

W CORPORATION LIMITED

(Incorporated in Bermuda)
(Company Registration No.: 36658)

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF W CORPORATION LIMITED**

Report on the Financial Statements

We have audited the accompanying financial statements of W Corporation Limited (the "Company") and its subsidiaries (collectively the "Group") set out on pages 7 to 43, which comprise the consolidated balance sheet of the Group and balance sheet of the Company as at 31 December 2013, the consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows of the Group for the financial year ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements of the Group and the balance sheet of the Company are properly drawn up in accordance with the Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2013, and of the results, changes in equity and cash flows of the Group for the financial year ended on that date.

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(CONTINUED)**

Emphasis of Matter

We draw attention to Note 2.2 to the financial statements. For the financial year ended 31 December 2013, the Group incurred total comprehensive losses of US\$3,013,000 (2012: US\$1,121,000) and net cash outflows from its operating activities of US\$1,999,000 (2012: US\$556,000), and the Group's and the Company's current liabilities exceeded its current assets by US\$409,000 (2012: Net assets position US\$216,000) and US\$372,000 (2012: Net assets position US\$101,000) respectively for the financial year then ended.

These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group's and the Company's ability to continue as going concerns. Nevertheless, the Directors prepared the financial statements based on the going concern assumption as they had undertaken the following measures to continue funding the operations:

- (i) On 3 January 2013, the Board of the Company announced that the Company had entered into a memorandum of understanding with YuuZoo Corporation ("YuuZoo") to facilitate the negotiation and finalisation of the definitive document in respect of the potential acquisition of YuuZoo by way of exchange of new ordinary shares of the Company. During the financial year ended 31 December 2013, the board submitted a proposed share exchange to the Singapore Exchange Securities Trading Limited ("SGX-ST") for its review and consideration. The Company and its professional advisors remain actively engaged with the SGX-ST in facilitating its approval process of the proposed exchange as at the date of this report.
- (ii) On 8 March 2013, the Company entered into a conditional subscription agreement with Advance Opportunity Fund (the "Subscriber") and Advance Partners Limited as the investment manager of the Subscriber pursuant to which the Company propose to issue to the Subscriber 0% equity linked redeemable structured convertible bonds due 2016, with an aggregate principal amount of up to S\$25,000,000 (approximately US\$19,628,000). During the financial year ended 31 December 2013, the Subscriber has subscribed for S\$2,500,000 (approximately US\$ 1,966,000) of the convertible bonds.

If the Group and the Company are unable to continue in operational existence for the foreseeable future, the Group and the Company may be unable to discharge their liabilities in the normal course of business and adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded in the balance sheets. In addition, the Group and the Company may have to reclassify non-current assets and liabilities as current assets and liabilities respectively. The financial statements do not include any adjustment which may arise from these uncertainties. In forming our opinion, we have considered the adequacy of the disclosure of these matters in the financial statements. Our opinion is not qualified with respect to this matter.

Nexia TS Public Accounting Corporation

Public Accountants and Chartered Accountants

Director-in-charge: Loh Ji Kin

Appointed from financial year ended 31 March 2011

Singapore: 2 April 2014

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NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

2. Significant accounting policies

2.2 Basis of measurement and going concern assumption

In preparing the financial statements, the Directors considered the operation of the Group and the Company as going concerns notwithstanding that for the financial year ended 31 December 2013, the Group incurred total comprehensive losses of US\$3,013,000 (2012: US\$1,121,000) and net cash outflows from its operating activities of US\$1,999,000 (2012: US\$556,000), and the Group's and the Company's current liabilities exceeded its current assets by US\$409,000 (2012: Net assets position US\$216,000) and US\$372,000 (2012: Net assets position US\$101,000) respectively for the financial year then ended.

These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group's and the Company's ability to continue as going concerns. Nevertheless, the Directors prepared the financial statements based on the going concern assumption as they had undertaken the following measures to continue funding the operations:

- (i) On 3 January 2013, the Board of the Company announced that the Company had entered into a memorandum of understanding with YuuZoo Corporation ("YuuZoo") to facilitate the negotiation and finalisation of the definitive document in respect of the potential acquisition of YuuZoo by way of exchange of new ordinary shares of the Company. During the financial year ended 31 December 2013, the board submitted a proposed share exchange to the Singapore Exchange Securities Trading Limited for its review and consideration. The Company and its professional advisors remain actively engaged with the SGX-ST in facilitating its approval process of the proposed exchange as at the date of these financial statements.
- (ii) On 8 March 2013, the Company entered into a conditional subscription agreement with Advance Opportunity Fund (the "Subscriber") and Advance Partners Limited as the investment manager of the Subscriber pursuant to which the Company propose to issue to the Subscriber 0% equity linked redeemable structured convertible bonds due 2016, with an aggregate principal amount of up to S\$25,000,000 (approximately US\$19,628,000). During the financial year ended 31 December 2013, the Subscriber has subscribed for S\$2,500,000 (approximately US\$1,966,000) of the Convertible Bonds.

If the Group and the Company are unable to continue in operational existence for the foreseeable future, the Group and the Company may be unable to discharge their liabilities in the normal course of business and adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded in the balance sheets. In addition, the Group and the Company may have to reclassify non-current assets and liabilities as current assets and liabilities respectively. The financial statements do not include any adjustment which may arise from these uncertainties. In forming our opinion, we have considered the adequacy of the disclosure of these matters in the financial statements.