



# 2015 Annual General Meeting

December 22, 2015

## Matters to be Reported

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- 2014 Business Results: Consolidated Balance Sheet
- 2014 Overview of Operations
- Problems to be Solved
- Growth Strategy
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## 2014 Business Results: Consolidated Income Statement

(Unit: Thousands of US Dollars)

	2013 (JPY million)	2014 (JPY million)	Difference (JPY million)
Turnover	5,114 (616)	3,697 (446)	Δ1,417 (Δ170)
Operating Loss	Δ6,567 (Δ792)	Δ3,146 (Δ379)	3,421 (413)
Ordinary Loss	Δ6,465 (Δ779)	Δ3,877 (Δ467)	2,588 (312)
Net Loss for the year	Δ5,876 (Δ708)	Δ2,936 (Δ354)	2,940 (354)

Mainly attributable to discontinuation of Application Solutions and Research segment due to disposal of Beijing Orient Agribusiness Consultants Co., Ltd. and its subsidiaries in 2013

Mainly attributable to lower selling, general and administrative expenses and deconsolidation of Application Solutions and Research segment which was lose-making

Mainly attributable to lower corporate costs and deconsolidation of Application Solutions and Research segment which was lose-making

## 2014 Business Results: Consolidated Balance Sheet

(Unit: Thousands of US Dollars)

	2013 (JPY million)	2014 (JPY million)	Difference (JPY million)	
Total Assets	6,886 (830)	6,239 (752)	△647 (△78)	Mainly attributable to decrease in cash and deposit and investments in capital of affiliates
Net Assets	1,624 (196)	2,724 (328)	1,100 (132)	
Total Liabilities	5,263 (634)	3,515 (424)	△1,748 (△210)	Mainly attributable to decrease in short-term loans payable
Capital Adequacy Ratio	3.8%	39.6%	35.8%	

## 2014 Overview of Operations

In March 2014, the Company resolved to incorporate a subsidiary, Xinhua Mobile Limited (“Xinhua Mobile”), and enter into new business as Telecom Platforms and Products, Mobile Advertising, Mobile Messaging and Mobile Applications (“Mobile Business”).

Turnover was US\$3,697 thousand (JP¥446 million) for the year ended December 31, 2014, as compared to US\$5,114 thousand (JP¥616 million) for the year ended December 31, 2013.

Lower turnover in 2014 was primarily attributable to discontinuation of Application Solutions and Research segment due to disposal of Beijing Orient Agribusiness Consultants Co., Ltd. and its subsidiaries in 2013.

## Problems to be Solved

### (1) Poor decisions of former management

#### Mitigating factors

- Terminate the projects with a series of loss and rely on the financial support of the Company (Group)
- Terminate the projects that have not begun, but have poor earnings outlook and high risk
- Keep monitoring the financial data of subsidiaries
- Reduce future risks by taking legal measures and reconcile contracts to protect the Company value (shareholder' benefit)

### (2) Financial difficulties

- a) The assets of existing business are too small with low revenue
- b) The income and the cash flow of existing business is low or negative

#### Mitigating factors:

- Cut overall corporate and operating costs
- Raise funds by selling certain assets (subsidiaries)
- Seek new investors to get new development opportunities

## Growth Strategy

Besides the reorganization of existing businesses, Xinhua Holdings is currently evaluating and entering in new business areas - Mobile business.

- Set up Xinhua Mobile in 2014 for Mobile business
- Expect the SMS and mobile markets to expand in the future
- Main business of Xinhua Mobile : develop and operate application software for smartphones, telecom software platforms, global messaging gateways and mobile advertising platforms, primarily in Hong Kong, China, Southeast Asia and Japan

# Subsequent Events 1

## ***(1) Purchase of 54.57% Shares and CAD6.2 million Convertible Debentures of GINSMS Inc.***

- **January 15, 2015:**
  - purchased 54.57% of the total outstanding shares of a company listed in the Toronto Venture Stock Exchange in Canada, GINSMS Inc. (Headquarter in Alberta Canada, “GINSMS”, stock code: GOK) and signed share purchase agreements through Xinhua Mobile
- **May 1, 2015:**
  - exercised an option right to purchase the convertible debentures of GINSMS of CAD6.2 million (JP¥648 million) face value (matures on September 28, 2015) from One Heart international Limited (“One Heart”);
  - it is about 68.67% of the total outstanding convertible debentures of GINSMS.
- **September 8, 2015:**
  - shares and CDs transfer were completed
- **September 24, 2015:**
  - Converted all the CDs into 62,554,840 shares;
  - Xinhua Mobile’s shareholding ratio of GINSMS after the conversion became 63.58%.

## ***(2) Transfer of Equity Interest of 100% Owned Subsidiary***

- **January 15, 2015:**
  - transferred all equity interest of Shanghai Huacai Investment Advisory Company Limited held by Xinhua Financial Network Limited which is a 100% owned subsidiary of the Company, to Royal Link Investment Limited as part of the consideration to acquire shares of GINSMS as mentioned above



## Subsequent Events 2

### ***(3) Loans and Credit Facility from a foreign individual investor***

- **January 28, 2015:**
  - raised fund by loans from a foreign individual investor, in the total amount of SGD600 thousand (JP¥55 million);
  - the maturity date of the loans has been extended to December 31, 2015
- **June 18, 2015:**
  - set a credit facility of US\$2 million (JP¥241 million) at an interest rate of 28% compounded on a daily basis, to enable flexible funding to avoid being short of working capital in the near future;
  - up to now, the Company had drawn a loan of US\$1,000 thousand (JP¥120 million) from the credit facility.

### ***(4) Loans from the Company's Director***

- **February 5, 2015:**
  - raised fund by loans from Mr. Naoya Harano ("Mr. Harano"), a director of the Company, in the total amount of JP¥50 million (US\$415 thousand), to secure sufficient fund for working capital;
  - the maturity date of the loans has subsequently been extended to December 31, 2015

### ***(5) Capital Reduction and Sub-division of Shares***

- **March 3, 2015:**
  - each authorized share of a nominal or par value of HK\$20 be divided into 2,000 shares of a nominal or par value of HK\$0.01 each;
  - the authorized share capital of the Company be increased from HK\$10,000,000 to HK\$200,000,000, divided into 18,200,000,000 ordinary shares of a nominal or par value of HK\$0.01 each and 1,800,000,000 preferred shares of a nominal or par value of HK\$0.01 each

## Subsequent Events 3

### ***(6) Capital Increase by Third Party Allotment to Mr. Lai Man Kon (Debt Equity Swap)***

- **May 1, 2015:**
  - allotted 277,777 shares to Mr. Lai Man Kon (“Mr. Lai” former shareholder of GINSMS) by repaying a portion (CAD1,501 thousand (JP¥142 million on the date of allotment)) of the principal amount of the promissory notes;
  - issued a new promissory note to Mr. Lai for the remaining portion of the principal amount with accrued interests on the same day in the aggregated amount of CAD2,631 thousand (JP¥273 million);
  - the maturity date of the new promissory note has been extended to December 31, 2015

### ***(7) Market Capitalization of the Company***

- **July 31, 2015:**
  - the month-end market capitalization of the Company was below JP¥1 billion;
  - in October 2015, filed a document to Tokyo Stock Exchange stating the present situation of business, future operation, improvement of business plan and others;
  - the Company shall not be delisted if both of the monthly average market capitalization and month end market capitalization can be recovered to or more than JPY1 billion in any month before or in April 2016

## Subsequent Events 4

### ***(8) Issuance of Stock Acquisition Rights with Exercise Price Amendment Clause to Third Party Allotment***

- **August 17, 2015:**
  - issued 2,297,499 stock acquisition rights by third party allotment to Macquarie Bank Limited;
  - issue price: JP¥4 per 1 Stock Acquisition Right;
  - amount of Fund to be raised: JP¥746,931 thousand (Estimated Net Receivable Amount);
  - uses of funds: mainly for working capital, repayments of short term loans and promissory notes

### ***(9) Capital Increase by Third Party Allotment (Debt Equity Swap)***

- **October 28, 2015:**
  - resolved to allot shares of the Company to Mr. Lai, One Heart, Mr. Lie and Mr. Harano (collectively “Creditors”) by repaying all of the outstanding promissory notes and loans, by receiving contribution in kind;
  - this is subject to shareholders’ approval on December 22, 2015 (today) in this Annual General Shareholders meeting;
  - details of this debt equity swap are as in “Matters to be resolved” from next page

## Matters to be Resolved

**Item No. 1:** To Approve the Issuance of New Shares by Third Party Allotment (“Debt Equity Swap”)

- About Item No. 1
- Chart of Item No. 1
- Results of Casting Votes on Item No. 1

## About Item No. 1

On October 28, 2015, the Board of the Company (“the Board”) has resolved to issue a total of 4,905,631 new shares by third party allotment to **repay the principal amount and interest which will be accrued up to December 22, 2015** for the promissory notes and loans due to Mr. Lai, Mr. Lie Wan Chie (“Mr. Lie”), Mr. Harano, a director of the Company, and One Heart **at the conversion price of JP¥273 per share (“Debt Equity Swap”)**.

As Mr. Lian Yih Hann (“Mr. Lian”), CEO, CFO and Chairman of the Company owns 100% shares of One Heart which is an allottee of this Capital Increase by Third Party Allotment, he has abstained from voting to the board resolution regarding the Third Party Allotment to One Heart. Mr. Harano is an allottee of this Capital Increase by Third Party Allotment, and he has abstained from voting to the board resolution regarding the Third Party Allotment to him as well.

The Board considered the proposed Debt Equity Swap may increase the value of the Company since **it will clear all the debts of the Company in the table below, squeeze the Company’s interest-bearing debts and improve our capital-to-asset ratio**. However, as the proposed Debt Equity Swap will result in substantial dilution of shareholdings and change of major shareholders of the Company, the Board would like to obtain shareholders’ approval for the transaction.

The Board proposes that the shareholders consider and, if thought fit, approve by ordinary resolution a proposed issuance of new shares by third party allotment in the form of debt equity swap, by converting the debts listed in the table next page together with interest which will be accrued up to December 22, 2015 into 4,905,631 new ordinary shares (settlement date: December 22, 2015) of the Company, at the conversion price of JP¥273 per share.

## Chart of Item No. 1

Creditors	Issuance/ Drawn down Date (2015)	Principal Amount and Interest up to December 22, 2015 (date of AGM)		Number of ordinary shares to be issued	Shareholding Ratio After DES*
		Original Currency (Unit: Thousand)	JY¥ (Unit: Thousand)		
Mr. Lai	1 May	CAD3,153	JP¥289,260	1,208,117	15.16%
	28 October	CAD442	JP¥40,556		
	Subtotal:		JP¥329,816		
Mr. Lie	29 January	SGD250	JP¥ 21,730	824,814	10.35%
	16 February	SGD248	JP¥ 21,538		
	27 February	SGD247	JP¥21,429		
	1 September	US\$654	JP¥79,014		
	12 October	US\$423	JP¥51,046		
	28 October	CAD332	JP¥30,417		
	Subtotal:		JP¥225,174		
Mr. Harano	5 February	JP¥22,638	JP¥22,638	206,212	2.59%
	27 February	JP¥11,229	JP¥11,229		
	2 March	JP¥11,216	JP¥11,216		
	3 March	JP¥11,212	JP¥11,212		
	Subtotal:		JP¥56,296		
One Heart	1 May	CAD7,027	JP¥644,621	2,666,488	33.45%
	28 October	CAD908	JP¥83,330		
	Subtotal:		JP¥727,951		
Total:			JP¥1,339,238	4,905,631	61.55%

On October 28, 2015, One Heart, a company 100% owned by Mr. Lian, has agreed to transfer part of the Promissory Note held by One Heart to the extent of :

- (a) CAD436 thousand (JPY40 million) to Mr. Lai and
- (b) CAD327 thousand (JPY30 million) to Mr. Lie

at no consideration (the “Transfer”), in order to reach agreement with creditors to implement this Capital Increase by Third Party Allotment which is subject to obtaining shareholders’ approval at the AGM.

Chart of the proposed debt equity swap after the transfer above are as in the chart on the left.

(Note) The foreign currency exchange rates used in this agenda are from the quotations by the Bank of Tokyo-Mitsubishi UFJ, Ltd as of October 27, 2015 (middle rate) are US\$1.00 = JP¥120.76, CAD1 = JP¥91.73, HK\$1.00 = JP¥15.58 and SGD1 = JP¥86.83.

\* It is the ratio of the shares to be issued to each creditor pursuant to the Capital Increase by Third Party Allotment against the pro-forma outstanding number of shares (ordinary and preferred) of the Company of 7,970,428.79 (total of 4,905,631 shares (ordinary) to be issued by this Capital Increase by Third Party Allotment and issued share capital of 3,064,797.79 shares (ordinary and preferred shares) as of October 27, 2015) after this Capital Increase by Third Party Allotment.

## Results of Casting Votes on Item No.1

Item Number	For	Against	Result
1	938,815	620,837	Passed

# Q&A