



PRESS RELEASE

Q1/2017: YuuZoo changes to a significantly more conservative accounting policy

Summary of financial results for three months ended 31 March:

	2017 SGD millions	In percent (%)	2016 SGD millions	In percent (%)	Variance y- o-y (%)
Revenue	18,912	100%	45,011	100%	-58%
EBITDA	13,207	70%	14,298	31.8%	-8%
EBIT	11,175	59%	12,843	28.5%	-13%

Singapore, 15th May 2017: Singapore-listed YuuZoo Corporation Limited (“**YuuZoo** or “**the Company**”) (SGX: **AFC**) in Q1 posted 70% EBITDA and 59% EBIT margins of SGD 13,207 million and 11,175 million respectively.

Revenues fell for the reasons already announced by the Company, i.e. the loss of a major e-commerce client and a change to a significantly more conservative accounting policy. The Company is negotiating with new clients whose revenue would equal or exceed the revenue of the client the Company lost, and expect an agreement to be signed soon.

Accounting policy changes

When announcing its FY 2016 results, YuuZoo announced that it was changing to a significantly more conservative accounting policy in view of the challenges facing the earlier accounting policy on which the Company had been advised by a Big 4 accounting firm.

In summary, YuuZoo has decided to replace its earlier Big Four-advised accounting policy, which fulfilled all accounting requirements under FRS, and where the Company booked as revenue the value of the shares it received as payment for the franchises it sells, by a new policy under which it books as revenue only a one-time franchise fee based not on valuation but on YuuZoo’s cost of developing the franchise packages YuuZoo sells. Compared to the previous DCF-based valuation method, the new policy completely delinks the price of the franchise from expected future earnings.

This means that YuuZoo’s accounting policies have become significantly more conservative, and because of the change, the revenue and profit numbers booked for each franchise sale will be significantly lower than they were under the earlier Big 4-advised accounting policy.



YuuZoo wishes to emphasize that while the adoption of the new accounting policy results in lower numbers being booked, it has not changed the future earnings potential of selling, at the right time, the shares YuuZoo receives as payment, and distributing as dividends those returns to YuuZoo's shareholders.

Operational highlights

In January 2017, YuuZoo announced that its Chinese subsidiary YuuGames was launching the hugely popular electronic games league, "WARCRAFT III – The Frozen Throne" Global Invitations – Nostalgia Battlefield together with Harbin Sports Bureau in China.

The event, held in Harbin on February 10th – 12th 2017, featured eight 'mentors' who selected and led teams from 16 Chinese cities in a face to face competition. The main competition was held at the Harbin International Convention and Exhibition Centre, which has a seating capacity of 10,000. The event was aired live on Gamefy and Harbin TV and supported by several broadcasters such as, LongZhu, Panda TV, Zhanqi TV, DouYu TV, Quanmin TV and PPTV. Extending its reach beyond the event venue, millions of gamers from 1000 internet cafes throughout the 16 cities in China participated in the event.

In January 2017 YuuZoo also announced the sale of a franchise to Telkonex, a new telco operating in the Democratic Republic of Congo. The license sale further boosts YuuZoo's progress as it continues to build a strong presence on the African continent. Telkonex will focus on the entertainment, celebrities and sports segments, all sectors that enjoy major popularity in the Congo.

In February 2017 YuuZoo announced that its joint venture with Nigerian Television Authority (NTA), the largest TV Network in Africa, had launched a new football show, "WeConnect", which markets football games and virtual clubhouses for top EPL clubs including Chelsea, Manchester City, Liverpool, Tottenham and Arsenal.

In March 2017 YuuZoo announced that the Company together with its new franchisee in India, iComp Digital Media, the biggest Apple distributor in the country, in India had launched a new platform called YuuVillage (<http://www.yuuvillage.com/>).

Following YuuZoo's sale of a regional franchise license to iComp Digital Media, the two companies have decided to focus on empowering India's huge rural population to rise from poverty using digital services. By introducing YuuVillage to India's huge rural population, YuuZoo and iComp Digital Media provide farmers and rural villagers with an efficient and robust digital ecosystem that enables them to reach the world's fastest growing online economy.

In March 2017 YuuZoo also announced that it has acquired an exclusive option to buy the holding company of Cinram Europe, one of the biggest logistics & distribution companies in Europe. The acquisition is subject to satisfactory due diligence by YuuZoo Corp, and expires on June 30th, 2017.



Cinram, with its European head office located in Holland and main operational centres in UK, Germany and France has facilities across Europe, and a well-established distribution network which serves thousands of customers with thousands of shipments and parcels daily. Cinram's European distribution footprint totals more than 1 million square feet across five Distribution Centres from which the Company ships over 4 million units a day, directly into retail and to consumer.

Outlook for FY2017

Says Thomas Zilliacus, Executive Chairman of YuuZoo: *“YuuZoo is pleased to announce the adoption of its new accounting policy. After discussions with various parties, including SGX-ST and YuuZoo's auditors RT, the Company has decided that a significantly more conservative and more prudent accounting policy is in the best interest of YuuZoo's shareholders. The new policy, which means that YuuZoo will book significantly lower revenues and profits for each franchise package it sells, does not change the future earnings potential of the Company. YuuZoo still aims to sell, at the right time, some or all the shares YuuZoo holds in its franchisees, joint ventures and subsidiaries, and to distribute as dividends those returns to YuuZoo's shareholders. As the Q1/2017 results show, the new more conservative accounting policy while resulting in lower revenue numbers has not resulted in significantly lower EBITDA or EBIT numbers, as the number of franchisees sold has continued to grow.*

The Company is currently trading at a PE of below 2, which is a massively discounted PE compared to an average PE of 25 for global peers”, he concludes.

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ABOUT YUUZOO®:

Headquartered in Singapore and listed on the SGX mainboard (SGX: **AFC**), with access to over 118 million registered users and hundreds of millions of TV viewers across 164 countries, YuuZoo uniquely combines social networking, e-commerce, gaming and payments in a mobile-optimised, fully localised 'Tribal Marketplace', where the consumer can choose the Tribe to join and access hundreds of tribal and targeted social networks, shops and entertainment through one single login. All networks are by franchisees localised for each market as comes to language as well as merchandise and design. Based on this business model, unique in the digital space, YuuZoo can grow internationally at a very low cost. The model has consistently generated strong margins. To see the networks, log into: www.yuuzoo.com. For more information about YuuZoo, please log on to: www.yuucorp.com