For the attention of Nominated Advisers and AIM Companies

STOCK EXCHANGE AIM DISCIPLINARY NOTICE

AD 23

10 August 2020

PUBLIC CENSURE AND FINE – YÜ GROUP PLC

1. London Stock Exchange plc (the "**Exchange**") has agreed settlement terms with Yü Group plc (the "**Company**") for a public censure and fine of £300,000 for breaches of Rules 10 and 31 of the AIM Rules for Companies ("**AIM Rules**"). The Exchange has waived the fine in this instance, having regard to the uncertainties and potential financial challenges for the Company arising from the unprecedented conditions of the COVID-19 pandemic.

2. The Exchange is publishing details of this Public Censure for the purpose of educating the market on the expected standards of conduct for AIM companies under the AIM Rules.

SUMMARY OF EVENTS

3. During the course of the first half of its financial year to 31 December 2018, the Company made a number of forecasts in its notifications that its full year profits before tax would exceed market expectations. This was during a period of exponential growth of its business. The Company's indications that profits would exceed market expectations were based on its internally generated management information.

4. Between mid to late October 2018, during further internal assurance work undertaken by the Company of its trading performance, the Company identified that there were errors in its previous management information concerning recognised accrued income, receivables and potential recoveries. These material errors impacted on the Company's profitability. Rather than meeting market expectations of predicted profit before tax for its full 2018 financial year of between £5.2 - £5.4 million, the Company identified that it was likely to make a significant loss.

5. The Company released a Trading Statement on 24 October 2018, which confirmed that there was likely to be a £10 million negative adjustment in pre-tax profitability, when compared with previous market expectations, and outlined the underlying causes of the adjustment. Following the Trading Statement there was a significant decrease in the price of the Company's AIM securities. The final audited pre-tax loss for the full year was £9.63 million, notwithstanding gross revenues of £80.6 million which were in line with the Company's previous revenue forecasts during 2018.

6. The Company's internal review, and its commissioned accounting review, identified that there were a number of weaknesses in the Company's financial control environment, particularly in respect of the operation of its financial reporting systems and an inadequate approach to testing and verifying the quality of underlying data, upon which the integrity of its management information depended.

7. As a consequence, the quality and accuracy of aspects of its financial and management information had not kept pace with the Company's growth trajectory and changes to the profile of its business.

8. In response to these events the Company immediately implemented a remediation programme to enhance its procedures, systems and controls and increased resourcing, restructuring and investment into its internal finance function. The Company has also enhanced its existing governance and oversight through non-executive appointments of individuals with expertise in financial governance, audit and risk management.

BREACHES OF THE AIM RULES

Breach of AIM Rule 31

9. The Exchange has determined that, in breach of its AIM Rule 31 obligations, the Company failed to ensure that it had in place sufficient procedures, resources and controls to comply with the AIM Rules.

10. Whilst the Company was focussed on rapid expansion and growth, there was no commensurate development of its financial control environment. As a result, during the first half of its 2018 financial year, the Company was unable to produce accurate internal management information, for the purposes of effectively monitoring key aspects of its financial condition (which impacted on its forecast profitability) in order to then meet its AIM Rule 10 disclosure obligations.

Breach of AIM Rule 10

11. The failure to have in place effective financial reporting systems and controls meant that during the relevant period the Company could not place sufficient reliance on the integrity of internal financial data, for the purposes of assessing its profitability against forecasts or disclosing a fully accurate half year balance sheet. As a consequence the Company's disclosure was inaccurate, resulting in the Company breaching its AIM Rule 10 obligations during the relevant period.

EXPECTED STANDARDS FOR AIM COMPANIES

12. The events outlined in this Public Censure illustrate the fundamental importance of AIM companies maintaining effective controls to enable compliance with the AIM Rules, on a continuous basis.

13. This goes beyond an AIM company ensuring that it has in place documented procedures and protocols. Companies should ensure that these are appropriately reviewed and developed so that they are effective in practice and are adapted to adequately address changes to the business, planned growth or other operational needs. Boards should also be appropriately engaged in respect of evaluating the effectiveness of a company's financial control environment and the framework for assuring the integrity of internal management information upon which it relies for making its disclosure judgments.

14. Failure to maintain appropriate governance over the operational effectiveness of procedures and controls creates an unacceptable risk to an AIM company's ability to monitor changes to expected financial performance, and meet any consequential AIM Rules disclosure obligations.

15. Accordingly the Exchange will take appropriate disciplinary action against AIM companies which fail to meet these obligations.

16. Given the seriousness of these breaches, the Exchange considers a public censure and a fine is an appropriate sanction. The fine level of £300,000 reflects the Company's approach in promptly updating the market when the matter had been identified, its full co-operation with the Exchange's investigation and the subsequent remedial action undertaken by the Company. Noting the uncertainties and potential financial challenges from the impact of the COVID-19 pandemic, as set out in the Company's notification of its final results on 6 April 2020, the Exchange has determined to waive the fine in this case.

Any queries relating to this AIM Notice should be addressed to: aimregulation@lseg.com

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Notes:
AIM Rules for Companies

Sanctions against an AIM company

Pursuant to AIM Rule 42, if the **Exchange** considers that an **AIM company** has contravened these rules, it may take one or more of the following measures in relation to such **AIM company:**

- issue a **warning notice**;
- fine it;
- censure it; or
- cancel the admission of its **AIM securities**; and
- publish the fact that it has been fined or censured and the reasons for that action

Disciplinary process

Pursuant to AIM Rule 44 where the Exchange proposes to take any of the steps described in Rule 42, the **Exchange** will do so in accordance with the **AIM Disciplinary Procedures and Appeals Handbook** (the "**Handbook**"). Under Section B.32 of the Handbook, the Exchange may publish in part, in summary or in full details of any public censure and fine.