illegality or impropriety of a Director or key executive that may result in the sanction of a director or executive; and

(i) the release of financial information or other price sensitive information to the market.

Matters involving a conflict of interest for a substantial shareholder or Director are reserved for the Board for approval.

Newly appointed Directors are briefed by Management on the history, business operations and corporate governance practices of the Group, and are supplied with all relevant documentation and training in accordance with the Code. Funded by the Company, Directors are encouraged to participate in seminars and/or briefing sessions to be kept abreast of latest developments, such as regulatory changes which are applicable to the Group.

Currently, a formal letter of appointment is not provided to the existing Directors. The Board noted that such formal letter of appointment should be provided to the newly appointed Directors, setting out their duties and obligations as a Director. Going forward, the Company will provide such letter to all newly appointed Directors.

REPORT ON CORPORATE GOVERNANCE

Board Composition and Balance

Principle 2: Strong and independent element on the Board

In FY2017, the Board comprises eight Directors, one of whom is Executive Director and seven of whom are Non-Executive Independent Directors:

Name of Director	**Designation**
Thomas Henrik Zilliacus#	Executive Chairman
Anthony Williams	Lead Independent Director
Cheong Boon Leong Christopher	Independent Director
Robert Gustav Malmstrom*^	Independent Director
Ozi Amanat*	Independent Director
James Vincent Strabo*	Independent Director
Mikael Stewen*	Independent Director
Kim Ilmari Karhu*^	Independent Director

* *In FY2017, Mr Ozi Amanat resigned as Independent Directors of the Company on 31 January 2017, Mr James Vincent Strabo appointed as Independent Director of the Company on 6 February 2017 and resigned on 7 July 2017, Mr Robert Gustav Malmstrom and Mr Kim Ilmari Karhu appointed as Independent Directors of the Company on 2 October 2017, and Mr Mikael Stewen, Independent Director of the Company, deceased on 31 October 2017.*

*^ *After FY2017, Mr Kim Ilmari Karhu resigned as Independent Director of the Company on 20 February 2018. Mr Robert Gustav Malmstrom resigned as Independent Director of the Company on 27 April 2018.*

\# *After FY2017, Mr Thomas Henrik Zilliacus resigned as Executive Chairman of the Company on 27 April 2018.*

As at the date of this report, the Board comprises four Directors of which one is Executive Director and three are Non-Executive Independent Directors:

Name of Director	**Designation**
Mohandas	Chief Executive Officer ("**CEO**") and Executive Director *(appointed on 10 April 2018)*
Anthony Williams	Lead Independent Director
Cheong Boon Leong Christopher	Independent Director
Lee Sian Liang, Joseph	Independent Director *(appointed on 4 July 2018)*

This composition complies with the Code's guideline that at least one-third of the Board should be made up of Independent Directors.

The Directors' profiles are set out on pages 7 to 8 of this Annual Report.

The Board is of the view that no individual or small group of individuals dominates the Board's decision-making process.

Mr Anthony Williams, Independent Director of the Company, has confirmed that he has a shareholding of 1,058,609 in the Company. Notwithstanding the foregoing, the Independent Director has confirmed that he does not have any relationship with the Company or its related corporations, its 10% shareholders or its officers. The Independent Director also confirmed that he do not have any relationships and circumstances provided in Guideline 2.3 of the Code that could interfere, or be reasonably perceived to interfere, with the exercise of independent judgment in carrying out the functions as an Independent Director with a view to the best interests of the Group. The Independent Director has confirmed his independence in accordance with the guidelines set out in the Code. For FY2017, the NC has reviewed, determined and confirmed the independence of the Independent Directors.

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None of the Independent Directors of the Company has served the Board beyond nine years from the date of his first appointment.

The Board assesses the effectiveness of the Board as a whole annually. It is of the view that the current board composition and size is appropriate for effective decision making. The Board will continue to review the size of the Board on an ongoing basis. The Independent Directors provide the Board with independent and objective judgment on the corporate affairs of the Group. As a team, the Board collectively provides core competencies in the areas of accounting, finance, business and management, as well as industry knowledge.

The Directors of the Company come from diverse backgrounds and possess core competencies, qualifications and skills, all of whom as a group, provides the Board with a good mix of the necessary experience and expertise to direct and lead the Group. Their combined wealth and diversity of experience enable them to contribute effectively to the strategic growth and governance of the Group.

The Independent Directors of the Company constructive challenge and assist in the development of proposals on strategy, and assist the Board in reviewing the performance of Management in meeting agreed goals and objectives, and monitor the reporting of performance.

The Independent Directors of the Company meet regularly to discuss any matters without the presence of Management as and when circumstances require.

Chairman and Chief Executive Officer

Principle 3: Clear division of responsibilities and balance of power and authority

The role of the Chairman had been held by Mr Thomas Hendrik Zilliacus, the former Executive Chairman of the Company, who had been performing the functions as the CEO of the Company. Following his resignation as the Executive Chairman of the Company on 27 April 2018, the Company does not have a Chairman to preside over the Board. The role of the Chairman has thus been assumed by the newly appointed CEO, Mr Mohandas, who was appointed as the CEO and Executive Director of the Company on 10 April 2018.

All Board meetings are usually chaired by the Company's CEO. The Board is of the opinion that the process of decision making by the Board has been independent and had been based on collective decisions without any individual exercising any considerable concentration of power or influence. All Directors would ensure that they have collectively taken decisions in the interests of the Company.

The duties of the Chairman and CEO include:

(a) leading the Board to ensure its effectiveness on all aspects of its role;

(b) setting the agenda and ensure that adequate time is available for discussion of all agenda items, in particular, strategic issues;

(c) promoting a culture of openness and debate at the Board;

(d) ensuring that the Directors receive complete, adequate and timely information;

(e) ensuring effective communication with shareholders;

(f) encouraging constructive relations within the Board and between the Board and Management;

(g) facilitating effective contribution of Non-Executive Directors in particular;

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(h) promoting high standards of corporate governance; and

(i) responsible for identifying and securing new businesses for the Group.

The Board will continue to review the role of the Chairman and CEO as well as the composition (including the independence) of the Board to ensure that it does not impeded the principles of independence and objectively in decision making.

To promote a high standard of corporate governance, Mr Anthony Williams has been appointed as the Lead Independent Director in view of the fact that the Chairman of the meeting and the CEO is the same person, is part of the management team and is not an Independent Director. The Lead Independent Director is available to shareholders where they have concerns for which contact through the normal channels of the CEO and Executive Director has failed to resolve or for which such contact is inappropriate.

During FY2017, the Independent Directors have met informally at least once to discuss the Company's matters without the presence of Management and has provided feedback to the former Executive Chairman of the Company, Mr Thomas Henrik Zilliacus.

Board Membership

Principle 4: Formal and transparent process for the appointment and re-appointment of Directors to the Board

As at the date of this report, the NC comprises the following two members:

Lee Sian Liang, Joseph	Chairman
Anthony Williams	Member

Currently, the composition of the NC is not in compliance with the Code and its Terms of Reference of which the NC should comprise at least three Directors, the majority of whom, including the NC Chairman, should be independent. The Company will provide an update as soon as a suitable member is identified to fill the vacancy of the member of the NC.

The NC is regulated by a set of written Terms of Reference that describe the responsibilities of its members.

The duties and principal functions of the NC, as set out in its Terms of Reference, are as follows:

(i) regularly review the structure, size and composition of the Board and make appropriate recommendations to the Board;

(ii) annually review whether or not a director is independent, in accordance with the Guidelines 2.3 and 2.4 of the Code and other salient factors. If the NC considers that a Director who has one or more of the relationships mentioned therein can be considered independent, it will provide its view to the Board for consideration. Conversely, the NC has the discretion to consider that a Director is not independent even if he does not fall under the circumstances set forth in Guidelines 2.3 and 2.4, and should similarly provide its views to the Board for consideration;

(iii) review whether a person would similarly qualify as an Independent Director, before his appointment as alternate director to an Independent Director, if applicable;

(iv) decide whether or not a Director is able to and has been adequately carrying out his duties as a Director of the Company, particularly when he has multiple board directorship, taking into consideration the Director's number of listed company board representations and other principal commitments of that Director. The Board should determine the maximum number of listed company board representations which any Director may hold, and disclose this in the Company's Annual Report;

REPORT ON CORPORATE GOVERNANCE

(v) assess the effectiveness of the Board;

(vi) decide how the Board's performance may be evaluated and propose objective performance criteria;

(vii) be responsible for identifying and nominating for the approval of the Board, candidates to fill board vacancies as and when they arise; and

(viii) make recommendations to the Board on the succession planning, performance evaluation process of the Board, its Board Committees and Directors, appointment and re-appointment of Directors, training and professional development programs for the Board and any matters relating to the continuation in office as a Director of any Director at any time.

Save for the shareholding of Mr Anthony Williams disclosed on page 33, none of the Directors on the Board are related and do not have any relationship with the Company or its related Companies or its officers that could interfere or to be reasonably perceived to interfere with the exercise of their independent judgements.

The NC assessed and recommended to the Board, the Directors to be re-elected pursuant to the Articles of Association of the Company at the annual general meeting ("**AGM**"). Pursuant to the Articles of Association of the Company,

(a) Any Director appointed by the Board shall retire at the next AGM of the Company and shall then be eligible for re-election at that meeting under Regulation 21.1 of the Articles of Association of the Company; and

(b) Each Director shall retire at least once in every three (3) years and shall be eligible for re-election under Regulation 21.3 of the Articles of Association of the Company; and

(c) A person who is not a retiring Director shall be eligible for election to office of Director at any general meeting if a Shareholder intending to propose him has, at least eleven (11) clear days before the meeting, left at the registered office a Notice duly signed by the nominee, giving his consent to the nomination and signifying his candidature for the office, or the intention of such Shareholder to propose him. In the case of a person recommended by the Directors for election, nine (9) clear days Notice only shall be necessary. Notice of each and every candidature for election to the Board shall be served on the Shareholders at least seven (7) days prior to the meeting at which the election is to take place under Regulation 21.5 of the Articles of Association of the Company.

Each member of the NC has abstained from voting on any resolution in respect of his re-nomination as a Director of the Company.

The Board has accepted the NC's nomination of the retiring Directors who have given their consent for re-election at the forthcoming AGM of the Company. The retiring Directors at the forthcoming AGM of the Company are Mr Mohandas and Mr Lee Sian Liang, Joseph who will retire pursuant to Regulation 21.1 of the Articles of Association of the Company; and Mr Cheong Boon Leong Christopher who will be retire pursuant to Article 21.3 of the Articles of Association of the Company.

The NC also reviews the independence of the Directors annually based on Guideline 2.3 of the Code's definition of what constitutes the independence of the Independent Directors. The NC has affirmed that Mr Anthony Williams, Mr Cheong Boon Leong Christopher and Mr Lee Sian Liang, Joseph are independent. None of the Independent Directors have served on the Board more than nine years from their respective date of appointment.

All the Directors are required to declare their board appointments. Although the Directors have multiple board representations and/or other principal commitments, the NC has considered and is satisfied that each of them is able to and has carried out his duties as a Director of the Company.

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The Board does not prescribe a maximum limit on the number of listed company board representations a Director may hold, as the Board believes that a Director can only determine by himself the number of board representations he can manage and the more appropriate measure if the ability of such Director to contribute effectively and demonstrate commitment to his role, including commitment of sufficient time and attention to the Group's business and affairs.

Currently, the Company does not have any alternate director.

The Company has set a formal and transparent process for the selection and appointment of new Directors to the Board. When the need for a new Director is identified, either to replace a retiring Director or to enhance the Board's capabilities, the NC will make recommendations to the Board regarding the identification and selection of suitable candidates based on the desired qualifications, skill sets, competencies and experience, which are required to supplement the Board's existing attributes. If need be, the NC may seek assistance from external search consultants for the selection of potential candidates. Directors and Management may also put forward names of potential candidates, together with their curriculum vitae, for consideration. The NC, after completing its assessment, meets with the short-listed candidates to assess their suitability, before submitting the appropriate recommendations to the Board for approval.

Key information regarding the Directors of the Company as at the date of this report is disclosed as follows:

Name of Directors	Date of first appointment	Date of last re-election	Nature of Appointment	Membership of Board Committee	Directorship/ Chairmanship both present and those held over the preceding three years in other listed company	Other Principal Commitments
Mohandas	10 April 2018	Not applicable	Chief Executive Officer and Executive Director	Nil	Present Mediaface Pte. Ltd. Liveomusic.com Event Media Consultants Pte. Ltd. YuuPay Secure Pte. Ltd. YuuZooNow Pte. Ltd. Past three years –	Nil
Anthony Williams	25 February 2015	7 July 2017	Lead Independent Director	1. Audit and Governance Committee (Member) 2. Remuneration Committee (Chairman) 3. Nominating Committee (Member)	Present – Past three years –	Partner of Dentons LLP

REPORT ON CORPORATE GOVERNANCE

Name of Directors	Date of first appointment	Date of last re-election	Nature of Appointment	Membership of Board Committee	Directorship/ Chairmanship both present and those held over the preceding three years in other listed company	Other Principal Commitments
Cheong Boon Leong Christopher	24 March 2017	7 July 2017	Independent Director	1. Audit and Governance Committee (Chairman) 2. Remuneration Committee (Member)	Present – Past three years Voyage Research Pte Ltd SIAS Research Pte Ltd	Bio-Scaffold International Pte Ltd Senior Lecturer, Singapore Polytechnic
Lee Sien Liang, Joseph	4 July 2018	Not applicable	Independent Director	1. Nominating Committee (Chairman) 2. Audit and Governance Committee (Member)	Present LVM Law Chambers LLC Past Three years –	Nil

Board Performance

Principle 5: Formal assessment of the effectiveness of the Board as a whole and the contribution by each Director to the effectiveness of the Board

A review of the Board's performance is conducted by the NC annually. On the recommendation of the NC, the Board has adopted an internal process for evaluating the effectiveness of the Board as a whole, the assessment of the Board Committees and individual Directors. Each Board member will be required to complete an evaluation form. Based on the evaluation results, the NC will present its recommendations to the Board. The key objective of the evaluation exercise is to obtain constructive feedback from each Director to continually improve the performance of the Board, its Board Committees and each individual Director.

The Board has not engaged any external facilitator in conducting the assessment of the Board's performance. Where relevant and when the need arise, the NC will consider such an engagement.

The evaluation of the performance is carried out on an annual basis, and the performance criteria for the evaluation of Board's performance as a whole deals with matters on Board composition, information, process, accountability, CEO/ top management and standards of conduct. The Board Committees' evaluation deals with the efficiency and effectively of each Board Committee in assisting the Board. The criteria for the evaluation of individual Directors include, among others, the Directors' attendance and participation at Board and Board Committees meetings, understanding of business plans and strategies, and ability to articulate thoughts and opinions in a clear and concise manner.

Each Director is required to objectively assess his performance and collectively, the performance of the Board as a whole and its Board Committees. For FY2017, each Director completed the evaluation forms, of which were then collated and the findings were analysed and discussed with a view to implementing certain recommendations to further enhance the effectiveness of the Board as a whole, its Board Committees and individual Directors. The results of the NC's assessment for FY2017 has been communicated to and accepted by the Board.

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The NC reviewed the mix of skills and experiences of the Directors that the Board requires to function competently and efficiently in achieving the Group' strategic objectives. When reviewing the Board's performance for FY2017, the NC is satisfied that the Board has a good mix of skills and expertise to meet the needs of the Group and noted the following points:

(a) Feedback received from the Directors and acted on their comments accordingly; and

(b) Individual Director's attendance at meetings of the Board, Board Committees and general meetings, individual Director's functional expertise and his commitment of time to the Company.

The Chairman, in consultation with the NC, will, if necessary, propose steps to be undertaken to strengthen the Board's leadership so as to improve the effectiveness of the Board's oversight of the Company.

Access to Information

Principle 6: Board members should be provided with complete, adequate and timely information

The Board and its Board Committees are furnished with complete, adequate information in a timely manner prior to the meetings to enable the Directors to obtain additional information or explanations from Management, if necessary. The Directors may communicate directly with Management and the Company Secretary on all matters whenever deem necessary. The Company Secretary and/or the representative(s) of the Company Secretary attends the Company's Board and Committee meetings and is responsible for ensuring that Board procedures are followed. The Company Secretary's role also includes assisting the Board in ensuring that the Company complies with the Listing Rules of the SGX-ST and regulations where applicable. The appointment and removal of the Company Secretary are subject to the Board's approval.

The Directors, in carrying out their duties whether individually or as a group, have direct access to independent professional advisers to obtain advice, if necessary, at the Group's expense.

II. REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

Principle 7: Formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual Directors

As at the date of this report, the RC comprises the following two members:

Anthony Williams	Chairman
Cheong Boon Leong Christopher	Member

Currently, the composition of the RC is not in compliance with the Code and its Terms of Reference of which the RC should comprise at least three Non-Executive Directors, the majority of whom, including the RC Chairman, should be independent. The Company will provide an update as soon as a suitable member is identified to fill the vacancy of the member of the RC.

The RC is regulated by a set of written Terms of Reference that describe the responsibilities of its members.

The duties and principal functions of the RC, as set out in its Terms of Reference, are as follows:

(a) review and recommend to the Board in consultation with Management and Chairman of the Board a general framework of remuneration and specific remuneration package for the Board and the key management personnel;

REPORT ON CORPORATE GOVERNANCE

(b) take into account all factors to which it deems necessary in determining the remuneration framework. The objective of such framework shall be to ensure that the Board and key management personnel are provided with appropriate level of remuneration to attract, retain and motivate them to run the Company successfully; and are, in a fair and responsible manner, rewarded for their individual contributions to the Company;

(c) seek expert advice inside and/or outside the Company on remuneration of all Directors, whenever there is a need;

(d) review the Company's obligations arising in the event of termination of the Executive Director(s) and key management personnel's contracts of service and to ensure that such contracts of service contain fair and reasonable termination clauses which are not overly generous;

(e) review and ensure that the level and structure of remuneration should be aligned with the long-term interest and risk policies of the Company, and should be appropriate to attract, retain and motivate (a) the Directors to provide good stewardship of the Company; and (b) key management personnel to successfully manage the Company;

(f) structure a significant and appropriate proportion of Executive Director(s)'s and key management personnel's remuneration so as to link rewards to corporate and individual performance. Such performance-related remuneration should be aligned with the interests of shareholders and promote the long-term success of the Company;

(g) review and consider whether Executive Director(s) and key management personnel should be eligible for benefits under long-term incentive schemes;

(h) review and ensure the remuneration of Non-Executive Directors should be appropriate to the level of contribution, taking into account factors such as effort and time spent, and responsibilities of the Directors. Non-Executive Directors should not be over-compensated to the extent that their independence may be compromised;

(i) consider and recommend the use of contractual provisions to allow the Company to reclaim incentive components of remuneration from Executive Director(s) and key management personnel in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss to the Company;

(j) ensure that there are adequate disclosures in the Company's Annual Reports to ensure and enhance transparency between the Company and relevant interested parties;

(k) oversee any major changes in benefit structure of Executive Director(s) and key management personnel throughout the Company; and

(l) carry out such other duties as may be agreed to by the RC and the Board.

The RC's principal role includes reviewing and recommending to the Board an appropriate and competitive framework of remuneration for the Board and key management personnel of the Group, taking into account the performance of the Group as well as the Directors and key management personnel in aligning their interests with those of shareholders and linking rewards to corporate and individual performance as well as industry benchmarks, and ensuring that such remuneration levels are appropriate to attract, retain and motivate them to run the Group successfully. The RC's recommendations are made in consultation with the Chairman and are submitted for endorsement by the entire Board.

In reviewing the remuneration packages, the RC takes into account the current market circumstances and the need to attract and retain Directors of experience and good standing. The RC has full authority to obtain external professional advice on matters relating to remuneration should the need arise. For FY2017, the Company did not engage an external remuneration consultant.

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The CEO and Executive Director and each key management personnel (collectively the "**Executives**") had a service agreement with the Company which can be terminated by either party with not less than two (2) months' notice in writing to the other party or by the Company paying the Executives an amount equal to two (2) months' salary in lieu of notice. Each of the service agreements may also be terminated by the Company if the Executives commit a breach of the service agreement, such as being convicted of any offence involving fraud or dishonesty or any criminal offence (other than an offence which in the reasonable opinion of the Board does not affect the Executives' position in the Company), or being adjudicated bankrupt. There are no benefits (excluding any amount of salary due in lieu of notice) payables to the CEO and Executive Director and key management personnel upon termination of their employment with the Company under the aforementioned grounds.

Each member of the RC shall abstain from voting on any resolution and making any recommendation and/or participating in any deliberation in respect of his own remuneration. The payment of Directors' fees is subject to the approval of shareholders.

Level and Mix of Remuneration

Principle 8: Level of remuneration of Directors should be appropriate but not excessive

In reviewing the remuneration packages of the CEO and Executive Director or key management personnel, the RC takes into account the respective performance of the Group and the individual. In its deliberation, the RC takes into consideration, remuneration packages and employment conditions within the industry and benchmarked against comparable companies. The RC ensures that the level and structure of remuneration of the key management personnel remains aligned with the long-term interest and risk policies of the Group as well as attracts, retains and motivates them to provide good stewardship and management of the operations to meet the desired objective of the Company.

The Company has adopted a performance share scheme known as the 'YuuZoo Performance Share Scheme' ("**PSS**") and a share option scheme known as the 'YuuZoo Employee Share Option Scheme' ("**ESOS**"), which were approved by its shareholders at the Special General Meeting ("**SGM**") held on 23 July 2014. Both the PSS and ESOS will provide eligible participants with an opportunity to participate in the equity of the Company and to motivate them towards better performance through increased dedication and loyalty. Both the PSS and ESOS form an integral and important component of the compensation plan and are designed primarily to reward and retain employees whose services are vital to the growth and performance of the Company and the Group.

Directors' fees are set in accordance with a remuneration framework based on the level of responsibility and scope of work. The CEO and Executive Director does not receive any Directors' fee, whilst the Non-Executive Directors are paid Directors' fees in accordance with their level of contributions, taking into account factors such as efforts and time spent, as well as responsibilities and obligations of the Directors. Directors' fees are recommended by the Board for approval by the shareholders at the AGM of the Company. The Board has endorsed the remuneration framework.

The Company does not use contractual provisions to allow the Company to reclaim incentive components of remuneration from the CEO and Executive Director and key management personnel in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss to the Company. The Company should be able to avail itself to remedies against the CEO and Executive Director and key management personnel in the event of such breach of fiduciary duties.

Disclosure on Remuneration

Principle 9: Clear disclosure of remuneration policy, level and mix of remuneration, and procedure for setting remuneration

The Board has not included a separate annual remuneration report to shareholders in the Annual Report on the remuneration of Directors and the top key management personnel (who are not Directors or the CEO) as the Board is of the view that the matters which are required to be disclosed in such annual remuneration report have already been sufficiently disclosed in this report and in the financial statements of the Company.

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In setting the remuneration package of the CEO and Executive Director, the Company makes a comparative study of the packages of Executive Directors in comparable industries and takes into account the performance of the Company.

Non-Executive Directors are paid a basic fee. The Chairman of each Board Committee is compensated for his additional responsibilities. Such fees are approved by the shareholders of the Company at the AGM of the Company.

As part of its review, the RC covers all aspects of remuneration including, but not limited to Directors' fees, salaries, allowances, bonuses, shares and benefits-in-kind.

After consideration of the RC's recommendation, the Board proposes the Director's fee for FY2017 as follows:

(i) Director's remuneration package for Board membership at USD25,000;

(ii) The Chairman of the AGC at USD12,000 and its Member at USD6,000; and

(iii) The Chairman of the RC and NC respectively at USD8,000 and its Member respectively at USD4,000.

In view of the sensitive and confidential nature of their remuneration packages, the Company is of the view that it is in the best interest of the Company to disclose the remuneration paid to the Directors and key management personnel in bands of S$250,000. The remuneration of each individual Director and key management personnel is however not disclosed as the Company believes that disclosure may be prejudicial to its business interests given the highly competitive environment it is operating in. The RC has reviewed the practice of the industry in this regard, weighting the advantages and disadvantages of such disclosure.

A breakdown of the level and mix of the remuneration payable to each individual Director and key management personnel for FY2017 is set out as follows:

	Fees %	**Salary %**	**Bonus %**	**Benefits %**	**Total %**
EXECUTIVE DIRECTOR					
S$250,000 – S$500,000					
Thomas Henrik Zilliacus[Note 1]	11%	89%	–	–	100%
INDEPENDENT DIRECTORS					
Below S$250,000					
Anthony Williams	100%	–	–	–	100%
Cheong Boon Leong Christopher	100%	–	–	–	100%
Robert Gustav Malmstrom[Note 2]	100%	–	–	–	100%
Ozi Amanat[Note 3]					
James Vincent Strabo[Note 4]					
Mikael Stewen[Note 5]	100%	–	–	–	100%
Kim Ilmari Karhu[Note 6]	100%	–	–	–	100%
KEY MANAGEMENT PERSONNEL					
Below S$250,000					
Mohandas[Note 7]	–	100%	–	–	100%
Wang Kevin Haigeng[Note 8]	–	100%	–	–	100%
Sebastian Zilliacus	–	100%	–	–	100%
Rebecca Andersen[Note 9]	–	100%	–	–	100%
Janagyraman Jeganathan[Note 10]	–	100%	–	–	100%

Note 1: Resigned as Executive Chairman on 27 April 2018.

Note 2: Resigned as Independent Director on 27 April 2018.

Note 3: Resigned as Independent Director on 31 January 2017.

REPORT ON CORPORATE GOVERNANCE

Note 4: Resigned as Independent Director on 7 July 2017.

Note 5: Deceased as Independent Director on 31 October 2017.

Note 6: Resigned as Independent Director on 20 February 2018.

Note 7: Appointed as CEO of YuuZooNow Pte. Ltd., an indirect wholly owned subsidiary of the Company, on 8 March 2018.

Note 8: Appointed as CFO on 2 October 2017.

Note 9: Appointed as Head of Legal on 6 December 2017.

Note 10: Appointed as Head of Technology on 15 September 2016.

For FY2017, the aggregate amount of the remuneration paid to the top five key management personnel (who are not Directors or the CEO) is approximately SGD 679,929.43.

There were no termination, retirement and post-employment benefits that may be granted to the Directors, the CEO and Executive Director and top five key management personnel (who are not Directors or the CEO).

Save for Mr Sebastian Zilliacus, a nephew of the former Executive Chairman of the Company, Mr Thomas Henrik Zilliacus, who is currently employed as Senior Vice President – Partnership Management of YuuZoo Now! Pte. Ltd., none of the employees whose remuneration exceeds SGD 50,000 is an immediate family member of the Directors for FY2017.

Details of ESOS and PSS

The ESOS and PSS which were approved by the shareholders of the Company at the SGM of the Company held on 23 July 2014 was designed to provide an opportunity strictly only for employees of the Company and its subsidiaries (including Group Executive Directors) (the "**Group Employees**") and Non-Executive Directors of the Group ("**Group Non-Executive Directors**") who have contributed significantly to the growth and performance of the Group to participate in the equity of the Company. The Company believes that the ESOS and PSS will be more effective than cash bonuses in motivating the Group Employees to put in their best efforts and/or work towards pre-determined targets. The ESOS and PSS are intended to be broad-based and will serve to enhance the Group's overall compensation packages and serve as an additional and flexible incentive tool.

During FY2017, the Company has not granted any options under the ESOS.

The ESOS and PSS are administered by the RC, whose members are given in page 19 of this Annual Report. Further details of the ESOS and PSS can be found in pages 33 and 34 of the Directors' Statement.

The CEO and Executive Director do not receive any Directors' fee. The Company advocates a performance-based remuneration system for Executive Director and key management personnel that is flexible and responsive to the market, comprising a base salary and other fixed allowances, as well as variable performance bonus which is based on the Group's performance and the individual's performance such as management skills, process skills, people skills and business planning skills. This is designed to align remuneration with the interests of shareholders and link rewards to corporate and individual performance so as to promote the long-term sustainability of the Group.

III. ACCOUNTABILITY AND AUDIT

Accountability

Principle 10: Presentation of a balanced and understandable assessment of the Company's performance, position and prospects

The Board provides shareholders with financial statements for the first three quarters and full financial year within the timeframe in line with Rule 705 of the Listing Manual of the SGX-ST. In presenting the annual financial statements and announcements of financial results to shareholders, the Board aims to provide shareholders with a balanced and understandable assessment of the Company and Group's performance, position and prospects.

REPORT ON CORPORATE GOVERNANCE

Management provides the Board with appropriately detailed management accounts of the Group's performance, position and prospects on a quarterly basis. The AGC reviews the financial statements and reports to the Board for approval. The Board authorises the release of the financial results to the SGX-ST and the public via SGXNet.

The Board takes steps to ensure compliance with legislative and regulatory requirements with all of the Group's operational practices and procedures and relevant regulatory requirements. The Board also provides negative assurance confirmation to the shareholders for the quarterly financial statements in accordance with Rule 705(5) of the Listing Manual of the SGX-ST. The Independent Directors will also obtain advices from Management when establishing written policies for any particular matter that is deemed to be essential to form part of management controls.

Management keeps the Board regularly updated on the Group's business activities and financial performance by providing operations reports on a regular basis to make a balanced and informed assessment of the Group's performance, position and prospects. Such reports include information on:

- the Group's actual performance against the approved budget and where appropriate, against forecast; and

- key business indicators and major issues that is relevant to the Group's performance.

Risk Management and Internal Controls

Principle 11: Sound system of risk management and internal controls

The Board is responsible for ensuring that there is a system of internal financial controls, operational, compliance and information technology controls, and risk management policies and reviewing its adequacy and effectiveness. Management of each business unit is responsible for internal controls and for ensuring compliance therewith, and the Board shall oversee Management's compliance with the same. The AGC assists the Board in discharging its internal control review responsibilities and evaluates annually the effectiveness of the Group's system of internal controls, including financial, operational, compliance and information technology controls and risk management. The Board takes continuous effort to embed internal control into the operations of the businesses and to deal with area for improvement which comes to the attention of Management and the Board.

Procedures are in-place to ensure that all IPTs are dealt with on an arm's length basis. All such transactions, if any, are subject to review by the AGC quarterly to ensure that the procedures adopted are complied with.

In line with the Code and based on the reports of the independent auditors and the review conducted by Management, the Board had adopted an "**Assurance Statement**" confirming that the financial records of the Company have been properly maintained, the Company's financial statements give a true and fair view of the Company's operations and finances and an effective risk management and internal control systems have been put in place within the Group (including financial, operational, compliance, and information technology) are sufficiently adequate and effective in addressing the material risk management systems, are adequate and effective in addressing the material risks in the Group in its current business environment. The Assurance Statement was signed by the former Executive Chairman of the Company, Mr Thomas Henrik Zilliacus. The Board had received the duly signed Assurance Statement for FY2017.

In view of the above and in the light of the current activities of the Group and based on the work performed by the independent auditors and reviews performed by Management, the Board, with the concurrence of the AGC, is of the opinion that the Group's internal controls in place are adequate and effective for FY2017 to provide reasonable assurance of achieving its internal control objectives and to address financial, operational, compliance and information technology controls, and risk management systems.

The Board has not established a separate risk committee and relies on internal control policies and procedures established and maintained by the Group, and the regular audits, monitoring and reviews performed by the independent auditors in carrying out its responsibility of overseeing the Company's risk management and policies.

REPORT ON CORPORATE GOVERNANCE

The system of internal controls and risk management established by the Group provides reasonable, but not absolute, assurance that the Group will not be adversely affected by any event that can be reasonably foreseen as the Group strives to achieve its business objectives. However, the Board also notes that no system of internal controls and risk management can provide absolute assurance in this regard, or absolute assurance against the occurrence of material errors, poor judgment in decision-making, human error, losses, fraud or other irregularities.

Audit and Governance Committee

Principle 12: Establishment of Audit and Governance Committee with written terms of reference

The AGC was formerly known as Audit Committee and it was renamed as AGC on 2 October 2017.

As at the date of this report, the AGC comprises the following three members:

Cheong Boon Leong Christopher	Chairman
Anthony Williams	Member
Lee Sian Liang, Joseph	Member

The Board is of the opinion that the members of the AGC collectively have many years of experience in accounting, business and financial management. The Board considers that the members of the AGC are appropriately qualified to discharge the responsibilities of the AGC.

The AGC is authorised by the Board to investigate any matters within its Terms of Reference. It has unrestricted access to information pertaining to the Group, to both internal and external auditors, and to all employees of the Group. Reasonable resources have been made available to the AGC to enable it to discharge its duties properly.

The duties and principal functions of the AGC, as set out in its Terms of Reference, are as follows:

(a) to review the significant financial reporting issues and judgments so as to ensure the integrity of the financial statements of the Company and any announcements relating to the Company's financial performance;

(b) to review and report to the Board the adequacy and effectiveness of the Company's internal controls, including financial, operational, compliance and information technology controls as well as risk management;

(c) to review the effectiveness of the Company's internal audit function;

(d) to review the scope and results of the external audit, and the independence and objectivity of the independent auditors;

(e) to make recommendations to the Board on the proposals to the shareholders on the appointment, re-appointment and removal of the independent auditors, and approving the remuneration and terms of engagement of the independent auditors;

(f) to meet with the independent auditors without the presence of Management, at least annually;

(g) to review the independence of the independent auditors annually and ensure that the Company's Annual Report states (i) the aggregate amount of fees paid to the independent auditors for that financial year, and (ii) a breakdown of the fees paid in total for audit and non-audit services respectively, or contains an appropriate negative statement. Where the external auditors also supply a substantial volume of non-audit services to the Company, the AGC keeps the nature and extent of such services under review, seeking to maintain objectivity;

(h) to review the policy and arrangements by which staff of the Company and any other persons may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters and to ensure that arrangements are in place for such concerns to be raised and independently investigated, and for appropriate follow-up action to be taken;

REPORT ON CORPORATE GOVERNANCE

(i) to approve the hiring, removal, evaluation and compensation of the head of the internal audit function, or the accounting/auditing firm or corporation to which the internal audit function is outsourced;

(j) to review the scope and results of the independent audit, and the independence and objectivity of the independent auditors annually;

(k) to ensure that if different auditing firms are appointed for its subsidiaries or significant associated companies, such appointment would not compromise the standard and effectiveness of the audit of the Company;

(l) to commission and review the findings of internal investigations into matters where there is any suspected fraud or irregularity, or failure of internal controls or infringement of any legislation, rule or regulation which has or is likely to have a material impact on the Group operating results and/or financial position;

(m) to review all IPTs to ensure that they are on an arm's length basis; and

(n) to review from time to time such guidelines and procedures to determine if they continue to be adequate and/or commercially practicable in ensuring that transactions between interested persons and the Group are conducted at arm's length and on normal commercial terms.

The AGC is also authorised to investigate any matter within its Terms of Reference. It has full access to and the co-operation of Management, and the full discretion to invite any Director or executive officer to attend its meetings, as well as reasonable resources to enable it to discharge its functions properly.

During FY2017, the AGC met with the independent auditors, without the presence of Management, to review any matters that might be raised privately.

The AGC noted that there were no non-audit services provided by the independent auditors in FY2017. The aggregate amount of audit fee paid to the independent auditors, RT LLP ("**RT**"), for FY2017 is SGD435,000.

The AGC has reviewed the independence of RT and is satisfied with RT's confirmation of their independence.

The Group does not appoint different auditors for its significant subsidiaries or associated companies.

The Company is in compliance with Rule 712 and Rule 715 of the Listing Manual of SGX-ST in relation to its independent auditor, as the subsidiary companies and associated companies of the Company were audited by RT LLP for the purpose of preparation of the consolidated financial statements of the Group.

Management has put in place a whistle-blowing policy duly endorsed by the AGC and approved by the Board, under which employees of the Group can raise concerns over any possible improprieties in relation to financial reporting and other matters.

The independent auditors provide regular updates and briefing to the AGC on changes or amendments to accounting standards to enable the members of the AGC to keep abreast of such changes and its corresponding impact on the financial statements, if any.

None of the members of the AGC is a partner or Director of the Company's existing auditing firm or auditing corporation.

REPORT ON CORPORATE GOVERNANCE

Internal audit

Principle 13: Effective and independent internal audit function

The Board recognises the importance of maintaining a system of internal controls, procedures and processes for the Group to safeguard the shareholders' investments and the Group's assets.

Although there was no internal auditors appointed during FY2017, the key features of the control environment include the Terms of Reference for the Board Committees, a clear organisation structure and methods of assigning authority and responsibility, Management's internal control systems, and defined procedures for the approval of major transactions are the methods used by the Group to safeguard the shareholders' investment.

The AGC reviews the needs of the internal audit function on a regular basis, including overseeing and monitoring the implementation of the improvements required for various internal control weaknesses identified by Management and independent auditors. The AGC is of the opinion that the on-going review and continuing efforts to enhance the adequacy of internal controls, including financial, operational, compliance and information technology controls, and the risk management systems, through the appointment of a CFO and engagement of an independent internal auditor, would be adequate.

As the size of the operations of the Group does not warrant the Group having an in-house internal audit function, the Company will outsource its internal audit function to an independent external service provider who will report directly to the AGC. The Company appointed MRI Moores Rowland LLP as independent internal auditor on 20 September 2017. Despite the announcement of their appointment, MRI Moores Rowland LLP did not undertake any internal auditor work during the year and no financial liability is owed to the firm.

IV. SHAREHOLDERS RIGHTS AND RESPONSIBILITIES

Principle 14: Shareholder Right

The Company treats all shareholders fairly and equitably, and recognises, protects and facilitates the exercise of shareholders' rights and continually reviews and updates such governance arrangements. The Company strives for timeliness and transparency in its disclosures on matters that have a material impact on the Company to the shareholders and the public. In this respect, the Company announces its financial results to shareholders on a quarterly basis.

Information is disseminated / made available to shareholders through:

(a) SGXNet announcements and news releases;

(b) Website of the Company; and

(c) Annual Reports.

The Company encourages shareholders' participation during the general meetings. Shareholders are able to engage the Board and Management on the Group's business activities, financial performance and other business-related matters during the general meetings. Resolutions are passed through a process of voting and shareholders are entitled to vote in accordance with established voting rules and procedures.

The Company allows any shareholder, who is unable to attend the general meetings in person, to appoint not more than two proxies to attend and vote in his/her place at the general meetings via proxy forms submitted in advance (i.e. not less than forty-eight hours before the time appointed for holding the general meeting). The proxy form is sent with the notice of general meetings to all shareholders.

REPORT ON CORPORATE GOVERNANCE

Principle 15: Communications with Shareholders

In line with the Group's disclosure obligations pursuant to the Listing Manual of the SGX-ST, the Board's policy is that all shareholders should be informed simultaneously in an accurate and comprehensive manner for all material developments that impact the Group through SGXNet on an immediate basis.

Copies of the Annual Report, the Circular and the Notices of the AGM and/or SGM, where applicable, are sent to every shareholder of the Company within the mandatory period. Each item of special business included in the notice of the meeting is accompanied, where appropriate, by an explanation for the proposed resolution. The Notices of the general meetings are also advertised in the newspapers and released via SGXNet and published in the Business Times within the same period.

The Company does not practice selective disclosure of material information. The Group makes all necessary disclosures to the public via SGXNet.

Before and after every general meeting, the Chairman and other members of the Board will engage in dialogue with shareholders, to gather views or inputs, and address shareholders' concerns.

The Company also solicits the views of the shareholders through analyst briefings and meetings with investors and fund managers, where necessary. The Company is open to meetings with investors and analysts, and in conducting such meetings, the Company is mindful of the need to ensure fair disclosure.

The Company does not have a specific dividend policy. Any dividend declaration will be communicated to the shareholders via announcement through SGXNet and its corporate website. There was no dividend declared for FY2017 as the Company wishes to reserve funds for the growth of the Company.

Principle 16: Conduct of Shareholder Meetings

As the authentication of shareholder identity information and other related security issues still remain a concern, the Company has decided, for the time being, not to implement voting in absentia by mail, email or fax.

Separate resolutions on each distinct issue are tabled at general meetings and voting on each resolution by poll is carried out systematically with proper recording of votes cast and the resolution passed. "Bundling" of resolutions are kept to a minimum and are done only where the resolutions are interdependent so as to form one significant proposal and only where there are reasons and material implications justifying the same.

All Directors (including the Chairman of each Board Committee), Management, representatives of the Company Secretary, independent auditors and legal advisors (if necessary), will endeavour to attend the general meetings. The procedures of general meetings provide shareholders the opportunity to ask questions relating to each resolution tabled for approval and open communication are encouraged on matters relating to the Company.

The Company Secretary prepares minutes of general meetings that include substantial and relevant comments or queries from shareholders relating to the agenda of the meetings, and responses from the Board and Management, and makes these minutes, subsequently approved by the Board, available to shareholders in accordance with regulatory requirements.

To enhance shareholder participation, the Group puts all resolutions at general meetings to vote by poll and announces the results by showing the number of votes cast for and against each resolution and the respective percentage to the audience at the general meetings. The polling results are also announced to the SGX-ST and posted on the Company's website after the meetings.

REPORT ON CORPORATE GOVERNANCE

The Company will review its Memorandum and Articles of Association from time to time and make such amendments to the Memorandum and Articles of Association to be in line with the applicable requirements or rules and regulations governing the Continuing Listing obligations of the Listing Manual of the SGX-ST.

ADDITIONAL INFORMATION

DEALINGS IN SECURITIES
[SGX-ST's Listing Manual, Rule 1207(19)]

The Board is aware of the guidelines of the corporate disclosure policy and the requirements for continuing disclosure as set out in the Listing Manual of the SGX-ST. The Board has the responsibility to ensure that the Directors and employees are prohibited from securities dealings whilst they are in possession of price-sensitive information.

The Company issues circulars to its Directors, principal officers and relevant officers who have access to unpublished material price-sensitive information to remind them of the aforementioned prohibition and the requirement to report their dealings in shares of the Company. The Company, Directors and employees are also prohibited from dealing in the securities of the Company during the period commencing two weeks before the announcement of the Company's first three quarter results and one month before the announcement of the Company's full year results and ending on the date of the particular announcement.

The Directors and key management personnel are also expected to observe insider trading laws at all times, even when dealing in securities within permitted trading times. In addition, the Directors, Management and employees of the Group are discouraged from dealing in the Company's securities on short-term considerations.

RISK MANAGEMENT
[SGX-ST's Listing Manual, Rule 1207(4)]

The Company regularly reviews and improves its business on the operational level by taking into account the risk management perspective. The Company seeks to identify areas of significant business risks as well as appropriate measures through which to control and mitigate these risks. The Company reviews all significant control policies and procedures, and highlights all significant matters to the AGC.

INTERESTED PERSON TRANSACTIONS
[SGX-ST's Listing Manual, Rule 907]

The AGC is satisfied that the review procedures for IPTs and the reviews to be made periodically by the AGC in relation thereto are adequate to ensure that the IPTs, if any, will be transacted on normal commercial terms and will not be prejudicial to the interests of the Company and its minority shareholders.

The Company has obtained shareholders' mandates under Rule 920 of the SGX-ST Listing Manual at the SGM held on 27 May 2016.

REPORT ON CORPORATE GOVERNANCE

Aggregate value of all IPTs during the year under review (excluding transactions less than S$100,000 and transactions conducted under the shareholders' mandate pursuant to Rule 920) is as follows:-

Name of interested person	**Aggregate value of all interested person transactions during the financial period under review (excluding transactions less than $100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)**	**Aggregate value of all interested person transactions conducted during the financial period under review under shareholders' mandate pursuant to Rule 920 (excluding transactions less than $100,000)**
	S$'000	**S$'000**
First quarter ended 31 March 2017		
Sandbox Global Co., Ltd	–	69
Asia-Pacific Strategic Alliances	12	–
Second quarter ended 30 June 2017		
Sandbox Global Co., Ltd	–	78
Mobile Futureworks, Inc.	–	28
Asia-Pacific Strategic Alliances	12	–
Third quarter ended 30 September 2017		
Sandbox Global Co., Ltd	–	76
Mobile Futureworks, Inc.	–	84
Asia-Pacific Strategic Alliances	12	–
Fourth quarter ended 31 December 2017		
Sandbox Global Co., Ltd	–	76
Mobile Futureworks, Inc.	–	81
Asia-Pacific Strategic Alliances	12	–

Prior to entering into an interested person transactions by the Group, the Board and the AGC will review such a transaction to ensure that the relevant rules under Chapter 9 of the SGX-ST Listing Manual are complied with.

MATERIAL CONTRACTS
[SGX-ST's Listing Manual, Rule 1207(8)]

There were no material contracts involving the interests of any Director or controlling shareholder of the Company, not being contracts entered into in the ordinary course of business, entered into by the Company during the period under review, except as disclosed in the audited financial statements.

REPORT ON CORPORATE GOVERNANCE

USE OF NET PROCEEDS AS AT 31 DECEMBER 2017

Use of Proceeds of the Reverse Take Over ("RTO")

The Company raised net proceeds of S$18.4 million from the compliance placement through the issuance of 50 million shares during the RTO in 2014. The Company utilised the proceeds as follows:

Purpose	Net proceeds post payment of RTO fees	Amount utilised in FY2016	Amount utilised in FY2017	Balance amount
	S$'000	S$'000	S$'000	S$'000
Development of partnerships	9.7	0.2	6.8	2.7
Investments in growth opportunities	4.8	1.5	2.7	0.6
General corporate expenses and working capital purposes	3.9	6.5	0.7	(3.3)
Total	**18.4**	**8.2**	**10.2**	**(0.0)**

The total amount utilised as at 31 December 2017 is S$18.4 million. The utilisation is in accordance with the intended use of proceeds as disclosed in the Offer Information Statement lodged with the Monetary Authority of Singapore on 26 August 2014.

Use of Proceeds of GEM Investments America LLC

Purpose	Opening Balance	Use of Proceeds	Closing Balance
	S$'000	S$'000	S$'000
Intended Use and Expenses (in SGD Million)			
General corporate expenses and business development	3.01	1.01	2.00
Total	**3.01**	**1.01**	**2.00**

The total amount utilised as at 31 December 2017 is S$1.01 million from the proceeds allocated for general corporate expenses and working capital purposes mainly for employee costs, office expenses and professional fee.

Based on information on the latest practicable date prior to the printing of this report, being 28 September 2018.

DIRECTORS' STATEMENT

For the financial year ended 31 December 2017

The directors of YuuZoo Networks Group Corporation (formerly known as YuuZoo Corporation Limited) (the "**Company**") present their statement to the members together with the audited financial statements of the Company and its subsidiaries (the "**Group**") for the financial year ended 31 December 2017 and the statement of financial position of the Company as at 31 December 2017.

In the opinion of the board of directors of the Company ("**Board**"),

(a) the statement of financial position of the Company and the consolidated financial statements of the Group as set out on pages 41 to 108 are drawn up so as to give a true and fair view of the financial position of the Company and of the Group as at 31 December 2017 and the financial performance, changes in equity and cash flows of the Group for the financial year then ended; and

(b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

1. Directors

The directors of the Company ("**Director(s)**") in office at the date of this statement are:

Mr. Anthony Williams	
Mr. Cheong Boon Leong Christopher	
Mr. Joseph Lee Sien Liang	(appointed on 4 July 2018)
Mr. Mohandas	(appointed on 10 April 2018)

2. Arrangements to enable Directors to acquire shares or debentures

Except as described under 'share options' in this statement neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object is to enable the Directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

DIRECTORS' STATEMENT

For the financial year ended 31 December 2017

3. Directors' interests in shares or debentures

According to the register of Directors' shareholdings kept by the Company, none of the Directors who held office at the end of the financial year had any interest in the shares or debentures of the Company or its related corporations, except as follows:

	Shareholdings registered in the name of directors or nominee		Shareholdings in which directors are deemed to have an interest	
Name of Directors	**At the beginning of the financial year**	**At the end of the financial year**	**At the beginning of the financial year**	**At the end of the financial year**
The Company				
YuuZoo Networks Group Corporation (formerly known as YuuZoo Corporation Limited)				
Number of ordinary shares				
Thomas Henrik Zilliacus(1) ^	7,696,677	7,946,677	171,507,764	109,007,764
Anthony Williams	1,058,609	1,058,609	–	–
Share options				
Thomas Henrik Zilliacus(1)	6,320,759	7,820,759	–	–
Anthony Williams	–	250,000	–	–
Cheong Boon Leong Christopher	–	250,000	–	–
Robert Gustav Malmstrom(2)	–	250,000	–	–
Kim Ilmari Karhu(3)	–	250,000	–	–

Notes:

(1) Resigned on 27 April 2018

(2) Appointed on 2 October 2017 and resigned on 27 April 2018

(3) Appointed on 2 October 2017 and resigned on 20 February 2018

^ Mr. Thomas Henrik Zilliacus is deemed interested in the 109,07,764 shares held by Mobile FutureWorks Inc. by vitue of Section 4 of the Securities and Futures Act, Chapter 289 of Singapore

No options were exercised during the period. There were no changes in any of the above mentioned interests in the Company between the end of the financial year and 21 January 2018.

4. Share options

As disclosed in the Reverse Takeover ("**RTO**") circular dated 24 June 2014 and approved at a Special General Meeting on 23 July 2014, the Board is allowed to issue share options for Employee Share Option Scheme (the "**YuuZoo ESOS**") and Performance Share Scheme (the "**YuuZoo PSS**"). The issuance of the YuuZoo ESOS, YuuZoo PSS and any other share options shall not exceed 15% of the issued share capital of the Company excluding treasury shares.

The YuuZoo ESOS contemplates the award of options that are exercisable into shares and is intended to provide an opportunity for employees of the Company and its subsidiaries including Executive Directors and Non-Executive Directors of the Group who have contributed significantly to the growth and performance of the Group to participate in the equity of the Company.

DIRECTORS' STATEMENT

For the financial year ended 31 December 2017

4. Share options (Continued)

The Scheme is administered by the Remuneration Committee currently comprising Mr. Anthony Williams (Chairman) and Mr. Cheong Boon Leong Christopher.

On 29 November 2017, 6,000,000 share options were granted to the employees. The options were granted at a discount of 10%. Out of the total share options, 1,000,000 share options were granted to the directors, Anthony Williams, Cheong Boon Leong Christopher, Kim Ilmari Karhu, and Robert Gustav Malmstrom. Each received 250,000 share options respectively.

On 14 November 2014, 6,320,759 share options were granted to Mr. Thomas Zilliacus, director and an associate of a controlling shareholder of the Company. This was approved by the shareholders at the AGM held on 29 May 2015. No other director or participants who are controlling shareholders and their associates have been granted any share options.

The details of options granted to Mr Thomas Zilliacus during the year are as follows:

Name of Participant	Options granted during FY2017	Aggregate options granted since commencement of the Scheme to 31 December 2017	Aggregate options exercised since commencement of the Scheme to 31 December 2017	Aggregate options outstanding as at 31 December 2017
Thomas Zilliacus	1,500,000	7,820,759	Nil	7,820,759

Except as disclosed above, no participants have received 5% or more of the total options available under the YuuZoo ESOS Scheme.

5. Audit and governance committee

The Audit and governance committee ("**AGC**") was formerly known as Audit Committee and it was renamed as AGC on 2 October 2017.

The AGC members at the date of this report are Mr. Cheong Boon Leong Christopher (Chairman), Mr. Anthony Williams (Lead Independent Director), and Mr. Joseph Lee Sien Liang (Independent Director).

The AGC discharge its duties in accordance with the listing manual of the SGX-ST ("**Listing Manual**"). The AGC shall also be guided by the Code of Corporate Governance (2 May 2012) and the Guidebook for Audit Committees in Singapore (Second Edition), and any such codes or regulations as may be applicable from time to time.

The principal responsibility of the AGC is to assist the Board in fulfilling its oversight responsibilities. Areas of review by the AGC include:

(a) to review the significant financial reporting issues and judgments so as to ensure the integrity of the financial statements of the Company and any announcements relating to the Company's financial performance;

(b) to review and report to the Board the adequacy and effectiveness of the Company's internal controls, including financial, operational, compliance and information technology controls as well as risk management;

(c) to review the effectiveness of the Company's internal audit function;

DIRECTORS' STATEMENT

For the financial year ended 31 December 2017

5. Audit and governance committee (Continued)

(d) to review the scope and results of the external audit, and the independence and objectivity of the independent auditors;

(e) to make recommendations to the Board on the proposals to the shareholders on the appointment, re-appointment and removal of the independent auditors, and approving the remuneration and terms of engagement of the independent auditors;

(f) to meet with the independent auditors without the presence of Management, at least annually;

(g) to review the independence of the independent auditors annually and ensure that the Company's Annual Report states (i) the aggregate amount of fees paid to the independent auditors for that financial year, and (ii) a breakdown of the fees paid in total for audit and non-audit services respectively, or contains an appropriate negative statement. Where the external auditors also supply a substantial volume of non-audit services to the Company, the AGC keeps the nature and extent of such services under review, seeking to maintain objectivity;

(h) to review the policy and arrangements by which staff of the Company and any other persons may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters;

(i) to ensure that arrangements are in place for such concerns to be raised and independently investigated, and for appropriate follow-up action to be taken;

(j) to approve the hiring, removal, evaluation and compensation of the head of the internal audit function, or the accounting / auditing firm or corporation to which the internal audit function is outsourced;

(k) to commission and review the findings of internal investigations into matters where there is any suspected fraud or irregularity, or failure of internal controls or infringement of any legislation, rule or regulation which has or is likely to have a material impact on the Group operating results and/or financial position; and

(l) to review all IPTs to ensure that they are on an arm's length basis.

The AGC also reviews the policy and arrangements by which employees of the Company and any other persons may, in confidence, report suspected fraud or irregularity or suspected infringement of any laws or regulations or rules or, raise concerns about possible improprieties in matters of financial reporting or other matters, with a view to ensuring that arrangements are in place for such concerns to be raised and independently investigated and for appropriate follow-up to be taken. Where the AC becomes aware of any improprieties, the AGC shall discuss such matters with the external auditors and, at an appropriate time, report the matter to the Board. Where appropriate, the AGC shall also commission internal investigations into such matters. Pursuant to this, the AGC has introduced a whistle blowing policy where employees may raise improprieties to the AGC chairman in good faith, with the confidence that employees making such reports will be treated fairly and be protected from reprisal.

The AGC met seven times in 2017. Specific functions performed during the year included reviewing the scope of work and strategies of external auditors, and the results arising therefrom, including their evaluation of the system of internal controls. The AC also reviewed the assistance given by the Company's officers to the auditors. The financial statements of the Group and the Company were reviewed by the AC prior to the submission to the Board for adoption. The AC also met with the external auditor, without the presence of management, to discuss any issues of concern with them.

The AC has, in accordance with Chapter 9 of the Listing Manual, reviewed the requirements for approval and disclosure of IPTs, reviewed the procedures set by the Group and the Company to identify and report and where necessary, seek approval for IPTs and, reviewed IPTs.

DIRECTORS' STATEMENT

For the financial year ended 31 December 2017

6. Independent Auditors

The auditors, RT LLP, Public Accountants and Chartered Accountants, have expressed their willingness to accept re-appointment.

On behalf of the Board of Directors,

Mohandas	Cheong Boon Leong Christopher

Singapore, 21 September 2018

INDEPENDENT AUDITOR'S REPORT

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

For the financial year ended 31 December 2017

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.

INDEPENDENT AUDITOR'S REPORT

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

For the financial year ended 31 December 2017

Basis for Disclaimer of Opinion (Continued)

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.

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.

INDEPENDENT AUDITOR'S REPORT

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

For the financial year ended 31 December 2017

Basis for Disclaimer of Opinion (Continued)

(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.

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

INDEPENDENT AUDITOR'S REPORT

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

For the financial year ended 31 December 2017

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

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2017

	Note	Group 2017	Group 2016	Company 2017	Company 2016
		SGD'000	SGD'000	SGD'000	SGD'000
Non-current assets					
Property, plant and equipment	4	6,186	196	–	–
Intangible assets	5	–	41,018	–	766
Investment in associates	6	212	725	–	725
Investments in subsidiaries	7	–	–	7	91,430
Available-for-sale investments	8	–	33,252	–	–
Trade and other receivables	9	–	1,847	–	–
		6,398	77,038	7	92,921
Current assets					
Trade and other receivables	9	4,677	12,214	–	3,624
Amounts due from subsidiaries	10	–	–	–	26,013
Prepayments		169	174	58	–
Cash and cash equivalents	11	3,234	3,813	–	90
		8,080	16,201	58	29,727
Less:					
Non-current liabilities					
Deferred tax liabilities	12	9	–	–	–
Current liabilities					
Trade and other payables	13	13,620	2,969	423	5,865
Deferred revenue	14	–	1,701	–	–
Income tax payable		6,995	–	–	–
		20,615	4,670	423	5,865
Net current(liabilities)/assets		(12,535)	11,531	(365)	23,862
Net (liabilities)/assets		(6,146)	88,569	(358)	116,783
Capital and reserves					
Share capital	15	77,445	68,688	100,665	91,908
Share premium	15	47,599	48,653	254,362	255,416
Other reserves	16	9,840	11,723	48,723	54,670
Accumulated losses		(141,346)	(40,495)	(404,108)	(285,211)
Equity attributable to owners of the parent		(6,462)	88,569	(358)	116,783
Non-controlling interests		316	–	–	–
Total equity		(6,146)	88,569	(358)	116,783

The accompanying notes form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the financial year ended 31 December 2017

	Note	Group 2017 SGD'000	Group 2016 SGD'000
Revenue	17	18,000	103,200
Other item of income			
Other income	18	176	413
		18,176	103,613
Items of expense			
Cost of sales		(11,797)	(51,570)
Amortisation and impairment of intangible assets	5	(39,282)	(16,843)
Depreciation of property, plant and equipment	4	(85)	(135)
Employee benefits expense	19	(7,944)	(5,091)
Impairment of investment in associates		(687)	(2,271)
Impairment of available-for-sale investments		(38,567)	(4,456)
Other expenses		(13,157)	(9,210)
Share of loss of associates		(48)	–
Total expenses		(111,567)	(89,576)
(Loss)/profit before income tax	20	(93,391)	14,037
Income tax expense	21	(7,297)	–
(Loss)/profit for the financial year		(100,688)	14,037
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations, net of tax		(1,778)	3,075
Other comprehensive (loss)/income for the financial year, net of tax		(1,778)	3,075
Total comprehensive (loss)/income for the financial year		(102,466)	17,112
(Loss)/profit for the financial year attributable to:			
Owners of the parent		(100,851)	14,037
Non-controlling interests		163	–
		(100,688)	14,037
Total comprehensive (loss)/income attributable to:			
Owners of the parent		(102,633)	17,112
Non-controlling interests		167	–
		(102,466)	17,112
(Loss)/earnings per share	24		
Basic (cents/share)		(12.96)	2.09
Fully diluted (cents/share)		(12.96)	2.06

The accompanying notes form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2017

	Note	Share capital	Share premium	Foreign currency translation account	Share option reserve	Retained profits/ (accumulated losses)	Total equity attributable to owners of the parent	Non-controlling interests	Total equity
		SGD'000	**SGD'000**	**SGD'000**	**SGD'000**	**SGD'000**	**SGD'000**	**SGD'000**	**SGD'000**
Balance at 1 January 2017		68,688	48,653	10,206	1,517	(40,495)	88,569	–	88,569
Total comprehensive income for the year									
Loss for the year		–	–	–	–	(100,851)	(100,851)	163	(100,688)
Exchange differences on translation of foreign operations representing other comprehensive income for the year		–	–	(1,782)	–	–	(1,782)	4	(1,778)
		–	–	(1,782)	–	(100,851)	(102,633)	167	(102,466)
Transactions with owners in their capacity as owners									
Issuance of shares during the year	15	8,757	(1,054)	–	–	–	7,703	–	7,703
Employee share option scheme	18	–	–	–	(101)	–	(101)	–	(101)
Non-controlling interest arising from business acquisition		–	–	–	–	–	–	149	149
		8,757	(1,054)	–	(101)	–	7,602	149	7,751
Balance at 31 December 2017		77,445	47,599	8,424	1,416	(141,346)	(6,462)	316	(6,146)

The accompanying notes form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2017

	Note	Share capital	Share premium	Foreign currency translation account	Share option reserve	Retained profits/ (accumulated losses)	Total equity attributable to owners of the parent	Non-controlling interests	Total equity
		SGD'000	**SGD'000**	**SGD'000**	**SGD'000**	**SGD'000**	**SGD'000**	**SGD'000**	**SGD'000**
Balance at 1 January 2016		56,952	46,402	7,131	1,481	(54,532)	57,434	–	57,434
Total comprehensive income for the year									
Profit for the year		–	–	–	–	14,037	14,037	–	14,037
Exchange differences on translation of foreign operations representing other comprehensive income for the year		–	–	3,075	–	–	3,075	–	3,075
		–	–	3,075	–	14,037	17,112	–	17,112
Transactions with owners in their capacity as owners									
Issuance of shares during the year	15	11,736	2,251	–	–	–	13,987	–	13,987
Employee share option scheme	19	–	–	–	36	–	36	–	36
		11,736	2,251	–	36	–	14,023	–	14,023
Balance at 31 December 2016		68,688	48,653	10,206	1,517	(40,495)	88,569	–	88,569

The accompanying notes form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2017

	Note	Group 2017 SGD'000	Group 2016 SGD'000
Operating activities			
(Loss)/profit before income tax		(93,391)	14,037
Adjustments for:			
Depreciation of property, plant and equipment		85	135
Loss on disposal of property, plant and equipment		–	6
Amortisation and impairment of intangible assets		39,282	16,843
Impairment loss on associates		687	2,271
Impairment loss on available-for-sale investments		38,567	4,456
Non-cash revenue generated		–	(51,354)
Share-based compensation		(101)	36
Deferred revenue realised		(1,701)	–
Allowance for doubtful debts for trade and other receivables		5,053	6,099
Share of loss of associate		48	–
Operating cash flows before working capital changes		(11,471)	(7,471)
Working capital changes:			
Trade and other receivables		(1,168)	6,234
Prepayments		5	57
Trade and other payables		5,129	(8,223)
Deferred revenue		–	1,701
Cash used in operations		(7,505)	(7,702)
Income tax paid		(293)	–
Net cash used in operating activities		(7,798)	(7,702)
Investing activities			
Purchase of property, plant and equipment		(114)	(217)
Development costs incurred/purchase of intangible asset	A	(356)	(877)
Available-for-sale investment acquired	B	–	–
Acquisition of business	7	(610)	–
Net cash used in investing activities		(1,080)	(1,094)
Financing activities			
Gross proceeds from issuance of shares	C	7,703	9,005
Share issue expenses		–	(580)
Net cash provided by financing activities		7,703	8,425
Net change in cash and cash equivalents		(1,175)	(371)
Cash and cash equivalents at the beginning of the financial year		3,813	3,748
Net effect of exchange differences		596	436
Cash and cash equivalents at the end of the financial year		3,234	3,813

The accompanying notes form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2017

Note A

In 2016, the total additions to intangible assets were SGD 31,913,000 of which SGD 28,369,000 was received from customers for the sale of networks and SGD 2,667,000 were paid to Mr. Mark Cramer-Roberts for the facilitation of the renewal of the Etisalat contract. Cash payment of SGD 877,000 was paid for the acquisition of other intangible assets.

Note B

In 2016, there was a non-cash increase of AFS investment of SGD 14,259,000 from the Group's franchise sales.

Note C

In 2017, the total number of shares issued amount to SGD 7,703,000 was received in cash.

In 2016, the total number of shares issued amount to SGD 13,987,000 of which SGD 2,667,000 was paid to Mr. Mark Cramer-Roberts for the facilitation of the renewal of the Etisalat contract and SGD 2,895,000 was paid to Infocomm Asia Holdings Pte Ltd ("IAH") for the acquisition of 30% stake in IAH. Cash receipt of SGD 8,425,000 was received for issuance of shares.

The accompanying notes form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

1. Corporate information

1.1 General information

YuuZoo Networks Group Corporation (formerly known as YuuZoo Corporation Limited) ("the Company") (Registration Number: 1988576) was discontinued incorporation since 22 March 2005 in Bermuda and continue its incorporation in the British Virgin Island on 9 August 2018 under the BVI Business Companies Act 2004 and is listed on the mainboard of the Singapore Exchange Securities Trading Limited ("SGX-ST"). With effect from 2 September 2014, the Company changed its name from 'W Corporation Limited' to 'YuuZoo Corporation Limited' and recently changing its name to 'YuuZoo Networks Group Corporation' with effect from 9 August 2018.

The principal place of business of the Company is at 20 Science Park Road #03-11/14, Teletech Park Science Park II, Singapore 117674.

The registered office of the Company is at Jayla Place, Wickhams Cay 1, Road Town, Tortola, British Virgin Island.

The principal activity of the Company is that of investment holding, and through its subsidiaries, it is in the business of sale of franchises, e-commerce, payments and mobile social games.

The principal activities of the subsidiaries are set out in Note 7 to the financial statements.

The consolidated financial statements of the Group and the statement of financial position of the Company for the financial year ended 31 December 2017 were authorised for issue by the Board of Directors on the date of the Directors' statement.

The financial statements of the Group have been prepared on a going concern basis notwithstanding the net current liabilities of approximately SGD 12,535,000 and net total liabilities as at 31 December 2017. This factor indicates the existence of a material uncertainty which may cast significant doubt over the Group's ability to continue as a going concern.

The ability of the Group to continue as a going concern is dependent on the following:-

a) Agreement entered into with an investor for investments of approximately US$13,000,000 into YuuZoo's various business; and

b) New business generated by the Group and Company;

2. Summary of significant accounting policies

2.1 Basis of preparation

These financial statements have been prepared in accordance with Singapore Financial Reporting Standards ("FRS") and the related Interpretations to FRS ("INT FRS") as issued by the Singapore Accounting Standards Council. The financial statements are prepared on a going concern basis under the historical cost convention except for the accounting policies as disclosed below.

The financial statements are presented in Singapore Dollar and all values in the tables are rounded to the nearest thousand (SGD'000), except when otherwise indicated.

The preparation of financial statements in conformity with FRS requires management to exercise its judgement in the process of applying the Group's accounting policies. It also requires the use of certain accounting estimates and assumptions. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

2. Summary of significant accounting policies (Continued)

2.2 Adoption of new and revised standards

On 1 January 2017, the Group adopted the new or amended FRS and Interpretations of FRS ("INT FRS") that are mandatory for application for the financial year. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective FRS and INT FRS. The adoption of these new or amended FRS and INT FRS did not result in substantial changes to the accounting policies of the Group and the Company and had no material effect on the amounts reported for the current or prior financial years.

FRS 7 Statement of cash flows

The amendments to FRS 7 Statement of cash flows (Disclosure initiative) sets out required disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. All the Group's financing activities are arising from equity instead of liabilities.

2.3 Full convergence with International Financial Reporting Standards (IFRS) and adoption of new standards

In December 2017, the Accounting Standards Council (ASC) issued the Singapore Financial Reporting Standards (International) [SFRS(I)s]. It is a requirement of SGX main board listing rule 220 that with effect from financial years beginning 1 January 2018 or later, all SGX listed companies (whether incorporated in Singapore or otherwise) must comply with SFRS(I), IFRS or US GAAP.

The Group's financial statements for the financial year ending 31 December 2018 will be prepared in accordance with SFRS(I)s, and International Financial Reporting Standards issued by the International Accounting Standards Board. As a result, this will be the last set of financial statements prepared under the current FRSs.

In adopting the new framework, the Group will be required to apply the specific transition requirements in SFRS(I) 1 First-time Adoption of Singapore Financial Reporting Standards (International).

In addition to the adoption of the new framework, the Group will also concurrently apply the following SFRS(I)s and interpretations of SFRS(I)s [SFRS(I)s INT] which are relevant to the Group:

Effective for the financial year of the Group beginning on 1 Janaury 2018
- SFRS(I) 9 Financial Instruments
- SFRS(I) 15 Revenue from Contracts with Customers
- SFRS(I) INT 22 Foreign Currency Transactions and Advance Consideration
- Amendments to SFRS(I) 2 Classification and Measurement of Share-based Payment Transactions
- Amendments to SFRS(I) 1 First-time Adoption of Financial Reporting Standards (Deletion of short-term exemptions for first-time adopters)

Effective for the financial year of the Group beginning on 1 January 2019
- SFRS(I) 16 Leases
- SFRS(I) INT 23 Uncertainty over Income Tax Treatments
- Amendments to SFRS(I) 1-28: Long-term Interests in Associates and Joint Ventures

Management anticipates that the adoption of the above SFRS(I)s and SFRS(I)s INT in the future periods will not have a material impact on the financial statements of the Group and of the Company in the period of their initial adoption except for SFRS(I) 9, SFRS(I) 15 and SFRS(I) 16.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

2. Summary of significant accounting policies (Continued)

2.3 Full convergence with International Financial Reporting Standards (IFRS) and adoption of new standards (Continued)

SFRS(I) 9 Financial Instruments

SFRS(I) 9 introduces new requirements for classification and measurement of financial assets, impairment of financial assets and hedge accounting. Financial assets are classified according to their contractual cash flow characteristics and the business model under which they are held. The impairment requirements in SFRS(I) 9 are based on an expected credit loss model and replace the FRS 39 incurred loss model. Adopting the expected credit losses requirements will require the Group to make changes to its current systems and processes.

SFRS(I) 9 is effective for annual periods beginning on or after 1 January 2018 with early application permitted. Retrospective application is required, but comparative information is not compulsory. The Group is currently assessing the potential impact of the application of SFRS(I) 9 on the financial statements of the Group in the period of their initial application.

SFRS(I) 15 Revenue from Contracts with Customers

SFRS(I) 15 establishes a five-step model that will apply to revenue arising from contracts with customers. Under SFRS(I) 15, revenue is recognised at an amount that reflects the consideration which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in SFRS(I) 15 provide a more structured approach to measuring and recognising revenue when the promised goods and services are transferred to the customer i.e. when performance obligations are satisfied.

Key issues for the Group include identifying performance obligations, accounting for contract modifications, applying the constraint to variable consideration, evaluating significant financing components, measuring progress toward satisfaction of a performance obligation, recognising contract cost assets and addressing disclosure requirements.

Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2018 with early adoption permitted. The Group is currently assessing the potential impact of the application of SFRS(I) 15 on the financial statements of the Group in the period of their initial application.

SFRS(I) 16 Leases

SFRS(I) 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of the entity.

SFRS(I) 16 introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-to-use asset representing its right to use the underlying lease asset and a lease liability representing its obligation to make lease payments.

SFRS(I) 16 is effective for annual periods beginning on or after 1 January 2019 with early application permitted for entities that apply SFRS(I) 15 Revenue from Contracts with Customers at or before the date of initial application of SFRS(I) 16. The Group is currently assessing the potential impact of the application of SFRS(I) 16 on the financial statements of the Group in the period of their initial application.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

2. Summary of significant accounting policies (Continued)

2.4 Basis of consolidation

Pursuant to the completion of the Takeover, the acquisition of 100% of YuuZoo BVI has resulted in the shareholders of YuuZoo Networks Corporation (formerly known as YuuZoo Corporation Limited) holding an approximately 98.2% interest in the Company. The Company or the Group prior to the RTO ("**Legal Parent**") did not meet the definition of a business under FRS 103 *Business Combination* and as such the Takeover cannot be accounted for as a reverse acquisition. Accordingly, the Takeover has been accounted for as a share-based payment in accordance with FRS 102 *Share based Payment* and the consolidated financial statements of the Legal Parent are accounted as a continuation of the financial statements of YuuZoo BVI ("**Legal Subsidiary**"), together with a deemed issue of shares equivalent to the shares held by the former shareholders of the Legal Parent and a re-capitalisation of the equity of YuuZoo BVI. Accordingly, the comparative financial information of the Group is that of the comparative financial information of YuuZoo BVI.

Because the consolidated financial statements represent a continuation of the financial statements of YuuZoo BVI, the principles and guidance on the preparation and presentation of the consolidated financial statements in a reverse acquisition set out in FRS 103 *Business Combination* have been applied:

- fair value adjustments arising at acquisition were made to YuuZoo Network Group Corporation assets and liabilities, not those of YuuZoo BVI;
- the cost of the acquisition, and amount recognised as issued capital to affect the transaction, is based on the notional amount of shares that YuuZoo BVI would have needed to issue to acquire the same shareholding percentage in YuuZoo Network Group Corporation at the acquisition date;
- retained earnings and other equity balances in the consolidated financial statements at acquisition date are those of YuuZoo BVI;
- a share-based payment transaction arises whereby YuuZoo BVI is deemed to have issued shares in exchange for the net assets of YuuZoo Network Group Corporation (together with the listing status of YuuZoo Network Group Corporation). The listing status does not qualify for recognition as an intangible asset and has therefore been expensed in profit or loss as a listing expense.

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries. Subsidiaries are entities over which the Group has control. The Group controls an investee if the Group has power over the investee, exposure to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

Investments in subsidiaries are accounted for at cost less accumulated impairment losses, if any, in the Company's separate financial statements.

The purchase method of accounting is used to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values on the date of acquisition, irrespective of the extent of any minority interest.

2. Summary of significant accounting policies (Continued)

2.4 Basis of consolidation (Continued)

Subsidiaries are consolidated from the date on which control is obtained by the Group up to the effective date on which control is lost, as appropriate.

Intra-group balances and transactions and any unrealised income and expenses arising from intra-group transactions are eliminated on consolidation. Unrealised losses may be an impairment indicator of the asset concerned.

The financial statements of the subsidiaries are prepared for the same reporting period as that of the Company, using consistent accounting policies. Where necessary, accounting policies of subsidiaries are changed to ensure consistency with the policies adopted by other members of the Group.

Non-controlling interests in subsidiaries relate to the equity in subsidiaries which is not attributable directly or indirectly to the owners of the parent. They are shown separately in the consolidated statements of profit or loss and other comprehensive income, financial position and changes in equity.

Non-controlling interests in subsidiaries are identified separately from the Group's equity therein. Non-controlling interests in the acquiree may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement basis is made on an acquisition by-acquisition basis. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the parent.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for (i.e. reclassified to profit or loss or transferred directly to accumulated profits) in the same manner as would be required if the relevant assets or liabilities were disposed of. The fair value of any investments retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under FRS 39 *Financial Instruments: Recognition and Measurement* or, when applicable, the cost on initial recognition of an investment in an associates or joint venture.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

2. Summary of significant accounting policies (Continued)

2.5 Investment in Associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with FRS 105. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associates. When the Group's share of losses of an associate exceeds the Group's interest in that associates (which includes any long-term interests that, in substance, form part of the Group's net investment in the associates or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associates.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate, or when the investment is classified as held for sale. When the Group retains an interest in the former associates and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with FRS 39. The difference between the carrying amount of the associates at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associates is included in the determination of the gain or loss on disposal of the associates. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associates or joint venture on the same basis as would be required if that associates or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a Group entity transacts with an associate of the Group, profits and losses resulting from the transactions with the associates are recognised in the Group's consolidated financial statements only to the extent of interests in the associates that are not related to the Group.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

2. Summary of significant accounting policies (Continued)

2.6 Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the acquisition date fair values of assets given, liabilities incurred by the group to the former owners of the acquiree, and equity interests issued by the group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments (see below). The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates at fair value, with changes in fair value recognised in profit or loss.

Where a business combination is achieved in stages, the group's previously held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date the group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under the FRS are recognised at their fair value at the acquisition date, except that:

- Deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with FRS 12 Income Taxes and FRS 19 Employee Benefits respectively;

- Liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement of an acquiree's share-based payment awards transactions with share-based payment awards transactions of the acquirer in accordance with the method in FRS 102 Share-based Payment at the acquisition date; and

- Assets (or disposal groups) that are classified as held for sale in accordance with FRS 105 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another FRS.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

2. Summary of significant accounting policies (Continued)

2.6 Business combinations (Continued)

The measurement period is the period from the date of acquisition to the date the group obtains complete information about facts and circumstances that existed as of the acquisition date and is subject to a maximum of one year from acquisition date.

2.7 Property, plant and equipment

Property, plant and equipment are initially recorded at cost. Subsequent to initial recognition, property, plant and equipment are stated at cost less accumulated depreciation and impairment loss, if any. Freehold land is subsequently stated at fair value less accumulated impairment losses.

Fair values of land and buildings are determined by an independent professional valuer on a triennial basis and whenever their carrying amounts are likely to differ materially from their fair values. When an asset is revalued, any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset. The net amount is then restated to the revalued amount of the asset. Revaluation surpluses are taken to the asset revaluation reserve, unless they offset previous revaluation losses of the same asset that were taken to the income statement. Revaluation losses are taken to the asset revaluation reserve, to the extent that they offset previous revaluation surpluses of the same asset that were taken to the asset revaluation reserve. Other revaluation surpluses or losses are taken to the income statement.

The cost of property, plant and equipment includes expenditure that is directly attributable to the acquisition of the items. Dismantlement, removal or restoration costs are included as part of the cost of property, plant and equipment if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the property, plant and equipment.

Subsequent expenditure relating to the property, plant and equipment that has already been recognised is added to the carrying amount of the asset when it is probable that the future economic benefits, in excess of the standard of performance of the asset before the expenditure was made, will flow to the Group, and the cost can be reliably measured. Other subsequent expenditure is recognised as an expense during the financial year in which it is incurred.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is included in profit or loss in the financial year the asset is derecognised.

Freehold land is not depreciated. Depreciation on other property, plant and equipment is calculated using the straight-line method to allocate the depreciable amounts of the property, plant and equipment over their estimated useful lives as follows:

	Years
Furniture and fittings	5
Office equipment	3
Computers	3
Renovation	5

The residual values, useful lives and depreciation method are reviewed at each financial year end to ensure that the residual values, period of depreciation and depreciation method are consistent with previous estimates and expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

2. Summary of significant accounting policies (Continued)

2.8 Intangible assets

Intangible assets acquired separately are measured initially at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised on a straight-line basis over their estimated economic useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite useful lives is recognised in profit or loss.

Intangible assets with indefinite useful lives or not yet available for use are tested for impairment annually or more frequently if the events or changes in circumstances indicate that the carrying amount may be impaired either individual or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite useful life is reviewed annually to determine whether the useful life assessment continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

User Data

The Group entered into a purchase agreement to acquire the data for users who are registered users of the games developed by the supplier. The Group has the right to market any services to those registered users. This acquired data was recognised based on the cost approach.

User data is amortised to profit or loss using the straight-line method over 4 years, which is the shorter of their estimated useful lives and periods of contractual rights. Such intangible assets will be carried at cost less accumulated amortisation or any impairment.

Internally-generated intangible assets/development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised, if, and only if, all the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

2. Summary of significant accounting policies (Continued)

2.8 Intangible assets (Continued)

- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible assets; and

- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is charged to profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets acquired separately, over a useful life of 3 years.

Advertising rights

Advertising rights are stated at cost less accumulated amortisation and accumulated impairment losses. These costs are amortised to profit or loss using the straight-line method over 2 to 3 years, which is the shorter of their estimated useful lives and periods of contractual rights.

Certain intangible assets of the Group have been acquired in exchange for non-monetary assets, or a combination of monetary and non-monetary assets. The cost of such an intangible asset is measured at fair value unless:

(i) the exchange transaction lacks commercial substance or

(ii) the fair value of neither the asset received nor the asset given up is reliably measurable.

The fair value of an intangible asset is reliably measurable if

(a) the variability in the range of reasonable fair value measurements is not significant for that asset or

(b) the probabilities of the various estimates within the range can be reasonably assessed and used when measuring fair value.

If the Group is able to measure reliably the fair value of either the asset received or the asset given up, then the fair value of the asset given up is used to measure cost unless the fair value of the asset received is more clearly evident.

Where the acquired asset cannot be measured at fair value, its cost is measured at the carrying amount of the asset given up.

The amortisation period and amortisation method of intangible assets are reviewed at least at the end of each financial year. The effects of any revisions are recognised in profit or loss when the changes arise.

Games

Games are stated at cost less accumulated amortisation and accumulated impairment losses. These costs are amortised to profit or loss using the straight-line method over 3 years, which is their estimated useful lives.

2. Summary of significant accounting policies (Continued)

2.8 Intangible assets (Continued)

Social Media Platforms and Vertical Social Networks

Social Media Platforms and Vertical Social Networks returned to offset outstanding receivables are recorded at cost less amortisation. They are amortised using the straight-line method over 2 years.

2.9 Impairment of non-financial assets

The carrying amounts of non-financial assets are reviewed at the end of each reporting period to determine whether there is any indication of impairment loss and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If any such indication exists, or when annual impairment testing for an asset is required, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that are largely independent from other assets and groups of assets. Impairment loss is recognised in profit or loss, unless it reverses a previous revaluation, credited to other comprehensive income, in which case it is charged to other comprehensive income up to the amount of any previous revaluation.

The recoverable amount of an asset or cash-generating unit is the higher of its fair value less costs to sell and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If this is the case, the recoverable amount is determined for the cash-generating unit to which the assets belong. The fair value less costs to sell is the amount obtainable from the sale of an asset or cash-generating unit in an arm's length transaction between knowledgeable, willing parties, less costs of disposal. Value in use is the present value of estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life, discounted at pre-tax rate that reflects the current market assessment of the time value of money and the risks specific to the asset or cash-generating unit for which the future cash flow estimates have not been adjusted.

An assessment is made at the end of each reporting period as to whether there is any indication that an impairment loss recognised in prior periods for an asset may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. An impairment loss recognised in prior periods is reversed only if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss has been recognised. Reversals of impairment loss are recognised in profit or loss unless the asset is carried at revalued amount, in which case the reversal in excess of impairment loss recognised in profit or loss in prior periods is treated as a revaluation increase. After such a reversal, the depreciation or amortisation is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

2. Summary of significant accounting policies (Continued)

2.10 Financial assets

(a) Classification

The Group classifies its financial assets in the following categories: loans and receivables and available-for-sale. The classification depends on the nature of the asset and the purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

They are presented as current assets, except for those expected to be realised later than 12 months after the reporting period which are presented as non-current assets.

Loans and receivables are presented as 'trade and other receivables', 'amount due from subsidiaries' and 'cash and cash equivalents' on the statements of financial position.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are presented as non-current assets unless the investment matures or Management intends to dispose of the assets within 12 months after the reporting period.

(b) Recognition and derecognition

Purchases and sales of financial assets are recognised on the trade date – the date on which the Group commits to purchase or sell the asset.

The Group derecognises a financial asset only when the contractual rights to the cash flows from the financial asset has expired, or has been transferred and transferred substantially all the risks and rewards of ownership of the financial asset to another entity.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay.

If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of consideration received is recognised in profit or loss. Any amount previously recognised in other comprehensive income relating to that asset is transferred to profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

2. Summary of significant accounting policies (Continued)

2.10 Financial assets (Continued)

(c) Initial measurement

Financial assets are initially recognised at fair value plus transaction costs.

Assets available for sale predominantly comprise unquoted shares in the Company's franchisee companies. These shares are obtained in consideration for the Company entering into a franchise agreement and providing the franchisee with the infrastructure necessary to conduct their e-commerce operations.

Available-for-sale investments are recorded at fair value, as determined using the cost approach, with reference to the staff costs incurred in the development of those franchises and bench-marked to the prices of those franchises where the Group had previously sold for cash.

(d) Subsequent measurement

Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Interest and dividend income on available-for-sale financial assets are recognised separately in income.

Gains and losses arising from changes in fair value of available-for-sale debt investments are recognised in other comprehensive income with the exception of impairment losses, interest calculated using the effective interest method and foreign exchange gains and losses which are recognised directly in profit or loss.

Changes in fair values of available-for-sale equity securities (i.e. non-monetary items) are recognised in other comprehensive income and accumulated in the fair value reserve, together with the related currency translation differences, with the exception of impairment losses.

The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised.

(e) Impairment

The Group assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired and recognises an allowance for impairment when such evidence exists.

Loans and receivables

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy, and default or significant delay in payments are objective evidence that these financial assets are impaired.

The carrying amount of these assets is reduced through the use of an impairment allowance account which is calculated as the difference between the carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. When the asset becomes uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are recognised against the same line item in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

2. Summary of significant accounting policies (Continued)

2.10 Financial assets (Continued)

(e) Impairment (Continued)

The allowance for impairment loss account is reduced through profit or loss in a subsequent period when the amount of impairment loss decreases and the related decrease can be objectively measured. The carrying amount of the asset previously impaired is increased to the extent that the new carrying amount does not exceed the amortised cost had no impairment been recognised in prior periods.

Available-for-sale financial assets

In addition to the objective evidence of impairment described above, a significant or prolonged decline in the fair value of an equity security below its cost is considered as an indicator that an available-for-sale equity investment is impaired.

If any evidence of impairment exists, the cumulative loss that was previously recognised in other comprehensive income is reclassified to profit or loss. The cumulative loss is measured as the difference between the acquisition cost (net of any principal repayments and amortisation) and the current fair value, less any impairment loss previously recognised as an expense. The impairment losses recognised as an expense on available-for-sale equity investments are not reversed through profit or loss.

2.11 Cash and cash equivalents

Cash and cash equivalents in the statements of financial position comprise cash on hand, cash and deposits with banks. Cash and cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value. For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise fixed deposits, cash on hand and cash at bank.

2.12 Financial liabilities

Financial liabilities are classified as trade and other payables and borrowings. The accounting policy adopted for other financial liabilities is set out below:

Trade and other payables

Trade and other payables are recognised initially at cost which represents the fair value of the consideration to be paid in the future, less transaction costs, for goods received or services rendered, whether or not billed to the Group, and are subsequently measured at amortised cost using the effective interest method.

Recognition and derecognition

Financial liabilities are recognised on the statements of financial position when, and only when, the Group and the Company become parties to the contractual provisions of the financial instrument.

Financial liabilities are derecognised when the contractual obligation has been discharged or cancelled or expired. On derecognition of a financial liability, the difference between the carrying amount and the consideration paid is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

2. Summary of significant accounting policies (Continued)

2.12 Financial liabilities (Continued)

Recognition and derecognition *(Continued)*

When an existing liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

2.13 Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Ordinary shares are classified as equity and recognised at the fair value of the consideration received. Incremental costs directly attributable to the issuance of new shares are shown in equity as a deduction from the proceeds.

2.14 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the sale of goods and services rendered in the ordinary course of business. Revenue is recognised to the extent that it is probable that the economic benefits associated with the transaction will flow to the entity and the revenue can be reliably measured. Revenue is presented, net of rebates and discounts and sales related taxes.

E-commerce Revenue

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.

The Group recognised deferred revenue for unearned income of which the services had yet to be completed for their merchants.

Franchises Revenue

The Group's revenue recognition policy with regards to the method which it values its franchise. The Group sells franchises and receives consideration in the form of shares of the entity holding the franchise rights. Revenue is recognised based on the fair value of those shares estimated using the cost approach. The cost approach is based on the associated staff costs incurred to develop those platforms. The shares received are recognised as available-for-sale financial investments in the consolidated statement of financial position.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

2. Summary of significant accounting policies (Continued)

2.14 Revenue recognition (Continued)

Celebrity Branded Networks Revenue

The Group sells platforms and networks and receives advertising rights from celebrities and marketing companies. Revenue is recognised at fair value based on the valuation report performed by an external valuer, whom management was of the view was proficient in the performance of such valuations. The advertising rights are capitalised as intangible assets and amortised over their contractual useful lives.

Rendering of Services

Revenue from logistics services is recognised when services are rendered.

2.15 Employee benefits

Defined contribution plans

Contributions to defined contribution plans are recognised as an expense in profit or loss in the same financial year as the employment that gives rise to the contributions.

Employee leave entitlement

Employee entitlements to annual leave are recognised when they accrue to employees. An accrual is made for the estimated liability for unutilised annual leave as a result of services rendered by employees up to the end of the reporting period.

Share-based compensation

The Group operates an equity-settled, share-based compensation plan. The value of the employee services received in exchange for the grant of share options is recognised as an expense with a corresponding increase in the share option reserve over the vesting period. The total amount to be recognised over the vesting period is determined by reference to the fair value of the options granted on the date of the grant using Black-Scholes and Trinomial option pricing models. Non-market vesting conditions are included in the estimation of the numbers of shares under the options that are expected to become exercisable on the vesting date. At the end of each reporting period, the Group revises its estimates of the numbers of shares under the options that are expected to become exercisable on the vesting date and recognises the impact of the revision of the estimates in profit or loss, with a corresponding adjustment to the share option reserve over the remaining vesting period.

When the options are exercised, the proceeds received (net of transaction costs) and the related balance previously recognised in the share option reserve are credited to share capital account, when new ordinary shares are issued.

Equity-settled share-based payment transactions with parties other than employees are measured at fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

2.16 Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Where the grant relates to an asset, the fair value is recognised as deferred capital grant on the statement of financial position and is amortised to profit or loss over the expected useful life of the relevant asset by equal annual instalment.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

2. Summary of significant accounting policies (Continued)

2.17 Operating leases

When the Group and the Company are the lessee of operating leases

Leases of assets in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are recognised in profit or loss on a straight-line basis over the period of the lease.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the financial year or financial period in which termination takes place.

2.18 Income tax

Income tax expense comprises current and deferred taxes. Income tax expense is recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity, or in other comprehensive income.

Current income tax expense is the expected tax payable on the taxable income for the financial year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to income tax payable in respect of previous financial years.

Deferred tax is provided, using the liability method, for temporary differences at the end of the reporting period when the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax is measured using the tax rates expected to be applied to the temporary differences when they are realised or settled, based on tax rates enacted or substantively enacted by the end of the reporting period.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax assets are reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profits will be available against which the temporary differences can be utilised.

Deferred income tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred tax assets and liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same tax authority and where there is intention to settle its current tax assets and liabilities on a net basis.

Deferred tax liabilities are recognised for all taxable temporary differences associated with investments in subsidiaries, except where the timing of the reversal of the temporary difference can be controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

2. Summary of significant accounting policies (Continued)

2.19 Foreign currencies

Items included in the individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("functional currency").

The Company's functional currency is the United States Dollar (USD), but the financial statements are presented in Singapore Dollar (SGD). The Company considered SGD the most appropriate presentation currency for the reasons listed below:

a. The Company is an entity with its head office operating in Singapore;

b. The Company is listed on the Singapore Stock Exchange and its share price is quoted in SGD with the majority of its shareholders being Singaporean; and

c. The presentation currency being SGD would assist investors in correctly valuing the Company.

All financial information is presented in SGD unless otherwise stated.

In preparing the financial statements, transactions in currencies other than the entity's functional currency ("foreign currencies") are recorded at the rates of exchange prevailing on the date of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are re-translated at the rates prevailing at the end of the reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are re-translated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not re-translated.

Exchange differences arising on the settlement of monetary items and on re-translation of monetary items are recognised in profit or loss. Exchange differences arising on the retranslation of non-monetary items carried at fair value are recognised in profit or loss except for differences arising on the re-translation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in other comprehensive income.

For the purpose of presenting consolidated financial statements of the Group, the results and financial positions of the Group's entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities are translated at the closing exchange rate at the end of the reporting period;

(ii) income and expenses are translated at the average exchange rate for the financial year (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated using the exchange rates at the dates of the transactions); and

(iii) the resulting foreign currency exchange differences are recognised in other comprehensive income and presented in the foreign currency translation account in equity. Such translation differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

2.20 Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group) and whose operating results are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

3. Critical accounting judgements and key sources of estimation uncertainty

3.1 Critical judgments made in applying accounting policies

In the process of applying the Group's accounting policies, significant judgments have been made that are expected to significantly affect the amounts recognised in the financial statements.

(a) Revenue recognition in respect of Franchise Sales

Prior to year 2017, in determining the fair value of the unquoted securities in those entities which will own the franchise rights, the Group utilises the cost approach to determine the fair value of those franchises. The associated staff costs to develop those platforms and vertical networks (networks that have a target audience) were used as a basis to value the franchises. The Group also benchmarks the estimated fair value of the platforms and vertical networks against the price of the last transacted sales. The Group did not record the sales made in the statement of profit or loss and balance sheet for year 2017.

The carrying amount of those available for sale financial assets from the recognition of revenue is disclosed in Note 8.

(b) Significant influence over franchisee companies

The Group may increase its´ shareholdings up to 40% in franchisee companies due to the business model as described in Note 8. Management exercised judgement that these shareholdings should be recorded as AFS investments due to the following reasons:

(i) The franchisee has full control over the relevant activities of the franchisee company;

(ii) The Group has no representative on the board of directors of the franchisee companies and does not have any contractual right to appoint any representative;

(iii) The Group does not have any other contractual arrangements with the franchisee companies to allow it to exercise any significant influence on its relevant activities; and

(iv) The franchisee has a call option to acquire 25% out of the total 40% shareholdings held by the Group at fair value.

The carrying amount of the AFS investment in those franchisee companies are disclosed in Note 8.

(c) Revenue recognition in respect of celebrity-branded networks

For the financial year ended 31 December 2016, the Group entered into agreements with various parties for sales of networks in exchange for advertising rights for celebrity-branded networks amounting to SGD 28,369,000. The Group did not record the sales made in the statement of profit or loss and balance sheet for year 2017.

Significant judgment is required in applying the revenue recognition criteria to assess whether these transactions can be recognised, in particular as to whether the amount of revenue can be reliably measured, and whether it is probable that the economic benefits associated with the transaction will flow to the Group.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

3. Critical accounting judgements and key sources of estimation uncertainty (Continued)

3.1 Critical judgments made in applying accounting policies (Continued)

(c) Revenue recognition in respect of celebrity-branded networks (Continued)

In making this judgment, management engaged an independent valuer to perform the valuation of these advertising rights for celebrity branded networks. In arriving at those valuations, the valuer used the following methods:

For advertising rights relating to individuals, the valuer will determine whether the advertising appeal of each individual is “local”, “regional” or “worldwide”. The valuer will then attribute a value to each individual based on their advertising appeal. The quantum of the value attributable to each category of advertising appeal was based on the expected endorsement fees that the Group would have had to pay had it not sold those networks to these individuals and is determined based on the past experience of the valuer in brokering endorsement deals for celebrities.

For advertising rights relating to football clubs, the valuer would first obtain the value of the endorsement deals signed by the football clubs with other parties. The valuer would apply a percentage of 1% to the value of those endorsement deals to determine the fair value of the advertising rights obtained by the Group.

The carrying amounts of those advertising rights are disclosed in Note 5.

(d) Receivables from RM Bidder LLC (“RM Bidder”)

In year 2017, the Group has outstanding receivables of SGD 3,622,000 from RM Bidder. The Group has assessed the recoverability of the outstanding receivables. The Group has made a provision for these outstanding receivables amount.

(e) Gross presentation in respect of Merchant Fees from YuuCollect, a service provided by a subsidiary

For the financial year ended 31 December 2017, the Group recognised merchant fee revenue amounting to SGD 7,083,000 (2016: SGD 51,827,000) and associated service charges amounting to SGD 6,817,000 (2016: SGD 50,876,000).

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

3. Critical accounting judgements and key sources of estimation uncertainty (Continued)

3.1 Critical judgments made in applying accounting policies (Continued)

(e) Gross presentation in respect of Merchant Fees from YuuCollect, a service provided by a subsidiary (Continued)

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*.

In doing this determination, management considers the risks that the Group are associated with the underlying transactions. The Group bears full financial risk of the underlying transactions and therefore Management is of the view that revenue should be recognised on a gross basis for the merchant fees. The Group created the platform for the merchants to collect funds from users who would otherwise have no means of reaching those end users.

(f) Receivables from Hecklerco LLC ("Hecklerco")

In year 2017, the Group has outstanding receivables of SGD 470,000. The Group has assessed the recoverability of the outstanding receivables. The Group has made a provision for these outstanding receivables amount.

(g) Loan to employees

Loan to employees of SGD 411,000 is long outstanding since year 2014. The Group has assessed the recoverability of the outstanding receivables. The Group has made a provision for these outstanding receivables amount.

3.2 Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities and the reported amounts of revenue and expenses within the next financial year, are discussed below.

(a) Amortisation of intangible assets

Intangible assets are amortised on a straight-line basis over the asset's useful lives. The estimated useful lives reflect the Managements' estimate of the period the Group expects to derive future economic benefits. Changes in the expected level of usage and technological developments could impact the economic useful life and the residual value of the asset, therefore future amortisation could be revised.

The carrying amounts of the intangible assets are disclosed in Note 5.

(b) Allowance for impairment loss on trade and other receivables

Management establishes an allowance for impairment loss on trade and other receivables on a case-by-case basis when they believe that payment of amounts owed are unlikely to occur. In establishing these allowances, management considers the historical experience and changes to its customers' financial positions. If the financial positions of the customers were to deteriorate, it may result in additional impairment losses to be recognised. The carrying amount of trade and other receivables of SGD 4,677,000 and total allowance of doubtful debt amounted to SGD 11,119,000 are disclosed in Note 9.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

3. Critical accounting judgements and key sources of estimation uncertainty (Continued)

3.2 Key sources of estimation uncertainty (Continued)

(c) Share-based compensation

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 16 to the financial statements.

(d) Fair valuation and impairment assessment of available-for-sales investments (“AFS investments”)

(i) AFS investments from the sale of franchises

In 2016, the AFS recorded was SGD 33,252,000, as reflected on the Statement of Financial Position relates to franchises sold.

In 2017, the management has assessed the recoverability of the AFS and noted that the AFS is impacted by the current change in the technological and industry landscape. As such, the decision was made to fully impair the AFS financial asset in line with the organisation restructuring and strategic alignment undergone by YuuZoo. The decision was made to refocus and establish further milestone in order to reinstate the available-for-sale financial assets.

(ii) Impairment assessment and amortisation of intangible assets

Management reviews the useful lives and recoverable amounts of its intangible assets on an annual basis. In doing the review, management assess the contractual period of advertising rights, whether the Group is able to utilise those franchises to generate revenue through sale or self-development.

In 2017, the Group is in the point of view that no economic benefits will be generated in future due to the Group is not able to utilise those franchises and also because of the restructuring and strategic alignment undergone by YuuZoo. As such, the decision was made to fully impair the advertising right. The carrying amount of the intangible assets are disclosed in Note 5.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

4. Property, plant and equipment

	Land and building	Furniture & fittings	Office equipment	Computers	Renovation	Total
	SGD'000	SGD'000	SGD'000	SGD'000	SGD'000	SGD'000
Group						
Cost						
Balance at 1 January 2017	–	49	57	296	167	569
Additions	–	15	22	77	–	114
Acquisition through business combination	5,968	–	–	–	–	5,968
Currency translation differences	–	(2)	(3)	(13)	(3)	(21)
Balance at 31 December 2017	5,968	62	76	360	164	6,630
Accumulated depreciation						
Balance at 1 January 2017	–	28	35	225	85	373
Depreciation	–	7	11	44	23	85
Currency translation differences	–	(3)	1	(12)	–	(14)
Balance at 31 December 2017	–	32	47	257	108	444
Carrying amount						
Balance at 31 December 2017	5,968	30	29	103	56	6,186
Cost						
Balance at 1 January 2016	–	74	95	257	129	555
Additions	–	10	91	81	35	217
Disposals/write-offs	–	(25)	(54)	(8)	–	(87)
Currency translation differences	–	(10)	(75)	(34)	3	(116)
Balance at 31 December 2016	–	49	57	296	167	569
Accumulated depreciation						
Balance at 1 January 2016	–	42	78	184	25	329
Depreciation	–	10	14	51	60	135
Disposals/write-offs	–	(22)	(52)	(7)	–	(81)
Currency translation differences	–	(2)	(5)	(3)	–	(10)
Balance at 31 December 2016	–	28	35	225	85	373
Carrying amount						
Balance at 31 December 2016	–	21	22	71	82	196

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

5. Intangible assets

	Develop-ment costs	Advertising rights	Platforms	User data	Games	Contract rights	Computer software	Total
	SGD'000	SGD'000	SGD'000	SGD'000	SGD'000	SGD'000	SGD'000	SGD'000
Group								
Cost								
Balance at 1 January 2017	1,207	46,561	12,729	713	511	2,603	204	64,528
Additions	345	11	–	–	–	–	–	356
Write off of fully amortised assets	–	–	–	–	–	(2,603)	–	(2,603)
Currency translation differences	(111)	(4,120)	(763)	(59)	(42)	–	(17)	(5,112)
Balance at 31 December 2017	1,441	42,452	11,966	654	469	–	187	57,169
Accumulated amortisation and impairment								
Balance at 1 January 2017	73	13,611	6,520	416	226	2,603	61	23,510
Amortisation	642	13,436	6,187	169	162	–	12	20,608
Impairment	780	17,549	–	113	108	–	124	18,674
Written off of fully amortised assets	–	–	–	–	–	(2,603)	–	(2,603)
Currency translation differences	(54)	(2,144)	(741)	(44)	(27)	–	(10)	(3,020)
Balance at 31 December 2017	1,441	42,452	11,966	654	469	–	187	57,169
Carrying amount								
Balance at 31 December 2017	–	–	–	–	–	–	–	–
Cost								
Balance at 1 January 2016	5,181	16,085	12,729	696	498	–	87	35,276
Additions	767	28,369	–	–	–	2,667	110	31,913
Write off of fully amortised assets	(4,672)	–	–	–	–	–	–	(4,672)
Currency translation differences	(69)	2,107	–	17	13	(64)	7	2,011
Balance at 31 December 2016	1,207	46,561	12,729	713	511	2,603	204	64,528
Accumulated amortisation and impairment								
Balance at 1 January 2016	3,965	6,254	–	233	55	–	23	10,530
Amortisation	874	6,864	6,212	170	162	251	36	14,569
Impairment	–	–	–	–	–	2,274	–	2,274
Write off of fully amortised assets	(4,672)	–	–	–	–	–	–	(4,672)
Currency translation differences	(94)	493	308	13	9	78	2	809
Balance at 31 December 2016	73	13,611	6,520	416	226	2,603	61	23,510
Carrying amount								
Balance at 31 December 2016	1,134	32,950	6,209	297	285	–	143	41,018

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

5. Intangible assets (Continued)

Celebrity Branded Networks

During the financial year ended 31 December 2016, the Group entered into agreements with various parties for the sale of networks in exchange for advertising rights for celebrity branded networks amounting to SGD 28,369,000 based on valuations determined by an independent third party valuer. The advertising rights are amortised to profit or loss using the straight-line method over periods ranging from 24 months to 36 months based on the contractual useful life.

As at 31 December 2017, the Group has written off the celebrity branded networks capitalised based on the valuer report which conclude that the advertising right has no probable future economic benefit.

Impairment of intangible assets in relation to Emerging Markets Telecommunication Service Limited (Nigeria)

In 2016, The Group recognised impairment losses of SGD 2,274,000 on its intangible assets in relation to the cost of the shares issued to Mr. Mark Cramer-Roberts ("MCR") to facilitate the extension and renewal of contract with Etisalat.

The Group had issued 14,913,073 shares to MCR at a share price of SGD 0.1788 per share in satisfaction of the consideration of USD 1,960,000 to be paid to MCR. The impairment assessment was based on value in use.

	Advertising rights	Games	Total
	SGD'000	SGD'000	SGD'000
Company			
Cost			
Balance at 1 January 2017	724	510	1,234
Currency translation differences	(59)	(41)	(100)
Balance at 31 December 2017	665	469	1,134
Accumulated amortisation			
Balance at 1 January 2017	242	226	468
Amortisation	229	162	391
Impairment	229	108	337
Currency translation differences	(35)	(27)	(62)
Balance at 31 December 2017	665	469	1,134
Carrying amount			
Balance at 31 December 2017	–	–	–

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

5. Intangible assets (Continued)

Impairment of intangible assets in relation to Emerging Markets Telecommunication Service Limited (Nigeria) (Continued)

	Advertising rights	Games	Total
	SGD'000	**SGD'000**	**SGD'000**
Company (Continued)			
Cost			
Balance at 1 January 2016	708	498	1,206
Currency translation differences	16	12	28
Balance at 31 December 2016	724	510	1,234
Accumulated amortisation			
Balance at 1 January 2016	–	55	55
Amortisation	230	162	392
Currency translation differences	12	9	21
Balance at 31 December 2016	242	226	468
Carrying amount			
Balance at 31 December 2016	482	284	766

6. Investment in associates

	Group		Company	
	2017	**2016**	**2017**	**2016**
	SGD'000	**SGD'000**	**SGD'000**	**SGD'000**
Equity investment, at cost	3,368	3,108	3,108	3,108
Allowance for impairment losses	(3,108)	(2,383)	(3,108)	(2,383)
Share of loss of associate	(48)	–	–	–
	212	725	–	725

6. Investment in associates (Continued)

Movements in the allowance for impairment loss of investment in associates are as follows:

	Group and Company	
	2017	**2016**
	SGD'000	**SGD'000**
Balance at the beginning of the financial year	2,383	–
Impairment loss for the year	687	2,271
Currency translation differences	38	112
Balance at the end of the financial year	3,108	2,383

The particulars of the associate are as follows:

Name of associates	Country of incorporation and (Principle place of business)	Effective percentage of equity held by Group 2017	2016	Principal activities
		%	**%**	
Held by the Company				
Infocomm Asia Holdings Pte. Ltd.*	Singapore	30	30	Mobile gaming services
Held by YuuZoo Computer Technology (Shanghai) Co., Ltd.				
Shanghai LianMao Network Technology Co., Ltd.*	P.R. China	25	–	Software development, advertising, business and management consultancy services

* Not Audited.

In year 2016, the Group issued 15 million shares to Infocomm Asia Holdings Pte. Ltd. ("IAH") as consideration for 30% investment in IAH.

At the end of the reporting period, the Group performed an impairment assessment on its investment in IAH due to continued losses incurred by IAH. From the impairment review, the Group recognised impairment losses of SGD 3,108,000 (2016: SGD 2,383,000). The impairment assessment was based on fair value less cost to sell and is measured at level 3 of the fair value hierarchy. The Group estimated the recoverable amount through the sale of the shares back to the other shareholder of IAH through an option granted subsequent to year end. Given that there was no supporting evidence on the financial position of the other shareholder of IAH, the Group recognised an impairment loss of SGD 3,108,000 (2016: SGD 2,383,000).

In year 2017, the Group has invested a total of SGD 260,000 in Shanghai LianMao Network Technology Co., Ltd. for the launch and development of Yuumall.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

6. Investment in associates (Continued)

Summarised financial information in respect of each of the group's material associates are set out below. The summarised financial information below represents amounts shown in the associates' financial statements prepared in accordance with FRSs:

Shanghai LianMao Network Technology Co., Ltd.

	1 July 2017 to 31 December 2017
	SGD'000
Current assets	886
Current liabilities	(36)
Revenue	12
Loss for the period, representing total comprehensive loss for the period	(192)

Reconciliation of the above summarised financial information to the carrying amount of the interest in Shanghai LianMao Network Technology Co., Ltd. recognised in these consolidated financial statements:

	1 July 2017 to 31 December 2017
	SGD'000
Net assets of the associate	850
Proportion of the group's ownership interest in Shanghai LianMao Network Technology Co., Ltd.	25%
Carrying amount of the Group's investment in associates	212

7. Investments in subsidiaries

	Company	
	2017	2016
	SGD'000	SGD'000
Unquoted equity investments, at cost	334,859	334,249
Allowance for impairment losses	(334,852)	(242,819)
	7	91,430

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

7. Investments in subsidiaries (Continued)

Movements in the allowance for impairment loss of investments in subsidiaries is as follows:

	Company	
	2017	**2016**
	SGD'000	**SGD'000**
Balance at the beginning of the financial year	242,819	2,048
Impairment loss for the year	87,328	229,365
Currency translation differences	4,705	11,406
Balance at the end of the financial year	334,852	242,819

The particulars of the significant subsidiaries are as follows:

Name of subsidiaries	Country of incorporation and (Principle place of business)	Effective percentage of equity held 2017 %	Effective percentage of equity held 2016 %	Principal activities
Held by the Company				
YuuZoo Corporation BVI[1]	British Virgin Islands (Singapore)	100	100	Investment holding and network developments
Update Electronics (HK) Limited[2]	Hong Kong	100	100	Investment holding
BTV & Co[2]	France	60	–	Investment holding
Yuulog Europe SARL[2]	France	51	–	Investment holding
Held by YuuZoo Corporation BVI				
YuuZoo Franchise Corporation[2]	British Virgin Islands (Singapore)	100	100	Investment holding
YuuZoo Nigeria Limited[4]	Nigeria	99	99	E-commerce
YuuZoo Content Management Pte. Ltd.[1]	Singapore	100	100	Investment holding
Global Software YuuZoo Inc.[2]	Philippines	100	100	Data processing, hosting and related activities
YuuZoo Platform Co., Ltd.[5]	Thailand	99	–	Software and network developments

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

7. Investments in subsidiaries (Continued)

Name of subsidiaries	Country of incorporation and (Principle place of business)	Effective percentage of equity held		Principal activities
		2017	2016	
		%	%	
Held by YuuZoo Content Management Pte. Ltd.				
YuuZooNow! Pte. Ltd.[1]	Singapore	100	100	Advertising, business, and management consultancy services
Yuupay Secure Pte. Ltd.[1]	Singapore	100	100	Payments platform services
YuuZoo Computer Technology (Shanghai) Co., Ltd.[3]	P.R. China	100	100	Advertising, business and management consultancy services
YuuKids Pte. Ltd.[2]	Singapore	100	100	Mobile social games
Held by BTV & Co				
Yuulog Europe SARL[2]	France	29	–	Investment holding
Held by Yuulog Europe SARL				
Yuulog France[6]	France	80	–	Auxiliary services of land transport

(1) Audited for consolidation by RT LLP, Singapore
(2) No audit is required as the entity is dormant
(3) Audited by Shanghai Victor Voyage Certified Public Accountants Co., Ltd.
(4) Audited by Rose Water Partner
(5) Audited by Business Advisory Co., LTD.
(6) Audited by Exponens Conseil & Expertise

The Group has not done the purchase price allocation for the newly acquired business due to the subsidiary, Yuulog France is under the initiate judicial recovery proceedings in local court.

At the end of the financial year ended 2017, the Company performed an impairment assessment on its investment in subsidiaries due to continued losses incurred by certain subsidiaries. From the impairment review, the Group recognised impairment losses of SGD 334,852,000 (2016: SGD 242,819,000).

During the year, the Company carried out a review of the recoverable amount of its subsidiaries. The review lead to the recognition of an impairment loss of SGD 87,328,000 (2016: SGD 229,365,000). The value in use is less than the fair value less costs of disposal and hence the recoverable amount of the relevant assets has been determined on the basis of their fair value less cost of disposals.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

7. Investments in subsidiaries (Continued)

Non-controlling interests disclosures and share of loss

Management was of the view that the non-controlling interest in YuuZoo Nigeria Limited was not material and therefore no further disclosures in respect of the requirements of FRS 112 *Disclosure of Interests in Other Entities* was required.

Management was of the opinion that the loss attributable to non-controlling interest in YuuZoo Nigeria Limited was not material and therefore no loss had been attributed to the non-controlling interest in the consolidated financial statements.

Summarised financial information in respect of each of the group's material subsidiary, Yuulog France is set of below. The summarised financial information below represents amount before intragroup eliminations.

	2017
	SGD'000
Current assets	5,347
Non-current assets	5,974
Current liabilities	(9,708)
Equity attributable to owners of the company	1,297
Non-controlling interests	316

	From 1 Sept 2017 to 31 Dec 2017
	SGD'000
Revenue	10,881
Expenses	(10,049)
Profit for the period	832
Profit attributable to owners of the company	669
Profit attributable to the non-controlling interests	163
Profit for the period	832
Other comprehensive income attributable to owner of the company	19
Other comprehensive income attributable to owner of the non-controlling interests	4
Other comprehensive income for the period	23
Total comprehensive income attributable to owner of the company	688
Total comprehensive income attributable to owner of the non-controlling interests	167
Total comprehensive income for the period	855
Net cash inflow from operating activities	1,003
Net cash inflow from investing activities	(6)
Net cash inflow from financing activities	1
Net cash inflow	988

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

7. Investments in subsidiaries (Continued)

Acquisition of business

On 1 September 2017, the Group acquired all the assets of Cinram Logistics France ("Cinram") and took over all its employee for cash consideration of SGD 610,000 through a new subsidiary ("Yuulog France") incorporated in France. This transaction has been accounted for by the acquisition method of accounting. As the acquisition date is close to the financial year ended 2017, the acquisition by YuuLog France is accounted for using provisional amounts.

Cinram is an entity incorporated in France with its principal activity being the market leader of entertainment sector logistics and distribution. The Group acquired Cinram for various reasons, the primary reason is the company has gone from being only a social commerce marketplace operating primarily in the developing world, to become a complete end-to-end eCommerce player in the huge European eCommerce market.

7.1 Assets acquired at acquisition date fair values

	Total
	SGD'000
Current assets	
Other receivables	208
Non-current assets	
Property, plant and equipment	5,968
Non-current liability	
Other payables	(5,418)
Net assets and liability acquired	758

7.2 Goodwill arising on acquisition

	Total
	SGD'000
Consideration transferred	610
Plus: Non-controlling interest	148
Less: Fair value of identifiable net assets acquired	(758)
Goodwill arising on acquisition	–

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

7. Investments in subsidiaries (Continued)

7.3 Net cash outflow on acquisition of subsidiary

	Total
	SGD'000
Consideration paid in cash	610
Less: Cash and cash equivalent balance acquired	–
	610

7.4 Impact of acquisition on the result of the Group

Included in the profit for the year is SGD 832,000 attributable to the additional business generated by Yuulog France. Revenue for the period from Yuulog France amounted SGD 10,881,000.

Had the business combination during the year been effected at 1 January 2017, the revenue of the group would have been SGD 39,762,000 and the loss for the year would have been SGD 99,024,000.

8. Available-for-sale investments

	2017	**2016**
	SGD'000	**SGD'000**
Available-for-sale investments carried at fair value		
- Unquoted equity securities, non-current	–	33,252

In 2016, included in available-for-sale investments is an amount of SGD 33,252,000 that relates to investments for which the Group has equity interests of between 4.85% to 34.29%.

In 2017, management has assessed the recoverability of the AFS and noted that the AFS is impacted by the current change in the technological and industry landscape. As such, the decision was made to fully impair the AFS financial asset in line with the organisation restructuring and strategic alignment undergo by YuuZoo. The decision was made to refocus and establish further milestone in order to reinstate the available-for-sale financial assets.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

9. Trade and other receivables

	Group		Company	
	2017	**2016**	**2017**	**2016**
	SGD'000	**SGD'000**	**SGD'000**	**SGD'000**
Non-current				
Trade receivables - related parties	–	1,847	–	–
Current				
Trade receivables - third parties	4,494	10,146	–	–
Less: Allowance for impairment of trade receivables – third parties	(904)	(2,567)	–	–
	3,590	7,579	–	–
Non-trade receivables				
- third parties	6,549	7,666	5,147	5,110
- related parties	1,330	3	–	–
Deposits	3,423	3,755	3,324	3,624
Less: Allowance for impairment of non-trade receivables – third parties	(10,215)	(6,789)	(8,471)	(5,110)
	1,087	4,635	–	3,624
Total trade and other receivables	4,677	14,061	–	3,624

Trade receivables are unsecured, non-interest bearing and with a repayment period of 7 to 90 days (2016: 7 to 90 days).

The fair values of non-current interest-free receivables approximated their carrying amounts.

Receivables from related parties

The related parties refer to entities controlled by a director of YuuZoo Group. Included in the receivables from related parties are the following:

(i) In 2016, SGD 1,847,000 was due from 2 related parties for the sale of networks and apps prior to 2013. The outstanding balance is unsecured, interest-free and repayable over 24 months. Management was of the view that the effect of discounting the non-current balances would not be material and therefore no adjustment had been made to the outstanding receivables.

In 2017, receivable from 2 related parties with the total amount of SGD 1,847,000 was cancelled due to the network and apps are unable to be delivered on time. Progress billing of SGD 206,000 received in advance will be repayable on demand either in monetary form or replace by other services in future.

(ii) The other receivables of SGD 1,330,000 (2016: SGD 3,000) due from related parties are unsecured, interest-free and repayable on demand. The nature of transaction is mainly the financial support to the related parties incorporated in China.

In 2017, the management has assessed the recoverability of this receivable and noted that 2 related parties with the total amount of SGD 1,291,000 are long outstanding and in the net liability position. As such, the decision was made by the management to provide allowance for impairment.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

9. Trade and other receivables (Continued)

Receivables from Infocomm Asia Holdings Pte. Ltd. ("IAH")

On 15 April 2016, YuuZoo Group advanced SGD 5,110,000 to IAH as part of its plan to acquire IAH and its subsidiaries. The acquisition plan was subsequently aborted and YuuZoo Group recognised an impairment loss of SGD 5,110,000 on the total receivables from IAH after taking into account of the cash flow projections and financial position of IAH.

As at 31 December 2017, the management has assessed the recoverability of this receivable and noted that this receivables are long outstanding. As such, the decision was made by the management to provide allowance for impairment.

Receivables from RM Bidder LLC ("RM Bidder")

On 31 October 2016, the Group announced it had signed an agreement to acquire 33.3% in Relativity Holdings LLC. The Group subsequent paid SGD 3,622,000 (USD 2,500,000) to RM Bidder, a party designated by Relativity Holdings LLC to be the receiving party for the funds. On 28 February 2017, YuuZoo Group announced that the planned equity investment in Relativity Holdings LLC had been cancelled due to conditions precedent to the investment not being met. Management is of the view that the outstanding amount that had been paid to RM Bidder would be recoverable based on advice from an external legal firm of which one of the independent director of the Company is a partner of the law firm and also the internal legal counsel of YuuZoo Group. No impairment allowance had been recognised as at 31 December 2016.

In year 2017, the management has assessed the recoverability of this receivable and noted that these receivables are long outstanding. As such, the decision was made by the management to provide allowance for impairment.

Receivables from Hecklerco LLC ("Hecklerco")

On 1 August 2017, the Group have made a money transfer of SGD 470,000 (USD 345,000) to Hecklerco for the settlement of summons and complaint under the mutual covenants and agreements. Management is in of the view that the outstanding amount that had been paid to Hecklerco would be recoverable based on the claim and reimbursement from previous CEO of the Company.

Consequently, the management has assessed the recoverability of this other receivable and noted that these receivables are long outstanding and no intention of repayment from the previous CEO. As such, the decision was made by the management to provide allowance for impairment.

Loan to employees

The other receivables of SGD 477,000 (2016: SGD 630,000) loan to employees are unsecured, interest-free and repayable on demand. The nature of transaction is mainly the financial support to the employees by getting the share through Employee Share Options Scheme.

In 2017, the management has assessed the recoverability of this receivable amount and noted that several numbers of resigned employees with total amount of SGD 411,000 are long outstanding. As such, the decision was made by the management to provide allowance for impairment.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

9. Trade and other receivables (Continued)

Movements in allowance for impairment in trade and other receivables were as follows:

	Group		Company	
	2017	**2016**	**2017**	**2016**
	SGD'000	**SGD'000**	**SGD'000**	**SGD'000**
Balance at the beginning of the financial year	9,356	2,886	5,110	–
Amounts written off during the year	(2,432)	–	–	–
Allowance for impairment in receivables	5,053	6,099	3,361	5,110
Currency translation differences	(858)	371	–	–
Balance at the end of the financial year	11,119	9,356	8,471	5,110

Significant estimates in respect of impairment loss for trade and other receivables are disclosed in note 3.2 (b). Additional credit risk assessment has been disclosed in Note 26.1 to the financial statements.

Trade and other receivables are denominated in the following currencies:

	Group		Company	
	2017	**2016**	**2017**	**2016**
	SGD'000	**SGD'000**	**SGD'000**	**SGD'000**
United States dollar	71	13,891	–	–
Singapore dollar	170	–	–	3,624
Euro	4,240	20	–	–
Chinese yuan	74	–	–	–
Others	122	150	–	–
	4,677	14,061	–	3,624

10. Amounts due from subsidiaries

	Company	
	2017	**2016**
	SGD'000	**SGD'000**
Amounts due from subsidiaries	26,025	26,013
Less: Allowance for impairment of amount due from subsidiaries	(26,025)	–
	–	26,013

The amounts due from subsidiaries are non-trade in nature, unsecured, non-interest bearing and repayable on demand.

At the end of the financial year ended 2017, the Company performed an impairment assessment on its amounts due from subsidiaries due to continued losses incurred by certain subsidiaries. From the impairment review, the Group recognised impairment losses of SGD 26,025,000 (2016: NIL).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

11. Cash and cash equivalents

	Group		Company	
	2017	2016	2017	2016
	SGD'000	SGD'000	SGD'000	SGD'000
Cash on hand and bank balances	3,234	3,813	–	90

Cash and cash equivalents are denominated in the following currencies:

	Group		Company	
	2017	2016	2017	2016
	SGD'000	SGD'000	SGD'000	SGD'000
United States dollar	928	1,042	–	–
Singapore dollar	1,001	1,804	–	90
Japanese yen	78	83	–	–
Euro	1,090	745	–	–
Others	137	139	–	–
	3,234	3,813	–	90

12. Deferred tax liabilities

Deferred income tax liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income taxes relate to the same fiscal authority. The amounts, determined after appropriate offsetting, are shown on the balance sheet as follows:

	Group	
	2017	2016
	SGD'000	SGD'000
Balance at beginning of the year	–	–
Charge to profit or loss (Note 21)	9	–
Balance at end of the year	9	–

The following are the major deferred tax liabilities recognised by the group and the movement thereon, during the current and prior reporting periods:

	Accelerated tax depreciation	Total
	SGD'000	SGD'000
Group		
At 1 January 2017 and 31 December 2017	–	–
Charge to profit or loss for the year (Note 21)	9	9
Balance at end of the year	9	9

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

12. Deferred tax liabilities (Continued)

The Group has tax losses of approximately SGD 7,009,000 (2016: SGD 6,142,000) that are available for offset against future taxable profits of the subsidiaries in which the losses arose, for which no deferred tax assets is recognised due to uncertainty of its recoverability. The use of these tax losses is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective companies in which subsidiaries operate.

13. Trade and other payables

	Group		Company	
	2017	**2016**	**2017**	**2016**
	SGD'000	**SGD'000**	**SGD'000**	**SGD'000**
Trade payables				
- third parties	4,565	2,218	–	–
- related party	–	–	27	–
	4,565	2,218	27	–
Non-trade payables				
- third parties	8,014	184	23	76
- subsidiaries	–	–	–	5,510
- related parties	383	–	75	–
	8,397	184	98	5,586
Accrued expenses	658	567	298	279
Total trade and other payables	13,620	2,969	423	5,865

Trade payables are unsecured, non-interest bearing and are generally on 7 to 30 days' (2016: 7 to 90 days') credit terms.

Non-trade payables are unsecured, non-interest bearing and repayable on demand.

Trade and other payables are denominated in the following currencies:

	Group		Company	
	2017	**2016**	**2017**	**2016**
	SGD'000	**SGD'000**	**SGD'000**	**SGD'000**
United States dollar	2,516	2,218	235	5,440
Singapore dollar	796	307	188	425
Japanese yen	82	61	–	–
Euro	10,036	–	–	
Others	190	383	–	–
	13,620	2,969	423	5,865

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For the financial year ended 31 December 2017

14. Deferred revenue

Deferred revenue represented unearned income from e-commerce of which the services had yet to be completed for their merchants.

15. Share capital

Group

	Number of issued shares	Share capital	Share premium
		SGD'000	SGD'000
Balance as at 1 January 2017	719,298,755	68,688	48,653
Issue of shares during the year	70,952,000	8,757	(1,054)
Balance as at 31 December 2017	790,250,755	77,445	47,599
Balance as at 1 January 2016	634,383,682	56,952	46,402
Issue of shares during the year	84,915,073	11,736	2,251
Balance as at 31 December 2016	719,298,755	68,688	48,653

	Company	
	2017	2016
	USD'000	USD'000
Authorised:		
792,203,422 (2016: 792,203,422) ordinary shares of USD 0.10 (2016: USD 0.10) each	79,220	79,220

Company

	Number of issued shares	Share capital	Share premium
		SGD'000	SGD'000
Balance as at 1 January 2017	719,298,755	91,908	255,416
Issuance of shares during the year	70,952,000	8,757	(1,054)
Balance as at 31 December 2017	790,250,755	100,665	254,362
Balance as at 1 January 2016	634,383,682	80,172	253,165
Issuance of shares during the year	84,915,073	11,736	2,251
Balance as at 31 December 2016	719,298,755	91,908	255,416

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For the financial year ended 31 December 2017

15. Share capital (Continued)

Acquisition of YuuZoo BVI and its controlled entities

On 29 August 2014, YuuZoo BVI's original shareholders obtained a majority share interest in YuuZoo Networks Group Corporation (formerly known as YuuZoo Corporation Limited and W Corporation Limited) after the reverse takeover transaction. This transaction did not meet the definition of a business combination in FRS 103 'Business Combinations'. The acquisition was accounted for in the consolidated financial statements in accordance with FRS 102 'Share-based Payment', as a continuation of the financial statements of YuuZoo BVI, together with a deemed issue of shares, equivalent to the shares held by the former shareholders of YuuZoo Networks Group Corporation. The shares issued have been recorded at the fair value of the consideration received.

The consolidated financial statements and share capital represents the continuation of YuuZoo BVI. The number of shares in issue reflects those of YuuZoo Networks Group Corporation.

The newly issued shares rank pari passu in all respects with the previously issued shares. The par value for all the issued shares is USD0.10 as at the year end of 2016 and 2017. On 9 August 2018, there is a change from par value to non-par value shares after discontinued the incorporation in Bermuda and continue its incorporation in the British Virgin Island.

Fully paid ordinary shares carry one vote per share and carry a right to dividends as and when declared by the Company.

During the financial year ended 31 December 2017, the Group issued a total of 70,952,000 shares as follows:

(i) 53,452,000 shares to GEM Global Yield Fund for cash (Fourth batch)

(ii) 7,500,000 shares to GEM Global Yield Fund for cash (Fifth batch)

(iii) 10,000,000 shares to GEM Global Yield Fund for cash (Six batch)

16. Other reserves

	Group		Company	
	2017	**2016**	**2017**	**2016**
	SGD'000	**SGD'000**	**SGD'000**	**SGD'000**
Foreign currency translation account	8,424	10,206	47,353	53,153
Share option reserve	1,416	1,517	1,370	1,517
	9,840	11,723	48,723	54,670

<u>Foreign currency translation account</u>

The foreign currency translation account is used to record exchange differences arising from the translation of the financial statements of operations whose functional currencies are different from that of the Group's presentation currency and is not distributable.

NOTES TO THE FINANCIAL STATEMENTS

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16. Other reserves (Continued)

Share option reserve

The share option reserve arises on the grant of share options to employees under the employee share option plan.

The Share Incentive Plans (the "YuuZoo ESOS") implementation was approved by the Company's directors on 14 November 2014 to issue to its employees options of a total of up to 3.97% of the existing issued share capital of the Company. In 2015, options were granted that comprises 2.05% of the issued share capital of the Company.

Under the YuuZoo ESOS Scheme, the options vest after a period from between 1 to 3 years of the grant date subject to continued employment.

Movement in the numbers of unissued ordinary shares under the options and their exercise prices are as follows:

	Beginning of the financial year	Granted during the financial year	Exercised or cancelled during the financial year	End of the financial year	Exercise price (SGD)	Exercise period
Movement in 2017						
ESOS	11,210,737	7,500,000	(995,526)	17,715,211	0.06-0.25	15.12.2015 to 28.8.2025
Movement in 2016						
ESOS	27,481,345	–	(16,270,608)	11,210,737	0.14-0.25	15.12.2015 to 28.8.2025

The estimated fair value of options was determined using the Black-Scholes and Trinomial option pricing models with the following inputs into the models:

Exercise price	SGD 0.06 to 0.25
Share price at valuation date	SGD 0.06 to 0.32
Expected volatility	10% to 45%
Expected life	2 - 3 years
Risk-free interest rate	0.2626% to 2.14%
Expected dividend yield	Nil

The expected volatility was determined by calculating the overall median volatility of comparable companies.

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17. Revenue

	Group	
	2017	**2016**
	SGD'000	**SGD'000**
E-commerce	7,083	51,827
Network development fees and franchise sales	–	51,373
Rendering of services	10,881	–
Others	36	–
	18,000	103,200

E-commerce

E-commerce, a service offered under the trade name, "YuuCollect", refers to the merchant fee that the Group charges the merchants for collecting the funds from the end customers. The amount of cash collected from the end customers are recognised as gross revenue and the amount of cash paid to the merchant net of the relevant charges are recorded as cost of sales. As at 31 December 2017, the revenue recognised amounted to SGD 7,083,000 (2016: SGD 51,827,000) and the service charges recognised amounted to SGD 6,817,000 (2016: SGD 50,876,000).

Network development fees and franchise sales

In 2016, the Group sold 11 franchises and recognised SGD 22,985,000, in shares in unquoted equity investments and receivables. The receivables relate to outstanding shares in those unquoted investments that the Group will be receiving.

In 2016, the Group sold networks to certain celebrities and received advertising rights that was recognised at fair value of SGD 28,369,000. The advertising rights are recognised as intangible assets and amortised over the contractual period of 2 to 3 years.

In 2017, the management has assessed and decided not to recognise the revenue generated from Network development fees and franchise sales. This is due to the current change in the technological and industry landscape. The decision was made to refocus and establish further milestone in order to reinstate these revenue streams.

Rendering of Services

In 2017, the Group has recognised SGD 10,881,000 (2016: Nil) for the rendering of logistic services.

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18. Other income

	Group	
	2017	**2016**
	SGD'000	**SGD'000**
Government grant - Productivity and Innovation Credit ("PIC")/Job Credit	57	173
Interest income	1	–
Share based compensation (Note 16)	101	–
Others	17	240
	176	413

19. Employee benefits expense

	Group	
	2017	**2016**
	SGD'000	**SGD'000**
Employee benefits expense		
- salaries and wages	5,712	4,180
- contributions to defined contribution plan	236	405
- other benefits	1,718	268
- share based compensation (Note 16)	–	36
- directors' fees	278	202
	7,944	5,091

20. (Loss)/profit before income tax

In addition to the charges and credits disclosed elsewhere in the notes to the financial statements, the (loss)/profit before income tax includes the following charges:

	Group	
	2017	**2016**
	SGD'000	**SGD'000**
Other expenses		
Audit fees paid to auditors		
- auditor of the Company	425	310
- other auditors	6	40
Operating lease expenses	484	539
Foreign exchange loss, net	196	658

NOTES TO THE FINANCIAL STATEMENTS

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21. Income tax expense

	Group	
	2017	**2016**
	SGD'000	**SGD'000**
Income tax		
- Current year	881	–
- Underprovision of income tax in prior year	6,407	–
Sub-total	7,288	–
Deferred tax		
- Current year	9	–
	7,297	–

The Group's income tax has been calculated on the assessable profit for the financial year at the rates prevailing in the respective foreign tax jurisdictions. Details of the reconciliation of effective tax rate are as follows:

	Group	
	2017	**2016**
	SGD'000	**SGD'000**
(Loss)/profit before income tax	(93,391)	14,037
Tax on (loss)/profit before income tax, calculated at 17% (2016: 17%)	(15,876)	2,386
Expenses not deductible for income tax purposes	1,209	522
Non-taxable income	(14)	–
Different tax rates of subsidiaries operating in other jurisdictions	15,357	(3,659)
Under accrual in prior year	6,407	–
Deferred tax asset not recognised	255	597
Utilisation of previous years' unrecognised tax losses	–	(118)
Others	(41)	272
	7,297	–

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For the financial year ended 31 December 2017

22. Significant Related Party Transactions

During the financial year, in addition to the related party information disclosed elsewhere in the financial statements, the following were significant related party transactions at rates and terms agreed between the parties during the financial year:

	Group	
	2017	**2016**
	SGD'000	**SGD'000**
With related parties		
Companies controlled by one of the directors		
Service fee	489	267
Companies in which a director had 50-50 joint control		
Celebrity branded network revenue	–	16,960

Compensation of key management personnel

The remuneration of the key management personnel of the Group during the financial year was as follows:

	Group	
	2017	**2016**
	SGD'000	**SGD'000**
Directors' fees	278	202
Short-term employment benefits	710	1,509
Post-employment benefits	20	86
Share based compensation	199	37
	1,207	1,834

Included in key management personnel remuneration was Directors' remuneration of SGD 522,678 and SGD 361,000 for the financial years ended 31 December 2017 and 2016 respectively.

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23. Operating lease commitments

The Group and Company as the lessee

As at the end of the reporting period, there were non-cancellable operating lease commitments for rental payable in subsequent accounting periods as follows:

	Group	
	2017	**2016**
	SGD'000	**SGD'000**
Not later than one financial year	215	384
After one financial year but within five financial years	34	87
	249	471

The above operating lease commitments are based on existing rental rates at the end of each reporting period.

24. (Loss)/earnings per share

The basic (loss)/earnings per share is calculated based on the consolidated profit/(loss) attributable to equity holders of the Company divided by the weighted average number of shares in issue of 777,051,000 (2016: 668,585,000) shares during the financial year.

Dilutive potential ordinary shares are deemed to have been converted into ordinary shares at the beginning of the year or if later, the date of the issue of the potential ordinary shares.

The following tables reflect the profit or loss and share data used in the computation of basic and diluted earnings per share.

	Group	
	2017	**2016**
	SGD'000	**SGD'000**
Basic (loss)/earnings per share		
(Loss)/Profit attributable to shareholders (SGD'000)	(100,688)	14,037
Weighted average number of ordinary shares in issue ('000)	777,051	668,585
Basic (loss)/earnings per share (SGD cents)	(12.96)	2.09
Diluted earnings per share		
(Loss)/Profit attributable to shareholders (SGD'000)	(100,688)	14,037
Weighted average number of ordinary shares in issue ('000)	777,051	668,585
Effect of dilutive potential ordinary shares due to share options ('000)	17,715	11,211
Weighted average number of ordinary shares for the purpose of diluted earnings per share ('000)	794,766	679,796
Diluted (loss)/earnings per share (SGD cents)	(12.67)	2.06

24. (Loss)/earnings per share (Continued)

In 2017, the diluted loss per share was lower after adding back the effect of the potential ordinary shares and therefore those potential ordinary shares were anti-dilutive. The earnings per share and diluted loss per share for 2017 is thus SGD 12.96 cents per share.

25. Segment reporting

Management has determined the operating segments based on the reports reviewed by the chief operating decision maker. For management purposes, the Group organised into business units based on services, and has three reportable segments as follows:

(a) The network development and franchise sales segment is principally involved in building mobile-optimised but device agnostic targeted social e-commerce networks for businesses and consumers and the sales of franchise and marketing rights of the Company's services.

(b) The e-commerce segment provides a range of services for online mobile transactions including payment processing, advertising, mobile social games and other online transactions.

(c) The logistic segment provides a range of warehousing and fulfillment services.

Management monitors the operating results of the segment separately for the purpose of making decision about the resources allocated and of assessing performance. Segment performance is evaluated based on gross profits. Group financing (including finance costs), operating expenses and income taxes are managed on group basis and are not allocated to operating segments.

The Group does not have intersegment sales.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

25. Segment reporting (Continued)

Business Segment

	Network development and franchise sales	E-commerce	Rendering of services	Unallocated	Elimination	Total
	SGD'000	SGD'000	SGD'000	SGD'000	SGD'000	SGD'000
2017						
Revenue						
External revenue	–	7,083	10,881	36	–	18,000
Results						
(Loss)/profit before income tax	(204,507)	(1,440)	1,606	(2,754)	113,704	(93,391)
Income tax	(6,447)	–	(774)	(76)	–	(7,297)
Net loss						(100,688)
Non-cash items						
Impairment loss on trade and other receivables	4,440	571	42	–	–	5,053
Impairment loss on associate	687	–	–	–	–	687
Impairment loss on available-for-sale investments	38,567	–	–	–	–	38,567
Depreciation of property, plant and equipment	5	70	–	10	–	85
Amortisation and impairment of intangible assets	39,134	136	–	12	–	39,282
Capital expenditure						
Property, plant and equipment	–	57	5,974	51	–	6,082
Assets and liabilities						
Segment assets	1,421	1,199	11,321	3,190	(2,653)	14,478
Segment liabilities	25,243	3,997	10,317	11,211	(30,144)	20,624

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

25. Segment reporting (Continued)

Business Segment (Continued)

	Network development and franchise sales	E-commerce	Unallocated	Elimination	Total
	SGD'000	**SGD'000**	**SGD'000**	**SGD'000**	**SGD'000**
2016					
Revenue	51,354	51,827	19	–	103,200
External revenue (including other income)					
Results					
Profit/(loss) before income tax	24,169	(871)	(9,261)	–	14,037
Income tax	–	–	–	–	–
Net profit					14,037
Non-cash items					
Impairment loss on trade receivables	5,110	–	989	–	6,099
Impairment loss on associate	2,271	–	–	–	2,271
Impairment loss on available-for-sale investments	4,456	–	–	–	4,456
Depreciation of property, plant and equipment	86	49	–	–	135
Amortisation and impairment of intangible assets	16,807	36	–	–	16,843
Capital expenditure					
Property, plant and equipment	182	35	–	–	217
Assets and liabilities					
Seqment assets	73,751	19,193	295	–	93,239
Segment liabilities	1,092	3,726	(148)	–	4,670

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

26. Financial instruments, financial risks and capital management

The Group's and the Company's activities expose it to financial risks (including credit risk, foreign currency risk, interest rate risk and liquidity risk) arising in the ordinary course of business. The Group's and the Company's overall risk management strategy seeks to minimise the adverse effects from the volatility of financial markets on the Group's and the Company's financial performance.

The Board is responsible for setting the objectives and underlying principles of financial risk management of the Group and the Company. The management then establishes the detailed policies such as risk identification and measurement, exposure limits and hedging strategies, in accordance with the objectives and underlying principles approved by the Board.

There has been no change to the Group's and the Company's exposure to these financial risks or the manner in which it manages and measures the risk. The Group and the Company do not hold or issue derivative financial instruments for trading purposes.

26.1 Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in a loss to the Group and the Company. The Group and the Company have adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults. The Group performs ongoing credit evaluation of its counterparties' financial condition and does not require collaterals. Cash and cash equivalents are placed with banks and financial institutions which are regulated.

The carrying amounts of financial assets recorded in the financial statements, grossed up for any allowances for losses, represents the Group's and the Company's maximum exposure to credit risk.

The Group's and the Company's major classes of financial assets are trade and other receivables.

Trade receivables that are neither past due nor impaired are substantially companies with good collection track record with the Group. The Group's historical experience in the collection of receivables falls within the credit terms granted.

The Group has credit exposure arising from 2 (2016: 2) trade receivables amounting to approximately SGD 1,373,000 (2016: SGD 1,847,000) represents 31% (2016: 18.2%) in aggregate. Management considers that there has been no change in the credit quality of the receivables and therefore no impairment was necessary.

The age analysis of the Group's trade receivables as at the end of the reporting period that are past due but not impaired is as follows:

	Group	
	2017	**2016**
	SGD'000	**SGD'000**
Less than 3 months	–	280
3 months to 6 months	–	–
6 months to 12 months	–	9,006

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

26. Financial instruments, financial risks and capital management (Continued)

26.1 Credit risk (Continued)

The Group has entered into a renegotiation of credit terms with its customers who have amounts past due more than 6 months.

The Group is exposed to credit risk from third party service providers of the YuuCollect service (See note 2.14 and Note 3.1(e) for details). These third party service providers refer to financial institutions or entities which collect the funds from the end users who wishes to engage the merchants for their goods and services. The Group will guarantee to the received funds to the merchants within 2 weeks of the receipt of funds by the third party service providers. In the event that the third party service providers were to default, the Group will be contractually liable to pay the merchants for the funds received. The Group manages this credit risk through its internal assessment of the credibility of these third party service providers.

26.2 Foreign currency risk

Foreign currency risks arise from transactions denominated in currencies other than the functional currency of the entities within the Group. The currency that gives rise to this risk is primarily the Singapore dollar.

The Group and the Company do not hedge foreign currency exposure using derivative financial instruments. The Group and the Company manage foreign currency risks by close monitoring of the timing of inception and settlement of the foreign currency transactions.

The Group and the Company monitor foreign exchange risks closely and maintains funds in various currencies to minimise currency exposure due to timing differences between sales and purchases. Currency translation risk arises when commercial transactions and recognised assets and liabilities are denominated in a currency that is not the entity's functional currency.

It is not the Group's and the Company's policy to take speculative positions in foreign currencies. Where appropriate, the Group enters into foreign currency forward contracts with its principal bankers to mitigate the foreign currency risks. As at 31 December 2017 and 2016, there are no outstanding forward foreign currency contracts.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

26. Financial instruments, financial risks and capital management (Continued)

26.2 Foreign currency risk (Continued)

The carrying amounts of the Group's and the Company's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

Group	SGD	USD	EUR	Others
	SGD'000	SGD'000	SGD'000	SGD'000
At 31 December 2017				
Financial assets				
Cash and cash equivalents and available-for-sale financial assets	1,001	928	1,090	215
Trade and other receivables	170	71	4,240	196
	1,171	999	5,330	411
Financial liabilities				
Trade and other payables	(796)	(2,516)	(10,036)	(272)
Net financial assets/(liabilities)	375	(1,517)	(4,706)	(139)
Currency exposure of financial assets net of those denominated in the respective entities' functional currencies	375	–	–	–
At 31 December 2016				
Financial assets				
Cash and cash equivalents and available-for-sale financial assets	1,804	34,294	746	221
Trade and other receivables	–	13,891	20	150
	1,804	48,185	766	371
Financial liabilities				
Trade and other payables	(307)	(2,218)	–	(444)
Net financial assets/(liabilities)	1,497	45,967	766	(73)
Currency exposure of financial assets net of those denominated in the respective entities' functional currencies	1,497	–	–	–

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

26. Financial instruments, financial risks and capital management (Continued)

26.2 Foreign currency risk (Continued)

Company	SGD	USD
	SGD'000	SGD'000
At 31 December 2017		
Financial liabilities		
Trade and other payables	(188)	(235)
Net financial liabilities	(188)	(235)
Currency exposure of financial assets net of those denominated in the respective entities' functional currencies	(188)	–
At 31 December 2016		
Financial assets		
Cash and cash equivalents and available-for-sale financial assets	90	–
Trade and other receivables	–	3,623
Receivables from subsidiaries	22,951	3,062
	23,041	6,685
Financial liabilities		
Trade and other payables	(425)	(5,440)
	(425)	(5,440)
Net financial assets	22,616	1,245
Currency exposure of financial assets net of those denominated in the respective entities' functional currencies	22,616	–

The Group's and the Company's exposure to foreign currency risk are mainly in Singapore dollar.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

26. Financial instruments, financial risks and capital management (Continued)

26.2 Foreign currency risk (Continued)

The following table details the Group's and Company's sensitivity to a 5% (2016: 5%) changes in Singapore dollar against the United States dollar. The sensitivity analysis assumes an instantaneous 5% change in the foreign currency exchange rates from the end of the reporting period, with all other variables held constant. The results of the model are also constrained by the fact that only monetary items, which are denominated in Singapore dollar, are included in the analysis. Consequently, reported changes in the values of some of the financial instruments impacting the results of the sensitivity analysis are not matched with the offsetting changes in the values of certain excluded items that those instruments are designed to finance or hedge.

Management is of the view that the foreign currency risk from other foreign currency denoted financial assets and financial liabilities are not material and therefore no further disclosures are made.

	Increase/(decrease) in profit or loss	
	2017	**2016**
	SGD'000	**SGD'000**
Group		
USD against SGD		
Strengthened	19	75
Weakened	(19)	(75)
Company		
USD against SGD		
Strengthened	(10)	1,131
Weakened	10	(1,131)

26.3 Interest rate risk

The Group's and the Company's exposure to market risk for changes in interest rates relates primarily to interest bearing receivables and interest bearing liabilities.

The Group's and the Company's results are affected by changes in interest rates due to the impact of such changes on interest income and expenses from interest bearing receivables and interest bearing liabilities which are at floating interest rates. It is the Group's and the Company's policy to obtain quotes from banks to ensure that the most favourable rates are made available to the Group and the Company.

The Group has no significant exposure to market risk for changes in interest rates as it does not have significant-bearing receivables and liabilities.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

26. Financial instruments, financial risks and capital management (Continued)

26.4 Liquidity risk

Liquidity risk refers to the risk in which the Group and the Company encounter difficulties in meeting its short-term obligations. Liquidity risks are managed by matching the payment and receipt cycle.

The Group and the Company actively manage their operating cash flows so as to finance the Group's and the Company's operations. As part of their overall prudent liquidity management, the Group and the Company minimise liquidity risk by ensuring the availability of funding through an adequate amount of committed credit facilities from financial institutions and maintain sufficient levels of cash to meet its working capital requirement.

On 4 September 2015, the Group entered into an agreement with GEM Global Yield Fund ("**GEM**"), a New York based private alternative investment group. Under the agreement GEM had agreed to provide the Company with up to SGD 30 million over the next three years.

This SGD 30 million were in the form of a Capital Commitment which allowed YuuZoo to drawdown funds during the three year term of the Agreement by issuing ordinary shares to GEM at a price per share which represented a 10% discount on the closing price of YuuZoo shares on the date such drawdown was requested by YuuZoo.

The Agreement was supported by a share lending arrangement whereby shares controlled by YuuZoo's former Chairman, Thomas Zilliacus were lent to GEM at no cost to YuuZoo during the period between YuuZoo making the drawdown request and the issue of shares under the Agreement.

The Agreement had both SGX-ST approval for the listing and quotation of the shares to be issued to GEM under the Agreement and YuuZoo's shareholders approval to enter into the Agreement.

The agreement with GEM expired on the 4 September 2018.

The ability of the Group to continue as a going concern is dependent on the following:-

a) Agreement entered into with an investor for investments of approx. US$13.0 million into YuuZoo's various business;

b) New business generated by the Group and Company;

Although the Group generated negative operating cash flows for 2017 and 2016, management is of the view that there is no liquidity risk due to the facility described above.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

26. Financial instruments, financial risks and capital management (Continued)

26.4 Liquidity risk (Continued)

Contractual maturity analysis

The following table details the Group's and the Company's remaining contractual maturity for its non-derivative financial instruments. The table has been drawn up based on undiscounted cash flows of financial instruments based on the earlier of the contractual date or when the Group and the Company are expected to receive or pay.

	Within one financial year	After one financial year but within five financial years	Total
	SGD'000	SGD'000	SGD'000
Group			
2017			
Financial assets			
Trade and other receivables	4,677	–	4,677
Cash and cash equivalents	3,234	–	3,234
	7,911	–	7,911
Financial liabilities			
Trade and other payables	13,620	–	13,620
Total net undiscounted financial liabilities	(5,709)	–	(5,709)
2016			
Financial assets			
Trade and other receivables	6,563	1,847	8,410
Cash and cash equivalents	3,813	–	3,813
	10,376	1,847	12,223
Financial liabilities			
Trade and other payables	2,969	–	2,969
Total net undiscounted financial assets	7,407	1,847	9,254

26. Financial instruments, financial risks and capital management (Continued)

26.4 Liquidity risk (Continued)

Contractual maturity analysis (Continued)

	Within one financial year	After one financial year but within five financial years	Total
	SGD'000	**SGD'000**	**SGD'000**
Company			
2017			
Financial liabilities			
Trade and other payables	423	–	423
Total net undiscounted financial liabilities	(423)	–	(423)
2016			
Financial assets			
Trade and other receivables	3,624	–	3,624
Amount due from subsidiaries	26,013	–	26,013
Cash and cash equivalents	90	–	90
	29,727	–	29,727
Financial liabilities			
Trade and other payables	5,865	–	5,865
Total net undiscounted financial assets	23,862	–	23,862

The Group and the Company maintain sufficient cash and cash equivalents and cash flows generated from financing to finance their operations.

26.5 Capital management policies and objectives

The Group and the Company manage their capital to ensure that the Group and the Company are able to continue as going concerns and to maintain an optimal capital structure so as to maximise shareholders' value.

The capital structure of the Group consists of equity attributable to owner of the parent, comprising issued capital, share premium, reserves and net of accumulated losses and retained earnings, as reflected in the consolidated statement of financial position. The Group is not subject to any external imposed capital requirements.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

26. Financial instruments, financial risks and capital management (Continued)

26.6 Fair value of financial assets and financial liabilities

The Group categorises fair value measurement using a fair value hierarchy that is dependent on the valuation inputs used as follows:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date;
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly (i.e. derived from prices); and
- Level 3 – Unobservable inputs for the asset or liability.

Financial Asset	**Fair value as at**		**Fair value hierarchy**	**Valuation technique**	**Significant unobservable inputs**	**Relationship of unobservable inputs to fair value**
	2017 SGD'000	**2016 SGD'000**				
Available-for-sale investments	–	33,252	Level 3	Cost approach - in this approach, the associated staff cost is used to determine the cost of development of platforms and networks and management adjustments	● Associated staff costs in development department ● Last transacted sales price	NA, the associated staff cost does not fluctuate to market conditions

Reconciliation of level 3 fair value measurements:

	Group 2017 SGD'000	**Group 2016 SGD'000**
Opening balance	33,252	18,993
Additional investment during the year	6,780	14,992
Impairments	(38,567)	–
Translation loss	(1,465)	(733)
Closing balance	–	33,252

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

26. Financial instruments, financial risks and capital management (Continued)

26.7 Categories of financial instruments

The following table sets out the financial instruments as at the end of the reporting period:

	Group		Company	
	2017	**2016**	**2017**	**2016**
	SGD'000	**SGD'000**	**SGD'000**	**SGD'000**
Financial assets				
Loans and receivables	7,911	16,027	–	29,727
Financial liabilities				
Other financial liabilities, at amortised cost	13,620	2,969	423	5,865

27. Events after the reporting period

On 5 March 2018, the Group announced that SGX had issued a notice of compliance on the Group's unaudited full year results for the financial year ended 31 December 2017.

On 6 March 2018, the Group announced that YuuZoo Corporation Limited had acquired wholly YuuZoo Content Management Pte. Ltd. from YuuZoo Corporation.

On 8 March 2018, the Group announced it had appointed Mr. Mohandas as the Chief Executive Officer in YuuZooNow! Pte. Ltd.

On 9 March 2018, the Group announced it had responded to the notice of compliance from SGX dated 5 March 2018.

On 19 March 2018, the Group announced that the trading of Company's share had been suspended.

On 20 March 2018, the Group announced that YuuZoo Corporation Limited had acquired wholly Yuuzoo Platform Co., Ltd. from YuuZoo Corporation.

On 2 April 2018, the Group announced that SGX had issued a notice of compliance on the Group's independent review.

On 3 April 2018, the Group announced that it has been informed by the Commercial Affairs Department of investigation into a potential offence under the Securities and Futures Act.

On 5 April 2018, the Group announced that the Company and its Officers have been requested to provide to the Commercial Affairs Department access to the following documents or information relating to the Company, its subsidiaries and associates from the financial year 2013 to 2016.

On 10 April 2018, the Group announced the cessation of its Group Chief Operating Officer Mr. Mohandas. The Group then announced it had appointed Mr. Mohandas as the Group's Chief Executive Officer.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

27. Events after the reporting period (Continued)

On 10 April 2018, the Group announced it had responded to the notice of compliance from SGX dated 2 April 2018.

On 18 April 2018, the Group announced that the Company has applied to Singapore Exchange Securities Trading Limited ("SGX") for extension of time to comply with Rule 707(1) of Listing Manual of the SGX to hold the annual general meeting and lay the consolidated accounts for the financial year ended 31 December 2017 at the AGM.

On 23 April 2018, the Chief Financial Officer, Mr. Kevin Haigeng Wang left the Group with immediate effect.

On 24 April 2018, the Group announced the circular to shareholders and enclosed Noticed of Special General Meeting ("SGM") and proxy form for SGM held on 16 May 2018. Resolutions set out in Notice of SGM such as proposing the restructuring, adoption of the new memorandum and articles of the company, changes of Company name and also the capital reorganisation are indicated in the circular.

On 27 April 2018, the Group announced that Mr. Thomas Zilliacus has submitted his resignation as the chairman of the board with immediate effect. Annexure to announcement of cessation is then announced by the Group after the resignation of Mr. Zilliacus. However, Mr. Zilliacus has accepted to continue working for the benefit of YuuZoo and its shareholders under the consultancy agreement between YuuZoo and Mobile FutureWorks Inc.

On 27 April 2018, the Group announced Mr. Robert Gustav Malmstrom ceased to be an independent director of the Group with immediate effect.

On 14 May 2018, the Group announced the findings from the Executive Summary of the EY Interim Report. The Group releases 3 out of 4 findings from interim report which are the initial findings for the Lawsuit in New York, initial finding for the receivables from IAH and initial findings for the Macquarie Capital as compliance advisor.

On 14 May 2018, the Group made an announcement relating to YuuZoo's announcement on 10 April 2018 and the SGX's Notice of Compliance on 2 April 2018. The Group informed shareholders of certain matter concerning the content of the draft report by Ernst & Young Advisory Pte Ltd ("EY") dated 23 February 2018 is inaccurate or misleading and had consequently sent a list of 79 questions to EY relating to the report. No respond from EY after several reminder to them seeking for response to all questions. The Group considers that more than sufficient time and opportunity have been given to EY to respond to the list of queries and comments. As such, the Group has instructed its lawyers to give EY a final deadline of 18 May 2018 to give their response to the list of 79 questions.

On 16 May 2018, the Group announced the results of the Special General Meeting ("SGM") held on 16 May 2018. All resolutions relating to matters set out in the Notice of SGM dated 24 April 2018 were duly passed on a poll vote by the shareholders of the Company.

On 22 May 2018, the Group announced that its former director has provided a bond to report back to the Commercial Affairs Department ("CAD"), to assist further in CAD's investigation regarding a potential breach of the Securities and Futures Act.

On 22 May 2018, the Group made an announcement on the decision after the discussion with the statutory auditor in relation to the Notice of Compliance ("NOC") issued by SGX on 5 March 2018. The Group decided to reduce the Other Income to SGD 7.0 million, 100% impairment on its Available-For-Sales and not to book any value for the year 2017 sales of network development and franchise licenses in its consolidation financial statements.

On 4 July 2018, the Group announced it had appointed Mr. Liang Sien Liang, Joseph as the Independent Director of the Group with the effect from 4 July 2018.

27. Events after the reporting period (Continued)

On 2 August 2018, the Group announced it had received a letter from the Singapore Exchange Regulation Pte. Ltd. stating that it is unable to grant the Company any further extension of time to hold its AGM pursuant to the Company's Extension Application, and that it expects the Company to hold its AGM as soon as possible. In view of the foregoing, the Company wishes to inform shareholder that Company's consolidated accounts for the financial year ended 31 December 2017 are still in the process and the best endeavors to hold Company's AGM by 14 September 2018.

On 13 August 2018, the Group made an announcement relating to circular and announcement on 24 April 2018. The Group wishes to inform shareholder that the continuation of the Company into the British Virgin Island ("BVI") has been completed and the BVI Registrar of Corporate Affairs has registered the new memorandum and articles of association of the Company that was approved by Shareholders at the SGM (the "NEW Constitution"), allotted the unique number 1988576 to the Company and issued a certificate of continuation confirming that the Company is continued in the BVI as a BVI Business Company incorporated under the BVI Act on 9 August 2018.

With the completion of the Continuation, the BVI Act will apply, New Constitution adopted, capital structure from par value to non-par value shares and name of Company is changed to "YuuZoo Networks Group Corporation". Besides, Estera Corporate Services (BVI) Limited has been appointed as Company's registered agent in BVI (required under the BVI Act) and registered office of the Company has changed to Jayla Place, Wickhams Cay 1, Road Town, Tortola, British Virgin Island.

On 13 August 2018, the Group announced an expected net loss in consolidated financial results of the full year ended 31 December 2017 (FY2017) after the preliminary review and discussion with auditors. The net loss after tax for FY2017 is mainly attributable to amortisation and impairment of intangible assets due to write-offs of advertising rights. Further details of the Group's performance will be disclosed in Group's audited financial results for FY2017 and shareholders of the Company and potential investors are advised to exercise caution when dealing in the shares of the Company. Person who are in doubt as to the action they should take, should consult their financial, tax or other advisors before trading or making any investment decision on Company's securities.

On 13 August 2018, the Group announced it had applied to the Singapore Exchange Regulation Pte. Ltd. (the "SGX Reg Co") for an extension of time for the Company to release it unaudited financial statements for the second quarter ended 30 June 2018 ("2Q2018 Results") by 7 September 2018 (the "Extension Application"). Extension of time for the release of 2Q2018 Results due to the Company is currently working with its auditors, RT LLP to finalise the audit and issue the audit report for the financial results of the Group for the financial year ended 31 December 2017 (the "FY2017 Results") and use its best endeavors to hold its AGM by 14 September 2018. Besides, the FY2017 Results will have to be finalised in order for the Company to prepare the 2Q2018 Results as the material impairments made will have an impact on the 2Q2018 Results. The delay in finalisation of the FY2017 Results will accordingly delay the Company's preparation of the 2Q2018 Results. The Company will thus require, approximately, an additional 3 weeks to prepare and finalise the 2Q2108 Results.

On 6 September 2018, the Group announced that the Board has instructed the management of Yuulog France (the "YF Management") to initiate an application to the French Courts for "redressement judiciaire" or Judicial Recovery Proceedings for Yuulog France, notwithstanding that it is still solvent. Yuulog France's operations has been negatively impacted by the loss of several major customers. Due to the competitive market condition in logistics business, Yuulog France was unable to secure sufficient new customers to compensate for the loss of business from its major customers.

In the meantime, Yuulog France had requested for cash injections from Group to support its deteriorating financial position. However, trading of shares on the SGX-ST had been suspended since 19 March 2018, which severely limited the Group's fund raising opportunities.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

27. Events after the reporting period (Continued)

The Board and YF Management explored various options to sustain YuuLog France's operations, including injection of fresh capital from potential investor(s) and borrowing from banks. However, as YuuLog France was experiencing quickly deteriorating cashflow since July 2018, based on the advice of its French lawyers, the Board have decided, with the YF Management concurring, that the best option is for YuuLog France to initiate an application to the French Courts for Judicial Recovery Proceedings.

The date of judgement opening the Proceedings was 28 August 2018. YuuLog France is now in an observation period for a duration of 6 months, during which the Judicial Administrator will assess YuuLog France's financial position and assist in its management.

STATISTICS OF SHAREHOLDINGS

As at 28 September 2018

Class of shares	:	Ordinary Shares
Authorised number of shares to be issued	:	792,203,422
Number of shares in Issue (excluding treasury shares and subsidiary holdings)	:	780,250,755
Voting rights	:	One vote per share

There are no treasury shares and subsidiary holdings held in the issued share capital of the Company.

ANALYSIS OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NUMBER OF SHAREHOLDERS	%	NUMBER OF SHARES	%
1 - 99	219	4.09	7,815	0.00
100 - 1,000	1,253	23.40	527,574	0.07
1,001 - 10,000	1,068	19.94	6,243,513	0.80
10,001 - 1,000,000	2,731	51.00	331,449,432	42.48
1,000,001 AND ABOVE	84	1.57	442,022,421	56.65
TOTAL	**5,355**	**100.00**	**780,250,755**	**100.00**

SUBSTANTIAL SHAREHOLDERS

(As recorded in the Register of Substantial Shareholders)

	DIRECT INTEREST	%*	DEEMED INTEREST	%*
Mobile Futureworks Inc.(1)	–	–	109,007,764	13.97
Thomas Henrik Zilliacus(2)	7,946,677	1.02	109,007,764	14.99

* Calculated based on the Company's issued share capital of 780,250,755 Shares (excluding treasury shares and subsidiary holdings).

Notes:

(1) Mobile Futureworks Inc. ("**MFW**") is deemed interested in an aggregate of 109,007,764 Shares which include the following:

(i) 103,163,184 Shares held through JP Morgan Chase Singapore under DBS Securities Pte Ltd. MFW holds an aggregate of 138,163,184 Shares through JP Morgan Chase Singapore under DBS Securities Pte Ltd. Such Shares include 35,000,000 Shares which MFW had agreed to dispose on 17 April 2017. The Company understands that the transferee of the 35,000,000 Shares is currently in the process of setting up a securities account for the purpose of holding such Shares, and MFW will transfer the 35,000,000 Shares to such transferee once the relevant securities account is set up;

(ii) 1,100,000 Shares held through DBS Securities Pte Ltd; and

(iii) 4,744,580 Shares held by Arlington Marble Holdings Inc., a wholly-owned subsidiary of MFW, by virtue of Section 4 of the Securities and Futures Act, Chapter 289 of Singapore.

Shareholders should note that:

(a) 20,000,000 Shares were transferred to GEM Global Yield Fund LLC SCS as part of a short term loan of Shares whereby MFW will continue to retain its interest in such Shares. This transaction is pursuant to the Capital Commitment Agreement dated 4 September 2015 between the Company, GEM Global Yield Fund LLC SCS and GEM Investments America LLC, and the Master Deed for Share Lending Transactions dated 30 March 2016 between MFW and GEM Global Yield Fund LC SCS. However, such Shares to be returned by GEM Global Yield Fund LLC SCS to MFW have not been issued to MFW; and

(2) Mr Thomas Henrik Zilliacus is deemed interested in the 109,007,764 Shares held by MFW by virtue of Section 4 of the Securities and Futures Act, Chapter 289 of Singapore. Mr Zilliacus is a 100% shareholder of MFW. Please refer to note (2) above for details on the Shares held by MFW.

STATISTICS OF SHAREHOLDINGS

As at 28 September 2018

TWENTY LARGEST SHAREHOLDERS

NO.	NAME OF SHAREHOLDERS	NUMBER OF SHARES	%
1	DBSN SERVICES PTE. LTD.	140,555,729	18.01
2	DBS NOMINEES (PRIVATE) LIMITED	28,080,407	3.60
3	CGS-CIMB SECURITIES (SINGAPORE) PTE. LTD.	22,020,749	2.82
4	MAYBANK KIM ENG SECURITIES PTE. LTD.	14,208,046	1.82
5	HSBC (SINGAPORE) NOMINEES PTE LTD	13,450,450	1.72
6	OCBC SECURITIES PRIVATE LIMITED	11,799,004	1.51
7	CITIBANK NOMINEES SINGAPORE PTE LTD	10,488,401	1.34
8	PHILLIP SECURITIES PTE LTD	9,151,460	1.17
9	RAFFLES NOMINEES (PTE) LIMITED	9,000,577	1.15
10	YEO SENG BUCK	8,000,000	1.03
11	CHNG BENG HUA	7,800,000	1.00
12	THOMAS HENRIK ZILLIACUS	7,696,677	0.99
13	EUGENE THURAISINGAM LLP	6,663,848	0.85
14	TAN YEW MENG	5,420,000	0.69
15	TEO CHOR KOK	5,033,700	0.65
16	ARLINGTON MARBLE HOLDINGS INC	4,744,580	0.61
17	LIM KIAN LENG MALCOLM	4,498,300	0.58
18	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	4,046,030	0.52
19	TOH LAI KENG	4,000,000	0.51
20	YZELMAN GEOFFREY ERIC	3,960,600	0.51
	TOTAL	**320,618,558**	**41.08**

PERCENTAGE OF SHAREHOLDING IN PUBLIC'S HANDS

Approximately 84.87% of the Company's shares are held in the hands of public. Accordingly, the Company has complied with Rule 723 of the Listing Manual of the Singapore Exchange Securities Trading Limited.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of YUUZOO NETWORKS GROUP CORPORATION (the "**Company**") will be held at 87 Science Park Drive, Oasis, Level 1 Palm Room, Science Park 1, Singapore 118260 on Friday, 26 October 2018, at 9:30 a.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Statement and the Audited Financial Statements of the Company for the financial year ended 31 December 2017 together with the Auditors' Report thereon. **(Resolution 1)**

2. To re-elect the following Directors of the Company retiring pursuant to the Articles of Association of the Company:

Mr Mohandas	(pursuant to Regulation 21.1)	**(Resolution 2)**
Mr Lee Sian Liang, Joseph	(pursuant to Regulation 21.1)	**(Resolution 3)**
Mr Cheong Boon Leong Christopher	(pursuant to Regulation 21.3)	**(Resolution 4)**

Mr Lee Sian Liang, Joseph will, upon re-election as a Director of the Company, remain as the Chairman of the Nominating Committee and a member of the Audit and Governance Committee and will be considered independent.

Mr Cheong Boon Leong Christopher will, upon re-election as a Director of the Company, remain as the Chairman of the Audit and Governance Committee and a member of the Remuneration Committee and will be considered independent.

4. To approve the payment of Directors' fees of US$150,000 for the financial year ending 31 December 2018, payable quarterly in arrears. (2017: US$150,000) **(Resolution 5)**

5. To re-appoint Messrs RT LLP as the Auditors of the Company and to authorise the Directors of the Company to fix their remuneration. **(Resolution 6)**

6. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolutions as Ordinary Resolutions, with or without any modifications:-

7. **Share Issue Mandate**

That pursuant to Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited (the "**SGX**"), the Directors of the Company be authorised and empowered to:

(a) (i) issue shares in the Company (the "**shares**") whether by way of rights, bonus or otherwise; and/or

(ii) make or grant offers, agreements or options (collectively, the "**Instruments**") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into shares,

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors of the Company may in their absolute discretion deem fit; and

NOTICE OF ANNUAL GENERAL MEETING

(b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instruments made or granted by the Directors of the Company while this Resolution was in force,

provided that:

(1) the aggregate number of shares (including shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) to be issued pursuant to this Resolution shall be limited as follows:

(A) without prejudice to sub-paragraph (1)(B) below, the aggregate number of shares to be issued shall not exceed fifty per centum (50%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (4) below), of which the aggregate number of shares to be issued other than on a pro-rata basis to shareholders of the Company shall not exceed twenty per centum (20%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (4) below) (the "**General Limit**");

(B) in addition to the General Limit, the aggregate number of shares to be issued by way of renounceable rights issues on a pro-rata basis (the "**Renounceable Rights Issues**") shall not exceed fifty per centum (50%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (4) below) (the "**Additional Limit**");

(C) where an issue of shares is to be issued by way of Renounceable Rights Issues, that issue shall first use the Additional Limit, and in the event that the Additional Limit has been fully used and is insufficient to satisfy that issue, that issue may use the General Limit, but only to the extent of the then remaining General Limit;

(D) where an issue of shares is to be issued otherwise than by way of Renounceable Rights Issue, that issue may only use the General Limit, but only to the extent of the then remaining General Limit; and

(E) an issue of shares that is not for a financing purpose may only use the General Limit, but the number of such shares that may be issued shall be limited to the numerical number of the then remaining Additional Limit;

(2) the General Limit and the Additional Limit shall not, in aggregate, exceed one hundred per centum (100%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (4) below);

(3) no shares shall be issued pursuant to this Resolution after 31 December 2018, if on that date the aggregate number of shares (including shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) exceeds fifty per centum (50%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (4) below);

(4) (subject to such calculation as may be prescribed by the SGX for the purpose of determining the aggregate number of shares that may be issued under sub-paragraphs (1)(A) and (1)(B) above, the total number of issued shares (excluding treasury shares and subsidiary holdings) shall be based on the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the time of the passing of this Resolution, after adjusting for:

(A) new shares arising from the conversion or exercise of any convertible securities;

NOTICE OF ANNUAL GENERAL MEETING

(B) new shares arising from exercising share options or vesting of share awards which are outstanding or subsisting at the time of the passing of this Resolution; and

(C) any subsequent bonus issue, consolidation or subdivision of shares;

(5) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX for the time being in force (unless such compliance has been waived by the SGX) and the Memorandum and Articles of Association of the Company; and

(6) unless revoked or varied by the Company in a general meeting, such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier. **(Resolution 7)**
[See Explanatory Note 1]

8. **Renewal of YuuZoo IPT Mandate**

That:

(a) approval be and is hereby given, for the purposes of Chapter 9 of the Listing Manual of the SGX, for the Company and its subsidiaries that are entities at risk (as that term is used in Chapter 9 of the Listing Manual of the SGX), or any of them, to enter into any of the transactions falling within the categories of interested person transactions described in the Appendix to the Company's Annual Report dated 11 October 2018 (the "**Appendix**") with any party who is of the class or classes of interested persons described in the Appendix, provided that such transactions are made on normal commercial terms and not prejudicial to the interests of the Company and the minority shareholders and in accordance with the Company's review procedures for such interested person transactions as set out in the Appendix;

(b) the approval given in paragraph (b) above (the "**YuuZoo IPT Mandate**") shall, unless revoked or varied by the Company in general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier; and

(c) the Directors of the Company and/or any of them be and are hereby authorised to complete and do all such acts and things (including without limitation, executing all such documents as may be required) as they and/or he may consider expedient or necessary or in the interests of the Company to give effect to the YuuZoo IPT Mandate and/or this Resolution. **(Resolution 8)**
[See Explanatory Note 2]

By Order of the Board

Mohandas
Chief Executive Officer and Executive Director
Singapore, 11 October 2018

NOTICE OF ANNUAL GENERAL MEETING

Explanatory Notes:

1. The Ordinary Resolution 7 in item 7 above, if passed, will empower the Directors of the Company, effective until the conclusion of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares, make or grant Instruments convertible into shares and to issue shares pursuant to such Instruments, up to a number not exceeding the aggregate of (i) fifty per centum (50%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company, of which up to twenty per centum (20%) may be issued other than on a pro-rata basis to shareholders of the Company (the General Limit); and (ii) additional fifty per centum (50%) for Renounceable Rights Issues, of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (the Additional Limit), provided that the total number of shares which may be issued pursuant to (i) and (ii) shall not exceed one hundred per centum (100%) of the issued shares (excluding treasury shares and subsidiary holdings) at the time Ordinary Resolution 7 is passed, after adjusting for new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time when this Resolution is passed and any subsequent bonus issue, consolidation or subdivision of shares.

   The authority for the Additional Limit is proposed pursuant to the Listing Manual of the SGX Practice Note 8.3 which became effective on 13 March 2017 until 31 December 2018 by which date no further shares shall be issued pursuant to this Resolution, if on that date the aggregate number of shares (including shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) exceeds fifty per centum (50%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (the "**Enhanced Rights Issue Limit**"). The Enhanced Rights Issue Limit is aimed at helping companies raise funds expediently for expansion activities or working capital. It is subject to the condition that the Company complies with applicable legal requirements requiring the Company to seek shareholders' approval and disclosure requirements under the Listing Manual on the use of the proceeds as and when the funds are materially disbursed and a status report on the use of proceeds in the annual report, and limitations in any existing mandate from shareholders.

   The Board is of the view that the Enhanced Rights Issue Limit is in the interests of the Company and its shareholders as it will allow the Company to raise funds expediently.

   The Enhanced Rights Issue Limit will be exercised only if the Directors believe that to do so would be likely to promote the success of the Company for the benefit of shareholders as a whole.

2. The Ordinary Resolution 8 in the item 8 above, if passed, will renew the mandate to permit the Company and its subsidiaries or any of them, for the purpose of Chapter 9 of the Listing Manual of the SGX, to enter into certain interested person transactions with the specified classes of interested persons as described in the Appendix. Please refer to the Appendix for further details.

Notes:

1. (a) A member of the Company is entitled to appoint one or two proxies to attend and vote at the Annual General Meeting (the "**Meeting**").

   (b) A member who is a Depository, is entitled to appoint more than two proxies to attend and vote at the Meeting, but each proxy must be appointed to exercise the rights attached to a different Share or Shares held by such member.

2. A proxy need not be a member of the Company.

3. The instrument appointing a proxy or proxies must be deposited at the office of the Company's Singapore Share Transfer Agent, Boardroom Corporate & Advisory Services Pte. Ltd., either by hand or by post to 50 Raffles Place #32-01 Singapore Land Tower Singapore 048623 not less than forty-eight (48) hours before the time appointed for holding the Meeting.

Personal data privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Meeting (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

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YUUZOO NETWORKS GROUP CORPORATION
(formerly known as YuuZoo Corporation Limited)
(SGX: AFC.SI)

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