

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 year ended December 31, 2018, the Corporation's consolidated financial statements as at and for the three and twelve months ended December 31, 2018, 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 27, 2019. Additional information regarding the Corporation is available on SEDAR at 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.

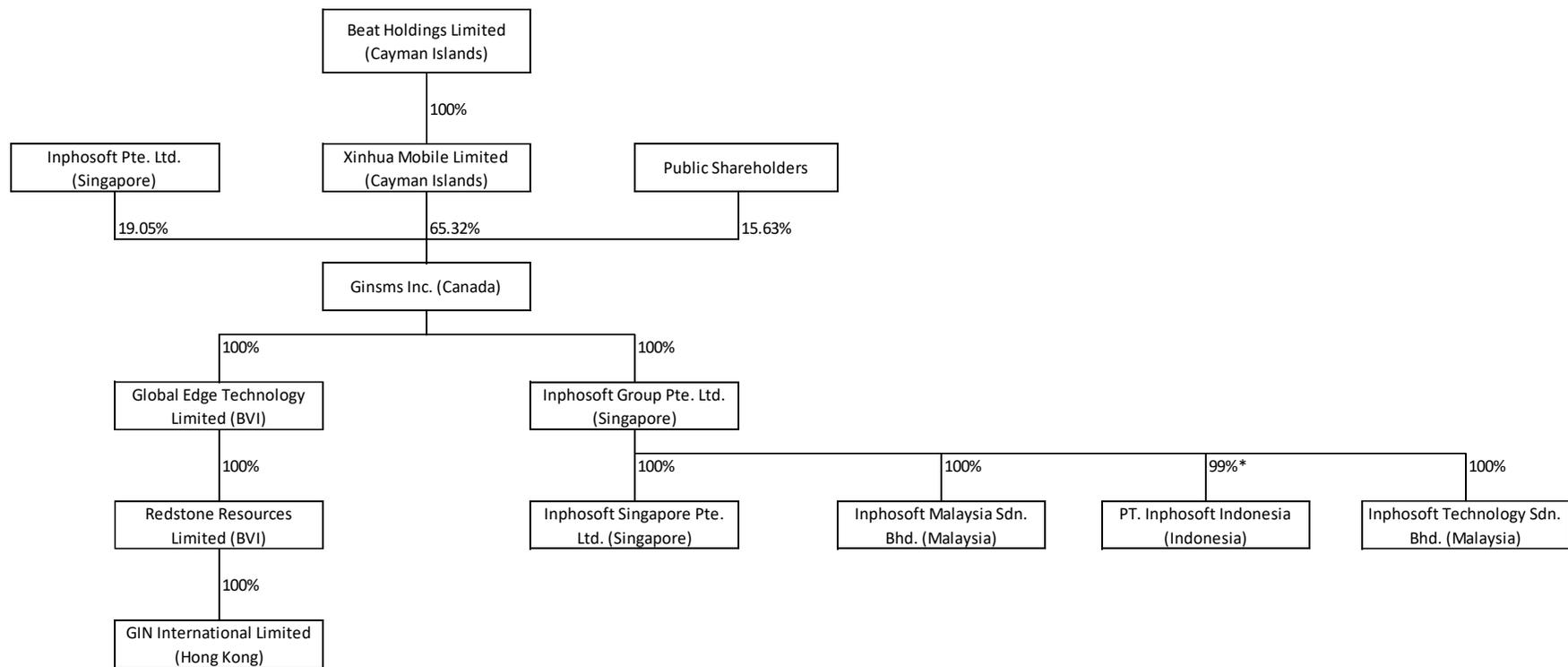
These forward-looking statements are made as of the date of this MD&A and the Corporation assumes no obligation to update or revise them to reflect new events or circumstances except as may be required by law. Accordingly, readers should not place undue reliance on the forward-looking statements. All 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 October 2018 (<https://www.transparencymarketresearch.com/application-to-person-sms-api-market-2018-2026.html>) stated that the global A2P SMS market revenue is expected to reach US\$93.18 billion by 2026, expanding at a compound annual growth rate ("CAGR") of 4.6% therein.

For the three and twelve months ended December 31, 2018, GIN generated a lower revenue of \$793,221 and \$4,142,212 for its A2P messaging service as compared to \$1,693,797 and \$6,276,759 for the three and twelve months ended December 31, 2017, respectively. This was primarily the result of decrease in the volume of messaging traffic as the Corporation had lost one major customer due to stiff competition.

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 provides technical support for the A2P Cloud platform and also develops new features as and when necessary, to support 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 provides A2P messaging service and outsources its resources to ISPL in area of research and development. PTIN has started to provide A2P messaging service since 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 slightly higher revenue of \$292,517 and \$1,212,736 for the three and twelve months ended December 31, 2018, compared to the \$265,997 and \$1,109,914 for the three and twelve months ended December 31, 2017, respectively.

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3. RESULTS OF OPERATIONS FOR THE THREE AND TWELVE MONTHS ENDED DECEMBER 31, 2018

Selected Profit and Loss Information

Financial Highlights	Three-month period ended December 31, 2018 (Unaudited)	Three-month period ended December 31, 2017 (Unaudited)	Twelve-month period ended December 31, 2018 (Audited)	Twelve-month period ended December 31, 2017 (Audited)
Revenues \$				
A2P Messaging Service	793,221	1,693,797	4,142,212	6,276,759
Software Product & Services	292,517	265,997	1,212,736	1,109,914
	1,085,738	1,959,794	5,354,948	7,386,673
Cost of sales \$				
A2P Messaging Service	705,448	1,481,905	3,790,352	5,698,701
Software Product & Services	221,741	278,446	926,472	920,077
	927,189	1,760,351	4,716,824	6,618,778
Gross profit \$				
A2P Messaging Service	87,773	211,892	351,860	578,058
Software Product & Services	70,776	(12,449)	286,264	189,837
	158,549	199,443	638,124	767,895
Gross margin %				
A2P Messaging Service	11.1%	12.5%	8.5%	9.2%
Software Product & Services	24.2%	(4.7)%	23.6%	17.1%
	14.6%	10.2%	11.9%	10.4%
Adjusted EBITDA ⁽¹⁾ \$	(244,539)	(17,711)	(812,726)	(250,700)
Adjusted EBITDA margin	(22.5)%	(0.9)%	(15.2)%	(3.4)%
Net earnings (loss) \$	(281,084)	(307,059)	(1,203,132)	(1,124,717)
Net earnings (loss) margin	(25.9)%	(15.7)%	(22.5)%	(15.2)%
Net earnings (loss) per share \$				
Basic	(0.002)	(0.002)	(0.008)	(0.008)
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 and income. 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, 2018, revenue was \$1,085,738 and \$5,354,948 compared to \$1,959,794 and \$7,386,673 for the three and twelve months ended December 31, 2017. This is largely due to the decrease in revenue in the messaging business segment.

a) **Messaging business segment**

The A2P messaging business generated revenue of \$793,221, \$622,327, \$1,045,159, \$1,681,505, \$1,693,797, \$1,610,352, \$1,623,150 and \$1,349,460 for the three-months periods ended December 31, 2018, September 30, 2018, June 30, 2018, March 31, 2018, December 31, 2017, September 30, 2017, June 30, 2017 and March 31, 2017, 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 decrease in the revenue of the A2P messaging business is primarily caused by the decrease in the volume of A2P messages delivered to South East Asia.

Messages delivered to South East Asia represent 45.9% of the total volume for the three months ended December 31, 2018, which increased by 23.8% from the three months ended September 30, 2018. During the quarter ended December 31, 2018, the Corporation managed to regain some messaging traffic in this region.

Messages delivered to North Asia represent 53.2% of the total volume for the three months ended December 31, 2018, which increased by 56.9% from the three months ended September 30, 2018. During the quarter ended December 31, 2018, the Corporation continued to regain some messaging traffic in this region.

The average price per message charged to customers is \$0.0190 for the three months ended December 31, 2018 compared to \$0.0205 for the three months ended September 30, 2018. 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, 2018, the average price per message decreased quarter-on-quarter primarily due to the lower margin for messages delivered to both North Asia and South East Asia where the price per message charged to customers in the quarter ended December 31, 2018 decreased, hence reduced the overall average price per message.

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b) Software products and services segment

Revenue in the software products and services segment increased by 10.0% from \$265,997 for the three months ended December 31, 2017 but decreased by 5.0% from \$308,014 for the three months ended September 30, 2018 to \$292,517 for the three months ended December 31, 2018.

The decrease for the three-month period ended December 31, 2018 compared to the three-month period ended September 30, 2018 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 2018.

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, 2018 (Unaudited)	Three-month period ended December 31, 2017 (Unaudited)	Twelve-month period ended December 31, 2018 (Audited)	Twelve-month period ended December 31, 2017 (Audited)
Amortization				
- Development expenditures	-	84,883	40,838	167,291
Loss on written off of development expenditures	-	-	255,304	-
Depreciation				
- Property, plant and equipment	6,500	8,679	25,867	22,903
Salaries and wages	200,291	172,462	792,781	657,176
Subcontractor costs	707,339	1,481,807	3,543,691	5,702,920
Software and hardware	9,908	4,878	43,230	27,079
Others	3,151	7,642	15,113	41,409
	927,189	1,760,351	4,716,824	6,618,778

For the three and twelve months ended December 31, 2018, cost of sales was \$927,189 and \$4,716,824 compared to \$1,760,351 and \$6,618,778 for the three and twelve months ended December 31, 2017, 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 decrease of 52.3% in the subcontractor costs in the quarter ended December 31, 2018 from the quarter ended December 31, 2017 was in line with the decrease in revenue in A2P messaging service in the same quarter. During the quarter ended March 31, 2018, the Corporation carried out reviews of the recoverability of development expenditures, having regard to the market conditions of the Corporation's messaging segment. These assets are

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mainly used in the Corporation's messaging service segment. The review led to the recognition of a loss on written off of development expenditures of \$255,304 that has been recognised in profit or loss.

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.

The increase of 16.1% in salaries and wages in costs of sales for the quarter ended December 31, 2018 compared to the corresponding quarter ended December 31, 2017 is in line with the increase in revenue for the software products and services business.

Gross Margin

Despite the fact that there was an decrease in revenue in the messaging segment in the quarter ended December 31, 2018 compared to the quarter ended December 31, 2017, the overall gross margin of the Corporation improved to 14.6% in the three months ended December 31, 2018 from 10.2% in the quarter ended December 31, 2017. 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 excluding the full year amortisation of \$59,209.

Revenue from the contracts with Activate and other key customers 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 26.0% was earned from the services rendered to Activate for the quarter ended December 31, 2018.

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 was 11.5% in the quarter ended March 31, 2017 but dipped to 3.7% in the quarter ended June 30, 2017 and increased to 9.3% in the quarter ended September 30, 2017, 12.5% in the quarter ended December 31, 2017, dropped to 1.7% in the quarter ended March 31, 2018 and increased to 16.7% in the quarter ended June 30, 2018. During the quarter ended March 31, 2018, the Corporation carried out reviews of the recoverability of development expenditures, having regard to the market conditions of the Corporation's messaging segment. These assets are mainly used in the Corporation's messaging service segment. The review led to the recognition of a loss on written off of development expenditures of \$255,304 that has been recognised in profit or loss and reduced the net gross profit to 1.7%. The gross profit margin excluding the loss on written off of development expenditures is 16.8% in the quarter ended March 31, 2018. During the quarter ended June 30, 2018, gross margin improved to 16.7%. However, stiff competition resulted in the decline of gross margin to 9.9% during the quarter ended September 30, 2018 but increased to 11.1% during the quarter ended December

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31, 2018 as the Corporation regained some messaging traffic in both the North Asia and the South East Asia regions.

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 margin for the software products and services of 24.2% for the three months ended December 31, 2018 met with the 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.

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.

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Operating Expenses and Finance Costs

	Three-month period ended December 31, 2018 (Unaudited)	Three-month period ended December 31, 2017 (Unaudited)	Twelve-month period ended December 31, 2018 (Audited)	Twelve-month period ended December 31, 2017 (Audited)
Salaries and wages	193,450	180,886	695,457	715,827
Directors' fees	40,000	40,000	40,000	40,000
Professional fees	75,453	75,323	330,142	339,362
Foreign currency exchange loss/(gain)	27,426	(39,450)	189,073	(130,096)
Other general & administrative expenses	47,155	53,955	236,779	236,205
Allowance for doubtful debts	26,104	-	26,104	7,489
Depreciation				
- Property, plant and equipment	144	292	1,026	1,438
Interest expenses	134,289	142,862	427,812	629,799
Gain on disposal of development expenditures	(108,971)	-	(108,971)	-
Loss on written-off of property, plant and equipment	4,098	52,667	4,098	52,667
	439,148	506,535	1,841,520	1,892,691

Operating expenses and finance costs amounted to \$439,148 and \$1,841,520 for the three and twelve months ended December 31, 2018, respectively, lower than the operating expenses and finance costs for the three and twelve months ended December 31, 2017.

Decrease in operating expenses and finance costs for the three and twelve months ended December 31, 2018 was mainly due to the reduction of interest expenses and gain on disposal of development expenditures. During the quarter ended June 30, 2018, Inphosoft Pte. Ltd. ("IPL") had agreed to convert the interest-bearing loan to interest-free with effect from April 1, 2017, as a result, no interest was charged on loan from IPL in the current year. In 2018, some development expenditures were sold by ISPL and PTIN to Beat Chain Pte. Ltd. ("Beat Chain"), a related company that is 100% beneficially owned by Xinhua Mobile, with a gain on disposal of \$108,971.

Net loss

The net loss for the three and twelve months ended December 31, 2018 amounted to \$281,084 and \$1,203,132 compared to a net loss of \$307,059 and \$1,124,717 for the three and twelve months ended December 31, 2017, respectively.

The lower net loss for the three months ended December 31, 2018 was mainly due to lower gross profits partially offset by lower interest expenses and gain on disposal of development expenditures.

The higher net loss for the twelve months ended December 31, 2018 was mainly due to lower gross profits and recognition of an impairment loss of development expenditures despite being partially offset by lower interest expenses and gain on disposal of development expenditures.

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Selected Balance Sheet Information

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

	December 31, 2018 (Audited) \$	December 31, 2017 (Audited) \$
Current Assets		
Accounts receivable	664,031	1,238,898
Other receivables, prepayments and deposits	98,760	158,429
Bank and cash balances	267,951	340,765
	1,030,742	1,738,092
Non-Current Assets		
Property, plant and equipment	35,486	36,769
Development expenditures	-	297,436
TOTAL ASSETS	1,066,228	2,072,297
Current Liabilities		
Accounts payable and accrued liabilities	1,210,856	1,539,484
Advances from related parties	398,659	475,620
Promissory note payable	532,000	484,000
Loan from a related party	348,009	284,217
Current tax liabilities	588	601
	2,490,112	2,783,922
Non-Current Liabilities		
Loans from related parties	4,624,623	4,170,273
Deferred tax liability	1,188	1,153
TOTAL LIABILITIES	7,115,923	6,955,348
Equity		
Share capital	11,415,709	11,415,709
Deficit	(17,717,269)	(16,517,730)
Accumulated other comprehensive income	264,252	227,905
Total deficiency attributable to equity shareholders	(6,037,308)	(4,874,116)
Non-controlling interest	(12,387)	(8,935)
TOTAL DEFICIENCY	(6,049,695)	(4,883,051)
TOTAL LIABILITIES & EQUITY	1,066,228	2,072,297

Total assets of GINSMS including cash, accounts receivable, other receivables, prepayment and deposits, property, plant and equipment and development expenditures as at December 31, 2018 amounted to \$1,066,228 compared to December 31, 2017 amounted to \$2,072,297. Bank and cash balances amounted to \$267,951 as at December 31, 2018 a decrease of 21.4% compared to \$340,765 as at December 31, 2017. This decrease was mainly due to cash flow used in the operation of the Corporation. The cash flow from financing activities deteriorated from \$663,765 for the twelve months ended December 31, 2017 to net cash flow used in financing activities of \$86,159 for the twelve months ended December 31, 2018. The cash flow used in operating activities reduced from \$328,533 for the twelve months ended December 31, 2017 to \$71,036 for the twelve months ended December 31, 2018.

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Accounts receivable

	December 31, 2018 (Audited) \$	December 31, 2017 (Audited) \$
Trade receivables (third parties)	423,050	988,066
Less: Allowance for doubtful debts (third parties)	(44,067)	(17,968)
Receivable from related parties	236,562	258,607
Contract assets (2017: Accounts due from customers on contracts)	48,486	10,193
	664,031	1,238,898

Included in accounts receivable at December 31, 2018 are receivables of \$223,686 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 \$12,876 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, 2018.

Accounts payable and accrued liabilities

	December 31, 2018 (Audited) \$	December 31, 2017 (Audited) \$
Trade payables (third parties)	43,855	74,615
Trade payables from related parties	31,213	41,121
Contract liabilities (2017: Amounts due to customers on contracts)	55,525	54,752
Deferred income	903	2,091
Accrued liabilities and receipt in advance	1,079,360	1,366,905
	1,210,856	1,539,484

- a) Decrease in trade payables as at December 31, 2018 compared to December 31, 2017 was due to decrease in cost of sales in line with decrease in revenue in the quarter ended December 31, 2018.

Included in accounts payables at December 31, 2018 are payables of \$28,056 and \$3,157 due to Activate and Actxa, respectively.

- b) Contract assets / contract liabilities (2017: 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

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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 and maintenance service paid in advance by the customers.

- d) Decrease in accrued liabilities as at December 31, 2018 compared with December 31, 2017 was mainly due to less accrual of messaging service fees that were incurred but not invoiced by the mobile operators and gateway providers in line with lower cost of sales for the quarter ended December 31, 2018.

Loans from Related Parties

		December 31, 2018 (Audited) \$\$	December 31, 2017 (Audited) \$
Loans from the director and Chief Executive Officer of the Corporation	(a)	3,801,960	3,282,300
Loan from Inphosoft Pte. Ltd.	(b)	822,663	887,973
Loan from the immediate parent	(c)	348,009	284,217
		4,972,632	4,454,490

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

- (a) The loans are from the Corporation's director, Mr. Chin, and bear interest at 12% per annum (compounded daily based on a 365-day year) with effect from March 1, 2017 as compared to 24% per annum prior to March 1, 2017. Mr. Chin confirmed to the Corporation that he will not demand payment of the loans on or before December 31, 2019.
- (b) The loan is from IPL, a shareholder of the Corporation, bears interest at 12% per annum (compounded daily based on a 365-day year) with effect from March 1, 2017 as compared to 24% per annum prior to March 1, 2017. A director of the Corporation, Mr. Chin, and 2 directors of the Corporation's subsidiaries, Mr. Wang Xianxiang and Mr. Xu Hongwei, each has significant influence over IPL.

During the quarter ended June 30, 2018, IPL agreed with the Corporation that they would convert the interest-bearing loan to interest free loan with effect from April 1, 2017 and reverse the loan interest payable from April 1, 2017 to March 31, 2018. IPL confirmed to the Corporation that they will not demand payment of the loan on or before December 31, 2019.

- (c) The loan is from Xinhua Mobile, the immediate parent of the Corporation, and bears interest at 12% per annum (compounded daily based on a 365-day year) with effect from March 1, 2017 as compared to 28% per annum prior to March 1, 2017. During the quarter ended March 31, 2018, Xinhua Mobile agreed to extend the due date of the loan to March 31, 2020.

In addition to the above loans, Mr. Chin, Activate and IPL have also provided interest-free advances of \$294,000, \$54,735 and \$49,591 to the Corporation, respectively. The loans and advance are used to finance the operations of the Corporation.

Promissory note payable

For part of the acquisition of Inphosoft Group on September 28, 2012, the Corporation issued a \$400,000 non-interest bearing promissory note, due on the first anniversary date of the closing date.

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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, IPL, to extend the due date on the note payable and IPL has agreed to extend the due date of the \$400,000 promissory note payable to March 31, 2020. The \$400,000 promissory note now bears an interest of 12% per annum which has accrued since April 1, 2016.

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-Mar17	Apr-Jun17	Jul-Sep17	Oct-Dec17	Jan-Mar18	Apr-Jun18	Jul-Sep18	Oct-Dec18
Revenue								
A2P Messaging Service	1,349,460	1,623,150	1,610,352	1,693,797	1,681,505	1,045,159	622,327	793,221
Software Products & Services	250,177	306,211	287,529	265,997	310,219	301,986	308,014	292,517
	1,599,637	1,929,361	1,897,881	1,959,794	1,991,724	1,347,145	930,341	1,085,738
Cost of Sales								
A2P Messaging Service	1,193,936	1,562,606	1,460,254	1,481,905	1,653,736	870,498	560,670	705,448
Software Products & Services	151,738	185,469	304,424	278,446	248,886	221,599	234,246	221,741
	1,345,674	1,748,075	1,764,678	1,760,351	1,902,622	1,092,097	794,916	927,189
Operating Expenses ⁽¹⁾	405,379	324,477	161,874	311,006	281,951	461,503	365,395	383,628
Net Loss Before Income Taxes	(366,578)	(284,016)	(167,110)	(307,092)	(336,221)	(226,659)	(359,917)	(280,599)
Income Taxes expense (recovery)	-	67	(113)	(33)	(26)	(21)	(702)	485
Net Loss	(366,578)	(284,083)	(166,997)	(307,059)	(336,195)	(226,638)	(359,215)	(281,084)
Net Loss (per share)								
Basic	(0.003)	(0.002)	(0.001)	(0.002)	(0.002)	(0.001)	(0.002)	(0.002)
Diluted	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

(1) Represent the sum of selling, general and administrative expense. For comparative purpose, interest expenses, allowance for doubtful debts, reversal of allowance for doubtful debts, and non-recurring expenditure and income 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 started to fluctuate from the quarter ended September 30, 2016 to the quarter ended September 30, 2018 primarily due to the stiff competition faced by the Corporation especially in the North Asia region. Management has set a goal to steer the A2P business to more growth in the coming quarters. The Corporation intends to focus on increasing the revenue from existing markets and also 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 recent quarters starting from the quarter ended December 31, 2017 but the Corporation lost one key customer in the quarter ended March 31, 2018 and revenue declined in the quarters ended June 30, 2018 and September 30, 2018. During the quarter ended December 31, 2018, the Corporation managed to regain some messaging traffic in both the North Asia and the South East Asia regions which improved its revenue.

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Although the software products and services segment showed signs of improvement in late 2016, revenue still fluctuates from the quarters ended March 31, 2017 to December 31 2018. 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

Financial Highlights	Three-month period ended December 31, 2018 (Unaudited) (\$)	Three-month period ended December 31, 2017 (Unaudited) (\$)	Twelve-month period ended December 31 2018 (Audited) (\$)	Twelve-month period ended December 31, 2017 (Audited) (\$)
Cash, beginning of period/year	245,855	121,245	340,765	139,808
Operating activities				
Net loss for the period/year	(281,084)	(307,059)	(1,203,132)	(1,124,717)
Current tax expense/(credit)	-	9	(384)	-
Deferred tax expense /(credit)	(244)	(79)	120	(79)
Interest expenses	134,289	142,862	427,812	629,799
Foreign currency exchange (gain)/loss	27,425	(39,450)	189,073	(130,096)
Allowance for doubtful accounts	26,104	-	26,104	7,489
Loss on written-off of property, plant and equipment	4,098	52,667	4,098	52,667
Gain on disposal of development expenditures	(108,971)	-	(108,971)	-
Loss on written off of development expenditures	-	-	255,304	-
Amortization and depreciation	6,644	93,854	67,731	191,632
Changes in working capital items	128,198	325,843	270,825	44,772
Income tax refund	-	-	384	-
Net cash generated from/(used in) operating activities	(63,541)	268,647	(71,036)	(328,533)
Financing activities				
Advances from related parties	1,403	38,120	110,058	241,024
Repayment of advance from a related party	(9,002)	(2,335)	(196,217)	(494,542)
Repayment of loan from a related party	-	-	-	(13,997)
Proceed from private placement	-	-	-	931,280
Net cash generated from/(used in) financing activities	(7,599)	35,785	(86,159)	663,765
Investing activities				
Purchase of property, plant and equipment	(9,392)	(58,951)	(29,282)	(77,783)
Development expenditures	-	-	(5,232)	(112)
Proceed from disposal of development expenditures	114,200	-	114,200	-
Net cash generated from/(used in) investing activities	104,808	(58,951)	79,686	(77,895)
Effect of exchange rate changes on cash held in foreign currencies	(11,572)	(25,961)	4,695	(56,380)
Increase/(Decrease) in cash	22,096	219,520	(72,814)	200,957
Cash, end of period/year	267,951	340,765	267,951	340,765

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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 a deteriorated liquidity position for the twelve months ended December 31, 2018 compared to the twelve months ended December 31, 2017 primarily due to the fact that the Corporation relied more on the revenue generated from the A2P messaging and software product and software product business and there was reduction of financing from the related parties in the current period.

Consequently, GINSMS is facing a higher liquidity risks as it has a working capital deficiency of \$1,459,370 as at December 31, 2018 as compared to \$1,045,830 as at December 31, 2017. 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 April 2017 \$931,280 (USD700,000) Private Placement (*Section 10 - Shareholders' Equity & Disclosure of Outstanding Share Data*), and the interest-bearing and interest-free loans from related parties and the advances from related parties amounting to \$4,972,632 and \$398,659 respectively as at December 31, 2018. The terms and conditions of the loans are described above under *Section 3 – Loans from Related Parties*.

The Corporation had no lease agreements outstanding as at December 31, 2018. As at December 31, 2017, payments to be incurred within one year of the statement of financial date were for an aggregate total of \$42,383.

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. During the quarter ended June 30, 2018, IPL further agreed with the Corporation that they would convert the interest-bearing loan to interest free loan with effect from April 1, 2017 and reverse the loan interest payable from April 1, 2017 to March 31, 2018 in the quarter ended June 30, 2018. Mr. Chin and IPL have advised that they will not recall the loans on and before December 31, 2019. Moreover, Xinhua Mobile and IPL have also subsequent to the year-end date agreed to further extend the maturity date of the loan and the promissory note to March 31, 2020.

6. OFF BALANCE SHEET ARRANGEMENTS

GINSMS does not have off-balance sheet arrangements.

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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, 2018 and December 31, 2017:

	Three-month period ended December 31, 2018 (Unaudited) (\$)	Three-month period ended December 31, 2017 (Unaudited) (\$)	Twelve-month period ended December 31, 2018 (Audited) (\$)	Twelve-month period ended December 31, 2017 (Audited) (\$)
Software products and services revenue from companies controlled by immediate parent/a director ¹	230,405	202,894	894,631	742,798
Cost of hardware paid to a company controlled by a director ²	201	431	2,065	2,221
Accounting fee revenue from a company controlled by a director	5,746	5,608	24,467	32,820
Accounting fee paid to an officer ³	16,992	16,248	71,043	68,410
Rent charged by a company controlled by immediate parent/a director	8,614	14,129	43,282	56,835
Gain on disposal of development expenditures to a company controlled by immediate parent ⁵	108,971	-	108,971	-
Interest charged on loan from a director	112,129	96,294	419,458	431,642
Interest charged / (waived) on loan from a director of a subsidiary	-	-	-	(3,768)
Interest charged/ (waived) on loan from a shareholder ⁴	-	25,957	(77,173)	114,076
Interest charged on loan from immediate parent	10,159	8,610	37,527	39,849
Interest charged on promissory note payable to a shareholder ⁴	12,000	12,000	48,000	48,000

Notes:

1. Software products and services revenue earned from Activate, a company controlled by Xinhua Mobile, 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.
5. Beat Chain Pte Ltd is a company controlled by Xinhua Mobile.

As of December 31, 2018, the Corporation has non-trade loans from related parties of \$4,972,632 (Section 3 – *Loans from Related Parties*) and advance of \$398,659 (December 31, 2017 - \$4,454,490 and \$475,620). The loans and advances are used to finance the operations of the Corporation.

Included in accounts payables and accrued liabilities are amounts of \$121,532 (December 31, 2017 - \$128,645) owed to related parties. Included in accounts receivable is a trade receivable of \$236,562 (December 31, 2017 - \$258,607) 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 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 audited consolidated financial statements are described in Note 4 of the audited consolidated financial statements for the twelve-month financial year ended December 31, 2018. 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.

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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 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, 2018 (Audited) \$	December 31, 2017 (Audited) \$
Share capital	11,415,709	11,415,709
Deficit	(17,717,269)	(16,517,730)
Accumulated other comprehensive income	264,252	227,905
Non-controlling interest	(12,387)	(8,935)
	(6,049,695)	(4,883,051)

Shareholders' equity as at December 31, 2018, showed a deficit of \$6,049,695, is deteriorating from a deficit of 4,883,051 as at December 31, 2017. The deterioration in shareholders' equity is due to the net loss of \$1,203,132.

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 South 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.
- (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

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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.

The table below summarizes the issued and outstanding shares of the Corporation for the twelve months ended December 31, 2018 and December 31, 2017.

Issued	December 31, 2018 (Audited)		December 31, 2017 (Audited)	
	Shares	Amount (\$)	Shares	Amount (\$)
Balance, beginning/end of year	149,793,861	11,415,709	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	149,793,861	11,415,709

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.

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, 2018 (Unaudited)		Three-month period ended December 31, 2017 (Unaudited)	
	\$	% of total revenue	\$	% of total revenue
Customer A	12,605	1.2	1,221,697	62.3
Next five top customers				
Customer B	230,405	21.2	200,348	10.2
Customer C	302,290	27.8	284,238	14.5
Customer D	217,571	20.0	-	-
Customer E	57,279	5.3	32,707	1.7
Customer F	38,624	3.6	49,367	2.5
All other customers	226,964	20.9	171,437	8.8
Total	1,085,738	100.0	1,959,794	100.0

	Twelve-month period ended December 31, 2018 (Audited)		Twelve-month period ended December 31, 2017 (Audited)	
	\$	% of total revenue	\$	% of total revenue
Customer A	1,956,474	36.5	3,768,390	51.0
Next five top customers				
Customer B	894,287	16.7	730,873	9.9
Customer C	676,709	12.6	1,631,089	22.1
Customer D	386,821	7.2	-	-
Customer E	326,912	6.1	84,113	1.1
Customer F	165,551	3.1	284,623	3.9
All other customers	948,194	17.8	887,585	12.0
Total	5,354,948	100.0	7,386,673	100.0

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

	Three-month period ended December 31, 2018 (Unaudited)		Three-month period ended December 31, 2017 (Unaudited)	
	\$	% of total revenue	\$	% of total revenue
Singapore	349,839	32.2	1,482,335	75.6
United Arab Emirates	25,331	2.3	30,644	1.6
Other Asia countries	128,918	11.9	126,142	6.4
Europe	60,247	5.5	34,591	1.8
United States	520,112	47.9	284,298	14.5
Other regions	1,291	0.2	1,784	0.1
Total	1,085,738	100.0	1,959,794	100.0

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

	Twelve-month period ended December 31, 2018 (Audited)		Twelve-month period ended December 31, 2017 (Audited)	
	\$	% of total revenue	\$	% of total revenue
Singapore	3,071,621	57.4	4,823,833	65.3
United Arab Emirates	71,529	1.3	297,307	4.0
Other Asia countries	818,249	15.3	363,684	4.9
Europe	323,578	6.0	252,680	3.4
United States	1,064,223	19.9	1,631,399	22.1
Other regions	5,748	0.1	17,770	0.3
Total	5,354,948	100.0	7,386,673	100.0

c) Total assets by geographical location

	As at December 31, 2018 (Audited)		As at December 31, 2017 (Audited)	
	\$	% of total assets	\$	% of total assets
Singapore	236,281	22.2	1,136,630	54.9
United Arab Emirates	18,762	1.8	9,088	0.4
Other Asia countries	526,649	49.4	825,580	39.8
Europe	39,714	3.7	38,582	1.9
United States	239,946	22.5	35,802	1.7
Other regions	4,876	0.4	26,615	1.3
Total	1,066,228	100.0	2,072,297	100.0

d) Financial information by business segments

	Messaging	Software products and services	Unallocated	Total
	\$	\$	\$	\$
Twelve-months period ended December 31, 2018 (Audited)				
Revenue	4,142,212	1,212,736	-	5,354,948
Intersegment revenue	-	618,445	-	618,445
Amortization and depreciation	-	67,731	-	67,731
Interest income	199	188	-	387
Interest and finance expenses	291,099	51,186	85,527	427,812
Income tax refund	-	264	-	264
Segment profits / (losses)	611,957	(1,407,755)	(407,334)	(1,203,132)
Additions to segment non-current assets	-	34,514	-	34,514
At December 31, 2018 (Audited)				
Segment assets	537,395	526,617	2,216	1,066,228
Segment liabilities	(3,574,336)	(2,349,687)	(1,191,900)	(7,115,923)

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

	Messaging	Software products and services	Unallocated	Total
	\$	\$	\$	\$
Twelve-month period ended December 31, 2017 (Audited)				
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 expenses	-	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
At December 31, 2017 (Audited)				
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)

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.

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.

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13. OTHER MD&A REQUIREMENTS

The Company announced its financial forecasts for the twelve months ending December 31, 2018 on February 13, 2018 and reforecast for the second, third and fourth quarters of 2018 on May 14, 2018. The table below shows an analysis of the difference between the actual and reforecasted financial highlights for the three months ended December 31, 2018.

Financial Outlook

Financial Highlights	Actual (\$)	Reforecasted (\$)	Variance (\$)	Variance (%)
	Oct-Dec 2018	Oct-Dec 2018	Oct-Dec 2018	Oct-Dec 2018
Revenues \$				
A2P Messaging Service	793,221	874,861	(81,640)	(9.3)%
Software Product & Services	292,517	297,700	(5,183)	(1.7)%
	1,085,738	1,172,561	(86,823)	(7.4)%
Cost of sales \$				
A2P Messaging Service	705,448	778,660	(73,212)	(9.4)%
Software Product & Services	221,741	223,602	(1,861)	(0.8)%
	927,189	1,002,262	(75,073)	(7.5)%
Gross profit (loss) \$				
A2P Messaging Service	87,773	96,201	(8,428)	(8.8)%
Software Product & Services	70,776	74,098	(3,322)	(4.5)%
	158,549	170,299	(11,750)	(6.9)%
Gross margin %				
A2P Messaging Service	11.1%	11.0%	0.1%	0.6%
Software Product & Services	24.2%	24.9%	(0.7)%	(2.8)%
	14.6%	14.5%	0.1%	0.5%
Selling, general and administrative expenses	(382,540)	(303,647)	(78,893)	26.0%
Operating (loss) / profit	(223,991)	(133,348)	(90,643)	68.0%
Non-operating income	234	-	234	-
Non-operating expenses	(161,715)	(156,530)	(5,185)	3.3%
Ordinary loss	(385,472)	(289,878)	(95,594)	33.0%
Extraordinary gains	108,971	-	108,971	-
Extraordinary losses	(4,098)	-	(4,098)	-
Loss before tax and non-controlling interest	(280,599)	(289,878)	9,279	(3.2)%
Income taxes	(485)	-	(485)	-
Non-controlling interest	(484)	-	(484)	-
Net loss attributable to shareholders	(281,568)	(289,878)	8,310	(2.9)%
Adjusted EBITDA	(244,539)	(130,352)	(114,187)	87.6%

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 and income.

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(2) Non-operating income included interest income and other non-operating income. Non-operating expenses included loss on foreign exchange and interest expense.

For the three months ended December 31, 2018,

- Revenue for the A2P messaging service was \$81,640 lower than forecasted primarily because the Corporation lost one major customer due to stiff competition hence as a result, lower than expected number of messages delivered to South East Asia region.
- The actual gross margin of 11.1% for the A2P messaging service segment was comparable with forecast despite the decrease in revenue.
- Selling, general and administrative expenses were \$78,893 higher than forecasted mainly due to the fact that more staff costs were charged to general and administrative expenses as they were related to utilisation of annual leave and not project related. The staff also claimed more of their staff benefits in the quarter ended December 31, 2018.
- Non-operating expenses were \$5,185 higher than forecasted mainly due to loss on foreign exchange of \$27,426 that was not forecasted for. The high loss on foreign exchange was due to the strengthening of the United States Dollar against Canadian Dollar in the quarter. The reduction of loan interest partly offset loss on foreign exchange. During the quarter ended June 30, 2018, IPL had agreed to convert the interest-bearing loan to interest-free with effect from April 1, 2017. As a result, no interest was charged on loan from IPL in the current quarter which was not forecasted for.
- Net loss attributable to shareholders was \$281,568, which was \$8,310 lower than forecasted mainly due to the gain on disposal of development expenditures and lower interest expenses for the quarter which were not forecasted for, partly offset by lower gross profit, higher general and administrative staff costs and loss on foreign exchange.

The table below shows an analysis of the difference between the actual and reforecasted financial highlights for the twelve months ended December 31, 2018.

Financial Outlook

Financial Highlights	Actual (\$)	Reforecasted (\$)	Variance (\$)	Variance (%)
	Jan-Dec 2018	Jan-Dec 2018	Jan-Dec 2018	Jan-Dec 2018
Revenues \$				
A2P Messaging Service	4,142,212	4,734,661	(592,449)	(12.5)%
Software Product & Services	1,212,736	1,190,800	21,936	1.8%
	5,354,948	5,925,461	(570,513)	(9.6)%
Cost of sales \$				
A2P Messaging Service	3,790,352	4,156,096	(365,744)	(8.8)%
Software Product & Services	926,472	932,451	(5,979)	(0.6)%
	4,716,824	5,088,547	(371,723)	(7.3)%
Gross profit (loss) \$				
A2P Messaging Service	351,860	578,565	(226,705)	(39.2)%
Software Product & Services	286,264	258,349	27,915	10.8%
	638,124	836,914	(198,790)	(23.8)%
Gross margin %				
A2P Messaging Service	8.5%	12.2%	(3.7)%	(30.5)%
Software Product & Services	23.6%	21.7%	1.9%	8.8%

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Financial Highlights	Actual (\$)	Reforecasted (\$)	Variance (\$)	Variance (%)
	Jan-Dec 2018	Jan-Dec 2018	Jan-Dec 2018	Jan-Dec 2018
	11.9%	14.1%	(2.2)%	(15.6)%
Selling, general and administrative expenses	(1,329,894)	(1,214,588)	(115,306)	9.5%
Operating profit / (loss)	(691,770)	(377,674)	(314,096)	83.2%
Non-operating income	387	-	387	-
Non-operating expenses	(616,886)	(607,840)	(9,046)	1.5%
Ordinary loss	(1,308,269)	(985,514)	(322,755)	32.7%
Extraordinary gains	108,971	-	108,971	-
Extraordinary losses	(4,098)	-	(4,098)	-
Loss before tax and non-controlling interest	(1,203,396)	(985,514)	(217,882)	22.1%
Income taxes credit	264	-	264	-
Non-controlling interest	3,593	-	3,593	-
Net loss attributable to shareholders	(1,199,539)	(985,514)	(214,025)	21.7%
Adjusted EBITDA	(812,726)	(327,644)	(485,082)	148.1%

- (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 and income. 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.
- (2) Non-operating income included interest income and other non-operating income. Non-operating expenses included loss on foreign exchange and interest expense.

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

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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 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;

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- 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.

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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 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

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- 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 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

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