



Securities Investors Association (Singapore)

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UEN No: S99SS0111B

GST Reg No: M90367530Y

Issuer: YuuZoo Networks Group Corporation

Security: YuuZoo Networks Group Corporation

Meeting details:

Date: 26 October 2018

Time: 9.30 a.m.

Venue: 87 Science Park Drive, Oasis, Level 1 Palm Room, Science Park 1, Singapore 118260

Company Description

YuuZoo Networks Group Corporation, an investment holding company, engages in social networking, e-commerce, payments, and gaming businesses in Singapore and internationally. It operates through two segments, Network Development and Franchise Sales; and E-Commerce. The Network Development and Franchise Sales segment is primarily involved in building mobile-optimized device agnostic that targets social e-commerce networks for businesses and consumers. This segment also sells franchise and marketing rights. The E-Commerce segment provides a range of services for online mobile transactions, including payment processing, advertising, mobile social games, and other online transactions. The company also offers YuuPay, a payment solution for online merchants or retailers; and YuuWallet, an electronic wallet. In addition, it provides data processing, hosting, and related services, as well as network development services; and advertising, and business and management consultancy services. The company was formerly known as YuuZoo Corporation Limited and changed its name to YuuZoo Networks Group Corporation in August 2018. YuuZoo Networks Group Corporation is headquartered in Singapore.

(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=AFC)

1. On 19 March 2018, the Singapore Exchange Regulation Pte Ltd (RegCo) suspended the trading in the shares of the company, then known as YuuZoo Corporation Limited.

This follows a Notice of Compliance (NOC) issued to the company by the Singapore Exchange Regulation Pte Ltd on 5 March 2018 requiring the company to make specific disclosures by 19 March 2018 of the opinion of its statutory auditors on the veracity and reasonableness of the following items in its consolidated financial statements:

- Other income of S\$8.0 million due to the purchase of assets related to the formation of YuuLog France for the financial year ended 31 December 2017 (FY2017);
- Balance of assets available for sale of S\$54.2 million as at 31 December 2017 and corresponding revenue of S\$38.4 million from network development and franchise sales for FY2017

The suspension of the trading in the shares of the company was made, pursuant to Listing Rule 1303(5), in the interest of maintaining a fair, orderly and transparent market.

- (i) Would the board, especially the independent directors, help shareholders understand the ongoing efforts by the board and the company to make the specific disclosure relating to the veracity and reasonableness of the two items in its consolidated financial statements?**
- (ii) Following a second Notice of Compliance issued by the exchange on 2 April, what are the directors' efforts to help the company to resume the trading of the shares on SGX-ST?**
- (iii) On 19 October 2017, the company announced that it had appointed Ernst & Young (EY) to carry out an independent review. Can the audit and governance committee (AGC) disclose the scope of the independent review? Has the AGC reviewed the access given to EY? Who is overseeing the independent review?**
- (iv) In addition, the board has overall responsibility for corporate governance, strategic direction, policy formulation and overseeing of the investment and operations of the group. How effective has the board been in leading and controlling the group when there have been frequent changes to the board composition and membership?**

2. Would the board/management provide shareholders with better clarity on the following matters?

- (i) New ventures: Does the company have a structured and formal framework for its deal sourcing? What is the level of due diligence carried out by management prior to any new investment? Specifically, please state the level of commercial due diligence carried out prior to its joint venture with the management of Cinram France and in the Harbin projects?**

- (ii) Approval: What is the board approval process for the group's new investment? What is the threshold that would require prior board approval?**
- (iii) Internal controls and risk management: Has the board evaluated the adequacy and integrity of the group's internal controls and risk management system? With operations spanning several countries, including China, France, Thailand, South Korea, India and Nigeria, and in diverse industries such as logistics, social commerce, property development, e-payment, what is the depth of its management team and of the board to maintain provide oversight and control of all the businesses?**

3. On 26 September 2018, the company announced that there are material variances between the unaudited results (first announced by the company on 1 March 2018) and the audited financial statements for FY2018 after the finalisation of audit.

Some of the changes in the financial statements included:

- Decrease of total income by \$(52.1) million
- Profit after tax decreasing by \$(103.0) million and turning into a loss of \$(100.7) million
- Equity attributable to owner of the company decreasing by \$(100.6) million and turning into a deficit equity position of \$(6.5) million

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Financial Reporting Standards (FRSs) 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. Following the cessation of Mr. Thomas Zilliacus as executive director, the company has identified Mohandas as the only key management personnel.

- (i) Can management help shareholders understand the current depth of its management team?**
- (ii) How can shareholders get assurance from management that the financial statements are prepared in accordance with the FRSs?**
- (iii) Has the AGC evaluated if the internal financial reporting/finance team is sufficiently resourced with experienced and qualified staff to ensure the integrity of the financial statements?**
- (iv) Does the AGC review and evaluate the critical accounting judgements and the assumptions used in the preparation of the financial statements with management?**
- (v) As the directors have responsibilities to oversee the group's financial reporting process, can the directors, especially the directors in the AGC, help shareholders understand their individual and collective efforts in the**



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preparation of the group's financial statements so as to give a true and fair view in accordance with the FRs?

- (vi) Please provide shareholders with a detailed plan of the improvements to be made to the group's financial reporting processes.**

