



**YUUZOO CORPORATION LIMITED**  
(Company Registration No.: 36658)  
(Incorporated in Bermuda)

---

**RESPONSE TO THE NOTICE OF COMPLIANCE ISSUED BY THE SINGAPORE EXCHANGE SECURITIES TRADING LIMITED TO YUUZOO CORPORATION LIMITED ON 5 MARCH 2018**

---

YuuZoo Corporation Limited (the “**Company**” or “**YuuZoo**”) refers to the queries from the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) pursuant to the Notice of Compliance dated 5 March 2018 (the “**Notice**”). The Company wishes to clarify the following:

- (a) Upon receiving the Notice, YuuZoo contacted RT LLP (the “**Auditors**” or “**RT**”), being the Company’s auditors. The Auditors informed the Company that they in order to reply to the questions by SGX-ST needed from the Company complete business plans and 5-year DCF analysis for all of YuuZoo’s 46 franchisees by March 8<sup>th</sup> 2018. RT also informed the Company that it needed 10 days to review the complete material. As it was impossible for YuuZoo to produce 46 business plan and 5-year DCF analysis for 46 companies within the time frame given, YuuZoo asked SGX-ST for an extension until end of March, so that YuuZoo would have time to put together the material requested by the Auditors, and the Auditors would have time to review the material furnished by YuuZoo.
- (b) On Tuesday, 13 March 2018, the Company was informed by the SGX-ST that no extension of time would be granted. Notwithstanding the foregoing, YuuZoo did all in its power to supply to the Auditors all the information and material relating to the matter at hand. YuuZoo has been providing material to the Auditors and answering questions from December 2017. The time needed to compute and put together the additional data relating to the business plans and DCF analysis meant that YuuZoo was able to hand over the final documents to RT only on Monday, 19 March 2018 at 4 am.
- (c) In a meeting held between YuuZoo and the Auditors on Monday, 19 March 2018, the Auditors informed YuuZoo that as they already earlier had stated would need time to review the documents supplied by YuuZoo. RT has now agreed to have this done no later than by Wednesday March 28<sup>th</sup>, 2018.

It was agreed that YuuZoo would make an announcement to this effect. Before the said announcement was ready to be released by the Company on 19 March 2018, the SGX-ST issued a statement stating that trading in YuuZoo’s shares had been suspended with immediate effect.

Pending the issuance of the relevant opinion from the Auditors, the Company would like to take this opportunity to clarify the impairment methodology which the Company has adopted, so that both investors and regulators have a full understanding of the thoroughness by which the Company’s impairment assessment has been conducted.

YuuZoo is allowing the franchisees 24 months from the date of the signoff to launch their local operations. This time window is given so that the franchisees have enough time to set up their local operations in the most efficient way. From the date of launch, YuuZoo estimates that it takes 24-36 months for the franchisees to reach a stage where the user base that the franchisees are building can be efficiently monetized. The franchisees have informed the Company that the first commercial launch by a YuuZoo franchisee operating under the current setup was in October 2016, with most franchisees launching operations only in 2017.

In spite of this providing a much shorter time window than the 24-36 months the Company estimates the franchisees need to start to efficiently monetize the user base they build, the Company decided at the end of 2017 to review all its franchisees for possible impairments.



In reviewing the performance of its franchisees, the Company observed that while a large number of the franchisees had outperformed their expected first year user growth numbers, and showed lower losses than budgeted and in some instances already in the first year profits, there were also franchisees that had not achieved their expected user growth numbers for the first year.

This is in line with earlier announcements by the Company, where the Company has stated that it cannot guarantee that all of its franchisees will succeed, but that it expects the successful franchisees to generate positive returns for the Company and its shareholders.

Based on the aforesaid analysis, when the Company published its unaudited results, it adopted a conservative approach and wrote down the value for a majority of the franchisees that the Company holds shares in. This means that the Company, in line with its conservative accounting policy, also impaired the value for such franchisees that have shown better user growth than forecasted.

The Company kept the values untouched only for those franchisees that had outperformed significantly. Based on this and FRS39 and FRS36, the Company is of the view that no further impairments are necessary. It however leaves it to its auditors to make the final assessment.

As comes to the sales in 2017, the Auditors have informed the Company that the sale of franchise licenses in 2017 should continue to be based on cost. This is what the Company has done. YuuZoo has made no changes to the accounting policy recommended and approved by the auditors for FY 2016.

#### **SGX Query: Other Income of S\$8.0 million for FY2017**

In addition to the queries on the impairment assessment of the AFS assets, SGX had also queried the Company's representation of its recent bargaining purchase of assets in France.

In September 2017, the Company purchased certain assets of a company in France and set up a new business, which is now called YuuLog France. Given that the appraised value of these assets was considerably higher than the consideration paid by the Company, it was decided that the best way to account for this difference was as a Gain from Bargaining Purchase. The Company and the Auditors discussed the possibility that the newly set up business may incur losses in the future. The business plans provided by third parties at the time the Company made the asset purchase, which plans were based on only the acquired business, however indicate a positive result and cashflow for 2017- 2019.

The new business has already, in the first 4 months of operations, generated in profits about twice the total amount the Company paid for the assets.

On the issue of SGD 8.0 million in other income, the Company had taken the following steps in the conduct of its audit:

- The Company had stated that the income is primarily based on the gain from the acquisition of real estate assets in France. Together with the real estate assets the Company had also acquired a business that produced revenues of S\$10.9 million and a net profit of S\$0.8 million during the 4-month period that the Company managed it.
- The Company wishes to clarify that it has booked no goodwill gain on the business, which as stated above, already showed both positive cash flow and produced a profit in the first 4 months that was about two times higher than what the Company paid for the assets.
- The Company has shared with the Auditors a valuation of the real estate assets done by a third party, as well as a third party business plan and cash flow forecast for the YuuLog business for the years 2017 – 2019. The business plan is based only on the existing business that the Company has acquired. The business plan shows a profit and a positive cash flow for all 3 years.



The Company has also shared with the Auditors the Company's new business plan for a substantial expansion of the business, with a change of YuuLog from a pure logistics company to an end-to-end e-commerce and digilogistics supplier.

In light of the above, the management of YuuZoo maintains its position that the figures in the 2 items raised by the SGX-ST in the Notice and set out in the Company's consolidated financial statements which was announced on 1 March 2018 have been properly derived and computed in accordance with recognized accounting standards. The Company has been fully transparent with both the investors and regulators in the representation of operations and the announcements it has released, and is fully committed to disclose any material information in a timely, transparent and accurate matter to the public in accordance with the listing rules of the SGX-ST.

BY ORDER OF THE BOARD

Mohandas  
Chief Operating Officer  
22 March 2018