

## **1. DATE AND GENERAL INFORMATION**

This management's discussion and analysis ("MD&A") of GINSMS Inc. ("GINSMS" or the "Corporation") has been prepared by management and should be read in conjunction with the Corporation's annual audited financial statements and MD&A as at and for the period ended December 31, 2017, the Corporation's consolidated financial statements as at and for the three and twelve months ended December 31, 2017, and the notes thereto which were prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

This MD&A was prepared as of March 28, 2018. Additional information regarding the Corporation is available on SEDAR at [www.sedar.com](http://www.sedar.com). All monetary amounts set forth in the MD&A are expressed in Canadian dollars, except where otherwise stated. Other currencies are mainly United States dollars ("USD"), Hong Kong dollars ("HKD"), China renminbi ("RMB"), Singapore dollars ("SGD"), Malaysian dollars ("MYR") and Indonesian rupiah ("IDR").

The Corporation Board of Directors has reviewed and approved this MD&A.

### **Caution Regarding Forward-Looking Information**

Certain information included in this MD&A may contain forward-looking statements. Forward-looking statements generally can be identified by the use of forward-looking terminology such as "may", "could", "will", "expect", "intend", "estimate", "anticipate", "believe", or "continue" or the negative thereof or variations thereon or similar terminology. These statements are not historical facts, but reflect management's current beliefs and are based on information currently available to management regarding future results and events. Particularly, these forward-looking statements are based on management's estimate of future events based on technological advances relating to the Corporation's services, current market conditions and past experiences of management in relation to how certain contracts will affect revenues. Forward-looking statements, by their very nature, involve significant risks, uncertainties and assumptions.

A number of factors could cause actual results to differ materially from the results discussed in the forward-looking statements, including, but not limited to dependence on required licenses, dependence on major customers, system failures, delays and other problems, security and privacy breaches, adequacy of network resilience, network diversity and backup systems, loss of significant information, failure to develop, enhance or introduce new value-added services, competition, dependence on third-party software and equipment, market acceptance at desired pricing levels, key members of the management team, credit risk of accounts receivables, conflicts of interest, inability to satisfy customer demand for performance, price or terms and international risks. Although the Corporation has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results to differ from those anticipated, estimated or intended. Although the forward-looking statements contained herein are based upon what management believes to be reasonable assumptions, the Corporation cannot assure the reader that actual results will be consistent with these forward-looking statements.

In particular, forward-looking statements include the following assumptions:

- Management's belief that the availability of 3G/4G services in China and the rest of the world will continue to create demand for the Corporation's software products and services.

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- Management's belief that the future growth in messaging is in the area of application-to-person ("A2P") messaging and the Corporation's investment in this area will create a viable and profitable business in the future.
- Management's belief that the Corporation is able to generate sufficient amounts of cash through operations and financing activities to fulfil the working capital requirements of its present operations.

These forward-looking statements are made as of the date of this MD&A and the Corporation assumes no obligation to update or revise them to reflect new events or circumstances except as may be required by law. Accordingly, readers should not place undue reliance on the forward-looking statements. All forward-looking statements contained in this MD&A are qualified by this cautionary statement.

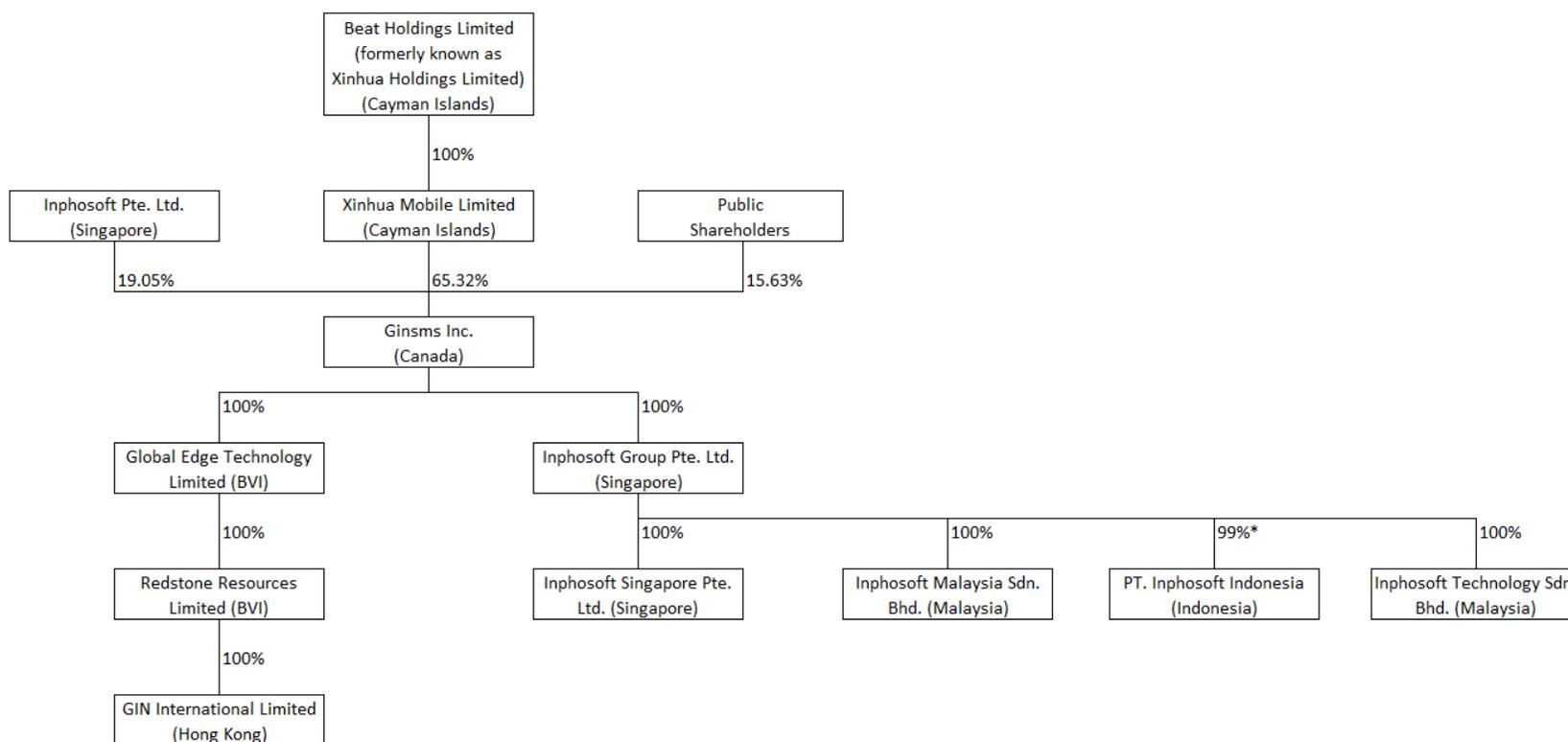
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**2. OVERALL PERFORMANCE – DESCRIPTION AND OUTLOOK OF BUSINESS**

**Group Structure**

The following chart depicts the structure of the group. The country of incorporation for each entity in the group is enclosed in brackets next to the name of the entity.



\*The remaining 1% is held by Joel Siang Hui Chin, the Chief Executive Officer of the Corporation.

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The Corporation has two main business segments:

- A. Messaging Business
- B. Software Products and Services

**A. Messaging Business**

The Corporation operates its messaging business through GIN International Ltd ("GIN"), its wholly-owned subsidiary in Hong Kong and focus exclusively on the application-to-peer ("A2P messaging") messaging business.

The A2P messaging service allows the transmission of short message services ("SMS") to mobile subscribers of more than 100 mobile operators globally. This is achieved through partnerships with service providers and direct connections with mobile operators globally. GIN's close working relationships with mobile operators in China, Hong Kong and Southeast Asia puts it in a good position to become a leading provider of A2P messaging service in Asia.

Through its cloud-based A2P messaging service, GIN enables mobile application developers, SMS gateways, enterprises and financial institutions to deliver SMS worldwide without any upfront capital investment through the use of GIN's application programming interface ("API").

Mobile application developers use A2P messaging service to deliver one-time-passwords ("OTP") for authentication of over-the-top ("OTT") mobile applications, in-app purchase confirmations or promotion of latest game releases. Enterprises and financial institutions use the A2P service in the areas of mobile marketing, mobile transactions, security, customer relationship management ("CRM") and enterprise resource planning ("ERP").

A Transparency Market Research report dated January 2018 (<http://www.transparencymarketresearch.com/pressrelease/global-a2p-sms-market.htm>) stated that the global A2P SMS market revenue stood at US\$62.01 billion in 2017 and is expected to reach US\$86.53 billion by 2025, expanding at a compound annual growth rate ("CAGR") of 4.2% therein.

For the three and twelve months ended December 31, 2017, GIN generated a slightly higher revenue of \$1,693,797 and \$6,276,759 for its A2P messaging service as compared to \$1,359,032 and \$5,459,386 for the three and twelve months ended December 31, 2016, respectively. This was caused by the higher volume of messaging traffic due to increased sales and marketing efforts undertaken by GIN in 2017.

**B. Software Products and Services**

GINSMS operates its software products and services through Inphosoft Group Pte. Ltd. ("Inphosoft"), its wholly-owned subsidiary. Inphosoft is headquartered in Singapore with subsidiaries in Malaysia and Indonesia.

The activities of Inphosoft consist of providing software products and services with a focus in the following areas:

- i. Provision of products and solutions to mobile operators in the areas 3G/4G mobile data value-added services like mobile entertainment and mobile advertising.
- ii. Provision of mobile application development services.
- iii. Provision of support and maintenance services to customers that have purchased its products and solutions.
- iv. Maintain the A2P Cloud platform, research and develop new services used by the Corporation's messaging business.

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Inphosoft Singapore Pte. Ltd. ("ISPL")

ISPL provides software products and services to local enterprises in Singapore and global companies in the telecommunication industry. The products and services provided fall largely into the following categories:

- a. Products and solutions for mobile operators in the areas of 3G/4G mobile data value-added services like mobile entertainment and mobile advertising. Revenue is generated through license fees of ISPL's products and a negotiated fixed fee for developing the bespoke software solutions required by customers. The cost of sales incurred consists mainly of the salary of the employees working on these projects (tracked by the timesheets they fill). Occasionally, cost of sales may also include subcontractor fees paid to other companies. ISPL is not actively creating new products hence the revenue from license fees will continue to decrease over time.
- b. Mobile application development services to local enterprises. Revenue is generated by two methods:
  - Charging a fixed fee to the customer for a project with a defined scope of work.
  - Charging the customer for the resources provided to the customer on a time and material basis. An example is the time and materials contract with Activate Interactive Pte. Ltd. ("Activate"). The cost of sales incurred consists mainly of the salary of employees working on these projects (tracked by the timesheets they fill).
- c. Support and maintenance services to customers that have purchased its products and services. ISPL will charge the customers a negotiated fee to provide support and maintenance services for a specified period (usually a year). The fee charged depends on the complexity of the products and solutions covered by the support and maintenance contract. Cost of sales incurred consists mainly of the salary of employees working on these projects.

ISPL is also focused on developing new features, enhancing the performance as well as providing technical support for the A2P Cloud platform that supports the Corporation's A2P business. Salaries, office rental, amortization of development costs and interest expenses on loans from related parties are the major costs of ISPL.

Inphosoft Malaysia Sdn. Bhd. ("IMSB")

IMSB is providing services to enterprise customers in Malaysia and global companies in the telecommunication industry to develop bespoke software solutions that meet the requirements of customers. IMSB will charge a customer a negotiated fixed fee for each project. The cost of sales incurred consists mainly of the salary of employees working on these projects. IMSB does not earn revenue from license fee as it does not create new products. IMSB provides technical and sales resources to support GIN's A2P business operations. IMSB also outsources its technical resources to Activate on a time and material basis. Salaries and office rental are the major costs of IMSB.

PT Inphosoft Indonesia ("PTIN")

PTIN is providing services to enterprise customers in Indonesia to develop bespoke software solutions that meet the requirements of customers. PTIN does not earn revenue from license fee as it does not create new products. However, it outsources its resources to ISPL in area of research and development. PTIN has started to provide A2P messaging service in 2016. PTIN also outsources its technical resources to Activate on a time and material basis. Salaries, amortization of development costs and office rental are the major costs of PTIN.

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Inphosoft Technology Sdn. Bhd. ("ITSB")

Finally, ITSB is a dormant company. Management feels that there is no foreseeable plan to utilize this company and will act to wind-up or dispose of this company in the future.

ISPL, IMSB and PTIN ("Inphosoft Subsidiaries") have time and material agreements ("T&M Agreements") with Activate to provide technical resources to Activate for the purpose of developing software for Activate's customers and to perform certain pre-sales roles, on a time and material basis. The revenue and margin of Inphosoft Subsidiaries have improved since the signing of the agreements with Activate. Activate is currently 43% owned by Xinhua Mobile Limited ("Xinhua Mobile"), the immediate parent of the Corporation, and 42% beneficially owned by Mr. Joel Siang Hui Chin ("Mr. Chin"), the Chief Executive Officer and a director of the Corporation.

The current focus of Inphosoft is to provide solution to support the need of existing customers and to look for additional enterprise customers to increase sales. Inphosoft is no longer focusing on creating new products. Hence professional fee and support and maintenance revenue will continue to increase or be stable. However, license fee revenue will decline over time.

This segment of the Corporation's business managed to have revenue of \$265,997 and \$1,109,914 for the three and twelve months ended December 31, 2017, compared to the \$305,979 and \$1,019,799 for the three and twelve months ended December 31, 2016, respectively.

On April 10, 2017, the Corporation completed a non-brokered private placement with its controlling shareholder, Xinhua Mobile. The private placement resulted in the Corporation raising USD700,000 and issuing 7,163,692 common shares to Xinhua Mobile at a subscription price of \$0.13 per common share (the "Private Placement") (*Section 10 - Shareholders' Equity & Disclosure of Outstanding Share Data*).

The net proceeds from the Private Placement increased the Corporation's current working capital and were used towards the Corporation's strategy to expand its A2P messaging business segment in Indonesia, Malaysia, Taiwan and China, and to support its software products and service business segment.

**3. RESULTS OF OPERATIONS FOR THE THREE AND TWELVE MONTHS ENDED DECEMBER 31 , 2017**

**Selected Profit and Loss Information**

<b>Financial Highlights</b>	<b>Three-month period ended December 31, 2017 (Unaudited)</b>	<b>Three-month period ended December 31, 2016 (Unaudited)</b>	<b>Twelve-month period ended December 31, 2017 (Audited)</b>	<b>Twelve-month period ended December 31, 2016 (Audited)</b>
Revenue (\$)				
A2P Messaging Service	1,693,797	1,359,032	6,276,759	5,459,386
Software Products & Services	265,997	305,979	1,109,914	1,019,799
	1,959,794	1,665,011	7,386,673	6,479,185
Cost of sales (\$)				
A2P Messaging Service	1,481,905	1,214,421	5,698,701	4,695,023
Software Products & Services	278,446	199,455	920,077	740,373
	1,760,351	1,413,876	6,618,778	5,435,396
Gross profit (\$)				
A2P Messaging Service	211,892	144,611	578,058	764,363
Software Products & Services	(12,449)	106,524	189,837	279,426
	199,443	251,135	767,895	1,043,789
Gross margin				
A2P Messaging Service	12.5%	10.6%	9.2%	14.0%
Software Products & Services	(4.7)%	34.8%	17.1%	27.4%
	10.2%	15.1%	10.4%	16.1%
Adjusted EBITDA <sup>(1)</sup> (\$)	(17,711)	(150,958)	(250,700)	(455,475)
Adjusted EBITDA margin	(0.9)%	(9.1)%	(3.4)%	(7.0)%
Net loss (\$)	(307,059)	(429,983)	(1,124,717)	(1,507,635)
Net loss margin	(15.7)%	(25.8)%	(15.2)%	(23.3)%
Loss per share (\$)				
Basic	(0.002)	(0.003)	(0.008)	(0.011)
Diluted	N/A	N/A	N/A	N/A

(1) Adjusted EBITDA is a non-IFRS measure which does not have any standardized meaning under IFRS. Adjusted EBITDA is related to cash earnings and is defined for these purposes as earnings before income taxes, depreciation and amortization (in both cost of sales and general and administration expenses), interest expenses, and also excludes certain non-recurring or non-cash expenditure. This non-IFRS measure is not recognized under IFRS and accordingly, shareholders are cautioned that this measure should not be construed as an alternative to net income determined in accordance with IFRS. The non-IFRS measure presented is unlikely to be comparable to similar measure presented by other issuers. The Corporation believes that Adjusted EBITDA is a meaningful financial metric as it measures cash generated from operations which the Corporation can use to fund working capital requirements, service interest and principal debt repayment and fund future growth initiatives.

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**Revenue**

For the three and twelve months ended December 31, 2017, revenue was \$1,959,794 and \$7,386,673 compared to \$1,665,011 and \$6,479,185 for the three and twelve months ended December 31, 2016. This is largely due to the increase in revenue in the messaging business segment.

a) Messaging business segment

The A2P messaging business generated revenue of \$1,693,797, \$1,610,352, \$1,623,150, \$1,349,460, \$1,359,032, \$1,211,177, \$1,483,777 and \$1,405,400 for the three-months periods ended December 31, 2017, September 30, 2017, June 30, 2017, March 31, 2017, December 31, 2016, September 30, 2016, June 30, 2016 and March 31, 2016, respectively.

Pricing of the A2P business is affected by volume, regulatory requirement in each country (i.e. destination of messages delivered), competition within the country and other factors. The margin varies from country to country and varies from customer to customer as the Corporation attempt to gain market share in different countries. The price per message is fixed for each customer but different customers may have difference price per message. The margin is lower in some countries where the messaging market is more competitive. In other market, due to the regulatory requirement, the Corporation can earn higher margin. The following analysis is based on the volume of messages delivered to various destinations. This differs from the segmented information for revenue by geographical location, which is based on the location of operations of our customers.

The increase in the revenue of the A2P messaging business is primarily caused by the increase in the volume of A2P messages delivered to South East Asia.

Messages delivered to South East Asia totaled 56.1 million, representing 78.6% of the total volume for the three months ended December 31 2017, which increased by 27.5% from the three months ended September 30, 2017 as the Corporation had directed its focus on the region and maintain the competitive pricing to the customers of its products.

Messages delivered to North East Asia totaled 15.0 million, representing 21.1% of the total volume for the three months ended December 31 2017, which decreased by 45.4% from the three months ended September 30, 2017. During the quarter ended December 31 2017, the Corporation continued to face an uphill task to fight the stiff competition in this region.

The average price per message charged to customers is \$0.0237 for the three months ended December 31, 2017 compared to \$0.0223 for the three months ended September 30, 2017. The price per message charged to customers may differ greatly depending on the location where the A2P message is delivered. For example, A2P messages delivered to China are priced at less than 50% of A2P messages delivered to Indonesia, Malaysia and Taiwan. Therefore, the average price per message for the A2P business is dependent on the number of messages delivered to each country. Furthermore, the price per message per country charged to a customer may depend on the volume commitment of the customer. For the three months ended December 31, 2017, the average price per message increased quarter-on-quarter primarily due to the higher volume of messages delivered to South East Asia where the price per message charged to customers have improved in the quarter ended December 31, 2017, hence improving the overall average price per message.

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b) Software products and services segment

Revenue in the software products and services segment decreased by 13.1% from \$305,979 for the three months ended December 31, 2016 and decreased by 7.5% from \$287,529 for the three months ended September 30, 2017 to \$265,997 for the three months ended December 31, 2017.

The decrease for the three-month period ended December 31, 2017 compared to three-month period ended September 30, 2017 was due to decrease in chargeable hours of Inphosoft staff providing technical and support resources to Activate and other customers as more staff took their annual holiday break especially in the month of December 2017.

Moving forward, the Corporation believes that the business environment in the software products and services will remain challenging. The Corporation believes it needs to focus its efforts on other areas in order to create new revenue streams.

**Cost of Sales**

	Three-month period ended December 31, 2017 (Unaudited)	Three-month period ended December 31, 2016 (Unaudited)	Twelve-month period ended December 31, 2017 (Audited)	Twelve-month period ended December 31, 2016 (Audited)
Amortization				
- Development expenditures	84,883	29,180	167,291	116,271
Depreciation				
- Property, plant and equipment	8,679	6,569	22,903	36,007
Salaries and wages	172,462	151,949	657,176	486,678
Subcontractor costs	1,481,807	1,217,683	5,702,920	4,699,725
Software & hardware	4,878	4,739	27,079	56,211
Others	7,642	3,756	41,409	40,504
	<b>1,760,351</b>	<b>1,413,876</b>	<b>6,618,778</b>	<b>5,435,396</b>

For the three and twelve months ended December 31, 2017, cost of sales was \$1,760,351 and \$6,618,778 compared to \$1,413,876 and \$5,435,396 for the three and twelve months ended December 31, 2016, respectively.

a) Messaging business segment

For the A2P messaging business, the subcontractor costs are the costs paid to mobile operators and gateway providers ("A2P Suppliers") for usage of their infrastructure to deliver A2P messages to mobile subscribers. The A2P Suppliers charged GIN a per-message cost for delivering the message. The cost per message differs depending on the country where the message was delivered and the volume commitment that GIN has made with the A2P suppliers. The higher the volume commitment, the lower the rates that GIN will be charged by the providers.

The increase of 21.7% in the subcontractor costs in the quarter ended December 31, 2017 from the quarter ended December 31, 2016 was lower than the increase of 24.6% in revenue in A2P messaging service in the same quarter and was mainly due to the Corporation managed to get slightly better price from the A2P suppliers in the South East Asia region.

For the same reason, the increase of 1.4% in the subcontractor costs in the quarter ended December 31, 2017 from the preceding quarter ended September 30, 2017 was lower than the

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increase of 5.2% in revenue in A2P messaging service in the quarter ended quarter ended December 31, 2017 from the preceding quarter ended September 30, 2017.

b) Software product and services segment

Revenues for the software products and services segment are not dependent on the amount of message volume. The cost of sales for the software products and services business is comprised of salaries and wages, amortization, depreciation and purchase of software and hardware.

Increase of salaries and wages in costs of sales for the quarter ended December 31, 2017 compared to the corresponding quarter ended December 31, 2016 is due to an increase in chargeable hours of Inphosoft staff required to provide technical and support services to Activate due to the increased number of contracts awarded by its customers.

Decrease of salaries and wages in costs of sales for the quarter ended December 31, 2017 compared to the preceding quarter ended September 30, 2017 is due to decrease in chargeable hours of Inphosoft staff providing technical and support services to Activate and other customers as more staff took their annual holiday break especially in the month of December 2017. In addition, there was reclassification of staff chargeable hours from operating expenses to costs of sales for the quarters ended March 31, 2017 and June 30, 2017 which took place in the following quarter ended September 30, 2017.

**Gross Margin**

Despite the fact that there was an increase in revenue in the messaging segment in the quarter ended December 31, 2017 compared to the quarter ended December 31, 2016, the overall gross margin of the Corporation declined to 10.2% in the three months ended December 31, 2017 from 15.1% in the quarter ended December 31, 2016. The gross loss of 4.7% in the software products and services segment was due to full year amortisation of a development project recorded in the quarter ended December 31, 2017. The adjusted gross margin for the software products and services segment was 17.6% after excluded the full year amortisation of \$59,209.

Revenue from the Activate contracts contributed to the significant increase in gross margin of the software products and services segment in recent years. Revenue from broad-based professional services provided to Activate is based on a time and material costs. Activate is a government contractor that provides software products and services tailored to the needs of agencies and ministries of the Singapore government. Activate values the skills and expertise of Inphosoft and Inphosoft is able to command a premium for its service to Activate. Gross margin of 45.1% was earned from the services rendered to Activate for the quarter ended December 31, 2017 which was higher than the total gross margin of 17.6% earned after adjustment of full year amortisation of the development project.

For the A2P messaging business, the gateway fee charged depends on how GIN negotiated the fees based on the estimated volume of messages to pass through the gateway. During the launching phase of the A2P messaging business, while no revenue was generated from this business, GIN had to charge lower fees to attract new customers. At the same time, the gateway would not provide better rate to GIN as a new player in the A2P messaging market. Consequently, the gross margin of the A2P messaging business was on average less than 10%. The gross margin improved from 13.9% in the quarter ended March 31, 2016, to 14.6% in the quarter ended June 30, 2016, to 17.2% in the quarter ended September 30, 2016, but dipped to 10.6% in the quarter ended December 31, 2016 to finally improved slightly to 11.5% in the quarter ended March 31, 2017 but dipped to 3.7% in the

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quarter ended June 30, 2017 and increased to 9.3% in the quarter ended September 30, 2017 and 12.5% in the quarter ended December 31, 2017 mainly due to improvement in gross margin for messages delivered in the South East Asia region.

For the software products and services segment, the revenue is mainly generated from the following two streams:

a) Professional services fees

Professional services revenue is generated by two methods:

- Charging a fixed fee to a customer for a project with a defined scope of work. This is mainly for developing be-spoke software solutions that meet the need of such customers.
- Charging a customer for the resources provided to this customer on a time and material basis. A fixed fee per resource per unit time (usually hour or day) is charged to the customer based on a negotiated fee for the said resource. An example is the time and materials contract with Activate.

The cost of sales incurred consists of the salary of employees working on these projects (tracked by the timesheets they fill). For the development of a be-spoke software solution based on a fixed fee, the gross margin can fluctuate depending on the fee that was negotiated and also the ability to deliver the project as per planned. Typically, the gross margin has been in the range of 10% to 20%. For time and material contracts, the gross margin is based on the mark-up for each resource, which can range from 20% for resources based in Singapore to 50% for resources based in Malaysia and Indonesia.

b) Support and maintenance fees

Inphosoft charges a fee to customers who have elected to purchase after sale support and maintenance services. The fee is usually charged on a yearly basis pre-paid in advance. Support and maintenance is provided round the clock seven days a week to customers who have purchased Inphosoft's products or bespoke software, or both, and the support and maintenance services. Cost of sales incurred is mainly the salary of the employees providing round the clock support services. The gross margin for the support and maintenance contracts is usually more than 20%.

Inphosoft research and develops its own software products for the telecommunication industry and these software products are sold by charging customers the license fees in return for the right-to-use the software. The license fee revenue has been decreasing because Inphosoft has not been creating new products and the old products did not achieve the sales volume initially expected. The revenue from license fees has now become insignificant.

The gross loss for the software products and services of 4.7% for the three months ended December 31, 2017 was due to full year amortisation of a development project recorded in the quarter ended December 31, 2017. The adjusted gross margin for the software products and services segment was 17.6% after excluding the full year amortisation of \$59,209.

The gross margin is lower than management's long-term expectations of approximately 20% to 25%. This margin could be adversely affected if there are cases of project cost overrun. Project cost overrun can occur during the delivery of a software solution to customers.

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**Operating Expenses and Finance Costs**

	Three-month period ended December 31, 2017 (Unaudited)	Three-month period ended December 31, 2016 (Unaudited)	Twelve-month period ended December 31, 2017 (Audited)	Twelve-month period ended December 31, 2016 (Audited)
Salaries and wages	180,886	189,229	715,827	923,961
Directors' fees	40,000	40,000	40,000	40,000
Professional fees	75,323	66,573	339,362	329,742
Foreign exchange (gain)/loss	(39,450)	79,400	(130,096)	95,904
Other general & administrative expenses	53,955	62,640	236,205	261,935
Allowance/(Reversal of allowance) for doubtful debts	-	(8,249)	7,489	(8,249)
Depreciation				
-Property, plant and equipment	292	1,292	1,438	11,234
Interest expenses	142,862	249,422	629,799	896,777
Loss on written-off of property, plant and equipment	52,667	-	52,667	-
	506,535	680,307	1,892,691	2,551,304

Operating expenses and finance costs amounted to \$506,535 and \$1,892,691 for the three and twelve months ended December 31, 2017, respectively, lower than the operating expenses and finance costs for the three and twelve months ended December 31, 2016. This was partly due to better utilization of the technical staff who charged more staff hours as cost of sales to projects instead of operating expenses. It was also partly due to reclassification of staff chargeable hours amounting to \$63,095 from operating expenses to costs of sales for the quarters ended March 31, 2017 and June 30, 2017 which took place in the following quarter ended September 30, 2017.

The lower operating expenses and finance costs for three and twelve months ended December 31, 2017 were also due to the lower interest rate on the loans in connection with the Private Placement. Mr. Chin, IPL and Xinhua Mobile have all agreed to lower the interest rate on the loans to 12% per annum effective March 1, 2017 as compared to 24%/28% per annum prior to March 1, 2017.

**Net loss**

The net loss for the three and twelve months ended December 31, 2017 amounted to \$307,059 and \$1,124,717 to a net loss of \$429,983 and \$1,507,635 for the three and twelve months ended December 31, 2016, respectively.

The lower net loss for the three and twelve months ended December 31, 2017 was mainly due to lower interest expenses and higher foreign exchange gain earned.

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**Selected Balance Sheet Information**

The figures reported below are based on the unaudited consolidated financial statements of the Corporation which have been prepared in accordance with IFRS.

	<b>December 31, 2017 (Audited) \$</b>	December 31, 2016 (Audited) \$
<b>Current Assets</b>		
Accounts receivable	1,238,898	1,822,661
Other receivables, prepayments and deposits	158,429	164,182
Bank and cash balances	340,765	139,808
	1,738,092	2,126,651
<b>Non-Current Assets</b>		
Property, plant and equipment	36,769	35,660
Development expenditures	297,436	464,779
<b>TOTAL ASSETS</b>	<b>2,072,297</b>	<b>2,627,090</b>
<b>Current Liabilities</b>		
Accounts payable and accrued liabilities	1,539,484	2,096,917
Advances from related parties	475,620	756,079
Promissory note payable	484,000	436,000
Loan from a related party	284,217	261,273
Current tax liabilities	601	5,317
	2,783,922	3,555,586
<b>Non-Current Liabilities</b>		
Loans from related parties	4,170,273	3,740,061
Deferred tax liability	1,153	1,208
<b>TOTAL LIABILITIES</b>	<b>6,955,348</b>	<b>7,296,855</b>
<b>Equity</b>		
Share capital	11,415,709	10,484,429
Deficit	(16,517,730)	(15,395,462)
Accumulated other comprehensive income	227,905	248,035
Total deficiency attributable to equity shareholders	(4,874,116)	(4,662,998)
Non-controlling interest	(8,935)	(6,767)
<b>TOTAL DEFICIENCY</b>	<b>(4,883,051)</b>	<b>(4,669,765)</b>
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>2,072,297</b>	<b>2,627,090</b>

Total assets of GINSMS including cash, accounts receivable, other receivables, prepayment and deposits, property, plant and equipment and development expenditures as at December 31, 2017 amounted to \$2,072,297 compared to \$2,627,090 as at December 31, 2016. Bank and cash balances amounted to \$340,765 compared to \$139,808, an increase of 143.7%. The increase was mainly due to proceeds from private placement by the immediate parent in the quarter ended June 30, 2017 which were used in the operation of the Corporation and the refund of some of the advance made to the Corporation by a related party. The cash flow from financing activities is \$663,765 for the twelve months ended December 31, 2017 compared to \$416,760 for the twelve months ended December 31, 2016.

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**Accounts receivable**

	<b>December 31, 2017 (Audited) \$</b>	December 31, 2016 (Audited) \$
Trade receivables (third parties)	<b>988,066</b>	1,613,612
Less: Allowance for doubtful debts (third parties)	<b>(17,968)</b>	(10,133)
Receivable from related parties	<b>258,607</b>	144,819
Accounts due from customers on contracts	<b>10,193</b>	74,363
	<b>1,238,898</b>	1,822,661

Included in accounts receivable at December 31, 2017 are receivables of \$246,144 due from Activate, which is currently 42% beneficially owned by the Chief Executive Officer of the Corporation and 43% owned by Xinhua Mobile and receivable of \$12,463 due from Actxa Pte. Ltd. ("Actxa"), which is 85% beneficially owned by the Chief Executive Officer of the Corporation.

Decrease in trade receivables (third parties) are mainly due to improvement in receivable turnover in the quarter ended December 31, 2017.

**Accounts payable and accrued liabilities**

	<b>December 31, 2017 (Audited) \$</b>	December 31, 2016 (Audited) \$
Trade payables (third parties)	<b>74,614</b>	1,073,417
Trade payables from related parties	<b>41,122</b>	1,080
Amounts due to customers on contracts	<b>54,752</b>	61,849
Deferred income	<b>2,091</b>	42,747
Accrued liabilities and receipt in advance	<b>1,366,905</b>	917,824
	<b>1,539,484</b>	2,096,917

- a) Decrease in trade payables as at December 31, 2017 compared to December 31, 2016 was due to improvement in creditor turnover in line with the increase in revenue and improvement in receivables turnover in the quarter ended December 31, 2017.

Included in accounts payables at December 31, 2017 are payables of \$39,059 and \$2,062 due to Activate and Actxa, respectively.

- b) Amounts due from/to customers on contracts are related to the professional fees revenue of the software products and services segment. For the professional fees revenue, the subsidiaries will issue invoice to the customers based on the timeframe specified in the contracts but the project manager will assess the progress of the project work and determine the percentage of completion based on actual work performed by the staff at the end of the month. When the revenue computed using the percentage of completion is more than the invoiced amount for the month, the understated revenue is considered amounts due from customers on contracts. When the revenue computed using the percentage of completion is less than the invoiced amount for the month, the overstated revenue is considered amounts due to customers on contract.
- c) Deferred income is related to the support and maintenance revenue of the software products and services segment. For support and maintenance revenue, the subsidiaries will usually invoice the customers in advance for the support and maintenance services to be provided in the coming year. Deferred income is computed for the number of months of unutilized support

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and maintenance service paid in advance by the customers.

- d) Increase in accrued liabilities as at December 31, 2017 compared with December 31, 2016 was mainly due to more accrual of messaging service fees that were incurred but not invoiced by the mobile operators and gateway providers for the quarter ended December 31, 2017.

**Loans from Related Parties**

		<b>December 31, 2017 (Audited) \$\$</b>	December 31, 2016 (Audited) \$
Loans from the director and Chief Executive Officer of the Corporation	(a)	<b>3,282,300</b>	2,962,538
Loan from a director of a subsidiary	(b)	-	17,880
Loan from Inphosoft Pte. Ltd. ("IPL")	(c)	<b>887,973</b>	759,643
Loan from the immediate parent	(d)	<b>284,217</b>	261,273
		<b>4,454,490</b>	4,001,334

All above loans from related parties are non-trade in nature and unsecured.

- (a) The loans are from Mr. Chin, and currently bear interest at a rate of 12% (December 31, 2016: 24%) per annum (compounded daily based on a 365-day year) and will mature on or before March 31, 2018.
- (b) The loan is from Mr. Xu Hongwei, a director of a subsidiary of the Corporation and bear interest at a rate of 24% (December 31, 2016: 24%) per annum (compounded daily based on a 365-day year), and was originally set to mature on June 12, 2014.

On March 27, 2017, the Corporation and Mr. Xu Hongwei reached an agreement to waive the accumulated loan interest of approximately \$4,500 and to settle the full loan for a consideration of approximately \$14,000.

- (c) The loan is from IPL, a shareholder of the Corporation, and currently bears interest at a rate of 12% (December 31, 2016: 24%) per annum (compounded daily based on a 365-day year), and will mature on or before March 31, 2018. Mr. Chin, and two directors of the Corporation's subsidiaries, Mr. Wang Xianxiang and Mr. Xu Hongwei, have significant influence over IPL.
- (d) The loan is from Xinhua Mobile, the immediate parent of the Corporation, and currently bears interest at a rate of 12% (December 31, 2016: 28%) per annum (compounded daily based on a 365-day year) and will mature on or before March 31, 2018.

On March 31, 2017, in connection with the Private Placement, Mr. Chin, IPL and Xinhua Mobile have all agreed to: (i) lower the interest rate on the loans described under (a), (c) and (d) above from the original rate of 24%/28% per annum to 12% per annum effective March 1, 2017; and (ii) extend the maturity date of such loans to March 31, 2018.

For the three months ended December 31, 2017, Mr. Chin and IPL have also advised the Corporation that they will not recall the loans described under (a) and (c) above and have advised the Corporation that they will not demand payment of the loans before December 31, 2018.

Subsequent to the year-end date, Xinhua Mobile has also advised the Corporation that it will further extend the maturity date of the loan described under (d) to March 31, 2019.

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In addition to the above loans, Mr. Chin and IPL have also provided interest-free advances of \$418,319 and \$57,301 to the Corporation, respectively. The loans and advance are used to finance the operations of the Corporation.

**Promissory note payable**

In 2016, IPL, the beneficiary of a promissory note issued by the Corporation, agreed to extend the due date of its promissory note to March 31, 2017 and reset the interest rate thereon to 12% per annum effective April 1, 2016. In March 2017, in connection with the Private Placement, IPL agreed to further extend the maturity date on the Corporation's promissory note to March 31, 2018.

Subsequent to the year-end date, IPL has also advised the Corporation that it will further extend the maturity date of the promissory note to March 31, 2019.

**4. SUMMARY OF QUARTERLY RESULTS**

The quarterly information set forth below has been presented on the same basis as the audited consolidated financial statements, and all necessary adjustments have been included in the amounts stated below to present fairly the unaudited quarterly results when read in conjunction with the unaudited consolidated financial statements and the notes thereto.

\$	Jan-Mar16	Apr-Jun16	Jul-Sep16	Oct-Dec16	Jan-Mar17	Apr-Jun17	Jul-Sep17	Oct-Dec17
Revenue								
A2P Messaging Service	1,405,400	1,483,777	1,211,177	1,359,032	1,349,460	1,623,150	1,610,352	<b>1,693,797</b>
Software Products & Services	256,012	195,644	262,164	305,979	250,177	306,211	287,529	<b>265,997</b>
	<b>1,661,412</b>	<b>1,679,421</b>	<b>1,473,341</b>	<b>1,665,011</b>	<b>1,599,637</b>	<b>1,929,361</b>	<b>1,897,881</b>	<b>1,959,794</b>
Cost of Sales								
A2P Messaging Service	1,209,744	1,267,443	1,003,415	1,214,421	1,193,936	1,562,606	1,460,254	<b>1,481,905</b>
Software Products & Services	184,267	174,210	182,441	199,455	151,738	185,469	304,424	<b>278,446</b>
	<b>1,394,011</b>	<b>1,441,653</b>	<b>1,185,856</b>	<b>1,413,876</b>	<b>1,345,674</b>	<b>1,748,075</b>	<b>1,764,678</b>	<b>1,760,351</b>
Operating Expenses <sup>(1)</sup>	266,815	523,745	433,082	439,134	405,379	324,477	161,874	<b>311,006</b>
Net Loss Before Income Taxes	(198,873)	(500,716)	(378,754)	(429,172)	(366,578)	(284,016)	(167,110)	<b>(307,092)</b>
Income Taxes expense (recovery)	530	296	(1,517)	811	-	67	(113)	<b>(33)</b>
Net Loss	(199,403)	(501,012)	(377,237)	(429,983)	(366,578)	(284,083)	(166,997)	<b>(307,059)</b>
Net Loss (per share)								
Basic	(0.001)	(0.004)	(0.003)	(0.003)	(0.003)	(0.002)	(0.001)	<b>(0.002)</b>
Diluted	(0.001)	(0.004)	(0.003)	(0.003)	(0.003)	(0.002)	(0.001)	<b>(0.002)</b>

(1) Represent the sum of selling, general and administrative expense. For comparative purpose, interest expenses, allowance for doubtful debts and reversal of allowance for doubtful debts were excluded from the Operating Expenses calculation.

The A2P SMS service generated revenue for the first time for the quarter ended June 30, 2014, increased in the quarters ended from September 30, 2014 to the quarter ended June 30, 2016. The revenue dipped for the quarter ended September 30, 2016 primarily due to the loss of major customers by the Corporation's major customers. Management has worked hard to replace the revenue lost as a consequence of this situation but its revenue slightly dipped for the quarter ended

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March 31, 2017 and bounced back in the quarter ended June 30, 2017 and dipped again in the quarter ended September 30, 2017. Revenue increased in the quarter ended December 31, 2017 despite the stiff competition faced by the Corporation especially in North East Asia region. Management has set a goal to steer the A2P business to more growth in the coming quarters. The Corporation intends to expand its A2P messaging service customer base by directly marketing the service to more countries in the South East Asia region that had higher growth in the quarter ended December 31, 2017. The Corporation will also offer additional value-added services on its A2P cloud messaging platform to service the needs of a wider range of customers. This is expected to increase the number of customers in countries where the Corporation operates. Although the software products and services segment shows signs of improvement in late 2016, there were fluctuations in the growth of revenue in the year ended December 31, 2017. Management is still unable to determine where the trend is moving with respect to this particular business segment.

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**5. LIQUIDITY AND CAPITAL RESOURCES**

<b>Financial Highlights</b>	Three-month period ended December 31, 2017 (Unaudited) (\$)	Three-month period ended December 31, 2016 (Unaudited) (\$)	Twelve-month period ended December 31 2017 (Audited) (\$)	Twelve-month period ended December 31, 2016 (Audited) (\$)
<b>Cash, beginning of period/year</b>	121,245	106,047	139,808	310,805
<b>Operating activities</b>				
Net loss for the period/year	(307,059)	(429,983)	(1,124,717)	(1,507,635)
Current tax expense	9	845	-	2,317
Deferred tax (credit)/expense	(79)	35	(79)	(2,197)
Interest expenses	142,862	249,422	629,799	896,777
Foreign currency exchange (gain)/loss	(39,450)	79,400	(130,096)	95,904
Allowance/(Reversal of allowance) for doubtful accounts	-	(8,249)	7,489	(8,249)
Loss on written-off of property, plant and equipment	52,667	-	52,667	-
Amortization and depreciation	93,854	37,041	191,632	163,512
Changes in working capital items	325,843	72,853	44,772	(66,264)
Income tax paid	-	(599)	-	(88,101)
<b>Net cash generated from/(used in) operating activities</b>	<b>268,647</b>	<b>765</b>	<b>(328,533)</b>	<b>(513,936)</b>
<b>Financing activities</b>				
Advances from related parties	38,120	67,007	241,024	320,835
Repayment of advance from a related party	(2,335)	(56,369)	(494,542)	(123,104)
Loans from related parties	-	-	-	219,029
Repayment of loan from a related party	-	-	(13,997)	-
Proceed from private placement	-	-	931,280	-
<b>Net cash generated from financing activities</b>	<b>35,785</b>	<b>10,638</b>	<b>663,765</b>	<b>416,760</b>
<b>Investing activities</b>				
Development expenditures	-	-	(112)	(2,865)
Purchase of property, plant and equipment	(58,951)	(684)	(77,783)	(29,667)
<b>Net cash used in investing activities</b>	<b>(58,951)</b>	<b>(684)</b>	<b>(77,895)</b>	<b>(32,532)</b>
Effect of exchange rate changes on cash held in foreign currencies	(25,961)	23,042	(56,380)	(41,289)
<b>Increase/(Decrease) in cash</b>	<b>219,520</b>	<b>33,761</b>	<b>200,957</b>	<b>(170,997)</b>
<b>Cash, end of period/year</b>	<b>340,765</b>	<b>139,808</b>	<b>340,765</b>	<b>139,808</b>

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The capital resources of the Corporation are comprised mainly of the equity of the Corporation. The debts of the Corporation are comprised mainly of a promissory note payable and loans from related parties.

GINSMS has an improved liquidity position for the twelve months ended December 31, 2017 compared to the twelve months ended December 31, 2016 primarily due to the fact that proceeds from the Private Placement have been used for the operation of the Corporation and improvement in the working capital in the quarter ended December 31, 2017 (*Section 10 - Shareholders' Equity & Disclosure of Outstanding Share Data*).

GINSMS is facing a lower liquidity risks as it has lower working capital deficiency of \$1,045,830 as at December 31, 2017 as compared to \$1,428,935 as at December 31, 2016 as a result of the Private Placement. The Corporation's liabilities now include an interest-bearing promissory note payable, advance from related parties and the interest-bearing loans from related parties.

The operation of the Corporation is partially financed by proceed from the \$931,280 (USD 700,000) Private Placement, and the interest-bearing loans from related parties and the advances from related parties amounting to \$4,454,490 and \$475,620 respectively as at December 31, 2017. The terms and conditions of the loans are described above under *Section 3 – Loans from Related Parties*.

The Corporation also has liabilities related to operating lease obligations for the lease of its office space. The Corporation has lease agreements outstanding for various terms up to November 30, 2018. Payments are to be incurred in SGD and MYR. The Canadian dollar equivalent as of December 31, 2017 is a total of \$42,383, which is to be incurred within one year of the statement of financial position date.

The liquidity risk has been mitigated as on April 10, 2017, the Corporation raised USD700,000 from the Private Placement. In connection with the Private Placement, all related parties have agreed to extend the maturity date of their loans and promissory note to March 31, 2018, and lower the loan interest rate to 12% per annum effective March 1, 2017. Mr. Chin and IPL have also subsequently before year end date advised the Corporation that they will not recall the loans before December 31, 2018. Moreover, Xinhua Mobile and IPL have also subsequently after year end date advised the Corporation that they will further extend the maturity date of the loan and the promissory note to March 31, 2019.

The A2P messaging service is the main business focus of the Corporation and the Corporation is required to continue to invest in research and development to come up with new services that will increase the competitiveness of the A2P messaging service. The expected capital expenditure for research and development is less than \$10,000 per quarter. Capital expenditures related to hardware purchase to maintain capacity to meet planned growth in the A2P messaging service have been fully paid and no further investment is expected for the next 12 months.

Management of the Corporation is committed to grow the business of the Corporation. In order for the Corporation to expand the A2P messaging business, management is also planning to launch fund raising campaigns through issuance of bonds, private placement or other sources.

## **6. OFF BALANCE SHEET ARRANGEMENTS**

GINSMS does not have off-balance sheet arrangements.

**GINSMS INC.****MANAGEMENT'S DISCUSSION AND ANALYSIS****AS AT AND FOR THE THREE AND TWELVE MONTHS ENDED DECEMBER 31, 2017****7. TRANSACTIONS WITH RELATED PARTIES**

The Corporation was a party to the following related party transactions that have been recorded at their exchange amounts for the three and twelve months ended December 31, 2017 and December 31, 2016:

	Three-month period ended December 31, 2017 (Unaudited) (\$)	Three-month period ended December 31, 2016 (Unaudited) (\$)	Twelve-month period ended December 31, 2017 (Audited) (\$)	Twelve-month period ended December 31, 2016 (Audited) (\$)
Software products and services revenue from companies controlled by immediate parent/a director <sup>1</sup>	202,894	148,477	742,798	408,920
Cost of hardware paid to a company controlled by a director <sup>2</sup>	431	352	2,221	1,021
Accounting fee revenue from a company controlled by a director	5,608	38,634	32,820	38,634
Accounting fee paid to an officer <sup>3</sup>	16,248	15,965	68,410	76,492
Rent charged by a company controlled by immediate parent/a director	14,129	14,355	56,835	57,916
Interest charged on loan from a director	96,294	173,289	431,642	630,302
Interest charged / (waived) on loan from a director of a subsidiary	-	1,065	(3,768)	3,912
Interest charged on loan from a shareholder <sup>4</sup>	25,957	45,270	114,076	166,213
Interest charged on loan from immediate parent	8,610	17,798	39,849	60,350
Interest charged on promissory note payable to a shareholder <sup>4</sup>	12,000	12,000	48,000	36,000

Notes:

1. Software products and services revenue earned from Activate, a company controlled by Xinhua Mobile (2016: controlled by Mr. Chin), and from Actxa, a company controlled by Mr. Chin, for the professional services rendered by Inphosoft Subsidiaries on a time and material basis.
2. Cost of hardware purchased from Actxa, a company controlled by Mr. Chin, and by IMSB, a subsidiary of the Corporation.
3. Accounting fee paid to the Interim Chief Financial Officer, Ms. Shum Chee Ming, in relation to her role as finance manager preparing management reports of the Corporation.
4. IPL is a shareholder of the Corporation.

As of December 31, 2017, the Corporation has non-trade loans from related parties of \$4,454,490 (Section 3 – *Loans from Related Parties*) and advance of \$475,620 (December 31, 2016 - \$4,001,334 and \$756,079). The loans and advances are used to finance the operations of the Corporation.

Included in accounts payables and accrued liabilities are amounts of \$128,645 (December 31, 2016 - \$89,158) owed to related parties. Included in accounts receivable is a trade receivable of \$258,607 (December 31, 2016 - \$144,819) owed by related parties.

The T&M Agreements, entered into by the Inphosoft Subsidiaries and Activate, allows Activate to use resources from the Inphosoft Subsidiaries on a time and material basis such that Activate can earn revenues from its customers. Activate generates revenue by providing software products and services, primarily in the area of mobile applications and games to its customers that include various agencies and ministries of the Singapore government. Activate can subcontract parts of its projects to the Inphosoft Subsidiaries which possess software development skill sets and to utilize the staff of

such Inphosoft Subsidiaries to perform certain pre-sales roles, on a time and material basis. The professional services provided by the Inphosoft Subsidiaries are broad-based ranging from account management, pre-sales support, design and development of software programs, project management, testing, deployment and support and maintenance of software programs.

The non-exclusive T&M Agreements were initially entered into for a period of one year and have been subsequently automatically renewed on a yearly basis. These T&M Agreements can be terminated at any time upon one party giving to the other a 30-day termination notice. Under these T&M Agreements, Activate will settle invoices within 14 days, any late payment is subject to a 1% late interest charge. The Inphosoft Subsidiaries and Activate are bound by the terms and conditions of a non-disclosure agreement concluded between them.

The Inphosoft Subsidiaries agreed to provide intellectual property indemnity to Activate and its customers in the event of any suit or proceeding being brought against Activate and its customers for a violation of intellectual property rights by the Inphosoft Subsidiaries. All rights, title and interest to any copyrights and other intellectual property rights produced by the Inphosoft Subsidiaries solely in the course of services provided to Activate are the sole and exclusive properties of Activate, once the services provided by the Inphosoft Subsidiaries have been paid in full. Activate has the right to assign to its customers any and all such intellectual property rights, without limitation.

The subcontractor fee charged by ISPL represents a margin of approximately 20% on staff costs. Gross margin of IMSB and PTIN from work performed for Activate is higher because the invoicing to Activate is in SGD and a higher margin is built-in to cater for currency risk as revenue is charged in SGD. During the arm's-length negotiation in April 2016, Activate was willing to pay IMSB and PTIN the rates quoted as they are still a lot cheaper than paying for similar resources in Singapore.

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

## **8. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CHANGES) AND BASIS OF PRESENTATION AND ADOPTION OF IFRS**

The significant accounting policies used in the preparation of the Corporation's unaudited consolidated financial statements are described in Note 4 of the audited consolidated financial statements for the twelve-month financial year ended December 31, 2017. There have been no changes to our accounting policies since December 31, 2017.

## **9. FINANCIAL INSTRUMENTS**

Financial instruments of the Corporation consist of cash, account receivables, accounts payable, accrued liabilities, interest-free advance from a related party, interest-bearing loans of related parties and a promissory note payable. GINSMS limits exposure to credit loss by placing its cash with high credit quality financial institutions.

The carrying amounts of cash, accounts receivable and other accounts payable, accrued liabilities, interest-free advance from a related party and interest-bearing loans of related parties approximate their values due to the short-term nature of these instruments. The functional currency of Global Edge Technology Limited and GIN is the HKD. In the case of Inphosoft Group, the functional currency is principally that of the SGD but also the IDR and the MYR. In accordance with Canadian

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GAAP, the consolidated financial statements of the Corporation, which are prepared using the functional currencies, have been translated into Canadian dollars. Assets and liabilities are translated at exchange rates applicable at the balance sheet dates; revenues and expenses are translated at the average exchange rates applicable during the period covered by the financial statements; and capital and statutory capital reserves are translated at historical exchange rates.

**10.SHAREHOLDERS' EQUITY & DISCLOSURE OF OUTSTANDING SHARE DATA****Shareholders' equity**

	December 31, 2017 (Audited) \$	December 31, 2016 (Audited) \$
Share capital	11,415,709	10,484,429
Deficit	(16,517,730)	(15,395,462)
Accumulated other comprehensive income	227,905	248,035
Non-controlling interest	(8,935)	(6,767)
	(4,883,051)	(4,669,765)

Shareholders' equity as at December 31, 2017, showed a deficit of \$4,883,051, is deteriorating from a deficit of \$4,669,765 as at December 31, 2016. The deterioration in shareholders' equity is due to the net loss of \$1,124,717 and partly offset by capital injection of \$931,280 (USD 700,000) by Xinhua Mobile for the twelve months ended December 31, 2017.

To address the going concern issue, the Corporation has instituted the following plan:

- (a) The Corporation intends to expand its A2P messaging service customer base by directly marketing the service to more countries in North East Asia. The Corporation will also offer additional value-added services on its A2P cloud messaging platform to service the needs of a wider range of customers. This is expected to increase the number of customers in countries the Corporation operates including Singapore, Indonesia and Malaysia. Based on these initiatives, management believes that the Corporation will have the ability to continue its operations for the next twelve months. Part of the net proceeds from the USD700,000 Private Placement are used to fund the expansion of the A2P messaging services.
- (b) Despite of the Corporation's liabilities which include a promissory note payable, the interest-free advance from related parties and the interest-bearing loans from the related parties, the liquidity risk is addressed and mitigated as mentioned in Section 5 of this MD&A.

**Authorized share capital**

The authorised share capital of the Corporation consists of an unlimited number of common shares and an unlimited number of preferred shares.

The holders of the common shares are entitled to dividends, if, as and when declared by the Board of Directors, to one vote per share at meetings of the shareholders and, upon dissolution, to share equally in such assets of the Corporation as are distributable to the holders of common shares.

The holders of the preferred shares are entitled to preference over the holders of common shares with respect to the payment of dividends, dissolution or winding-up or any other return of capital or distribution of assets for the purpose of winding up the Corporation's affairs. As at the date thereof, there are no preferred shares issued and outstanding.

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The table below summarizes the issued and outstanding shares of the Corporation for the twelve months ended December 31, 2017 versus the twelve months ended December 31, 2016.

Issued	December 31, 2017 (Audited)		December 31, 2016 (Audited)	
	Shares	Amount (\$)	Shares	Amount (\$)
Balance, beginning/end of year	142,630,169	10,484,429	142,630,169	10,484,429
Issuance of shares in a private placement	7,163,692	931,280	-	-
Balance, beginning/end of year	149,793,861	11,415,709	142,630,169	10,484,429

Information on the Corporation's capital, including the numbers of common shares issued and outstanding is contained in the Corporation's audited consolidated financial statements which are available at [www.sedar.com](http://www.sedar.com).

On April 10, 2017, the Corporation completed the Private Placement. The Private Placement resulted in the Corporation raising \$931,280 (USD 700,000) and issuing 7,163,692 common shares to Xinhua Mobile at a subscription price of \$0.13 per common share.

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**11. SEGMENTED INFORMATION**

**a) Revenue by customers**

	Three-month period ended December 31, 2017 (Unaudited)		Three-month period ended December 31, 2016 (Unaudited)	
	\$	% of total revenue	\$	% of total revenue
Customer A	1,221,697	62.3	387,596	23.3
Next five top customers				
Customer B	284,238	14.5	492,650	29.6
Customer C	200,348	10.2	148,477	8.9
Customer D	30,527	1.6	151,557	9.1
Customer E	49,367	2.5	80,305	4.8
Customer F	24,721	1.3	26,467	1.6
All other customers	148,897	7.6	377,959	22.7
<b>Total</b>	<b>1,959,795</b>	<b>100.0</b>	<b>1,665,011</b>	<b>100.0</b>

	Twelve-month period ended December 31, 2017 (Audited)		Twelve-month period ended December 31, 2016 (Audited)	
	\$	% of total revenue	\$	% of total revenue
Customer A	3,768,390	51.0	387,597	6.0
Next five top customers				
Customer B	1,631,089	22.1	1,395,637	21.5
Customer C	730,873	9.9	408,837	6.3
Customer D	297,052	4.0	1,234,139	19.0
Customer E	284,623	3.9	398,248	6.1
Customer F	157,614	2.1	73,932	1.1
All other customers	517,032	7.0	2,580,795	40.0
<b>Total</b>	<b>7,386,673</b>	<b>100.0</b>	<b>6,479,185</b>	<b>100.0</b>

**b) Revenue by geographical location (by location of operations)**

	Three-month period ended December 31, 2017 (Unaudited)		Three-month period ended December 31, 2016 (Unaudited)	
	\$	% of total revenue	\$	% of total revenue
Singapore	1,482,335	75.6	867,383	52.1
United Arab Emirates	30,644	1.6	151,557	9.1
Other Asia countries	126,142	6.4	90,837	5.5
Europe	34,591	1.8	58,050	3.5
United States	284,298	14.5	492,722	29.6
Other regions	1,785	0.1	4,462	0.2
<b>Total</b>	<b>1,959,795</b>	<b>100.0</b>	<b>1,665,011</b>	<b>100.0</b>

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**b) Revenue by geographical location (by location of operations) (Cont'd)**

	Twelve-month period ended December 31, 2017 (Audited)		Twelve-month period ended December 31, 2016 (Audited)	
	\$	% of total revenue	\$	% of total revenue
Singapore	4,823,833	65.3	3,228,246	49.8
United Arab Emirates	297,307	4.0	1,234,139	19.0
Other Asia countries	363,684	4.9	332,934	5.1
Europe	252,680	3.4	259,479	4.0
United States	1,631,399	22.1	1,397,145	21.6
Other regions	17,770	0.3	27,242	0.5
<b>Total</b>	<b>7,386,673</b>	<b>100.0</b>	<b>6,479,185</b>	<b>100.0</b>

**c) Total assets by geographical location**

	As at December 31, 2017 (Audited)		As at December 31, 2016 (Audited)	
	\$	% of total assets	\$	% of total assets
Singapore	1,136,630	54.9	2,054,528	78.2
United Arab Emirates	9,088	0.4	10,494	0.4
Other Asia countries	825,580	39.8	408,701	15.6
Europe	38,582	1.9	12,255	0.5
United States	35,802	1.7	109,930	4.2
Other regions	26,615	1.3	31,182	1.1
<b>Total</b>	<b>2,072,297</b>	<b>100.0</b>	<b>2,627,090</b>	<b>100.0</b>

**d) Financial information by business segments**

	Messaging	Software products and services	Unallocated	Total
	\$	\$	\$	\$
<b>Twelve-months period ended December 31, 2017 (Audited)</b>				
Revenue	6,276,759	1,109,914	-	7,386,673
Intersegment revenue	-	303,700	-	303,700
Amortization and depreciation	-	(191,632)	-	(191,632)
Interest income	3	67	-	70
Interest and finance expenses	(301,816)	(240,134)	(87,849)	(629,799)
Income tax refund	-	79	-	79
Segment profits / (losses)	307,607	(1,146,508)	(285,816)	(1,124,717)
Additions to segment non-current assets	-	77,895	-	77,895
<b>At December 31, 2017 (Audited)</b>				
Segment assets	1,278,905	773,948	19,444	2,072,297
Segment liabilities	(4,144,320)	(1,752,317)	(1,058,711)	(6,955,348)

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**d) Financial information by business segments (Cont'd)**

	Messaging	Software products and services	Unallocated	Total
	\$	\$	\$	\$
<b>Twelve-month period ended December 31, 2016 (Audited)</b>				
Revenue	5,459,386	1,019,799	-	6,479,185
Intersegment revenue	-	348,241	-	348,241
Amortization and depreciation	14	163,478	20	163,512
Interest income	3	47	-	50
Interest and finance expenses	440,771	359,656	96,350	896,777
Income tax expenses	-	120	-	120
Segment profits / (losses)	177,405	(1,309,326)	(375,714)	(1,507,635)
Additions to segment non-current assets	-	32,532	-	32,532
<b>At December 31, 2016 (Audited)</b>				
Segment assets	1,668,101	932,918	26,071	2,627,090
Segment liabilities	(4,417,575)	(1,923,647)	(955,633)	(7,296,855)

**12. FOREIGN CURRENCY RISK**

The Corporation is exposed to foreign currency rate variability primarily in relation to certain assets and liabilities denominated in foreign currencies such as United States Dollars ("USD"). However, the Corporation has no material exposure to foreign currency risk as most of its foreign operations are self-sustaining and these foreign operations' functional currencies are in HKD and SGD. The Corporation is mainly exposed to the effects of fluctuation in SGD and USD.

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

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The Company announced its financial forecasts for the twelve months ending December 31, 2017 on February 13, 2017. The table below shows an analysis of the difference between the actual and forecasted financial highlights for the three months ended December 31, 2017.

**Financial Outlook**

Financial Highlights	Actual (\$)	Forecasted (\$)	Variance (\$)	Variance (%)
	Oct-Dec 2017	Oct-Dec 2017	Oct-Dec 2017	Oct-Dec 2017
Revenues \$				
A2P Messaging Service	1,693,797	1,742,749	(48,952)	(2.8)%
Software Product & Services	265,997	314,410	(48,413)	(15.4)%
	1,959,794	2,057,159	(97,365)	(4.7)%
Cost of sales \$				
A2P Messaging Service	1,481,905	1,513,998	(32,093)	(2.1)%
Software Product & Services	278,446	232,246	46,200	19.9%
	1,760,351	1,746,244	14,107	0.8%
Gross profit (loss) \$				
A2P Messaging Service	211,892	228,751	(16,859)	(7.4)%
Software Product & Services	(12,449)	82,164	(94,613)	(115.2)%
	199,443	310,915	(111,472)	(35.9)%
Gross margin %				
A2P Messaging Service	12.5%	13.1%	(0.6)%	(4.7)%
Software Product & Services	(4.7)%	26.1%	(30.8)%	(118.0)%
	10.2%	15.1%	(4.9)%	(32.5)%
Selling, general and administrative expenses	(403,140)	(380,872)	(22,268)	5.8%
Operating loss	(203,697)	(69,957)	(133,740)	191.2%
Non-operating income	17	-	17	-
Non-operating expenses	(103,412)	(295,884)	192,472	(65.0)%
Ordinary loss	(307,092)	(365,841)	58,749	(16.1)%
Extraordinary gains	-	-	-	-
Extraordinary losses	-	-	-	-
Loss before tax and non-controlling interest	(307,092)	(365,841)	58,749	(16.1)%
Income taxes refund	33	-	33	-
Non-controlling interest	530	-	530	-
Net loss attributable to shareholders	(306,529)	(365,841)	59,312	(16.2)%
Adjusted EBITDA	(35,448)	(29,307)	(6,141)	21.0%

**Notes:**

- (1) Adjusted EBITDA is a non-GAAP measure related to cash earnings and is defined for these purposes as earnings before income taxes, depreciation & amortization (in both cost of sales and general and administration expenses), interest expenses and also excludes certain non-recurring or non-cash expenditure.
- (2) Non-operating income included interest income and other non-operating income. Non-operating expenses included loss on foreign exchange and interest expense.

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For the three months ended December 31, 2017,

- Revenue for the A2P messaging service was \$48,952 lower than forecasted primarily because of lower than expected number of messages delivered to North East Asia region. The decline was partially offset by the improvement in number of messages delivered to South East Asia region.
- The significantly gross loss of 4.7% in the software products and services segment was due to full year amortisation of a development project recorded in the quarter ended December 31, 2017. The adjusted gross margin for the software products and services segment was 17.6% after excluding the full year amortisation of \$59,209. Gross margin of 12.5% for the A2P messaging service segment was lower than forecasted due to lower margin for revenue generated from messages delivered to North East Asia for the quarter. The decline in number of messages delivered to North East Asia resulted in lower discount given by mobile operators and gateway providers in North East Asia.
- Selling, general and administrative expenses were \$22,268 lower than forecasted mainly due to lower salaries and related costs for the quarter ended December 31, 2017 as one accounting staff resigned in second quarter of 2017 and was not replaced. The human resource executive resigned in third quarter and the replacement staff was hired by Activate instead of the Corporation.
- Non-operating expenses were \$192,472 lower than forecasted partially because the related parties agreed to lower the loan interest rate to 12% per annum from March 1, 2017 following the Private Placement.
- Net loss attributable to shareholders was \$306,529, which was \$59,312 lower than forecasted due to the lower loan interest rate charged to loans from related parties and lower staff costs in selling, general and administrative expenses despite lower gross margin earned for the quarter.

The table below shows an analysis of the difference between the actual and forecasted financial highlights for the twelve months ended December 31, 2017.

Financial Highlights	Actual (\$)	Forecasted (\$)	Variance (\$)	Variance (%)
	Jan-Dec 2017	Jan-Dec 2017	Jan-Dec 2017	Jan-Dec 2017
Revenues \$				
A2P Messaging Service	6,276,759	6,527,068	(250,309)	(3.8)%
Software Product & Services	1,109,914	1,257,599	(147,685)	(11.7)%
	7,386,673	7,784,667	(397,994)	(5.1)%
Cost of sales \$				
A2P Messaging Service	5,698,701	5,675,196	23,505	0.4%
Software Product & Services	920,077	926,242	(6,165)	(0.7)%
	6,618,778	6,601,438	17,340	0.3%
Gross profit (loss) \$				
A2P Messaging Service	578,058	851,872	(273,814)	(32.1)%
Software Product & Services	189,837	331,357	(141,520)	(42.7)%
	767,895	1,183,229	(415,334)	(35.1)%
Gross margin %				
A2P Messaging Service	9.2%	13.1%	(3.8)%	(29.4)%
Software Product & Services	17.1%	26.3%	(9.2)%	(35.0)%
	10.4%	15.2%	(4.8)%	(31.6)%

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Financial Highlights	Actual (\$)	Forecasted (\$)	Variance (\$)	Variance (%)
	Jan-Dec 2017	Jan-Dec 2017	Jan-Dec 2017	Jan-Dec 2017
Selling, general and administrative expenses	(1,393,058)	(1,523,488)	130,430	(8.6)%
Operating loss	(625,163)	(340,259)	(284,904)	83.7%
Non-operating income	70	-	70	-
Non-operating expenses	(499,703)	(1,113,740)	614,037	(55.1)%
Ordinary loss	(1,124,796)	(1,453,999)	329,203	(22.6)%
Extraordinary gains	-	-	-	-
Extraordinary losses	-	-	-	-
Loss before tax and non-controlling interest	(1,124,796)	(1,453,999)	329,203	(22.6)%
Income taxes refund	79	-	79	-
Non-controlling interest	2,449	-	2,449	-
Net loss attributable to shareholders	(1,122,268)	(1,453,999)	331,731	(22.8)%
Adjusted EBITDA	(250,700)	(180,359)	(70,341)	39.0%

**Risks and Uncertainties**

Through its operations, the Corporation is exposed to various business risks and uncertainties which could have an impact on its capacity to achieve its growth objectives. Consequently, the following factors should be taken into account when evaluating the Corporation's future prospects:

***Dependence on Required Licenses***

The A2P messaging business in Hong Kong is a highly regulated business activity and requires licenses from the Hong Kong Telecommunications Authority ("TA"), without which GIN would be unable to operate. GIN is subject to the rules and regulations of the TA, which regulates the telecom industry in Hong Kong, and the Hong Kong Office of Communications Authority ("HOCA"), which assists the TA in enforcing and administering the *Telecommunications Ordinance*. The TA's authority includes regulating and licensing telecom facilities and managing the radio frequency spectrum. If the TA determines that GIN has violated Hong Kong's telecom laws or regulations or the conditions of its licenses, the TA may suspend or cancel GIN's licenses or take other action detrimental to GIN. GIN is also subject to various other rules, laws and ordinances applicable to companies operating in Hong Kong, including, for example, laws relating to obscenity and privacy. If GIN is found to be in violation of these laws, it may face judgments or consequences detrimental to its business. In addition, the Public Non-exclusive Telecommunications Service (PNETS) licence granted by HOCA to GIN is normally valid for one year, subject to renewal at the discretion of HOCA and compliance of all terms and conditions of the licenses. In the event that HOCA refuses to renew any of the existing licenses of GIN, GIN's ability to offer its services will be adversely affected. The Chief Executive in council of the HOCA may also cancel or suspend licenses if it considers that it is in the public's interest to do so. Moreover, if the TA changes its existing regulations or policies such as those governing interconnection or competition, including the requirement on GIN to obtain separate or further licenses for its existing operations or services, or to obtain licenses in respect of its future operations or services based on new communication technologies, the Corporation's results of operations, financial condition, business and prospects could be adversely affected. GIN may also incur extra costs in order to comply with technical specifications or other conditions resulting from

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any enacted or proposed changes in the applicable laws and regulations. As a result, the Corporation's financial condition, results of operations and/or prospects may be adversely affected. The business of the Corporation's customers is also subject to regulations. As a result, such regulations could indirectly affect the Corporation's business. As communications technologies and the telecom industry continue to evolve, the regulations governing the telecom industry may change. If this were to occur, the demand for the Corporation's services could change in ways that GIN cannot easily predict and may result in a decline in the Corporation's revenue.

***Dependence on Major Customers***

The Corporation depends on major customers for a significant portion of its business and the loss of any of such customers could materially and adversely affect the Corporation, and hence the Corporation's business and financial position. A significant portion of the Corporation's revenue has been and is expected to continue to be, derived from a limited number of customers. Most of these customers are major operators of telecom services in the Asia Pacific region. There can be no assurance that its major customers will continue to use its services. In the event that any of these customers cease to use the services of the Corporation and the Corporation fails to replace such customer(s), the Corporation's business and financial position may be materially and adversely affected.

***System Failures, Delays and Other Problems***

System failures, delays and other problems could harm the Corporation's reputation and business, cause it to lose customers and expose GINSMS to customer liability. GIN's system architecture is contingent on its ability to process a high volume of transactions in a timely and effective manner. GIN may experience failures or interruptions of its systems and services, or other problems in connection with its operations as a result of, amongst others things:

- damage to or failure of its computer software or hardware or its infrastructure and connections;
- data processing errors by its systems;
- computer viruses or software defects;
- physical or electronic break-ins, sabotage, intentional acts of vandalism and similar events; and
- failure of GIN to adapt to rapid technological changes in the telecom industry.

If GIN cannot adequately ensure that its network services perform consistently at a high level or otherwise fails to meet its customers' expectations:

- it may experience damage to its reputation, which may adversely affect its ability to attract or retain customers for its existing services, and may also make it more difficult for GIN to market its existing or future services;
- it may suffer significant damage or expose itself to customer liability claims, under its contracts or otherwise, including the requirement to pay penalties relating to service level requirements in its contracts;
- its operating expenses or capital expenditures may increase as a result of corrective actions that GIN must perform;
- GIN's customers may reduce their use of GIN's services; or
- one or more of its significant contracts may be terminated early, or may not be renewed.

These or other consequences would adversely affect the Corporation's revenue and performance.

***Security and Privacy Breaches***

Security or privacy breaches may result in an interruption of service or a reduced quality of service, which could increase GIN's costs or result in a reduction in the use of GIN's services by its customers.

GIN's systems may be vulnerable to physical break-ins, computer viruses, attacks by computer hackers or similar disruptive problems. If unauthorized users gain access to GIN's databases, they may be able to steal, publish, delete or modify sensitive information that is stored or transmitted on GIN's networks and which GIN is required by its contracts to keep confidential. A security or privacy breach could result in an interruption of service or a reduced quality of service. Confidential information internal to GIN may also be disclosed to unauthorized personnel who may use such information in a manner adverse to the interests of GIN. Hackers may attempt to "flood" the network, thereby preventing legitimate network traffic or to disrupt the connection between two machines, thereby preventing access to a service or preventing a particular individual from accessing a service. The Corporation may therefore be required to make significant expenditures in connection with corresponding corrective or preventive measures. In addition, a security or privacy breach may harm GIN's reputation and cause its customers to reduce their use of GIN's services, which could harm the Corporation's revenue and business prospects. In addition, GIN's revenue may be adversely affected by un-captured usage, in the event that GIN's system is "hacked" into, resulting in transmissions that may not be detected by its billing system. Further, the increase in traffic as a result of such unauthorized "hacking" may slow or overload GIN's transmission network, thereby adversely affecting the overall quality of services which GIN provides to its paying customers. GIN's exposure to telecom security concerns is heightened as Hong Kong and Chinese laws relating to liability under such circumstances are relatively new. In addition, GIN does not carry "errors and omissions" or other insurance covering losses or liabilities caused by computer viruses or security breaches, which under such circumstances could mitigate damages that GIN may suffer. If GIN incurs any such losses or liabilities, the Corporation's operating results, financial condition, business and prospects may be adversely affected.

***Adequacy of Network Resilience, Network Diversity and Backup Systems***

Inadequate network resilience, network diversity and backup systems may result in service disruptions. Any failure of GIN's backup systems or any insufficiency in GIN's redundancy capacity may disrupt GIN's operations. GIN regularly reviews its network and assesses its vulnerability to such outside factors. However, there can be no assurance that GIN's existing alternative routes and cable diversity will provide adequate backup for all types of service interruptions that may occur. Moreover, even with these contingency measures, service disruptions could last for a considerable period of time before complete service can be restored. This may cause customers to reduce their use of GIN's services, which could harm the Corporation's revenue and business prospects.

***Loss of Significant Information***

Loss of significant information may adversely affect the Corporation's business. In cases of a failure of GIN's data storage system, GIN may lose critical network or billing data, source code, proprietary production system designs or important email correspondence with its customers and suppliers.

***Failure to Develop, Enhance or Introduce New Value-Added Services ("VAS")***

If the Corporation fails to develop or introduce on a timely basis new VAS, its business will suffer. Rapid change in technology, short product life cycles, changes in customer requirements and evolving industry standards characterize the markets for the Corporation's products. The success of the Corporation depends on the Corporation's ability to timely develop and introduce innovative new VAS that gain market acceptance. The Corporation may not be successful in forecasting future customer requirements or in selecting, developing and marketing new products or enhancing the Corporation's existing products on a timely or cost-effective basis. Moreover, the Corporation may encounter technical problems in connection with its product development that could result in delayed introduction or its inability to introduce new products or product enhancements. Such cancellations or delays could result in a decrease in sales or a loss of customers, or both. The

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Corporation may also focus on technologies that do not function as expected or are not widely adopted. In addition, products or technologies developed by others may render the Corporation's products non-competitive or obsolete and result in a significant reduction in traffic volume from the Corporation's customers and the loss of existing and prospective customers.

***Competition***

The market for communications services is extremely competitive and rapidly changing. The Corporation faces competition from other providers of connectivity and value-added services, some of which are larger and may be better funded than the Corporation. A number of the Corporation's current and potential competitors may have greater name recognition and/or more extensive customer bases than GIN. Increasing competition could result in reduced revenue, reduced sales margins and loss of market share, any one of which could harm the business of the Corporation.

***Dependence on Third-Party Software and Equipment***

The failure of third-party software and equipment that GIN uses in its systems may cause interruptions or failures of its systems. In addition to the use of the internet and certain telecom networks maintained by broker carriers and other third parties for the transmission of data traffic, GIN also incorporates hardware, software and equipment developed by third parties into its systems. As a result, GIN's ability to provide interoperability services depends in part on the continued performance and support of these third-party products. If these products experience failures or contain defects, and the third parties supplying these products fail to provide adequate remedial support, this may result in the interruption or unsatisfactory performance of GIN's systems or services.

***Market Acceptance at Desired Pricing Levels***

The Corporation's failure to achieve or sustain market acceptance at desired pricing levels may impact its ability to maintain profitability or positive cash flow. The Corporation's competitors and customers may cause the Corporation to reduce the prices it charges for its services which in turn could adversely affect the Corporation's profitability and cash flow. The primary sources of pricing pressure include:

- competitors offering competing services at reduced prices, or bundling and pricing services in a manner which makes it difficult for the Corporation to compete; and
- customers with a significant volume of transactions may have enhanced leverage in pricing negotiations with the Corporation;

GINSMS may not be able to offset the effects of all or any price reductions.

***Key Members of the Management Team***

The loss of any key members of the management team may impair the Corporation's ability to identify and secure new contracts with customers or otherwise manage its business effectively. The Corporation's success depends, in part, on the continued contributions of its senior management. Most of them are well experienced in the telecom industry and have in depth knowledge of various aspects of the development of a telecom business.

***Credit Risk of Accounts Receivable***

The Corporation is subject to credit risk in respect of its accounts receivable. GINSMS provides credit periods to its customers, which are calculated from the dates the invoices are issued by GINSMS to the dates of payment by the customers. Although GINSMS implements credit control policies and measures, GINSMS cannot assure that these measures are adequate in protecting GINSMS against

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material credit risks. GINSMS may provide services to customers who do not provide sufficient deposits, advance payments or bank guarantees for GINSMS' services. Moreover, should GINSMS' customers be unable to pay in full for any reason, the Corporation's profit and cash flow will be adversely affected. Any delay in the payment by customers may also adversely affect the Corporation's operations and financial position. The Corporation may have to sustain legal costs in pursuing unsettled invoices, a process which is time-consuming and may be affected by a variety of factors including any counterclaim from such non-paying customers. Even if the Corporation obtains favourable judgments, enforcement of such judgments may take time and may not always be successful.

***Conflicts of Interest***

Certain directors and officers of the Corporation are also directors, officers, or shareholders of other companies that may operate in the same sectors as the Corporation. Such associations may give rise to conflicts of interest from time to time. The directors of the Corporation are required by law to act honestly and in good faith with a view to the best interests of the Corporation and to disclose any interest which they may have in any project or opportunity of the Corporation. If a conflict of interest arises at a meeting of the board of directors, any director in a conflict is required under the *Canada Business Corporations Act* to disclose his interest and to abstain from voting on such matter.

***Inability to Satisfy Customer Demand for Performance, Price or Terms***

The market in which Inphosoft operates is highly competitive, and Inphosoft expects that the level of competition on pricing and product offering will continue to be intense. Additionally, certain emerging markets, such as countries in the Middle-East, Africa, South America and Southeast Asia, are particularly sensitive to pricing as a key differentiator. Where price is a primary decision driver, Inphosoft may not be able to effectively compete or it may choose not to compete due to unacceptable margins. If Inphosoft is not able or chooses not to compete against its current and future competitors, its current and potential customers may choose to purchase similar products offered by Inphosoft's competitors, which would negatively affect its revenues or profitability, or both. The markets for Inphosoft's products are subject to rapid technological changes, evolving industry standards and regulatory developments, and its operating results depend to a significant extent on its ability to adapt to these changes. Inphosoft competes principally on the basis of: (i) product performance and functionality; (ii) product quality and reliability; (iii) customer service and support; and (iv) price. Many of Inphosoft competitors have substantially broader product portfolios and financial and technological resources, product development, marketing, distribution and support capabilities, name recognition and established relationships with telecommunications service providers than it has. Certain competitors of Inphosoft may price their products at unsustainably low levels in an effort to acquire market share or delay or avoid business failures. Inphosoft may not be able to compete effectively against existing or future competitors or to maintain or capture meaningful market share, and Inphosoft's business could be harmed if its competitors' products and services provide higher performance, offer additional features and functionality or are more reliable or less expensive than its products. Increased competition could force Inphosoft to lower its prices or take other actions to differentiate its products, which could adversely affect its business.

***International Risks***

GINSMS's international operations are significant and it intends to continue to expand these international operations, particularly in Asia. Foreign operations face additional specific local risks, which may adversely affect GINSMS, including but not limited to, change in legal and regulatory requirements and less favourable intellectual property laws, change in local tax rates and other potentially adverse tax consequences (including the cost of repatriation of earnings), collectability of

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accounts in foreign jurisdictions, and burdens of complying with a wide variety of foreign laws, including changing import and export regulations.