

GINSMS INC.

Consolidated Financial Statements
For the years ended December 31, 2017
and December 31, 2016

To the Shareholders of GINSMS Inc.:

Management is responsible for the preparation and presentation of the accompanying consolidated financial statements, including responsibility for significant accounting judgments and estimates in accordance with International Financial Reporting Standards. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the consolidated financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of consolidated financial statements.

The majority of the Audit Committee is composed of Directors who are neither management nor employees of the Corporation. The Committee is responsible for overseeing management in the performance of its financial reporting responsibilities. The Audit Committee has the responsibility of meeting with management and external auditors to discuss the internal controls over the financial reporting process, auditing matters and financial reporting issues. The Audit Committee is also responsible for recommending the appointment of the Corporation's external independent auditors.

RSM Hong Kong is appointed by the Directors to audit the consolidated financial statements and report directly to them; their report follows. The external independent auditors have full and free access to, and meet periodically and separately with, the Board, the Audit Committee and management to discuss their audit findings.

March 28, 2018

/s/ "Joel Siang Hui Chin"
Chief Executive Officer

/s/ "Kuen Kuen Lau"
Director



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2

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of GINSMS Inc.:

We have audited the accompanying consolidated financial statements of GINSMS Inc. (the "Corporation") and its subsidiaries, which comprise the consolidated statement of financial position as at December 31, 2017 and December 31, 2016 and the consolidated statements of comprehensive loss, changes in equity and cash flows for the years ended December 31, 2017 and December 31, 2016, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Corporation and its subsidiaries as at December 31, 2017 and 2016, and their financial performance and cash flows for the years ended December 31, 2017 and December 31, 2016 in accordance with International Financial Reporting Standards.

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INDEPENDENT AUDITOR'S REPORT*Emphasis of Matter*

Without qualifying our opinion, we draw attention to note 2 in the consolidated financial statements which describes matter and conditions that indicate the existence of material uncertainties that may cast significant doubt about the Corporation and its subsidiaries' ability to continue as a going concern.

A handwritten signature in black ink, appearing to read "RSM Hong Kong".

Certified Public Accountants
Hong Kong
March 28, 2018

GINSMS INC.
CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND DECEMBER 31, 2016

(In Canadian Dollars)

	Note	2017	2016
		\$	\$
Revenue	7	7,386,673	6,479,185
Cost of sales		<u>(6,618,778)</u>	<u>(5,435,396)</u>
Gross profit		767,895	1,043,789
Expenses			
Salaries and wages		(715,827)	(923,961)
Professional fees		(339,362)	(329,742)
Directors' fees		(40,000)	(40,000)
General and administrative		(236,205)	(261,935)
(Allowance for)/reversal of allowance for doubtful accounts	15	(7,489)	8,249
Amortization and depreciation		(1,438)	(11,234)
Foreign currency exchange gain/(loss)		130,096	(95,904)
Loss on written-off of property, plant and equipment		<u>(52,667)</u>	<u>-</u>
Loss from operations		(494,997)	(610,738)
Finance costs			
Interest expenses on other borrowings		<u>(629,799)</u>	<u>(896,777)</u>
Loss before tax		(1,124,796)	(1,507,515)
Income tax credit/(expense)	9	<u>79</u>	<u>(120)</u>
Net loss for the year		<u>(1,124,717)</u>	<u>(1,507,635)</u>
Other comprehensive income, net of tax:			
<i>Items that may be reclassified to profit or loss:</i>			
Foreign exchange differences on translating foreign operations		<u>(19,849)</u>	<u>60,439</u>
Total comprehensive loss for the year		<u>(1,144,566)</u>	<u>(1,447,196)</u>
Net loss for the year attributable to:			
Shareholders		(1,122,268)	(1,506,275)
Non-controlling interest		<u>(2,449)</u>	<u>(1,360)</u>
		<u>(1,124,717)</u>	<u>(1,507,635)</u>
Total comprehensive loss for the year attributable to:			
Shareholders		(1,142,398)	(1,445,736)
Non-controlling interest		<u>(2,168)</u>	<u>(1,460)</u>
		<u>(1,144,566)</u>	<u>(1,447,196)</u>
Loss per share	11		
Basic (in Canadian cents)		(0.76)	(1.06)
Diluted		<u>N/A</u>	<u>N/A</u>

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

GINSMS INC.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2017 AND 2016

(In Canadian Dollars)

	Note	2017	2016
		\$	\$
Non-current assets			
Property, plant and equipment	12	36,769	35,660
Goodwill	13	-	-
Development expenditures	14	297,436	464,779
		<u>334,205</u>	<u>500,439</u>
Current assets			
Accounts receivable	15	1,238,898	1,822,661
Other receivables, prepayments and deposits		158,429	164,182
Bank and cash balances		340,765	139,808
		<u>1,738,092</u>	<u>2,126,651</u>
Current liabilities			
Accounts payable and accrued liabilities	16	1,539,484	2,096,917
Advances from related parties	18	475,620	756,079
Loan from a related party	20	284,217	261,273
Promissory note payable	19	484,000	436,000
Current tax liabilities		601	5,317
		<u>2,783,922</u>	<u>3,555,586</u>
Net current liabilities		<u>(1,045,830)</u>	<u>(1,428,935)</u>
Total assets less current liabilities		<u>(711,625)</u>	<u>(928,496)</u>
Non-current liabilities			
Loans from related parties	20	4,170,273	3,740,061
Deferred tax liability	9	1,153	1,208
		<u>4,171,426</u>	<u>3,741,269</u>
NET LIABILITIES		<u>(4,883,051)</u>	<u>(4,669,765)</u>
EQUITY			
Share capital	21	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 of the Corporation		(4,874,116)	(4,662,998)
Non-controlling interests		(8,935)	(6,767)
TOTAL DEFICIENCY		<u>(4,883,051)</u>	<u>(4,669,765)</u>

Approved on behalf of the board on March 28, 2018

/s/ "Joel Siang Hui Chin"

Director

/s/ "Kuen Kuen Lau"

Director

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

GINSMS INC.
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2017 AND DECEMBER 31, 2016

(In Canadian Dollars)

	Attributable to equity shareholders of the Corporation					
	Share capital	Deficit	Accumulated other comprehensive income	Total	Non-controlling interests	Total deficiency
	\$	\$	\$	\$	\$	\$
Balance as at January 1, 2016	10,484,429	(13,889,187)	187,496	(3,217,262)	(5,307)	(3,222,569)
Loss for the year	-	(1,506,275)	-	(1,506,275)	(1,360)	(1,507,635)
Other comprehensive income/(loss)	-	-	60,539	60,539	(100)	60,439
Balance as at December 31, 2016 and January 1, 2017	10,484,429	(15,395,462)	248,035	(4,662,998)	(6,767)	(4,669,765)
Issuance of shares in a private placement (Note 21(a))	931,280	-	-	931,280	-	931,280
Loss for the year	-	(1,122,268)	-	(1,122,268)	(2,449)	(1,124,717)
Other comprehensive (loss)/income	-	-	(20,130)	(20,130)	281	(19,849)
Balance as at December 31, 2017	<u>11,415,709</u>	<u>(16,517,730)</u>	<u>227,905</u>	<u>(4,874,116)</u>	<u>(8,935)</u>	<u>(4,883,051)</u>

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

GINSMS INC.
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND DECEMBER 31, 2016

(In Canadian Dollars)

	<u>2017</u>	<u>2016</u>
	\$	\$
OPERATING ACTIVITIES		
Net loss for the year	(1,124,717)	(1,507,635)
Current tax expense	-	2,317
Deferred tax credit	(79)	(2,197)
Interest expenses	629,799	896,777
Foreign currency exchange (gain)/loss	(130,096)	95,904
Depreciation of property, plant and equipment	24,341	47,241
Amortization of development expenditures	167,291	116,271
Loss on written-off of property, plant and equipment	52,667	-
Allowance for/(reversal of allowance for) doubtful accounts	7,489	(8,249)
Changes in non-cash working capital items:		
Accounts receivable	538,741	(290,563)
Other receivables, prepayments and deposits	2,153	(26,276)
Accounts payable and accrued liabilities	(496,122)	250,575
Income tax paid	-	(88,101)
Net cash used in operating activities	<u>(328,533)</u>	<u>(513,936)</u>
FINANCING ACTIVITIES		
Advances from related parties	241,024	320,835
Repayment of advance from a related party	(494,542)	(123,104)
Loan from immediate parent	-	219,029
Repayment of loan from a related party	(13,997)	-
Proceed from private placement	931,280	-
Net cash generated from financing activities	<u>663,765</u>	<u>416,760</u>
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(77,783)	(29,667)
Development expenditures	(112)	(2,865)
Net cash used in investing activities	<u>(77,895)</u>	<u>(32,532)</u>
Effect of exchange rate changes on cash held in foreign currencies	(56,380)	(41,289)
Increase/(decrease) in cash	<u>200,957</u>	<u>(170,997)</u>
Cash, beginning of year	<u>139,808</u>	<u>310,805</u>
Cash, end of year	<u>340,765</u>	<u>139,808</u>

GINSMS INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

(In Canadian Dollars)

1. GENERAL INFORMATION

GINSMS Inc. (the "Corporation") was incorporated in Alberta under the Canada Business Corporations Act on March 20, 2009. The address of its registered office is Suite 3000, 700 - 9th Avenue S.W., Calgary, Alberta, T2P 3V4. The Corporation's shares are listed on the TSX Venture Exchange ("TSXV").

The Corporation is an investment holding company. The principal activities of its subsidiaries are set out in note 24 to the consolidated financial statements.

In the opinion of the directors of the Corporation, Xinhua Mobile Limited ("Xinhua Mobile"), a company incorporated in the Cayman Islands, is the immediate parent; Beat Holdings Limited (formerly known as Xinhua Holdings Limited) ("Beat Holdings"), a company incorporated in the Cayman Islands, is the ultimate parent.

Beat Holdings' securities are listed on Tokyo Stock Exchange's Second Section (9399).

The principal activities of the Corporation are as follows:

a. Provision of messaging service ("Messaging Service")

The Corporation, through its subsidiary, GIN International Limited in Hong Kong, was originally involved in the provision of inter-operator short message services. On March 27, 2014, the Corporation launched its cloud-based application-to-peer ("A2P") messaging service ("A2P Service"). On September 12, 2014, the Corporation discontinued its IOSMS service to focus on the A2P Service. 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.

b. Provision of software products and services ("Software Products and Services")

The Corporation operates its Software Products and Services business 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.

Software Products and Services revenues are primarily derived from customers in Singapore, Malaysia and Indonesia.

**GINSMS INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

2. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB"). IFRSs comprise International Financial Reporting Standards ("IFRS"); International Accounting Standards ("IAS"); and Interpretations.

The IASB has issued certain new and revised IFRSs that are first effective or available for early adoption for the current accounting period of the Corporation. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Corporation for the current and prior accounting periods reflected in these consolidated financial statements.

Amounts are reported in Canadian dollars ("CDN" or "\$") unless otherwise indicated.

The Corporation has faced considerable competition in its existing principal activities, and the profitability of the businesses has been affected. The Corporation incurred a loss of \$1,124,717 for the year ended December 31, 2017. Additionally, as at December 31, 2017, the Corporation had net current liabilities and net liabilities of \$1,045,830 and \$4,883,051 respectively. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Corporation's ability to continue as a going concern. Therefore, the Corporation may be unable to realize its assets and discharge its liabilities in the normal course of business.

The Corporation confirms to adopt the going concern basis in preparing its consolidated financial statements. Management has instituted plans to address these matters:

- a. The liquidity risk is mitigated as related parties have confirmed with the Corporation that they will not call the interest-bearing loans of \$4,170,273 and cash advances of \$475,620 in the next twelve months from the year ended December 31, 2017. Furthermore, the immediate parent and the promissory note holder have agreed to extend the due dates of the loan of \$284,217 and promissory note of \$484,000 to March 31, 2019.
- b. The Corporation intends to focus its A2P Service customer base by directly marketing the service to more countries in Southeast Asia. The Corporation shall 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.
- c. The ultimate parent has agreed to provide adequate funds for the Corporation to meet all third party obligations for at least the ensuing twelve month period.

Should the Corporation be unable to continue as a going concern, adjustments would have to be made to the consolidated financial statements to adjust the value of the Corporation's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively.

**GINSMS INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

3. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

(a) Application of new and revised IFRSs

The IASB has issued a number of new and revised IFRSs that are first effective for annual periods beginning on or after January 1, 2017. Of these, the following new or revised IFRSs are relevant to the Corporation:

Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative

The amendments require entities to provide disclosure of changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). The Corporation has provided this information in note 22.

(b) New and revised IFRSs in issue but not yet effective

The Corporation has not early applied new and revised IFRSs that have been issued but are not yet effective for the financial year beginning January 1, 2017. These new and revised IFRSs include the following which may be relevant to the Corporation.

	Effective for accounting periods beginning on or after
IFRS 9 Financial Instruments	January 1, 2018
IFRS 15 Revenue from Contracts with Customers	January 1, 2018
IFRS 16 Leases	January 1, 2019
IFRIC 23 Uncertainty over Income Tax Treatments	January 1, 2019

The Corporation is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far the Corporation has identified some aspects of the new standards which may have a significant impact on the consolidated financial statements. Further details of the expected impacts are discussed below. As the Corporation has not completed its assessment, further impacts may be identified in due course.

While the assessment has been substantially completed for IFRS 9 and IFRS 15, the actual impacts upon the initial adoption of the standards may differ as the assessment completed to date is based on the information currently available to the Corporation, and further impacts may be identified before the standards are initially applied in the Corporation's interim financial report for the three months ended March 31, 2018. The Corporation may also change its accounting policy elections, including the transition options, until the standards are initially applied in that interim financial report.

**GINSMS INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

3. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (cont'd)

(b) New and revised IFRSs in issue but not yet effective (cont'd)

IFRS 9 Financial Instruments

IFRS 9 will replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 introduces new requirements for classification and measurement of financial assets, new rules for hedge accounting and a new impairment model for financial assets.

IFRS 9 is effective for annual periods beginning on or after January 1, 2018 on a retrospective basis. The Corporation plans to adopt the new standard on the required effective date and will not restate comparative information.

Based on an analysis of the Corporation's financial assets and financial liabilities as at December 31, 2017 on the basis of the facts and circumstances that exist at that date, the directors of the Corporation have assessed the impact of IFRS 9 to the Corporation's consolidated financial statements as follows:

Impairment

IFRS 9 requires the Corporation to recognise and measure either a 12-month expected credit loss or lifetime expected credit loss, depending on the asset and the facts and circumstances. The Corporation expects that the application of the expected credit loss model will result in earlier recognition of credit losses. Based on a preliminary assessment, if the Corporation were to adopt the new impairment requirements at December 31, 2017, accumulated impairment loss at that date would have no material impact as compared with that recognised under HKAS 39.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for recognising revenue from contracts with customers. IFRS 15 will replace the existing revenue standards, IAS 18, Revenue, which covers revenue arising from sale of goods and rendering of services, and IAS 11, Construction contracts, which specifies the accounting for revenue from construction contracts.

IFRS 15 is effective for annual periods beginning on or after January 1, 2018. The standard permits either a full retrospective or a modified retrospective approach for the adoption. The Corporation intends to adopt the standard using the modified retrospective approach which means that the cumulative impact of the adoption will be recognised in retained earnings as of January 1, 2018 and that comparatives will not be restated.

**GINSMS INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

3. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (cont'd)

(b) New and revised IFRSs in issue but not yet effective (cont'd)

Based on the assessment completed to date, the Corporation has identified the following areas which are expected to be affected:

(a) Timing of revenue recognition

Currently, revenue arising from software products and services contracts is recognised over time, whereas service fee income from provision of messaging services is generally recognised when services are rendered and all significant risks and rewards of ownership have passed to the customers.

Under IFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. IFRS 15 identifies 3 situations in which control of the promised good or service is regarded as being transferred over time:

- a) When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;
- b) When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;
- c) When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under IFRS 15 the entity recognises revenue for the sale of that good or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that will be considered in determining when the transfer of control occurs.

The Corporation has assessed that the new revenue standard is not likely to have significant impact on how it recognises revenue from the provision of software products and services contracts.

For contracts with customers in which the provision of messaging service is generally expected to be the only performance obligation, adoption of IFRS 15 is not expected to have any impact on the Corporation's revenue or profit or loss. The Corporation expects the revenue recognition to occur at a point in time when services are rendered.

**GINSMS INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

3. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (cont'd)

(b) New and revised IFRSs in issue but not yet effective (cont'd)

IFRS 16 Leases

IFRS 16 replaces IAS 17 Leases and related interpretations. The new standard introduces a single accounting model for lessees. For lessees the distinction between operating and finance leases is removed and lessees will recognise right-of-use assets and lease liabilities for all leases (with optional exemptions for short-term leases and leases of low value assets). IFRS 16 carries forward the accounting requirements for lessors in IAS 17 substantially unchanged. Lessors will therefore continue to classify leases as operating or financing leases.

IFRS 16 is effective for annual periods beginning on or after January 1, 2019. The Corporation intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

Based on a preliminary assessment, the standard will affect primarily the accounting for the Corporation's operating leases. The Corporation's office property leases are currently classified as operating leases and the lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term. Under IFRS 16 the Corporation may need to recognise and measure a liability at the present value of the future minimum lease payments and recognise a corresponding right-of-use asset for these leases. The interest expense on the lease liability and depreciation on the right-of-use asset will be recognised in profit or loss. The Corporation's assets and liabilities will increase and the timing of expense recognition will also be impacted as a result.

As disclosed in note 23, the Corporation's future minimum lease payments under non-cancellable operating leases for its office properties amounted to \$42,383 as at December 31, 2017. These leases are expected to be recognised as lease liabilities, with corresponding right-of-use assets, once IFRS 16 is adopted. The amounts will be adjusted for the effects of discounting and the transition reliefs available to the Corporation.

IFRIC 23 Uncertainty over Income Tax Treatments

The interpretation of IAS 12 Income Taxes sets out how to apply that standard when there is uncertainty about income tax treatments. Entities are required to determine whether uncertain tax treatments should be assessed separately or as a Corporation depending on which approach will better predict the resolution of the uncertainties. Entities will have to assess whether it is probable that a tax authority will accept an uncertain tax treatment. If yes, the accounting treatment will be consistent with the entity's income tax filings. If not, however, entities are required to account for the effects of the uncertainty using either the most likely outcome or expected value method depending on which method is expected to better predict its resolution.

The Corporation is unable to estimate the impact of the interpretation on the consolidated financial statements until a more detailed assessment has been completed.

**GINSMS INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared under the historical cost convention.

The preparation of consolidated financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Corporation's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 5.

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below.

(a) Consolidation

The consolidated financial statements include the financial statements of the Corporation and its subsidiaries made up to December 31. Subsidiaries are entities over which the Corporation has control. The Corporation controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Corporation has power over an entity when the Corporation has existing rights that give it the current ability to direct the relevant activities, i.e. activities that significantly affect the entity's returns.

When assessing control, the Corporation considers its potential voting rights as well as potential voting rights held by other parties. A potential voting right is considered only if the holder has the practical ability to exercise that right.

Subsidiaries are consolidated from the date on which control is transferred to the Corporation. They are de-consolidated from the date the control ceases.

The gain or loss on the disposal of a subsidiary that results in a loss of control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that subsidiary and (ii) the Corporation's share of the net assets of that subsidiary plus any remaining goodwill and any accumulated foreign currency translation reserve relating to that subsidiary.

Intragroup transactions, balances and unrealized profits are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Corporation.

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to the Corporation. Non-controlling interests are presented in the consolidated statement of financial position and consolidated statement of changes in equity within equity. Non-controlling interests are presented in the consolidated statement of comprehensive income (loss) as an allocation of profit or loss and total comprehensive income (loss) between the non-controlling shareholders and owners of the Corporation.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Corporation and to the non-controlling shareholders even if this results in the non-controlling interests having a deficit balance.

GINSMS INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Consolidation (cont'd)

Changes in the Corporation's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners). The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Corporation.

(b) Business combination and goodwill

The acquisition method is used to account for the acquisition of a subsidiary in a business combination. The consideration transferred in a business combination is measured at the acquisition-date fair value of the assets given, equity instruments issued, liabilities incurred and any contingent consideration. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received. Identifiable assets and liabilities of the subsidiary in the acquisition are measured at their acquisition-date fair values.

The excess of the sum of the consideration transferred over the Corporation's share of the net fair value of the subsidiary's identifiable assets and liabilities is recorded as goodwill. Any excess of the Corporation's share of the net fair value of the identifiable assets and liabilities over the sum of the consideration transferred is recognised in consolidated profit or loss as a gain on bargain purchase which is attributed to the Corporation.

The non-controlling interests in the subsidiary are initially measured at the non-controlling shareholders' proportionate share of the net fair value of the subsidiary's identifiable assets and liabilities at the acquisition date.

After initial recognition, goodwill is measured at cost less accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs") or groups of CGUs that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the Corporation at which the goodwill is monitored for internal management purposes. Goodwill impairment reviews are undertaken annually, or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to its recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

GINSMS INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in CDN, which is the Corporation's functional and presentation currency.

The primary functional currencies of its subsidiaries are Hong Kong Dollars ("HKD") and Singapore Dollars ("SGD"). These currencies are freely convertible into foreign currencies.

(ii) Transactions and balances in each entity's financial statements

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

(iii) Translation on consolidation

The results and financial position of all the Corporation entities that have a functional currency different from the Corporation's presentation currency are translated into the Corporation's presentation currency as follows:

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- Income and expenses are translated at average exchange rates for the period (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and
- All resulting exchange differences are recognised in other comprehensive income/(loss) and accumulated in the foreign currency translation reserve.

On consolidation, exchange differences arising from the translation of monetary items that form part of the net investment in foreign entities are recognised in other comprehensive income and accumulated in the foreign currency translation reserve. When a foreign operation is sold, such exchange differences are reclassified to consolidated profit or loss as part of the gain or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

GINSMS INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) Property, plant and equipment

Property, plant and equipment held for use in the production or supply of goods or services, or for administrative purposes, are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Corporation and the cost of the item can be measured reliably. All other repairs and maintenance are recognised in profit or loss during the period in which they are incurred.

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their cost over the estimated useful lives on a straight-line basis. The useful lives 3 - 5 years.

The useful lives and depreciation method are reviewed and adjusted, if appropriate, at the end of each reporting period.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.

(e) Operating leases

The Corporation as lessee

Leases that do not substantially transfer to the Corporation all the risks and rewards of ownership of assets are accounted for as operating leases. Lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term.

(f) Development expenditures

Development expenditure is carried at cost less accumulated amortization and any accumulated impairment losses. Amortization of the development expenditure begins when development is complete and the asset is available for use. Development expenditures that are not available for use are not amortized.

Research costs are expensed as incurred. Development expenditure on an individual project are recognised as an intangible asset when the Corporation can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete and the ability to measure reliably the expenditures during the development.

Development expenditures have a finite useful life of five years and are amortized over the period of expected sales from the related project on a straight-line basis.

GINSMS INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(g) Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when the Corporation becomes a party to the contractual provisions of the instruments.

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Corporation transfers substantially all the risks and rewards of ownership of the assets; or the Corporation neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised in other comprehensive income (loss) is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

(h) Financial assets

Financial assets are recognised and derecognised on a trade date basis where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial assets within the timeframe established by the market concerned, and are initially measured at fair value, plus directly attributable transaction costs except in the case of financial assets at fair value through profit or loss.

The Corporation classifies its financial assets in the following categories: loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These assets are carried at amortized cost using the effective interest method (except for short-term receivables where interest is immaterial) minus any reduction for impairment or uncollectibility. Typically trade and other receivables, bank balances and cash are classified in this category.

(i) Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortized cost using the effective interest method, less allowance for impairment.

GINSMS INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(j) Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments, with original maturities of three months or less, which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value. Bank overdrafts which are repayable on demand and form an integral part of the Corporation's cash management are also included as a component of cash and cash equivalents.

(k) Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under IFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Corporation after deducting all of its liabilities.

(l) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortized cost using the effective interest method.

Borrowings are classified as current liabilities unless the Corporation has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

(m) Trade and other payables

Trade and other payables are recognised initially at their fair value and subsequently measured at amortized cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

(n) Equity instruments

Equity instruments issued by the Corporation are recorded at the proceeds received, net of direct issue costs.

(o) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and is recognised when it is probable that the economic benefits will flow to the Corporation and the amount of revenue can be measured reliably.

Service fee income is recognised when services are rendered and all significant risks are transferred to the customers.

Interest income is recognised on a time-proportion basis using the effective interest method.

GINSMS INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(o) Revenue recognition (cont'd)

With respect to contracts for the Software Products and Services, when the outcome of a contract can be estimated reliably, contract revenue and contract costs associated with the contract are recognised as revenue and expenses, respectively, by reference to the stage of completion of the contract activity at the end of the reporting period (the percentage of completion method).

Revenue of a Software Products and Services contract is recognised when persuasive evidence of an arrangement exists which occurs when: (i) total contract revenue can be measured reliably; (ii) it is probable that the economic benefits associated with the contract will flow to the entity; (iii) the costs to complete the contract and the stage of completion can be measured reliably; and (iv) the contract costs attributable to the contract can be clearly identified and measured reliably so that actual contract costs incurred can be compared with prior estimates.

When the outcome of a contract cannot be estimated reliably (principally during early stages of a contract), contract revenue is recognised only to the extent of contract costs incurred that is likely to be recoverable, and contract costs are recognised as an expense in the period in which they are incurred. An expected loss on the construction contract is recognised as an expense immediately when it is probable that total contract costs will exceed total contract revenue.

Contract revenue comprises the initial amount of revenue agreed to in the contract and any variations in the contract work, claims and incentive payments to the extent that it is probable that they will result in revenue and they can be measured reliably. A variation or a claim is recognised as contract revenue when it is probable that the customer will approve the variation or negotiations have reached an advanced stage such that it is probable that the customer will accept the claim.

The stage of completion is measured by reference to the services performed to date based on labor hours incurred at the end of the reporting period, as a proportion of total estimated labor hours expected to be provided for the services.

The aggregate of costs incurred and the profit or loss recognised on each contract is compared against the progress billings up to the end of the reporting period. Where costs incurred and recognised profit (less recognised losses) exceed progress billings, the balance is shown as amount due from customers for contract work. Where progress billings exceeds costs incurred and recognised profit (less recognised losses), the excess is shown as amount due to customers for contract work.

GINSMS INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(p) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) Pension obligations

The Corporation contributes to defined contribution retirement schemes which are available to all employees. Contributions to the schemes by the Corporation and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged to profit or loss represents contributions payable by the Corporation to the funds.

(iii) Termination benefits

Termination benefits are recognised at the earlier of the dates when the Corporation can no longer withdraw the offer of those benefits, and when the Corporation recognises restructuring costs and involves the payment of termination benefits.

(q) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalized as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalization is determined by applying a capitalization rate to the expenditures on that asset. The capitalization rate is the weighted average of the borrowing costs applicable to the borrowings of the Corporation that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

GINSMS INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(r) Taxation

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit recognised in profit or loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Corporation's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilized. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Corporation is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realized, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income (loss) or directly in equity, in which case the deferred tax is also recognised in other comprehensive income (loss) or directly in equity.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Corporation expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Corporation intends to settle its current tax assets and liabilities on a net basis.

GINSMS INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(s) Impairment of non-financial assets

The carrying amounts of non-financial assets are reviewed at each reporting date for indications of impairment and where an asset is impaired, it is written down as an expense through the consolidated statement of comprehensive income (loss) to its estimated recoverable amount. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If this is the case, recoverable amount is determined for the cash-generating unit to which the asset belongs. Recoverable amount is the higher of value in use and the fair value less costs of disposal of the individual asset or the cash-generating unit.

Value in use is the present value of the estimated future cash flows of the asset / cash-generating unit. Present values are computed using pre-tax discount rates that reflect the time value of money and the risks specific to the asset / cash-generating unit whose impairment is being measured.

Impairment losses for cash-generating units are allocated first against the goodwill of the unit and then pro rata amongst the other assets of the cash-generating unit. Subsequent increases in the recoverable amount caused by changes in estimates are credited to profit or loss to the extent that they reverse the impairment.

(t) Impairment of financial assets

At the end of each reporting period, the Corporation assesses whether its financial assets are impaired, based on objective evidence that, as a result of one or more events that occurred after the initial recognition, the estimated future cash flows of the (group of) financial asset(s) have been affected.

In addition, for trade receivables that are assessed not to be impaired individually, the Corporation assesses them collectively for impairment, based on the Corporation's past experience of collecting payments, an increase in the delayed payments in the portfolio, observable changes in economic conditions that correlate with default on receivables, etc.

Only for trade receivables, the carrying amount is reduced through the use of an allowance account and subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For all other financial assets, the carrying amount is directly reduced by the impairment loss.

For financial assets measured at amortized cost, if the amount of the impairment loss decreases in a subsequent period and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed (either directly or by adjusting the allowance account for trade receivables) through profit or loss. However, the reversal must not result in a carrying amount that exceeds what the amortized cost of the financial asset would have been had the impairment not been recognised at the date the impairment is reversed.

**GINSMS INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(u) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Corporation has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

(v) Events after the reporting period

Events after the reporting period that provide additional information about the Corporation's position at the end of the reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the consolidated financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES

Critical judgement in applying accounting policies

In the process of applying the accounting policies, the directors have made the following judgment that has the most significant effect on the amounts recognised in the consolidated financial statements (apart from those involving estimations, which are dealt with below).

(a) Going concern basis

These consolidated financial statements have been prepared on a going concern basis, the validity of which depends upon the financial support of the ultimate parent at a level sufficient to finance the working capital requirements of the Corporation. Details are explained in note 2 to the consolidated financial statements.

GINSMS INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES (CONT'D)

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

(a) Recoverability of development expenditures

During the year, the Corporation reconsidered the recoverability of development expenditures, which are included in its consolidated statement of financial position as at December 31, 2017 at \$297,436 (2016: \$464,779). The software development projects continue to progress in a very satisfactory manner, and customer reaction has reconfirmed the Corporation's previous estimates of anticipated revenues from the project. Detailed sensitivity analysis has been carried out and the Corporation is confident that the carrying amount of the asset will be recovered in full, even if returns are reduced. This situation will be closely monitored, and adjustments made in future periods, if future market activity indicates that such adjustments are appropriate.

(b) Allowance for doubtful accounts

The Corporation makes an allowance for doubtful accounts based on assessments of the recoverability of the trade and other receivables, including the current creditworthiness and the past collection history of each customer. Allowance for doubtful accounts arises where events or changes in circumstances indicate that the balances may not be collectible. The identification of allowance for doubtful accounts and bad debts, in particular of a loss event, requires the use of judgement and estimates. Where the actual result is different from the original estimate, such difference will impact the carrying value of the trade and other receivables and doubtful debt expenses in the year in which such estimate has been changed. If the financial conditions of the customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

As at December 31, 2017, accumulated allowance for doubtful accounts amounted to \$17,968 (2016: \$10,133).

GINSMS INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

6. FINANCIAL RISK MANAGEMENT

The Corporation's activities expose it to a variety of financial risks: foreign currency risk, credit risk, liquidity risk and interest rate risk. The Corporation's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Corporation's financial performance.

(a) 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.

The Corporation currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Corporation monitors its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

The following presents the carrying amounts of the financial instruments that are denominated in the currencies:

	At December 31, 2017						
	CDN \$	SGD \$	HKD \$	USD \$	Euro \$	Others \$	Total \$
Bank and cash balances	1,512	25,833	7,658	223,219	56,949	25,594	340,765
Trade receivables	-	260,625	-	849,978	99,660	18,422	1,228,705
Other receivables and Deposits	-	15,615	107	-	25,607	7,728	49,057
Accounts payable and accrued liabilities	(176,958)	(139,243)	(992,027)	(43,154)	(40,417)	(82,274)	(1,474,073)
Advances from related parties	-	(57,301)	(404,581)	-	-	(13,738)	(475,620)
Promissory note payable	(484,000)	-	-	-	-	-	(484,000)
Loans from related parties	-	(1,454,647)	(2,285,070)	(714,773)	-	-	(4,454,490)

	At December 31, 2016						
	CDN \$	SGD \$	HKD \$	USD \$	Euro \$	Others \$	Total \$
Bank and cash balance	2,031	45,711	5,121	13,350	56,738	16,857	139,808
Trade receivables	-	210,364	-	1,383,680	138,527	15,727	1,748,298
Other receivables and deposits	-	15,356	112	-	26,783	7,515	49,766
Accounts payable and accrued liabilities	(142,330)	(90,080)	(697,163)	(981,789)	(25,138)	(48,491)	(1,984,991)
Advance from a related party	-	-	(741,834)	-	-	(14,245)	(756,079)
Promissory note payable	(436,000)	-	-	-	-	-	(436,000)
Loans from related parties	-	(1,261,566)	(2,079,137)	(660,631)	-	-	(4,001,334)

At December 31, 2017, if the SGD had weakened or strengthened 5 percent against the USD with all other variables held constant, consolidated loss after tax and the deficiency would have been approximately \$17,000 (2016: \$16,000) higher or lower, arising mainly as a result of the foreign exchange loss or gain on net payables denominated in USD.

GINSMS INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

6. FINANCIAL RISK MANAGEMENT (CONT'D)

(b) Credit risk

Credit risk arises from accounts receivable and deposits with banks. The Corporation reduces this risk by dealing with creditworthy banks or 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.

The following table summarizes the accounts receivable overdue but not impaired. These relate to a number of independent customers for whom there is no recent history of default:

	Up to 3 months	3 to 6 months	Over 6 months	Total
	\$	\$	\$	\$
At December 31, 2017	<u>569,353</u>	<u>75,068</u>	<u>16,072</u>	<u>659,493</u>
At December 31, 2016	<u>660,733</u>	<u>586,698</u>	<u>42,621</u>	<u>1,290,052</u>

As at December 31, 2017, approximately 93% (2016: 89%) of significant individual accounts receivable was owed from four customers.

The carrying amount of bank balances 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.

The maturity analysis based on contractual undiscounted cash flows of the Corporation's non-derivative financial liabilities is as follows:

	Less than 1 year	Between 1 to 2 years	Total
	\$	\$	\$
At December 31, 2017			
Accounts payable and accrued liabilities	1,474,073	-	1,474,073
Advances from related parties	475,620	-	475,620
Promissory note payable	496,000	-	496,000
Loans from related parties	292,751	4,701,878	4,994,629
 At December 31, 2016			
Accounts payable and accrued liabilities	1,984,991	-	1,984,991
Advance from a related party	756,079	-	756,079
Promissory note payable	484,000	-	484,000
Loans from related parties	300,174	4,754,174	5,054,348

GINSMS INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

6. FINANCIAL RISK MANAGEMENT (CONT'D)

(c) **Liquidity risk (cont'd)**

The Corporation has working capital deficiency of \$1,045,830 as at December 31, 2017. The liquidity risk is mitigated as the Corporation has discussed with the related parties on extending the due date on advances and interest-bearing loans financed by the related parties of \$4,645,893. These related parties have confirmed to the Corporation that they will not call the loans in the next twelve months from the year ended December 31, 2017. Furthermore, the immediate parent and the promissory note holder have agreed to extend the due dates of the loan of \$284,217 and promissory note of \$484,000 to March 31, 2019.

(d) **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 borrowings issued at a fixed rate expose the Corporation to fair value interest rate risk. The Corporation is not exposed to cash flow interest rate risk as at December 31, 2017 and 2016.

(e) **Categories of financial instruments**

	<u>As at December 31, 2017</u>	<u>As at December 31, 2016</u>
	\$	\$
Financial assets:		
Loan and receivables (including cash and cash equivalents)	<u>1,618,527</u>	<u>1,937,871</u>
Financial liabilities:		
Financial liabilities at amortized costs	<u>6,888,183</u>	<u>7,178,405</u>

(f) **Fair values**

The carrying amounts of the Corporation's financial assets and financial liabilities as reflected in the consolidated statement of financial position approximate their respective fair values.

(g) **Capital management**

Capital is comprised of shareholders equity (deficit) on the consolidated 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 analysis. 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 years ended December 31, 2017 and December 31, 2016.

GINSMS INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

7. REVENUE

An analysis of the Corporation's revenue is as follows:

	<u>2017</u>	<u>2016</u>
	\$	\$
Service income	7,329,960	6,397,432
Accounting fee income	32,820	38,634
Miscellaneous income	23,893	43,119
	<u>7,386,673</u>	<u>6,479,185</u>

8. SEGMENT INFORMATION

The Corporation's reportable segments are (1) provision of Messaging Service ("MS") and (2) Software Products and Services ("SPS"). They are managed separately because each business requires different technology and marketing strategies. In addition, the Corporation has corporate expenses, assets and liabilities, and such information is included in the "unallocated" column.

The accounting policies of the segments are the same as those described in note 4 to the consolidated financial statements.

(a) Revenue by customers

The revenues are primarily generated in HKD, USD, and SGD. Six major customers have contributed to sales revenue for the years ended December 31, 2017 and December 31, 2016 as indicated in the following table.

	<u>2017</u>		<u>2016</u>	
	\$	% 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
	<u>7,386,673</u>	<u>100.0</u>	<u>6,479,185</u>	<u>100.0</u>

GINSMS INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

8. SEGMENT INFORMATION (CONT'D)

(b) Revenue by geographical location

	2017		2016	
	\$	% 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
	<u>7,386,673</u>	<u>100.0</u>	<u>6,479,185</u>	<u>100.0</u>

(c) Total assets by geographical location

	2017		2016	
	\$	% 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
	<u>2,072,297</u>	<u>100.0</u>	<u>2,627,090</u>	<u>100.0</u>

(d) Financial information by business segments

	MS	SPS	Unallocated	Total
	\$	\$	\$	\$
Year ended December 31, 2017				
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 credit	-	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
As at December 31, 2017				
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)

GINSMS INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

8. SEGMENT INFORMATION (CONT'D)

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

	<u>MS</u>	<u>SPS</u>	<u>Unallocated</u>	<u>Total</u>
	\$	\$	\$	\$
Year ended December 31, 2016				
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 expense	-	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
As at December 31, 2016				
Segment assets	1,668,101	932,918	26,071	2,627,090
Segment liabilities	<u>(4,417,575)</u>	<u>(1,923,647)</u>	<u>(955,633)</u>	<u>(7,296,855)</u>

The totals of above items disclosed in the segment information are the same as the consolidated totals.

9. INCOME TAX (CREDIT)/EXPENSE

(a) Income tax has been recognised in profit or loss as following:

	<u>2017</u>	<u>2016</u>
	\$	\$
Current tax		
Provision for the year	-	2,091
Under-provision in prior years	-	226
	-	2,317
Deferred tax	<u>(79)</u>	<u>(2,197)</u>
	<u>(79)</u>	<u>120</u>

Tax charge on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Corporation operates, based on existing legislation, interpretation and practices in respect thereof.

GINSMS INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

9. INCOME TAX (CREDIT)/EXPENSE (CONT'D)

- (b) The reconciliation between the income tax (credit)/expense and the product of loss before tax multiplied by the combined Canadian and foreign rates is as follows:

	<u>2017</u>	<u>2016</u>
	\$	\$
Loss before tax	(1,124,796)	(1,507,515)
Income tax rate	<u>25%</u>	<u>25%</u>
Computed income tax benefit	(281,199)	(376,879)
Effects of tax rate in different countries	35,693	284,605
Increase (decrease) resulting from:		
Non-taxable income	(46,545)	(7,127)
Non-deductible expenses	81,550	84,850
Tax credits	-	(2)
Other	(79)	(1,492)
Change in unrecognised temporary differences	509,295	55,967
Utilisation of tax loss not recognised	(298,792)	(40,028)
Under-provision in prior year	<u>-</u>	<u>226</u>
Income tax (credit)/expense	<u>(79)</u>	<u>120</u>

(c) **Deferred tax assets and liabilities**

The Corporation has deferred tax losses which are being carried forward and which may be utilized to reduce future taxable income. Deferred taxes are also provided as a result of temporary differences between the income tax values and the carrying amount of assets and liabilities. The components of the net deferred tax assets (liabilities) were as follows:

	<u>2017</u>	<u>2016</u>
	\$	\$
Long-term deferred tax assets:		
Non-capital loss carried forward	1,458,060	1,362,744
Capital allowance	6,091	(9)
Timing difference of depreciation and amortization	2,471	(91,374)
Issue costs	2,555	(1,613)
Less: Unrecognised temporary differences	<u>(1,469,177)</u>	<u>(1,269,748)</u>
	<u>-</u>	<u>-</u>
Long-term deferred tax liability:		
Property, plant and equipment	<u>1,153</u>	<u>1,208</u>

As of December 31, 2017, the Corporation had income tax losses of \$2,925,000, which arose from the Canadian jurisdiction and which will expire as follows; \$271,000 in 2030, \$329,000 in 2031, \$338,000 in 2032, \$527,000 in 2033, \$395,000 in 2034, \$194,000 in 2035, \$297,000 in 2036, \$285,000 in 2037 and \$289,000 in 2038. The Corporation also had income tax losses of \$3,600,000 and unutilized capital allowance of \$26,000 which arose from its subsidiaries' jurisdictions. The income tax benefits of these losses have not been recognised on the consolidated financial statements.

GINSMS INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

10. **EMPLOYEE BENEFITS EXPENSE**

	<u>2017</u>	<u>2016</u>
	\$	\$
Directors' fees	40,000	40,000
Employee benefits expense (including key management personnel):		
Salaries, bonuses and allowances (Note)	1,233,318	1,266,430
Retirement benefit scheme contributions	<u>139,796</u>	<u>147,074</u>
	<u>1,373,114</u>	<u>1,413,504</u>
	<u><u>1,413,114</u></u>	<u><u>1,453,504</u></u>

Note: Included expenses of \$112 and \$657,176 (2016: \$2,865 and \$486,678) capitalized in development expenditures and recognised in cost of sales respectively.

11. **LOSS PER SHARE**

The calculation of the basic loss per share is based on the following:

	<u>2017</u>	<u>2016</u>
	\$	\$
Loss		
Loss for the purpose of calculating basic loss per share	<u>(1,122,268)</u>	<u>(1,506,275)</u>
Number of shares		
Issued ordinary shares at January 1	142,630,169	142,630,169
Effect of issuance of shares in a private placement	<u>5,220,663</u>	<u>-</u>
Weighted average number of ordinary shares for the purpose of calculating basic loss per share	<u><u>147,850,832</u></u>	<u><u>142,630,169</u></u>

The Corporation did not have any dilutive potential ordinary shares during the years ended December 31, 2017 and December 31, 2016.

GINSMS INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

12. PROPERTY, PLANT AND EQUIPMENT	Computer equipment and software
	\$
Cost	
At January 1, 2016	183,939
Additions	29,667
Written off	(12,809)
Exchange difference	(2,775)
	<u>198,022</u>
At December 31, 2016 and January 1, 2017	198,022
Additions	77,783
Written off	(56,737)
Exchange difference	2,508
	<u>221,576</u>
At December 31, 2017	221,576
Accumulated depreciation and impairment	
At January 1, 2016	130,783
Depreciation	47,241
Written off	(12,809)
Exchange difference	(2,853)
	<u>162,362</u>
At December 31, 2016 and January 1, 2017	162,362
Depreciation	24,341
Written off	(4,070)
Exchange difference	2,174
	<u>184,807</u>
At December 31, 2017	184,807
Carrying amount	
As at December 31, 2017	<u><u>36,769</u></u>
As at December 31, 2016	<u><u>35,660</u></u>
13. GOODWILL	\$
Cost less impairment	
At January 1, 2016, December 31, 2016, January 1, 2017 and December 31, 2017	<u><u>-</u></u>

Due to changes in market condition, the recoverable amount of the goodwill was determined to be below its carrying value at March 31, 2015, and accordingly, the goodwill was considered fully impaired during the year ended March 31, 2015.

GINSMS INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

14. DEVELOPMENT EXPENDITURES

	Cost	Accumulated amortization	Total
	\$	\$	\$
At January 1, 2016	896,240	(319,254)	576,986
Additions	2,865	-	2,865
Amortization	-	(116,271)	(116,271)
Exchange difference	(4,410)	5,609	1,199
	<u>894,695</u>	<u>(429,916)</u>	<u>464,779</u>
At December 31, 2016 and January 1, 2017	894,695	(429,916)	464,779
Additions	112	-	112
Amortization	-	(167,291)	(167,291)
Exchange difference	10,963	(11,127)	(164)
	<u>905,770</u>	<u>(608,334)</u>	<u>297,436</u>

Research costs recognised as expense for the years ended December 31, 2017 and December 31, 2016, are \$25,175 and \$45,017 respectively.

15. ACCOUNTS RECEIVABLE

	2017	2016
	\$	\$
Trade receivables	1,246,673	1,758,431
Less: Allowance for doubtful accounts	(17,968)	(10,133)
	<u>1,228,705</u>	<u>1,748,298</u>
Amounts due from customers on contracts (Note 17)	10,193	74,363
	<u>1,238,898</u>	<u>1,822,661</u>

As at December 31, 2017, an allowance was made for estimated irrecoverable trade receivables of approximately \$18,000 (2016: \$10,000).

Reconciliation of allowance for doubtful account balances:

	2017	2016
	\$	\$
As at beginning of year	10,133	18,349
Allowance for the year	7,489	-
Reversal of allowance for the year	-	(8,249)
Exchange difference	346	33
	<u>17,968</u>	<u>10,133</u>
As at end of year	17,968	10,133

GINSMS INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

16. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	<u>2017</u>	<u>2016</u>
	\$	\$
Trade payables	115,736	1,074,497
Amounts due to customers on contracts (Note 17)	54,752	61,849
Deferred income	2,091	42,747
Accrued liabilities and receipt in advance	<u>1,366,905</u>	<u>917,824</u>
Total	<u>1,539,484</u>	<u>2,096,917</u>

Accrued liabilities consist mainly of accrued rental, professional fees and general administration expenses.

17. AMOUNTS DUE FROM/TO CUSTOMERS FOR CONTRACT WORK

	<u>2017</u>	<u>2016</u>
	\$	\$
Contract costs incurred plus recognised profits less recognised losses to date	99,481	635,360
Less: Progress billings	<u>(144,040)</u>	<u>(622,846)</u>
	<u>(44,559)</u>	12,514
Amounts due from customers for contract work	10,193	74,363
Amounts due to customers for contract work	<u>(54,752)</u>	<u>(61,849)</u>
	<u>(44,559)</u>	12,514

18. ADVANCES FROM RELATED PARTIES

The advances from an officer and a related company are unsecured, interest-free and repayable on demand.

Subsequent to the end of the reporting period, the officer and the related company have advised the Corporation that they shall not demand payment of the advances on or before December 31, 2018.

19. PROMISSORY NOTE PAYABLE

	<u>Total</u>
	\$
As at January 1, 2016	400,000
Interest expenses for the year	<u>36,000</u>
As at December 31, 2016 and January 1, 2017	436,000
Interest expenses for the year	<u>48,000</u>
As at December 31, 2017	<u>484,000</u>

GINSMS INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

19. PROMISSORY NOTE PAYABLE (CONT'D)

For part of the acquisition of Inphosoft Group on September 28, 2012, 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%. Subsequent to the end of the reporting period, the Corporation negotiated with the note holder, Inphosoft Pte. Ltd. ("IPL") (Note 20(c)) on extending the due date on the note payable and IPL has agreed to extend the due date of the promissory note payable of \$400,000 to March 31, 2019. A simple interest of 12% per annum is charged effective from April 1, 2016.

20. LOANS FROM RELATED PARTIES

	Note	As at December 31, 2017	As at December 31, 2016
		\$	\$
Non-current:			
Loan from a director	(a)	3,282,300	2,962,538
Loan from a director of a subsidiary	(b)	-	17,880
Loan from a related party	(c)	887,973	759,643
		<u>4,170,273</u>	3,740,061
Current:			
Loan from immediate parent	(d)	284,217	261,273
Total		<u>4,454,490</u>	<u>4,001,334</u>

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

- (a) The loans are from the Corporation's director, Mr. Joel Siang Hui Chin, and bear interest at 12% (2016: 24%) per annum (compounded daily based on a 365-day year). Mr. Joel Siang Hui Chin confirmed to the Corporation that he will not demand payment of the loans on or before December 31, 2018.
- (b) The loan bears interest at 24% (2016: 24%) per annum (compounded daily based on a 365-day year), and matured on June 12, 2014.
- (c) The loan is from IPL, the former holding company of Inphosoft Group Pte. Ltd., bears interest at 12% (2016: 24%) per annum (compounded daily based on a 365-day year). On September 24, 2015, IPL converted its convertible debentures of the Corporation and became a shareholder of the Corporation. A director of the Corporation, Mr. Joel Siang Hui Chin, 2 directors of the Corporation's subsidiaries, Mr. Wang Xianxiang and Mr. Xu Hongwei, each has significant influence over IPL. IPL confirmed to the Corporation that they will not demand payment of the loan on or before December 31, 2018.
- (d) The loan is from Xinhua Mobile, the immediate parent of the Corporation, and bears interest at 28% per annum (compounded daily based on a 365-day year) until end of February 2017, after which such loans bear an interest rate of 12% per annum (compounded daily based on a 365-day year) and due on March 31, 2018. Subsequent to the end of the reporting period, Xinhua Mobile agreed to extend the due date of the loan to March 31, 2019.

GINSMS INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

21. SHARE CAPITAL

Authorised:

Unlimited common shares

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

Issued:

	Note	Common shares	2017 Amount \$	Common shares	2016 Amount \$
Balance, beginning of year		142,630,169	10,484,429	142,630,169	10,484,429
Issuance of shares in a private placement	(a)	7,163,692	931,280	-	-
Balance, end of year		<u>149,793,861</u>	<u>11,415,709</u>	<u>142,630,169</u>	<u>10,484,429</u>

- (a) 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 US\$700,000 and issuing 7,163,692 common shares to Xinhua Mobile at a subscription price of \$0.13 per common share.

22. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Corporation's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Corporation's consolidated statement of cash flows as cash flows from financing activities.

	January 1, 2017 \$	Cash flows \$	Interest expenses \$	Exchange differences \$	December 31, 2017 \$
Advances from related parties (note 18)	756,079	(253,518)	-	(26,941)	475,620
Loan from a related party (note 20)	261,273	-	39,849	(16,905)	284,217
Promissory note payable (note 19)	436,000	-	48,000	-	484,000
Loans from related parties (note 20)	<u>3,740,061</u>	<u>(13,997)</u>	<u>541,950</u>	<u>(97,741)</u>	<u>4,170,273</u>
	<u>5,193,413</u>	<u>(267,515)</u>	<u>629,799</u>	<u>(141,587)</u>	<u>5,414,110</u>

23. COMMITMENTS

The Corporation has lease agreements outstanding for various terms up to November 30, 2018. Payments are to be incurred in SGD, MYR, the CDN equivalent as of December 31, 2017 is a total of \$42,383 (2016: \$102,328), of which \$42,383 (2016: \$76,387) is to be incurred within one year of the statement of financial position date and \$Nil (2016: \$25,941) after one year and within five years.

GINSMS INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

24. RELATED PARTY TRANSACTIONS

- (a) The Corporation had the following related party transactions for the years ended December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
	\$	\$
Revenue and accounting fee income from companies controlled by immediate parent/ a director	775,618	447,554
Cost of consignment stocks paid to a company controlled by a director	2,221	1,021
Accounting fee paid to an officer	68,410	76,492
Rent charged by a company controlled by a director	56,835	57,916
Interest charged on loan from a director	431,642	630,302
(Reversal of interest on)/interest charged on loan from a director of a subsidiary	(3,768)	3,912
Interest charged on loans from a related party	114,076	166,213
Interest charged on loan from immediate parent	39,849	60,350
Interest charged on promissory note payable to a related party	<u>48,000</u>	<u>36,000</u>

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.

- (b) The Corporation had the following related party balances at the end of the reporting period:

	Accounts receivable	Accounts payables and accrued liabilities	Advances payable	Promissory note payable	Loan payables
	\$	\$	\$	\$	\$
As at December 31, 2017					
Directors	-	(80,974)	(418,319)	-	(3,282,300)
An officer	-	(4,601)	-	-	-
A company controlled by a director	258,607	(41,121)	-	-	-
Directors of subsidiaries	-	(1,948)	-	-	-
A related party	-	-	(57,301)	(484,000)	(887,973)
Immediate parent	-	-	-	-	(284,217)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(284,217)</u>
As at December 31, 2016					
Directors	-	(80,958)	(756,079)	-	(2,962,538)
An officer	-	(5,204)	-	-	-
A company controlled by a director	144,819	(1,080)	-	-	-
Directors of subsidiaries	-	(1,916)	-	-	(17,880)
A related party	-	-	-	(436,000)	(759,643)
Immediate parent	-	-	-	-	(261,273)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(261,273)</u>

GINSMS INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

24. RELATED PARTY TRANSACTIONS (CONT'D)

(c) Key management personnel compensation

	<u>2017</u>	<u>2016</u>
	\$	\$
Salaries and related costs	363,922	366,147
Consulting and accounting fees	68,410	76,492
Contributions to defined mandatory contribution funds	34,631	35,289
	466,963	477,928
Directors' fees	40,000	40,000
Total	506,963	517,928

The consulting fees were paid to a director and an officer, which disclosed separately above.

25. PARTICULARS OF SUBSIDIARIES

Particulars of the principal subsidiaries as at December 31, 2017 and December 31, 2016 are as follows:

Name	Place of incorporation / registration and operation	Particular of Issued share capital	Percentage of ownership interest / voting power / profit sharing		Principal activities
			Direct	Indirect	
Inphosoft Group Pte. Limited	Singapore	1,000,000 ordinary shares of SGD1,614,500	100%	-	Investment holding
Inphosoft Singapore Pte. Ltd.	Singapore	300,000 ordinary shares of SGD300,000	-	100%	Provision for project management consultancy services and information technology services and solutions.
GIN International Limited	Hong Kong	100 ordinary shares of HKD100	-	100%	Provision for short message services