GINSMS Inc.

Condensed Interim Consolidated Financial Report

Three month periods ended June 30, 2015 and 2014

(Unaudited)

Unaudited Condensed Interim Consolidated Financial Statements

Responsibility for condensed interim consolidated financial statements

GINSMS Inc. condensed interim consolidated financial statements have been prepared by management in accordance with International Financial Reporting Standards consistently applied. These interim statements are presented on the accrual basis of accounting. Therefore, estimates and approximations have been made using careful judgment. Recognizing that the Corporation is responsible for both the integrity and objectivity of the interim consolidated financial statements, management is satisfied that these condensed interim consolidated financial statements have been fairly presented.

Auditor involvement

The auditor of GINSMS Inc. has not performed a review of the unaudited condensed interim consolidated financial statements for the three months periods ended June 30, 2015 and 2014.

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GINSMS Inc.

Condensed Interim Consolidated Statements of Financial Position (unaudited)

(In Canadian Dollars)	***(Unaudited)***	*(Audited)*
	June 30,	*March 31,*
As at,	***2015***	*,2015*
Assets		
Current		
Cash	**$172,981**	$515,208
Accounts receivable and other, net (Note 10)	**990,921**	781,552
Prepaid expenses	**80,822**	109,062
	$1,244,724	1,405,822
Non-current		
Property and equipment *(Note 6)*	**64,908**	70,809
Developmental expenditures *(Note 7)*	**582,200**	606,044
Goodwill *(Note 4)*	**-**	-
Intangible assets - contracts *(Note 5)*	**-**	-
Intangible assets - software *(Note 5)*	**-**	-
	$1,891,832	$2,082,675
Liabilities		
Current		
Accounts payable and accrued liabilities *(Note 11)*	**$1,187,666**	$1,160,432
Provision for taxation	**410**	-
Convertible debentures *(Note 9)*	**8,692,665**	8,290,903
Promissory note payable *(Note 8)*	**400,000**	400,000
	10,280,741	9,851,335
Non-current		
Deferred income tax liability	**3,184**	1,145
Loans from related parties *(Note 12 and 16)*	**2,466,345**	2,293,970
	$12,750,270	$12,146,450
Shareholders' Equity (Deficiency)		
Share capital *(Note 13)*	**$1,339,386**	$1,339,386
Reserves *(Note 14)*	**131,995**	131,995
Equity component of convertible debentures *(Note 9)*	**35,776**	35,776
Deficit	**(12,426,430)**	(11,590,406)
Accumulated other comprehensive income	**65,258**	23,363
Total equity (deficiency) attributable to equity shareholders of the Corporation	**(10,854,015)**	(10,059,886)
Non-controlling interest	**(4,423)**	(3,889)
Total equity (deficiency)	**(10,858,438)**	(10,063,775)
Total equity (deficiency) and liabilities	**$1,891,832**	$2,082,675

Description of business, continuing operations *(Note 1)*
Commitments *(Note 15)*
Subsequent events *(Note 19)*

On behalf of the Board

Director	**Director**
/s/ "Joel Siang Hui Chin"	*/s/ "Man Kon Lai"*

The accompanying notes are an integral part of these consolidated financial statements

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GINSMS Inc.

Condensed Interim Consolidated Statements of Comprehensive Loss

(In Canadian Dollars) **For the three month period ended**	***(Unaudited)*** ***June 30, 2015***	*(Unaudited)* *June 30, 2014*
Revenue	**$1,071,046**	$333,103
Cost of sales	**993,728**	279,037
	77,318	54,066
Expenses		
Salaries and wages *(Note 16)*	**165,587**	226,037
Professional fees	**79,387**	44,165
General and administrative	**86,860**	58,244
Amortization and depreciation (Notes 5, 6 and 7)	**3,297**	98,654
Foreign currency exchange loss	**32,869**	15,597
Interest expense	**141,660**	11,402
Finance expense *(Notes 8 and 9)*	**401,762**	332,310
	911,422	786,409
Loss before income taxes	**(834,104)**	(732,343)
Income tax expense (benefit)		
Current	**(20)**	-
Deferred	**2,592**	82
	2,572	82
Net loss for the year	**(836,676)**	(732,425)
Other comprehensive (loss), net of tax		
Foreign exchange differences arising from translation of foreign currency financial statements during the year	**41,895**	(9,202)
Comprehensive loss	**$(794,781)**	$(741,627)
Net loss attributable to:		
Non-controlling interest	(652)	(506)
Equity shareholders	(836,024)	(731,919)
	$(836,676)	(732,425)
Total comprehensive loss attributable to:		
Non-controlling interest	(534)	(420)
Equity shareholders	(794,247)	(741,207)
	$(794,781)	$(741,627)
Net loss per share		
Basic	$(0.02)	$(0.01)
Diluted	$(0.02)	$(0.01)
Weighted average number of shares outstanding		
Basic and diluted	51,537,499	51,427,910

The accompanying notes are an integral part of these consolidated financial statements

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GINSMS Inc.

Condensed Interim Consolidated Statement of Changes in Equity

For the three month periods ended June 30, 2015 and June 30, 2014

(Unaudited)

(In Canadian Dollars)

For the three months ended	*Share capital*	*Subscriptions received*	*Reserves*	*Equity component of convertible debentures*	*Deficit*	*Accumulated other comprehensive income (loss)*	*Non-controlling interest*	*Total deficit*
Balance March 31, 2015	**1,339,386**	**$ -**	**$131,995**	**$35,776**	**$ (11,590,406)**	**$23,363**	**$(3,889)**	**$(10,063,775)**
Net loss for the year	**-**	**-**	**-**	**-**	**(836,024)**	**-**	**(652)**	**(836,676)**
Other comprehensive loss	**-**	**-**	**-**	**-**	**-**	**41,895**	**118**	**42,013**
Balance June 30, 2015	**$1,339,386**	**$ -**	**$131,995**	**$35,776**	**$ (12,426,430)**	**$65,258**	**$(4,423)**	**$(10,858,438)**

For the three months ended	*Share capital*	*Subscriptions received*	*Reserves*	*Equity component of convertible debentures*	*Deficit*	*Accumulated other comprehensive income (loss)*	*Non-controlling interest*	*Total deficit*
Balance March 31, 2014	**1,339,386**	**-**	**429,431**	**35,776**	**(5,114,619)**	**89,628**	**(1,176)**	**(3,221,574)**
Net loss for the year	**-**	**-**	**-**	**-**	**(731,919)**	**-**	**(506)**	**(732,425)**
Other comprehensive loss	**-**	**-**	**-**	**-**	**-**	**(9,202)**	**86**	**(9,116)**
Balance June 30, 2014	**$1,339,386**	**$ -**	**$429,431**	**$35,776**	**$ (5,846,538)**	**$80,426**	**$(1,596)**	**$(3,963,115)**

The accompanying notes are an integral part of these consolidated financial statements

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GINSMS Inc.

Condensed Interim Consolidated Statements of Cash Flows

(In Canadian Dollars)	***(Unaudited)***	*(Unaudited)*
	June 30,	*June 30,*
For the years ended March 31,	***2015***	*2014*
Operating activities		
Net loss for the period	**$ (836,676)**	$(732,425)
Deferred income tax expense (benefit)	**2,592**	(62)
Interest expenses	**141,660**	11,402
Foreign currency exchange loss	**32,869**	15,597
Accretion on convertible debentures	**401,762**	332,310
Depreciation of property and equipment	**12,166**	12,255
Amortization of intangible assets	**-**	94,930
Amortization of development expenditures	**28,774**	47,252
Changes in working capital items:		
Accounts receivable and other	**(222,104)**	(39,376)
Prepaid expenses and deposit	**26,066**	7,329
Accounts payable and accrued liabilities	**49,600**	29,766
Net cash used in from operating	**(363,291)**	(221,022)
Financing activities		
Loans from related parties	**54,523**	299,534
Net cash from financing activities	**54,523**	299,534
Investing activities		
Property and equipment	**(7,219)**	(5,240)
Development costs	**(9,405)**	(33,300)
Net cash used in from investment	**(16,624)**	(38,540)
Effect of exchange rate changes on cash	**(16,835)**	(10,063)
Increase / (Decrease) in cash	**(342,227)**	29,909
Cash, beginning of year	**515,208**	115,309
Cash, end of year	**$172,981**	$145,218
Income tax paid	**$-**	$-
Interest paid	**$-**	$-

The accompanying notes are an integral part of these consolidated financial statements

(In Canadian Dollars)

1. Description of business, continuing operations and going concern

GINSMS Inc. (the "Corporation") was incorporated in Alberta under the Canada Business Corporations Act on March 20, 2009. On June 9, 2009, the Corporation acquired 100% of the issued and outstanding common shares of Global Edge Technology Limited (Global) and continues operating through its subsidiary Global. The address of the Corporation's registered office is Suite 3000, 700 – 9th Avenue S.W., Calgary, Alberta, T2P 3V4. The Corporation's shares trade on the TSX Venture Exchange ("TSXV").

On September 28, 2012, the Corporation completed an arm's length share purchase agreement with Inphosoft Pte. Ltd. ("Inphosoft"), a private corporation governed by the laws of Singapore, to acquire all of the issued and outstanding shares of Inphosoft's wholly owned subsidiary, Inphosoft Group Pte. Ltd., which wholly owns the subsidiaries of Inphosoft Technology Sdn Bhd, Inphosoft Malaysis Sdn Bhd, Inphosoft Singapore Pte Ltd., and 99% owns PT Inphosoft Indonesia. As of June 30, 2015, the 1% non-controlling interest of PT Inphosoft Indonesia is held by Siang Hui (Joel) Chin, the Chief Executive Officer of the Corporation.

Global is a private limited company incorporated in the British Virgin Islands. The address of its registered office is P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands. The address of its principal place of business is 14/F., Hang Lung House, 184-192 Queen's Road Central, Hong Kong.

Inphosoft is a private Corporation limited by share which was incorporated on September 18, 2009 under the Singapore Companies Act (Cap. 50, Statues of the Republic of Singapore). Inphosoft's head office, which also serves as its registered office is located at 750C Chai Chee Road, #04-02, Technopark@ChaiChee, Singapore 469003.

The principal activities of the Corporation are the provision of inter-operator short message services ("IOSMS") in Hong Kong, and the design and development of custom software (and related license fees, support and maintenance) primarily related to mobile data applications ("mobile data solutions"). With effect from September 12, 2014, the Corporation discontinued its IOSMS service and began a transition into the cloud-based application-to-peer messaging business ("A2P"). Through the provision of A2P service, the Corporation enables the mobile application developers, short message service ("SMS") gateway, enterprises and financial institution to deliver SMS worldwide without any upfront capital investment through the use of the Corporation's rich application programming interface. Software and related revenues are primarily derived from customers in Singapore, Malaysia and Indonesia. The condensed interim consolidated financial statements of the Corporation as at and for the three months ended June 30, 2015 and 2014 comprise the Corporation and its subsidiaries

2. Basis of preparation

These unaudited interim condensed financial statements of the Corporation as at and for the three months ended June 30, 2015 have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). Specifically they have been prepared in accordance with International Accounting Standard (IAS) 34 Interim Financial Reporting. The unaudited interim condensed consolidated financial statements do not include all of the information required for annual financial statements and should be read in conjunction with the audited consolidated financial statements for the year ended March 31, 2015 which have been prepared in accordance with IFRS.

The policies applied in these consolidated financial statements are based on IFRS issued and outstanding as of August 17, 2015, the date the Board of Directors approved the statements.

Amounts are reported in Canadian dollars unless otherwise indicated

3. Summary of significant accounting policies

The significant accounting policies used in the preparation of these unaudited condensed interim consolidated financial statements are described in Note 3 of the audited consolidated financial statements for the year ended March 31, 2015. There have been no changes to our accounting policies since March 31, 2015, except for the following: Amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's unaudited condensed interim consolidated financial statements. The Company has not early adopted these standards and is currently assessing the impact these standards will have on its unaudited condensed interim consolidated financial statements

New standards and interpretations not yet adopted

Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates that are either not applicable or are not expected to have a significant impact on the Company's financial statements. The Company has not early adopted these standards and is currently assessing the impact these standards may have on its financial statements

(a) IFRS 9 Financial Instruments: amended as part of an ongoing project to replace IAS 39 Financial instruments: Recognition and measurement. The standard requires classification of financial assets into two measurement categories based on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. The categories are those measured at fair value and those measured at amortized cost. The classification and measurement of financial liabilities is primary unchanged from IAS 39, other than the fair value measurement option which now addresses an entity's own credit risk. Additional amendments are expected with respect to de-recognition of financial instruments, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after January 1, 2018.

(b) IFRS 15 – Revenue from Contracts with Customers - In May 2014, the IASB issued IFRS 15, Revenue from Contracts with Customers, which establishes principles for reporting the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. It provides a single model in order to depict the transfer of promised goods or services to customers. The core principle of IFRS 15 is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. IFRS 15 also includes a cohesive set of disclosure requirements that would result in an entity providing comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers. This standard is effective for annual periods beginning on or after January 1, 2017 with earlier adoption permitted.

(c) IFRS 8 - Operating Segments - Annual Improvements to IFRS 2010— 2012 Cycle modified the disclosure requirements of IFRS 8. An entity is required to disclose the judgments made by management in applying the aggregation criteria to operating segments. Secondly, the improvements clarified that an entity shall only provide reconciliations of the total of the reportable segments' assets to the entity's assets if the segment assets are reported regularly. The improvements are effective for annual periods beginning on or after July 1, 2014. Adoption of the improvements is not expected to have a material effect on the Corporation's consolidated financial statements.

(d) IAS 24, Related Parties (IAS 24) was amended in December 2013. This amendment requires including, as a related party, an entity that provides key management personnel services to the reporting entity or to the parent of the reporting entity (the management entity). Disclosure of the amounts charged to the reporting entity is required. This amendment is effective for periods beginning on or after July 1, 2014. The standard will not a have a material impact on the Corporation's consolidated financial statements.

Reclassifications

Prior period condensed interim consolidated financial statement amounts have been reclassified to conform to current period presentation

(In Canadian Dollars)

4. Goodwill

Cost

Balance, beginning of April 1, 2014	**$**	**2,830,364**
Impairment loss recognized		**2,830,364**
Balance at March 31, 2015 and June 30, 2015	**$**	**-**

Impairment testing

The Corporation performs its annual goodwill impairment testing in the fourth quarter of each year in accordance with its policy as described in note 3 (i). As mentioned in note 3(a), the goodwill represents the excess of the consideration on acquisition of Inphosoft Group. The consideration, or purchase price, was computed based on forecasted revenue and profit before income tax of Inphosoft Group for the years from 2013 to 2016. However, revenue and profit before income tax of Inphosoft Group for March 31, 2014 and 2015 have not met the forecast. In the recent 2015 forecast of the Corporation prepared by management, Inphosoft Group is now expected to continue to incur net losses through the year ending 2019. Inphosoft Group is forecasted to continue to be in net cash deficit through 2020 which is expected to require funding by GIN and loans from related parties. The intangible assets (Note 5) is part of the acquired assets of Inphosoft Group by the Corporation and is also subjected to impairment testing. The recoverable amount of the goodwill and intangible assets were determined to be below its carrying value at March 31, 2015, and accordingly, the goodwill and intangible assets were considered fully impaired during the year ended March 31, 2015..

5. Intangible assets

Cost	Contracts	Software	Total
Balance at April 1, 2014	$ 444,717	$ 786,750	$ 1,231,467
Additions	-	-	-
Impairment (Note 4)	(444,717)	(786,750)	(1,231,467)
Balance at March 31, 2015 and June 30, 2015	$ -	-	-

Accumulated amortization	Contracts	Software	Total
Balance at April 1, 2014	$ 333,536	$ 236,025	$ 569,561
Amortization for the year	111,181	157,350	268,531
Impairment (Note 4)	(444,717)	(393,375)	(838,092)
Balance March 31, 2015 and June 30, 2015	$ -	-	-
Net book value at March 31, 2015	$ -	$ -	$ -
Net book value at June 30, 2015	$ -	$ -	$ -

(In Canadian Dollars)

6. Property and equipment

June 30, 2015 **Cost**		**Computer equipment and software**
Balance, beginning of year	**$**	**173,106**
Exchange differences		**(2,349)**
Additions		**7,219**
Balance at June 30, 2015	**$**	**177,976**

Accumulated depreciation		**Computer equipment and software**
Balance, beginning of year	**$**	**102,297**
Exchange differences		**(1,395)**
Depreciation for the period		**12,166**
Balance June 30, 2015		**113,068**
Net book value at June 30, 2015	**$**	**64,908**

March 31, 2015 Cost		Computer equipment and software
Balance, beginning of year	$	154,149
Exchange differences		9,897
Additions		9,060
Balance at March 31, 2015	$	173,106

Accumulated depreciation		Computer equipment and software
Balance, beginning of year	$	45,275
Exchange differences		8,244
Depreciation for the year		48,778
Balance March 31, 2015		102,297
Net book value at March 31, 2015	$	70,809

(In Canadian Dollars)

7. Development expenditures

		Cost	Accumulated Depreciation	Total
Balance, March 31, 2014		**889,068**	**(130,390)**	**758,678**
Additions		**154,130**	**-**	**154,130**
Amortization		**-**	**(172,104)**	**(172,104)**
Impairment		**(258,680)**	**94,224**	**(164,456)**
Translation difference		**45,131**	**(15,335)**	**29,796**
Balance at March 31, 2015	**$**	**829,649 $**	**(223,605) $**	**606,044**
Additions		**9,405**	**-**	**9,405**
Amortization		**-**	**(28,774)**	**(28,774)**
Translation difference		**(5,019)**	**544**	**(4,475)**
Balance at June 30, 2015	**$**	**834,035 $**	**(251,835) $**	**582,200**

Research costs recognized as expense for the three months ended June 30, 2015 and June 30, 2014 are $93,892 and $58,093 respectively.

8. Promissory note payable

		Total
Balance, March 31, 2014	**$**	**400,000**
Accretion for the year		**-**
Balance at March 31, 2015	**$**	**400,000**
Accretion for the period		**-**
Balance at June 30, 2015	**$**	**400,000**

For part of the acquisition of Inphosoft Group on September 28, 2012 (Note 3(a)), the Corporation issued a $400,000 non-interest bearing promissory note payable, due on the first year anniversary date of the closing date. The note had an initial present value of $366,523 with accretion recorded at an annual interest rate of 6%. The Corporation is currently in discussions with the note holder on extending the due date on the note payable, and the note holder has advised the Corporation that it will not call the note in the next twelve months.

(In Canadian Dollars)

9. Convertible debentures

		Total
Balance, March 31, 2014	**$**	**6,857,677**
Accretion for the year		**1,433,226**
Balance at March 31, 2015	**$**	**8,290,903**
Accretion for the period		**401,762**
Balance at June 30, 2015	**$**	**8,692,665**

The face value of the convertible debentures issued as part of the transaction on September 28, 2012 is $10.5m. The convertible debentures have a due date three years from date of closing (September 28, 2015) and are non-interest bearing, convertible at any time into common shares at $0.10 per share. The value assigned to the conversion option for the convertible debentures is $35,776.

Accretion has been recorded at the implied interest rate of 19.44%.

On March 31, 2014, Inphosoft Pte. Ltd ("IPL"), the holder of convertible debentures for a principal amount of $9,109,267 entered into an Escrow Purchase Agreement for the sale of convertible debentures with a principal amount of $6,255,484 (the "Convertible Debenture s") to One Heart (Note 13a) for aggregate consideration of $6,255,484. The transfer of the Convertible Debentures was approved by TSX Venture Exchange ("TSXV") and was completed on December 22, 2014.

On January 15, 2015, One Heart granted an option to Xinhua Mobile Limited ("Xinhua Mobile") to purchase the Convertible Debentures. The exercise price of the option is equal to the face value of the Convertible Debentures. Xinhua Mobile exercised the Option on May 1, 2015 and entered into a Convertible Debentures Purchase Agreement with One Heart to purchase the Convertible Debentures for total consideration of $6,255,484. The purchase price will be payable by way of a promissory note. The note will be due and payable 6 months from its issuance and will bear an interest of 18% per annum compounded on a daily basis. The transaction has not closed.

10. Accounts receivable and other (net)

	June 30, 2015	March 31, 2015
Accounts receivable (third parties)	**754,056**	684,293
Unbilled receivable (a related party)	**127,012**	-
Amounts due from customers on contracts	**109,853**	97,259
Total	**990,921**	781,552

Unbilled receivable from a related party is due from a company that is 85% owned by the Chief Executive Officer of the Corporation (Note 16).

(In Canadian Dollars)

11. Accounts payable and accrued liabilities

	June 30, 2015	March 31, 2015
Accounts payable	**696,085**	546,895
Amounts due to customers on contracts	**58,757**	54,685
Deferred income	**68,541**	130,206
Accrued liabilities	**364,283**	428,646
Total	**1,187,666**	1,160,432

Accrued liabilities consist mainly of accrued rental, professional fees and general administration expenses incurred by the employees.

12. Loans from related parties

	June 30, 2015	March 31, 2015
Loan from an officer	**1,933,754**	1,791,869
Loan from a director of a subsidiary	**12,248**	11,546
Loan from a related party	**520,343**	490,555
Total	**2,466,345**	2,293,970

The non-trade loans from related parties amounting to $2,466,345 (March 31, 2015: $2,293,970) are unsecured and bear interest at rates of 12% to 24% per annum (compounded daily based on a 365-day year) (Note 16).

At March 31, 2015, the loan of $520,343 (March 31, 2015: $490,555) is from Inphosoft Pte Ltd, the former holding company of Inphosoft Group Pte Ltd.

The Chief Executive Officer of the Corporation and Inphosoft Pte Ltd have advised the Corporation that they will not demand payment of the loans before March 31, 2016. Loan from a director of a subsidiary is repayable on demand.

(In Canadian Dollars)

13. Share Capital

Authorized:
Unlimited common shares
Unlimited preferred shares, non-voting, non-participating, non-cumulative dividends, redeemable and retractable at the amount paid

Issued:	Common Shares	June 30, 2015 Amount	Common Shares	March 31, 2015 Amount
Balance, beginning of year	**51,537,499**	**$ 1,339,386**	51,537,499	$ 1,339,386
Balance, end of year	**51,537,499**	**1,339,386**	51,537,499	1,339,386

a) Transfer of 20% shareholding of the Corporation to One Heart International Limited

The Corporation's Chairman of the Board of Directors, Mr. Jonathan Lai, through a company called Panaco Limited, and another company in which Mr. Lai held a five percent ownership interest, Royal Link Investment Limited, entered into a Share Purchase Agreement with One Heart International Limited ("One Heart") to sell 10,307,500 common shares of the Corporation representing 20% of all of the issued and outstanding common shares of the Corporation (collectively the "Common Shares").

One Heart is controlled by Mr. Yih Hann Lian, the co-founder and a former Chairman and director of Inphosoft Group Pte Ltd ,a wholly owned subsidiary of the Corporation. He is also the Chief Executive Officer of Xinhua Holdings Limited. One Heart has paid an aggregate purchase price of $1,546,125 or $0.15 per Common Share in consideration for the sale of the Common Shares. The purchase price is payable by way of two promissory notes. Each note is due and payable three months from its issuance and bears an interest of 18% per annum. The transfer of the Common Shares to One Heart was approved by the TSX Venture Exchange ("TSXV") and shareholders. The transaction was completed on December 22, 2014.

b) Transfer of 54.57% shareholding of the Corporation to Xinhua Mobile Limited

On January 15, 2015, the Corporation was informed that Mr. Lai, Panaco and One Heart have entered into Share Purchase Agreements with Xinhua Mobile Limited ("Xinhua Mobile") to sell 28,123,320 common shares of the Corporation representing 54.57% of all of the issued and outstanding common shares of the Corporation (collectively the "Common Shares").

Xinhua Mobile is a 100% owned subsidiary of Xinhua Holdings Limited ("Xinhua Holdings", together with its subsidiaries "Xinhua Group"). Xinhua Group is a multi-disciplinary group headquartered in Hong Kong and doing business in China and other Asian countries, including Japan. Xinhua Holdings' securities are listed on the Tokyo Stock Exchange's ("TSE") Mothers Board (9399).

Xinhua Mobile is to pay an aggregate purchase price of $6,235,537 or $0.35 per Common Share in consideration for the sale of 17,815,820 Common Share from Mr. Lai and Panaco. The purchase price is to be payable by way of two promissory notes and all of the equity interest in a PRC subsidiary of Xinhua Group. Each note will be due and payable three months from its issuance and will bear an interest of 18% per annum compounded on a daily basis. In addition, Xinhua Mobile will pay an aggregate purchase price of $1,546,125 or $0.15 per Common Share in consideration for the sale of 10,307,500 Common Share from One Heart. The purchase price will be payable by way of a promissory note. The note will be due and payable six months from its issuance and will bear an interest of 9% per annum compounded on a daily basis. The transfer of the Common Shares to Xinhua Mobile obtained approval of the TSX Venture Exchange ("TSXV") on April 13, 2015 and the shareholders on June 3, 2015. The transaction is in the process of completion.

(In Canadian Dollars)

14. Reserves

The Corporation has adopted a stock-option plan which provides that the Board of Directors of the Corporation may from time to time, in its discretion and in accordance with the Exchange requirements, grant to directors, officers, employees and consultants of the Corporation and its subsidiaries, non-transferable options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed 10% of the total issued and outstanding common shares of the Corporation, for a period of up to ten years from the date of the grant. It is at the discretion of the Board of Directors of the Corporation to determine the time during which options shall vest and the method of vesting, or that no vesting restriction shall exist.

Options granted to Consultants performing investor relations activities contain vesting provisions such that vesting occurs over at least twelve months with no more than 1/4 of the options vesting in any three month period. The number of common shares reserved for issuance to any individual director or officer of the Corporation will not exceed 5% of the issued and outstanding common shares and the number of common shares reserved for issuance to all technical consultants, if any, will not exceed 2% of the issued and outstanding common shares.

If an option holder ceases to be a director, officer, or technical consultant of the Corporation for any reason other than death, the option holder may exercise options at the date of the cessation of the optionee's position or arrangement with the Corporation, provided that if the cessation of such position or arrangement was by reason of death, the option may be exercised within a maximum period of one year after such death, subject to the expiry date of such option.

	Exercise Price	Number of options	Reserve Balance
Balance, March 31, 2014		**800,000**	**$ 429,431**
Fair value adjustment of options		**-**	**(297,436)**
Balance, March 31, 2015		**800,000**	**131,995**
Balance, June 30, 2015		**800,000**	**131,995**

For the three months ended June 30, 2015 and year ended March 31, 2015, all outstanding options to purchase common shares that were outstanding during the respective periods were not included in the calculations of the weighted average number of shares outstanding as they were anti-dilutive.

As of June 30, 2015, the weighted average remaining contractual life for the 800,000 options outstanding to directors and officers is 6 years (March 31, 2015: 6.3 years) with all options being fully exercisable. All options were fully vested as of June 30, 2015, and no expense was recognized for the three months ended June 30, 2015 and year ended March 31, 2015.

(In Canadian Dollars)

15. Commitments

The Corporation has lease agreements outstanding for various terms up to May 15, 2018. Payments are to be incurred in SGD, RMB and Indonesian Rupiah (“IDR”), the CDN equivalent as of June 30,, 2015 is a total of CDN $204,000, of which CDN $85,000 is to be incurred within one year of the statement of financial position date and CDN $119,000 after one year and within five years.

16. Related party transactions

The Corporation has the following related party transactions for the three months ended June 30, 2015 and 2014:

	June 30, 2015	June 30, 2014
Software and related revenue from a company 85%-owned by an officer	**$ 126,926**	-
Consulting fees paid to a director	**3,364**	2,955
Management salaries paid to directors of a subsidiary	**60,820**	57,225
Management salaries paid to an officer	**32,717**	30,793
Rent charged by a family member of a director	**-**	2,955
Interest charged on loan from an officer	**110,817**	2,217
Interest charged on loan from a director of a subsidiary	**709**	290
Interest charged on loan from related parties	**30,134**	8,893

The non-trade loans from the related parties amounting to $2,466,345 (March 31, 2015 - $2,293,970), is disclosed in Note 12.

Included in accounts payables and accrued liabilities is an amount of $50,061 (March 31, 2015: $47,370) owed to related parties.

Included in accounts receivables and other (net) is an unbilled receivable of $127,012 (March 31, 2015: $Nil) owed by a related party (Note 10).

The above transactions are in the normal course of operations at arms-length and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

(In Canadian Dollars)

16. Related party transactions *(Continued from previous page)*

	3 months to June 30, 2015	3 months to June 30, 2014
Salaries and wages (Included cost of sales)		
Key management personnel (other than directors)		
- salaries and related costs	**86,491**	81,750
- contributions to defined mandatory contribution funds	**7,046**	6,267
Other than directors and key management personnel		
- salaries and related costs	**188,940**	202,458
- contributions to defined mandatory contribution funds	**25,077**	23,853
- staff welfare	**8,468**	7,830
	316,022	322,158

(In Canadian Dollars)

17. Financial risk management

The Corporation is exposed to financial risks due to the nature of its business and the financial assets and liabilities it holds. The following discussion reviews material financial risks, quantifies the associated exposures, and explains how these risks, and the Corporation's capital, are managed.

a) Market risk

Cash flow and fair value interest rate risk.

As the Corporation has no significant interest-bearing assets, its earnings and operating cash flows are substantially independent of change in market interest rates.

The Corporation's interest rate risk would arise from borrowings, issued at variable rates and expose the Corporation to cash flow interest rate risk. Borrowings issued at a fixed rate expose the Corporation to fair value interest rate risk. The Corporation is not exposed to such risk as June 30, 2015 and March 31, 2015.

b) Credit risk

Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions. The Corporation reduces this risk by dealing with creditworthy financial institutions.

Credit risk also results from the possibility that a loss may occur from the failure of another party to adhere to payment terms. To lower this risk, the Corporation's extension of credit is based on an evaluation of each customer's financial condition. Management reviews the ageing of trade accounts receivable and other factors relating to the risk that customer accounts may not be paid in full and, when appropriate, reduces the carrying value to provide for possible loss. No loss has been charged to income during the three months ended June 30, 2015 and year ended March 31, 2015.

(In Canadian Dollars)

17. Financial risk management *(Continued from previous page)*

The following table summarizes the accounts receivable overdue:

	Total	Due in 30 days	30 to 90 days overdue	Over 90 days overdue
June 30, 2015	$ 990,921	$ 886,630	$ 54,625	$ 49,666
March 31, 2015	781,552	$ 715,180	$ 31,298	$ 35,074

As at June 30, 2015, approximately 89% of significant individual accounts receivable was owed from four customers (March 31, 2015 – 95% was owed from four customers).

The carrying amount of cash and accounts receivable represents the Corporation's maximum credit exposure.

c) Liquidity risk

The Corporation manages its risk of not meeting its financial obligations through management of its capital structure, and annual budgeting of its revenues, expenditures and cash flows.

Accounts payable and accrued liabilities arise in the normal course of business, and all amounts are due within three months or less of the statement of financial position date except for $15,739 as of June 30, 2015 (March 31, 2015 - $17,249) which are due between three and twelve months of the consolidated statement of financial position as June 30, 2015.

The Corporation has working capital deficiency of $9,036,017 as at June 30, 2015 (March 31, 2015 -$8,445,513). The liquidity risk is mitigated as the Corporation is currently in discussions on extending the due date on the promissory note payable of $400,000 and the interest-bearing loans financed by the related parties of $2,466,345 (March 31, 2015 -$2,293,970). These related parties have confirmed to the Corporation that they will not call the loans in the next twelve months from the year ended March 31, 2015.

d) Fair values

At June 30, 2015 and March 31, 2015, the fair values of cash, accounts receivable, accounts payable and accrued liabilities approximate their carrying values given the expected short-term to maturity of these instruments.

The Corporation has classified the financial instruments measured at fair value in accordance with a three level hierarchy. The hierarchy groups financial assets and liabilities into three levels based on the significance of inputs used in measuring the fair values of the financial assets and liabilities. The fair value hierarchy has the following levels:

(i) Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

(ii) Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

(iii) Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level within which the financial asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement. At June 30, 2015 and March 31, 2015, the Corporation's cash has been assessed at level 1 based on the fair value hierarchy above.

Assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the placement within the fair value hierarchy.

(In Canadian Dollars)

17. Financial risk management *(Continued from previous page)*

	June 30, 2015			March 31, 2015		
	Carrying value		**Fair Value**	Carrying value		Fair Value
	FVTPL	**L&R**	**Total**	FVTPL	L&R	Total
Financial assets						
Cash	**$ 172,981**	**$ -**	**$ 172,981**	$515,208	$ -	$ 515,208
Accounts receivables and other, net	**-**	**990,921**	**990,921**	-	781,552	781,552
	$ 172,981	**$ 990,921**	**$ 1,163,902**	$515,208	$ 781,552	$ 1,296,760

	June 30, 2015			March 31, 2015		
	Carrying value		**Fair Value**	Carrying value		Fair Value
	FVTPL	**Other liabilities**	**Total**	FVTPL	Other liabilities	Total
Financial liabilities						
Accounts payable and accrued liabilities	**$ -**	**$ 1,187,666**	**$ 1,187,666**	$ -	$ 1,160,432	$ 1,160,432
Loans from related parties	**-**	**2,466,435**	**2,466,435**	-	2,293,970	2,293,970
Promissory note payable	**-**	**400,000**	**400,000**	-	400,000	400,000
Convertible debentures	**-**	**8,692,665**	**8,692,665**	-	8,290,903	8,290,903
	$ -	**$ 12,746,766**	**$ 12,746,766**	$ -	$ 12,145,305	$ 12,145,305

e) Capital management

Capital is comprised of shareholders equity (deficit) on the statement of financial position. The Corporation's objective when managing capital is to safeguard its ability to continue as a going concern, so that it can continue to provide returns to shareholders. The Corporation's sources of additional capital and policies for distribution of excess capital may also be affected by the Corporation's capital management objectives.

The Corporation manages capital by regularly monitoring its current and expected liquidity requirements rather than using debt/equity ratio analyses. The capital is generally used for defraying the administrative expenses in promoting the objectives of the Corporation. The Corporation is not subject to either internally or externally imposed capital requirements. There have been no changes in the Corporation's capital management policies for the three months ended June 30, 2015.

f) Currency risk

Foreign currency risk is defined as the Corporation's exposure to a gain or a loss in the value of its financial instruments as a result of fluctuations in foreign exchange rates. The Corporation is exposed to foreign currency rate variability primarily in relation to certain assets and liabilities denominated in foreign currencies.

As well, most of its foreign operations are self-sustaining and these foreign operations' functional currencies are in HKD and SGD. The Corporation's related exposure to the foreign currency rates is primarily through cash and other working capital elements of these foreign operations.

The Corporation also mitigates foreign currency risks, within each segment, by transacting in their functional currency for material procurement, sales contracts and financing activities.

(In Canadian Dollars)

17. Financial risk management *(Continued from previous page)*

The following presents the financial instruments that are exposed to foreign exchange volatility:

June 30, 2015		**Canadian Dollars**	**Singapore Dollars**	**Hong Kong Dollars**	**CAD Equivalent**
Cash	**$**	**171 $**	**47,738 $**	**801,527 $**	**172,981**
Accounts receivable and other		**5,149**	**459,643**	**3,998,230**	**1,071,743**
Accounts payable and accrued liabilities		**(155,050)**	**(362,103)**	**(4,347,516)**	**(1,187,666)**
Loan from related parties		**-**	**(1,211,695)**	**(8,389,448)**	**(2,466,345)**

March 31, 2015		Canadian Dollars	Singapore Dollars	Hong Kong Dollars	CAD Equivalent
Cash	$	346 $	52,094 $	2,852,768 $	515,208
Accounts receivable and other		5,028	352,273	3,422,868	890,614
Accounts payable and accrued liabilities		(152,561)	(427,325)	(3,743,292)	(1,160,432)
Loan from related parties		-	(1,083,140)	(7,902,339)	(2,293,970)

18. Segmented information

a) Revenue by customers

The Corporation's reportable segments are (1) a business holding an investment in Canada; (2) provision of inter-operator short message services in Hong Kong; (3) mobile data solutions.

The revenues are primarily generated in Hong Kong, United States, and Singapore dollars. Six major customers have contributed to sales revenue for the three months ended June 30, 2015 and 2014 as indicated in the following table.

	3 months to June 30, 2015		**3 months to June 30, 2014**	
	$	**% of total revenue**	**$**	**% of total revenue**
Customer A	**580,676**	**54.2**	-	-
Next five top customers				
Customer B	**156,996**	**14.7**	-	-
Customer C	**126,927**	**11.9**	-	-
Customer D	**98,796**	**9.2**	198,937	59.7
Customer E	**26,024**	**2.4**	-	-
Customer F	**12,850**	**1.2**	-	-
All other customers	**68,777**	**6.4**	134,166	40.3
	1,071,046	**100.0**	333,103	100.0

(In Canadian Dollars)

18. Segmented information *(Continued from previous page)*

b) Revenue by geographical location

	3 months to June 30, 2015		3 months to June 30, 2014	
	$	**% of total revenue**	$	% of total revenue
Asia	**866,573**	**80.9**	139,227	41.8
Europe	**31,357**	**2.9**	193,697	58.1
North America	**156,997**	**14.7**	-	-
Other regions	**16,119**	**1.5**	179	0.1
	1,071,046	**100.0**	333,103	100.0

c) Total assets by geographical location

	June 30, 2015		March 31, 2015	
	$	**% of total assets**	**$**	**% of total assets**
Canada	**5,399**	**0.3**	5,482	0.3
Hong Kong / China	**771,071**	**40.7**	1,322,085	63.5
Singapore	**879,370**	**46.5**	561,245	26.9
Malaysia	**60,521**	**3.2**	36,831	1.8
Indonesia	**175,471**	**9.3**	157,032	7.5
	1,891,832	**100.0**	2,082,675	100.0

(In Canadian Dollars)

18. Segmented information *(Continued from previous page)*

d) Financial information by business segments

Three months ended June 30, 2015	**Investment**	**SMS**	**Mobile**	**Total**
Revenues	**-**	**808,109**	**262,937**	**1,071,046**
Amortization and depreciation	**30**	**145**	**40,765**	**40,940**
Provision for income taxes	**-**	**-**	**2,572**	**2,572**
Net (loss)	**$ (422,380)**	**$ (64,446)**	**$ (349,850)**	**$ (836,676)**
Segment assets, total	**$ 5,399**	**$ 771,071**	**$ 1,115,362**	**$ 1,891,832**
Segment liabilities, total	**(9,247,718)**	**(2,046,679)**	**(1,455,873)**	**(12,750,270)**
Total expenditures for property and equipment	**$ -**	**$ -**	**$ 16,624**	**$ 16,624**

Year ended March 31, 2015	Investment	SMS	Mobile	Total
Revenues	-	1,152,433	754,034	1,906,467
Amortization and depreciation	119	1,247	219,516	220,882
Provision for income taxes	-	-	(107)	(107)
Net (loss)	$ (5,036,536)	$ (185,325)	$ (1,553,985)	$ (6,775,846)
Segment assets, total	$ 5,482	$ 1,322,085	$ 755,108	$ 2,082,675
Segment liabilities, total	(8,843,954)	(1,610,523)	(1,691,973)	(12,146,450)
Total expenditures for property and equipment	$ -	$ -	$ 163,190	$ 163,190

19. Subsequent events

Subsequent to March 31, 2015, the transfer of the Common Shares to Xinhua Mobile was approved by the TSXV on April 13, 2015 and by the shareholders of the Corporation during the Corporation's most recent Annual and Special Meeting of Shareholders held on June 3, 2015. The transaction is in the process of completion (Note 13).