

GINSMS INC.

Consolidated Financial Statements
For the years ended December 31, 2018
and December 31, 2017

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 27, 2019

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

/s/ "Kuen Kuen Lau"
Director

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**INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF
GINSMS Inc.
(Incorporated in Alberta under the Canada Business Corporations Act)**

Opinion

We have audited the consolidated financial statements of GINSMS Inc. (the "Corporation") and its subsidiaries set out on pages 5 to 50, which comprise the consolidated statement of financial position as at December 31, 2018 and December 31, 2017, and the consolidated statement of comprehensive loss, consolidated statement of changes in equity and consolidated statement of cash flows for the years ended December 31, 2018 and December 31, 2017, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Corporation and its subsidiaries as at December 31, 2018 and December 31, 2017, and of its consolidated financial performance and its consolidated cash flows for the years ended December 31, 2018 and December 31, 2017 in accordance with International Financial Reporting Standards ("IFRSs").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Corporation in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to note 2 in the consolidated financial statements which indicates that the Corporation incurred a net loss of \$1,203,132 and operating cash outflow of \$71,036 during the year ended December 31, 2018 and, as of that date, the Corporation's current liabilities exceeded its current assets by \$1,459,370. As stated in note 2, these events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Corporation's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

This section of our auditor's report is intended to describe the matters selected from those communicated with the Audit Committee that, in our professional judgment, were of most significance in our audit of the consolidated financial statements. Except for the matter described in the *Material Uncertainty Related to Going Concern* section, we have determined that there are no other key audit matters to communicate in our report.

**INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF
GINSMS Inc.
(Incorporated in Alberta under the Canada Business Corporations Act)**

Other information

Management is responsible for the Other Information. The Other Information comprises all of the information included in the management's discussion and analysis other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the Other Information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the Other Information and, in doing so, consider whether the Other Information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this Other Information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and those charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements that give a true and fair view in accordance with IFRSs, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Corporation or to cease operations, or have no realistic alternative but to do so.

The Audit Committee assists the directors in discharging their responsibilities for overseeing the Corporation's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Corporation's internal control.

**INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF
GINSMS Inc.
(Incorporated in Alberta under the Canada Business Corporations Act)**

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (cont'd)

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Corporation to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Mr. Wong Wo Cheung.



RSM Hong Kong
Certified Public Accountants
Hong Kong

March 27, 2019

GINSMS INC.
CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND DECEMBER 31, 2017

(In Canadian Dollars)

| | Note | <u>2018</u> | <u>2017</u> |
|--|------|--------------------|-------------|
| | | \$ | \$ |
| Revenue | 7 | 5,354,948 | 7,386,673 |
| Cost of sales | | (4,716,824) | (6,618,778) |
| Gross profit | | 638,124 | 767,895 |
| Expenses | | | |
| Salaries and wages | | (695,457) | (715,827) |
| Professional fees | | (330,142) | (339,362) |
| Directors' fees | | (40,000) | (40,000) |
| General and administrative | | (236,779) | (236,205) |
| Allowance for doubtful debts | 15 | (26,104) | (7,489) |
| Amortization and depreciation | | (1,026) | (1,438) |
| Foreign currency exchange (loss)/gain | | (189,073) | 130,096 |
| Loss on written-off of property, plant and equipment | | (4,098) | (52,667) |
| Gain on disposal of development expenditures | | 108,971 | - |
| Loss from operations | | (775,584) | (494,997) |
| Finance costs | | | |
| Interest expenses on other borrowings | | (427,812) | (629,799) |
| Loss before tax | | (1,203,396) | (1,124,796) |
| Income tax credit | 9 | 264 | 79 |
| Net loss for the year | | (1,203,132) | (1,124,717) |
| Other comprehensive income, net of tax: | | | |
| <i>Items that may be reclassified to profit or loss:</i> | | | |
| Foreign exchange differences on translating foreign operations | | 36,488 | (19,849) |
| Total comprehensive loss for the year | | (1,166,644) | (1,144,566) |
| Net loss for the year attributable to: | | | |
| Shareholders | | (1,199,539) | (1,122,268) |
| Non-controlling interest | | (3,593) | (2,449) |
| | | (1,203,132) | (1,124,717) |
| Total comprehensive loss for the year attributable to: | | | |
| Shareholders | | (1,163,192) | (1,142,398) |
| Non-controlling interest | | (3,452) | (2,168) |
| | | (1,166,644) | (1,144,566) |
| Loss per share | 11 | | |
| Basic (in Canadian cents) | | (0.80) | (0.76) |
| Diluted | | N/A | N/A |

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

GINSMS INC.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2018 AND 2017

(In Canadian Dollars)

| | Note | <u>2018</u> | <u>2017</u> |
|---|------|--------------------|--------------------|
| | | \$ | \$ |
| Non-current assets | | | |
| Property, plant and equipment | 12 | 35,486 | 36,769 |
| Goodwill | 13 | - | - |
| Development expenditures | 14 | - | 297,436 |
| | | <u>35,486</u> | <u>334,205</u> |
| Current assets | | | |
| Accounts receivable | 15 | 664,031 | 1,238,898 |
| Other receivables, prepayments and deposits | | 98,760 | 158,429 |
| Bank and cash balances | | 267,951 | 340,765 |
| | | <u>1,030,742</u> | <u>1,738,092</u> |
| Current liabilities | | | |
| Accounts payable and accrued liabilities | 16 | 1,210,856 | 1,539,484 |
| Advances from related parties | 18 | 398,659 | 475,620 |
| Loan from a related party | 20 | 348,009 | 284,217 |
| Promissory note payable | 19 | 532,000 | 484,000 |
| Current tax liabilities | | 588 | 601 |
| | | <u>2,490,112</u> | <u>2,783,922</u> |
| Net current liabilities | | <u>(1,459,370)</u> | <u>(1,045,830)</u> |
| Total assets less current liabilities | | <u>(1,423,884)</u> | <u>(711,625)</u> |
| Non-current liabilities | | | |
| Loans from related parties | 20 | 4,624,623 | 4,170,273 |
| Deferred tax liability | 9 | 1,188 | 1,153 |
| | | <u>4,625,811</u> | <u>4,171,426</u> |
| NET LIABILITIES | | <u>(6,049,695)</u> | <u>(4,883,051)</u> |
| EQUITY | | | |
| Share capital | 21 | 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 of the Corporation | | (6,037,308) | (4,874,116) |
| Non-controlling interests | | (12,387) | (8,935) |
| TOTAL DEFICIENCY | | <u>(6,049,695)</u> | <u>(4,883,051)</u> |

Approved on behalf of the board on March 27, 2019

/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, 2018 AND DECEMBER 31, 2017

(In Canadian Dollars)

| | Attributable to equity shareholders of the Corporation | | | | Non-controlling interests | Total deficiency |
|---|--|---------------------|--|--------------------|---------------------------|--------------------|
| | Share capital | Deficit | Accumulated other comprehensive income | Total | | |
| | \$ | \$ | \$ | \$ | \$ | \$ |
| Balance as at 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) | 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 and January 1, 2018 | 11,415,709 | (16,517,730) | 227,905 | (4,874,116) | (8,935) | (4,883,051) |
| Loss for the year | - | (1,199,539) | - | (1,199,539) | (3,593) | (1,203,132) |
| Other comprehensive income | - | - | 36,347 | 36,347 | 141 | 36,488 |
| Balance as at December 31, 2018 | <u>11,415,709</u> | <u>(17,717,269)</u> | <u>264,252</u> | <u>(6,037,308)</u> | <u>(12,387)</u> | <u>(6,049,695)</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, 2018 AND DECEMBER 31, 2017

(In Canadian Dollars)

| | <u>2018</u> | <u>2017</u> |
|--|------------------------------|------------------------------|
| | \$ | \$ |
| OPERATING ACTIVITIES | | |
| Net loss for the year | (1,203,132) | (1,124,717) |
| Current tax credit | (384) | - |
| Deferred tax expense/(credit) | 120 | (79) |
| Interest expenses | 427,812 | 629,799 |
| Foreign currency exchange loss/(gain) | 189,073 | (130,096) |
| Depreciation of property, plant and equipment | 26,893 | 24,341 |
| Amortization of development expenditures | 40,838 | 167,291 |
| Loss on written-off of property, plant and equipment | 4,098 | 52,667 |
| Allowance for doubtful debts | 26,104 | 7,489 |
| Loss on written-off of development expenditures | 255,304 | - |
| Gain on disposal of development expenditures | (108,971) | - |
| Changes in non-cash working capital items: | | |
| Accounts receivable | 567,463 | 538,741 |
| Other receivables, prepayments and deposits | 59,809 | 2,153 |
| Accounts payable and accrued liabilities | (356,447) | (496,122) |
| Income tax refund | 384 | - |
| Net cash used in operating activities | <u>(71,036)</u> | <u>(328,533)</u> |
| FINANCING ACTIVITIES | | |
| Advances from related parties | 110,058 | 241,024 |
| Repayment of advance from a related party | (196,217) | (494,542) |
| Repayment of loan from a related party | - | (13,997) |
| Proceed from private placement | - | 931,280 |
| Net cash (used in)/generated from financing activities | <u>(86,159)</u> | <u>663,765</u> |
| INVESTING ACTIVITIES | | |
| Purchase of property, plant and equipment | (29,282) | (77,783) |
| Proceed from disposal of development expenditures | 114,200 | - |
| Development expenditures | (5,232) | (112) |
| Net cash generated from/(used in) investing activities | <u>79,686</u> | <u>(77,895)</u> |
| Effect of exchange rate changes on cash held in foreign currencies | 4,695 | (56,380) |
| (Decrease)/increase in cash | (72,814) | 200,957 |
| Cash, beginning of year | <u>340,765</u> | <u>139,808</u> |
| Cash, end of year | <u><u>267,951</u></u> | <u><u>340,765</u></u> |

GINSMS INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

(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 25 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 ("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 support and maintenance services to customers that have purchased its products and solutions.
- ii. Maintain the A2P Cloud platform, research and develop new services used by the Corporation's messaging business.
- iii. Outsource technical resources to a related company on a time and material basis.

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, 2018 AND 2017

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 consolidated financial statements were authorised for issue by the Board of Directors on March 27, 2019.

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 \$1,203,132 for the year ended December 31, 2018. Additionally, as at December 31, 2018, the Corporation had net current liabilities and net liabilities of \$1,459,370 and \$6,049,695 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 \$4,624,623 and cash advances of \$398,659 in the next twelve months from the year ended December 31, 2018. Furthermore, the immediate parent and the promissory note holder have agreed to extend the due dates of the loan of \$348,009 and promissory note of \$532,000 to March 31, 2020.
- (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, 2018 AND 2017

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, 2018. Of these, the following developments are relevant to the Corporation's consolidated financial statements:

- (i) IFRS 9 Financial Instruments; and
- (ii) IFRS 15 Revenue from Contracts with Customers

The Corporation has not applied any new standard or interpretation that is not yet effective for the current accounting period.

IFRS 9 Financial instruments

IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The Corporation has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9, i.e. applied the classification and measurement requirements retrospectively to instruments that have not been derecognised as at January 1, 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at January 1, 2018. The difference between carrying amounts as at December 31, 2017 and the carrying amounts as at January 1, 2018 are recognised in the opening retained profits and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under IAS 39 Financial Instruments: Recognition and Measurement.

The adoption of IFRS 9 resulted in the following changes to the Corporation accounting policies.

(a) Classification

From January 1, 2018, the Corporation classifies its financial assets at those to be measured at amortised cost.

The classification depends on the Corporation's business model for managing the financial assets and the contractual terms of the cash flows.

(b) Measurement

The Corporation subsequently measures all debt instruments depends on the Corporation's business model for managing the asset and the cash flow characteristics of the asset.

GINSMS INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

3. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

(a) **Application of new and revised IFRSs (cont'd)**

IFRS 9 Financial instruments (cont'd)

(b) Measurement (cont'd)

The Corporation classifies its debt instruments at amortised cost. Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in other income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses), together with foreign exchange gains and losses. Impairment losses are presented separately in the consolidated statement of comprehensive loss.

(c) Impairment

For trade receivables, the Corporation applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

The following table and the accompanying notes below explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Corporation's financial assets as at January 1, 2018.

| Financial assets | Note | Classification under IAS 39 | Classification under IFRS 9 | Carrying amount under IAS 39 \$ | Carrying amount under IFRS 9 \$ |
|-----------------------------|------|-----------------------------|-----------------------------|------------------------------------|------------------------------------|
| Trade and other receivables | (a) | Loans and receivables | Amortised cost | 1,277,762 | 1,277,762 |

The measurement categories for all financial liabilities remain the same. The carrying amounts for all financial liabilities at January 1, 2018 have not been impacted by the initial application.

Note:

- (a) Trade and other receivables that were classified as loans and receivables under IAS 39 are now classified at amortised cost. No allowance for impairment of the trade receivables was recognised in opening retained earnings at January 1, 2018 on transition to IFRS 9.

**GINSMS INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

3. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONT'D)

(a) Application of new and revised IFRSs (cont'd)

IFRS 9 Financial instruments (cont'd)

For assets in scope of the IFRS 9 impairment model, impairment losses are generally expected to increase and become more volatile. The Corporation has determined that the application of IFRS 9 impairment model requirements at January 1, 2018 did not result in an additional impairment allowance.

Impairment losses related to trade and other receivables are presented separately in the consolidated statement of comprehensive loss.

IFRS 15 Revenue from contracts with customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations.

The Corporation has applied IFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, January 1, 2018. Any difference at the date of initial application is recognised in the opening retained profits (or other components of equity, as appropriate) and comparative information has not been restated. Accordingly, certain comparative information may not be comparable as comparative information was prepared under IAS 18 Revenue and IAS 11 Construction Contracts and the related interpretations.

The adoption of IFRS 15 did not result in changes to the Corporation's accounting policies.

The Corporation provides messaging services and charges customers depend on the number of messages delivered and different network operator used. Revenue is recognised over time as services are provided to customers.

The Corporation also provides support and maintenance services to customers that has purchased its products and solutions. Such services are recognised as a performance obligation satisfied over time. Revenue is recognised when the services are rendered, by reference to time lapsed.

The Corporation also provides outsourcing technical resources to a related company. Transaction price is determined by the number of hours of services provided and agreed hourly rate. Revenue is recognised over time as services provided.

GINSMS INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

3. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONT'D)

(a) Application of new and revised IFRSs (cont'd)

IFRS 15 Revenue from contracts with customers (cont'd)

The Corporation has assessed that there is no impact on the Corporation's opening retained deficit as at January 1, 2018.

The following tables summarise the estimated impact of adoption of IFRS 15 on the Corporation's consolidated financial statements for the year ended December 31, 2018, by comparing the amounts reported under IFRS 15 in these consolidated financial statements with estimates of the hypothetical amounts that would have been recognised under IAS 18 and IAS 11 if those superseded standards had continued to apply to 2018 instead of IFRS 15. These tables show only those line items impacted by the adoption of IFRS 15:

| | Note | Amounts reported in accordance with IFRS 15 | Hypothetical amounts under IASs 18 and 11 | Estimated impact of adoption of IFRS15 |
|---|------|---|---|--|
| | | \$ | \$ | \$ |
| As at December 31, 2018 | | | | |
| <u>Consolidated statement of financial position (extract)</u> | | | | |
| - <u>Included in accounts receivables</u> | | | | |
| Amount due from customers for contract work | (a) | - | 48,486 | 48,486 |
| Contract assets | (a) | 48,486 | (48,486) | - |
| - <u>Included in accounts payable and accrued liabilities</u> | | | | |
| Amount due to customers for contract work | (a) | - | 55,525 | 55,525 |
| Contract liabilities | (a) | 55,525 | (55,525) | - |

(a) Reclassifications were made as at January 1, 2018 to be consistent with the terminology under IFRS 15:

Previously, contract balances relating to software products and services were presented in the consolidated statement of comprehensive loss under "Amount due from customers for contract work" or "Amount due to customers for contract work". To reflect these changes in presentation, the Corporation has made the following reclassification adjustments at January 1, 2018, as a result of the adoption of IFRS15:

Contract assets recognised in relation to software products and services were previously presented as "Amount due from customers for contract work".

Contract liabilities for progress billing recognised in relation to software products and services were previously presented as "Amount due to customers for contract work".

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3. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONT'D)

(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, 2018. These new and revised IFRSs include the following which may be relevant to the Corporation.

| | Effective for accounting periods beginning on or after |
|---|--|
| IFRIC 23 Uncertainty over Income Tax Treatments | January 1, 2019 |
| Annual Improvements to IFRSs 2015 -2017 Cycle | 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 not identified any aspect of these amendments and new standards which may have a significant impact on the consolidated financial statements. Further details of the expected impacts are discussed below.

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
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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.

GINSMS INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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4. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

(a) **Consolidation (cont'd)**

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.

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
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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.

GINSMS INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Foreign currency translation (cont'd)

(iii) Translation on consolidation (cont'd)

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.

(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.

GINSMS INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

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

(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.

(g) **Contract assets and contract liabilities**

Contract asset is recognised when the Corporation recognises revenue before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for expected credit losses ("ECL") in accordance with the policy set out in note 4(u) and are reclassified to receivables when the right to the consideration has become unconditional.

A contract liability is recognised when the customer pays consideration before the Corporation recognises the related revenue. A contract liability would also be recognised if the group has an unconditional right to receive consideration before the Corporation recognizes the related revenue. In such cases, a corresponding receivable would also be recognised.

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method.

Policy prior to January 1, 2018

In the comparative period, contract balances were recorded for construction contracts at the net amount of costs incurred plus recognised profit less recognised losses and progress billings. These net balances were presented as the "gross amount due from customers for contract work" (as an asset) or the "gross amount due to customers for contract work" (as a liability). Progress billings not yet paid by the customer were included under "accounts receivables". Amounts received before the related work was performed were presented as "advances received" under "accounts payable and accrued liabilities". These balances have been reclassified as on January 1, 2018 as shown in note 3.

GINSMS INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(h) Recognition and derecognition of financial instruments

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

The Corporation derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Corporation neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Corporation recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Corporation retains substantially all the risks and rewards of ownership of a transferred financial asset, the Corporation continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

The Corporation derecognises financial liabilities when, and only when, the Corporation's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(i) Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

(j) Trade and other receivables

A receivable is recognised when the Corporation has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Corporation has an unconditional right to receive consideration, the amount is presented as a contract asset.

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses.

GINSMS INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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4. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

(k) **Cash and cash equivalents**

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that 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 for the purpose of the consolidated statement of cash flow. Cash and cash equivalents are assessed for expected credit losses ("ECL").

(l) **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.

(m) **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.

(n) **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.

(o) **Equity instruments**

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

(p) **Revenue recognition**

Revenue is recognised when control over a service is transferred to the customer, at the amount of promised consideration to which the Corporation is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Revenue from provision of messaging services is recognised over time as services are provided to customers.

GINSMS INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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4. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

(p) **Revenue recognition (cont'd)**

Revenue from provision of support and maintenance services is recognised over time when the services are rendered, by reference to time lapsed.

Revenue from outsourcing technical resources is recognised over time as services provided.

Interest income is recognised as it accrues using the effective interest method.

Policy prior to January 1, 2018

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.

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.

GINSMS INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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4. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

(p) **Revenue recognition (cont'd)**

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.

(q) **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.

(r) **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.

GINSMS INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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4. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

(r) **Borrowing costs (cont'd)**

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.

(s) **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.

GINSMS INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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4. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

(s) **Taxation (cont'd)**

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.

(t) **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.

(u) **Impairment of financial assets and contract assets**

The Corporation recognises a loss allowance for expected credit losses on trade receivables and contract assets. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Corporation always recognises lifetime ECL for trade receivables and contract assets. The expected credit losses on these financial assets are estimated using a provision matrix based on the Corporation's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Corporation recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Corporation measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

GINSMS INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(u) Impairment of financial assets (cont'd)

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Corporation compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Corporation considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Corporation's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Corporation's core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular financial instrument;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Corporation presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Corporation has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Corporation assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

- (i) The financial instrument has a low risk of default,
- (ii) The debtor has a strong capacity to meet its contractual cash flow obligations in the near term, and
- (iii) Adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

**GINSMS INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(u) Impairment of financial assets (cont'd)

Significant increase in credit risk (cont'd)

The Corporation considers a financial asset to have low credit risk when the asset has external credit rating of "investment grade" in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of "performing". Performing means that the counterparty has a strong financial position and there is no past due amounts.

The Corporation regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Definition of default

The Corporation considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable.

- when there is a breach of financial covenants by the counterparty; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Corporation, in full (without taking into account any collaterals held by the Corporation).

Irrespective of the above analysis, the Corporation considers that default has occurred when a financial asset is more than 180 days past due unless the Corporation has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the counterparty;
- a breach of contract, such as a default or past due event;
- the lender(s) of the counterparty, for economic or contractual reasons relating to the counterparty's financial difficulty, having granted to the counterparty a concession(s) that the lender(s) would not otherwise consider; or
- it is becoming probable that the counterparty will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for that financial asset because of financial difficulties.

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

(u) **Impairment of financial assets (cont'd)**

Write-off policy

The Corporation writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, including when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Corporation's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Measurement and recognition of ECL

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Corporation's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Corporation in accordance with the contract and all the cash flows that the Corporation expects to receive, discounted at the original effective interest rate.

If the Corporation has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Corporation measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

The Corporation recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Policy Prior to January 1, 2018

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.

GINSMS INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(u) Impairment of financial assets (cont'd)

Policy Prior to January 1, 2018 (cont'd)

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.

(v) 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.

(w) 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.

**GINSMS INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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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.

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 carried out reviews of the recoverability of development expenditures, having regard to the market conditions of the Corporation's messaging service 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 \$255,304 (2017: \$Nil) that have been recognized in profit or loss.

As at December 31, 2018, the carrying amount of development expenditures amounted to \$Nil (2017: \$297,436).

(b) Allowance for doubtful debts

Prior to the adoption of IFRS 9 on January 1, 2018, the management of the Corporation assesses at the end of each reporting period whether there is any objective evidence that trade receivables and contract assets are impaired. The provision policy for bad and doubtful debts of the Corporation is based on the evaluation of collectability and aging analysis of accounts and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of trade receivables and contract assets, including the current creditworthiness and the past collection history of each customer. If the financial conditions of customers of the Corporation were to deteriorate, resulting in an impairment of their ability to make payments, additional allowance may be required.

As at December 31, 2017, the carrying amount of trade receivables and contract assets is \$1,238,898 (net of allowance for doubtful debts of \$17,968).

Since the adoption of IFRS 9 on January 1, 2018, the management of the Corporation estimates the amount of impairment loss for ECL on trade receivables and contract assets based on the credit risk of trade receivables and contract assets. The amount of the impairment loss based on ECL model is measured as the difference between all contractual cash flows that are due to the Corporation in accordance with the contract and all the cash flows that the Corporation expects to receive, discounted at the effective interest rate determined at initial recognition. Where the future cash flows are less than expected, or being revised downward due to changes in facts and circumstances, a material impairment loss may arise.

As at December 31, 2018, the carrying amount of trade receivables and contract assets is \$664,031 (net of allowance for doubtful debts of \$44,067).

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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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, 2018 | | | | | | |
|---|----------------------|-------------|-------------|-----------|------------|--------------|-------------|
| | CDN \$ | SGD \$ | HKD \$ | USD \$ | Euro \$ | Others \$ | Total \$ |
| Bank and cash balances | 2,686 | 81,775 | 6,745 | 52,096 | 56,880 | 67,769 | 267,951 |
| Trade receivables | - | 224,212 | - | 8,682 | 338,528 | 44,123 | 615,545 |
| Other receivables and deposits | - | 15,738 | 110 | - | 26,361 | 7,726 | 49,935 |
| Accounts payable and accrued liabilities | (94,335) | (140,048) | (424,615) | (6,583) | (94,673) | (381,619) | (1,141,873) |
| Advances from related parties | - | (104,659) | (294,000) | - | - | - | (398,659) |
| Promissory note payable | (532,000) | - | - | - | - | - | (532,000) |
| Loans from related parties | - | (1,488,123) | (2,651,346) | (833,163) | - | - | (4,972,632) |

| | At December 31, 2017 | | | | | | |
|---|----------------------|-------------|-------------|-----------|------------|--------------|-------------|
| | CDN \$ | SGD \$ | HKD \$ | USD \$ | Euro \$ | Others \$ | Total \$ |
| Bank and cash balance | 1,512 | 25,833 | 7,658 | 223,219 | 56,949 | 25,594 | 340,765 |
| Trade receivables | - | 260,625 | - | 849,978 | 99,680 | 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) |
| Advance from a related party | - | (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, 2018, 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 \$20,000 (2017: \$17,000) 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
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6. **FINANCIAL RISK MANAGEMENT (CONT'D)**

(b) **Credit risk**

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Corporation is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments. The Corporation's exposure to credit risk arising from cash and cash equivalents is limited because the counterparties are banks and financial institutions with high credit-rating assigned by international credit-rating agencies, for which the Corporation considers to have low credit risk.

Trade receivables and contract assets

Customer credit risk is managed by each business unit subject to the Corporation's established policy, procedures and control relating to customer credit risk management. Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due within 30 days from the date of billing. Debtors with balances that are more than 180 days past due are requested to settle all outstanding balances before any further credit is granted. Normally, the Corporation does not obtain collateral from customers.

The Corporation measures loss allowances for trade receivables and contract assets at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Corporation's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Corporation's different customer bases. The Corporation assessed that there is no significant loss allowance recognised in accordance with IFRS 9 as at December 31, 2018.

No additional impairment for trade receivables and contract assets as at December 31, 2018 is recognised as the amount of additional impairment measured in accordance with IFRS 9 is insignificant, except for an allowance of \$26,104 for trade receivables was made for the year ended December 31, 2018 regarding significant increase in credit risk of two specific customers.

Expected loss rates are based on actual loss experience over the past 2 years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Corporation's view of economic conditions over the expected lives of the receivables.

GINSMS INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

6. FINANCIAL RISK MANAGEMENT (CONT'D)

(b) **Credit risk (cont'd)**

Prior to January 1, 2018

Prior to January 1, 2018, an impairment loss was recognised only when there was objective evidence of impairment. At December 31, 2017, trade receivables of \$17,968 was determined to be impaired. The aging analysis of trade debtors that were not considered to be impaired was as follows:

| | <u>2017</u> |
|-------------------------------|-------------------------|
| | \$ |
| Neither past due nor impaired | <u>569,212</u> |
| Up to 3 months past due | 568,353 |
| 3 to 6 months past due | 75,068 |
| Over 6 months past due | <u>16,072</u> |
| | <u><u>1,228,705</u></u> |

Receivables that were neither past due nor impaired related to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired related to a number of independent customers that had a good track record with the Corporation. Based on past experience, management believed that no impairment allowance was necessary in respect of these balances as there had been no significant change in credit quality and the balances were still considered fully recoverable.

Movement in the loss allowance account in respect of trade receivables and contract assets during the year is as follows:

| | <u>2018</u> | <u>2017</u> |
|--|----------------------|---------------|
| | \$ | \$ |
| At December 31 under IAS 39 | 17,968 | 10,133 |
| Impact on initial application of IFRS 9 (note 3) | <u>-</u> | <u>-</u> |
| Adjusted balance January 1 | 17,968 | 10,133 |
| Impairment losses recognised for the year | 26,104 | 7,489 |
| Exchange differences | (5) | 346 |
| At December 31 | <u>44,067</u> | <u>17,968</u> |

GINSMS INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

6. FINANCIAL RISK MANAGEMENT (CONT'D)

(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, 2018 | | | |
| Accounts payable and accrued liabilities | 1,141,873 | - | 1,141,873 |
| Advances from related parties | 398,659 | - | 398,659 |
| Promissory note payable | 544,000 | - | 544,000 |
| Loans from related parties | 358,458 | 5,109,277 | 5,467,735 |
| At December 31, 2017 | | | |
| Accounts payable and accrued liabilities | 1,474,073 | - | 1,474,073 |
| Advance from a related party | 475,620 | - | 475,620 |
| Promissory note payable | 496,000 | - | 496,000 |
| Loans from related parties | 292,751 | 4,701,878 | 4,994,629 |

The Corporation has working capital deficiency of \$1,459,370 as at December 31, 2018. The liquidity risk is mitigated as the Corporation has discussed with the related parties on extending the due date on advances, interest-free and interest-bearing loans financed by the related parties of \$5,023,282. 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, 2018. Furthermore, the immediate parent and the promissory note holder have agreed to extend the due dates of the loan of \$348,009 and promissory note of \$532,000 to March 31, 2020.

(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, 2018 and 2017.

GINSMS INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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6. **FINANCIAL RISK MANAGEMENT (CONT'D)**

(e) **Categories of financial instruments**

| | <u>As at December 31, 2018</u> | <u>As at December 31, 2017</u> |
|--|------------------------------------|------------------------------------|
| | \$ | \$ |
| Financial assets: | | |
| Financial assets measured at amortised cost | 933,431 | - |
| Loan and receivables (including cash and cash equivalents) | - | 1,618,527 |
| Financial liabilities: | | |
| Financial liabilities at amortized costs | <u>7,045,164</u> | <u>6,888,183</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 external imposed capital requirement for the Corporation is to have a public float of at least 10% of the shares in order to maintain its listing on the TSX Venture Exchange. As at December 31, 2018, 15.63% of the shares were held in public hands.

There have been no changes in the Corporation's capital management policies for the years ended December 31, 2018 and December 31, 2017.

7. **REVENUE**

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

| | <u>2018</u> | <u>2017</u> |
|--|------------------|------------------|
| | \$ | \$ |
| Revenue from contracts with customers within the scope of IFRS 15 | | |
| Service income | 5,308,748 | 7,329,960 |
| Other income | | |
| Accounting fee income | 24,467 | 32,820 |
| Miscellaneous income | <u>21,733</u> | <u>23,893</u> |
| | <u>46,200</u> | <u>56,713</u> |
| | <u>5,354,948</u> | <u>7,386,673</u> |

GINSMS INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

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, 2018 and December 31, 2017 as indicated in the following table.

| | 2018 | | 2017 | |
|-------------------------|------------------|--------------------|------------------|--------------------|
| | \$ | % 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 |
| | <u>5,354,948</u> | <u>100.0</u> | <u>7,386,673</u> | <u>100.0</u> |

(b) Revenue by geographical location

| | 2018 | | 2017 | |
|----------------------|------------------|--------------------|------------------|--------------------|
| | \$ | % 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 |
| | <u>5,354,948</u> | <u>100.0</u> | <u>7,386,673</u> | <u>100.0</u> |

GINSMS INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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8. SEGMENT INFORMATION (CONT'D)

(c) **Total assets by geographical location**

| | 2018 | | 2017 | |
|----------------------|------------------|-------------------|------------------|-------------------|
| | \$ | % 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 |
| | <u>1,066,228</u> | <u>100.0</u> | <u>2,072,297</u> | <u>100.0</u> |

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

| | MS | SPS | Unallocated | Total |
|---|--------------------|--------------------|--------------------|--------------------|
| | \$ | \$ | \$ | \$ |
| Year ended December 31, 2018 | | | | |
| 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 credit | - | 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 |
| As at December 31, 2018 | | | | |
| Segment assets | 537,395 | 526,617 | 2,216 | 1,066,228 |
| Segment liabilities | <u>(3,574,336)</u> | <u>(2,349,687)</u> | <u>(1,191,900)</u> | <u>(7,115,923)</u> |

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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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, 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 | <u>(4,144,320)</u> | <u>(1,752,317)</u> | <u>(1,058,711)</u> | <u>(6,955,348)</u> |

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

9. INCOME TAX CREDIT

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

| | <u>2018</u> | <u>2017</u> |
|-------------------------------|--------------|-------------|
| | \$ | \$ |
| Current tax | | |
| Provision for the year | - | - |
| Over-provision in prior years | <u>(384)</u> | - |
| | | - |
| Deferred tax | | |
| | <u>120</u> | <u>(79)</u> |
| | <u>(264)</u> | <u>(79)</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.

Pursuant to relevant law and regulations in Canada, the corporate income tax applicable to the Corporation is 27% for the year ended December 31, 2018. (2017: 25%).

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9. INCOME TAX CREDIT (CONT'D)

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

| | <u>2018</u> | <u>2017</u> |
|--|---------------------|-------------|
| | \$ | \$ |
| Loss before tax | (1,203,396) | (1,124,796) |
| Income tax rate | <u>27%</u> | <u>25%</u> |
| Computed income tax benefit | (324,917) | (281,199) |
| Effects of tax rate in different countries | 222,552 | 35,693 |
| Increase (decrease) resulting from: | | |
| Non-taxable income | (30,609) | (46,545) |
| Non-deductible expenses | 173,265 | 81,550 |
| Tax credits | (1,890) | - |
| Other | 488 | (81) |
| Change in unrecognised temporary differences | (15,738) | 509,295 |
| Utilisation of tax loss not recognised | (23,031) | (298,792) |
| Over-provision in prior year | <u>(384)</u> | <u>-</u> |
| Income tax credit | <u>(264)</u> | <u>(79)</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>2018</u> | <u>2017</u> |
|--|---------------------------|--------------------|
| | \$ | \$ |
| Long-term deferred tax assets: | | |
| Non-capital loss carried forward | 1,652,477 | 1,458,060 |
| Capital allowance | 6,441 | 6,091 |
| Timing difference of depreciation and amortization | - | 2,471 |
| Issue costs | 2,024 | 2,555 |
| Less: Unrecognised temporary differences | <u>(1,660,942)</u> | <u>(1,469,177)</u> |
| | <u>-</u> | <u>-</u> |
| Long-term deferred tax liability: | | |
| Property, plant and equipment | <u>1,188</u> | <u>1,153</u> |

As of December 31, 2018, the Corporation had income tax losses of \$3,290,000, 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, \$289,000 in 2038 and \$365,000 in 2039. The Corporation also had income tax losses of \$3,700,000 which arose from its subsidiaries' jurisdictions. The income tax benefits of these losses have not been recognised on the consolidated financial statements.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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10. **EMPLOYEE BENEFITS EXPENSE**

| | <u>2018</u> | <u>2017</u> |
|---|-------------------------|-------------------------|
| | \$ | \$ |
| Directors' fees | 40,000 | 40,000 |
| Employee benefits expense (including key management personnel): | | |
| Salaries, bonuses and allowances (Note) | 1,350,067 | 1,233,318 |
| Retirement benefit scheme contributions | <u>143,403</u> | <u>139,796</u> |
| | <u>1,493,470</u> | <u>1,373,114</u> |
| | <u><u>1,533,470</u></u> | <u><u>1,413,114</u></u> |

Note: Included expenses of \$5,232 and \$792,781 (2017: \$112 and \$657,176) 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>2018</u> | <u>2017</u> |
|--|---------------------------|---------------------------|
| | \$ | \$ |
| Loss | | |
| Loss for the purpose of calculating basic loss per share | <u><u>(1,199,539)</u></u> | <u><u>(1,122,268)</u></u> |
| Number of shares | | |
| Issued ordinary shares at January 1 | 149,793,861 | 142,630,169 |
| Effect of issuance of shares in a private placement | <u>-</u> | <u>5,220,663</u> |
| Weighted average number of ordinary shares for the purpose of calculating basic loss per share | <u><u>149,793,861</u></u> | <u><u>147,850,832</u></u> |

The Corporation did not have any dilutive potential ordinary shares during the years ended December 31, 2018 and December 31, 2017.

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12. **PROPERTY, PLANT AND EQUIPMENT**

| | Computer equipment and software |
|--|--|
| | \$ |
| Cost | |
| At January 1, 2017 | 198,022 |
| Additions | 77,783 |
| Written off | (56,737) |
| Exchange difference | 2,508 |
| | <u>221,576</u> |
| At December 31, 2017 and January 1, 2018 | 221,576 |
| Additions | 29,282 |
| Written off | (144,599) |
| Exchange difference | 2,848 |
| | <u>109,107</u> |
| At December 31, 2018 | 109,107 |
| Accumulated depreciation and impairment | |
| At January 1, 2017 | 162,362 |
| Depreciation | 24,341 |
| Written off | (4,070) |
| Exchange difference | 2,174 |
| | <u>184,807</u> |
| At December 31, 2017 and January 1, 2018 | 184,807 |
| Depreciation | 26,893 |
| Written off | (140,501) |
| Exchange difference | 2,422 |
| | <u>73,621</u> |
| At December 31, 2018 | 73,621 |
| Carrying amount | |
| As at December 31, 2018 | <u><u>35,486</u></u> |
| As at December 31, 2017 | <u><u>36,769</u></u> |

13. **GOODWILL**

| | \$ |
|---|-----------------|
| Cost less impairment | |
| At January 1, 2017, December 31, 2017, January 1, 2018 and December 31, 2018 | <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.

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14. DEVELOPMENT EXPENDITURES

| | Cost | Accumulated amortisation | Total |
|---|----------------|-----------------------------|----------------|
| | \$ | \$ | \$ |
| At 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> |
| At December 31, 2017 and January 1, 2018 | 905,770 | (608,334) | 297,436 |
| Additions | 5,232 | - | 5,232 |
| Disposal | (5,229) | - | (5,229) |
| Written-off | (910,631) | 655,327 | (255,304) |
| Amortization | - | (40,838) | (40,838) |
| Exchange difference | 4,858 | (6,155) | (1,297) |
| | <u>4,858</u> | <u>(6,155)</u> | <u>(1,297)</u> |
| At December 31, 2018 | <u>-</u> | <u>-</u> | <u>-</u> |

Due to loss of a major customer of messaging services, the Corporation has fully written-off the carrying amount of development expenditures during the year ended December 31, 2018.

Research costs recognised as expense for the years ended December 31, 2018 and December 31, 2017, are \$Nil and \$25,175 respectively.

15. ACCOUNTS RECEIVABLE

| | 2018 | 2017 |
|--|-----------------------|------------------|
| | \$ | \$ |
| Trade receivables | 659,612 | 1,246,673 |
| Less: Allowance for doubtful debts | (44,067) | (17,968) |
| | <u>615,545</u> | 1,228,705 |
| Contract assets (2017: amounts due from customers on contracts) (Note 17) | 48,486 | 10,193 |
| | <u>48,486</u> | <u>10,193</u> |
| Total | <u>664,031</u> | <u>1,238,898</u> |

As at December 31, 2018, an allowance was made for estimated irrecoverable trade receivables of approximately \$44,000 (2017: \$18,000).

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16. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

| | <u>2018</u> | <u>2017</u> |
|--|-------------------------|-------------------------|
| | \$ | \$ |
| Trade payables | 75,068 | 115,736 |
| Contract liabilities (2017: amounts due to customers on contracts) (Note 17) | 55,525 | 54,752 |
| Deferred income | 903 | 2,091 |
| Accrued liabilities and receipt in advance | <u>1,079,360</u> | <u>1,366,905</u> |
| Total | <u><u>1,210,856</u></u> | <u><u>1,539,484</u></u> |

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

17. CONTRACT ASSETS/CONTRACT LIABILITIES (2017: AMOUNTS DUE FROM/TO CUSTOMERS FOR CONTRACT WORK)

| | <u>2017</u> |
|--|------------------------|
| | \$ |
| Contract costs incurred plus recognised profits less recognised losses to date | 99,481 |
| Less: Progress billings | <u>(144,040)</u> |
| | <u><u>(44,559)</u></u> |
| Amounts due from customers for contract work | 10,193 |
| Amounts due to customers for contract work | <u>(54,752)</u> |
| | <u><u>(44,559)</u></u> |

Upon the adoption of IFRS15, amounts previously included as "Amount due from customers for contract work" and "Amount due to customers for contract work" were reclassified to contract assets and contract liabilities respectively.

| | December 31, 2018 | January 1, 2018 | December 31, 2017 |
|--|-----------------------|-------------------------|----------------------|
| | \$ | \$ | \$ |
| Contract assets | | | |
| Arising from performance under software products and services | <u>48,486</u> | <u>10,193</u> | <u>-</u> |
| | <u><u>48,486</u></u> | <u><u>10,193</u></u> | <u><u>-</u></u> |
| Receivables from contracts with customers within the scope of IFRS 15, which are included in "Account receivables" | <u><u>615,545</u></u> | <u><u>1,228,705</u></u> | |

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17. CONTRACT ASSETS/CONTRACT LIABILITIES (2017: AMOUNTS DUE FROM/TO CUSTOMERS FOR CONTRACT WORK) (CONT'D)

Amounts relating to contract assets are balances due from customers under software products and services that arise when the Corporation receives payments from customers in line with a series of performance related milestones.

There were no significant changes in the contract assets balances during the reporting period.

| Contract liabilities | December 31, 2018 \$ | January 1, 2018 \$ | December 31, 2017 \$ |
|---|----------------------------|--------------------------|----------------------------|
| Billings in advance of performance obligation | | | |
| - Software products and services | <u>55,525</u> | <u>54,752</u> | <u>-</u> |
| | <u><u>55,525</u></u> | <u><u>54,752</u></u> | <u><u>-</u></u> |

Contract liabilities relating to software products and services are balances due to customers under software products and services. These arise if a particular milestone payment exceeds the revenue recognised to date under the cost-to-cost method.

There were no significant changes in the contract liabilities balances during the reporting period.

18. ADVANCES FROM RELATED PARTIES

The balances represent advances from an officer and a related company which 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, 2019.

19. PROMISSORY NOTE PAYABLE

| | |
|---|-----------------------|
| | <u>Total</u> \$ |
| As at January 1, 2017 | 436,000 |
| Interest expenses for the year | <u>48,000</u> |
| As at December 31, 2017 and January 1, 2018 | 484,000 |
| Interest expenses for the year | <u>48,000</u> |
| As at December 31, 2018 | <u><u>532,000</u></u> |

GINSMS INC.
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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(b)) 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, 2020. A simple interest of 12% per annum is charged effective from April 1, 2016.

20. LOANS FROM RELATED PARTIES

| | Note | As at December 31, 2018 | As at December 31, 2017 |
|----------------------------|------|-------------------------------|-------------------------------|
| | | \$ | \$ |
| Non-current: | | | |
| Loan from a director | (a) | 3,801,960 | 3,282,300 |
| Loan from a related party | (b) | 822,663 | 887,973 |
| | | 4,624,623 | 4,170,273 |
| Current: | | | |
| Loan from immediate parent | (c) | 348,009 | 284,217 |
| Total | | 4,972,632 | 4,454,490 |

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% (2017: 12%) 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, 2019.
- (b) The loan is from IPL, the former holding company of Inphosoft Group Pte. Ltd., bears interest at 12% per annum (compounded daily based on a 365-day year) until end of March 2017, after that IPL agreed to convert the interest-bearing loan to interest-free loan from April 1, 2017. 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, 2019.
- (c) 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, 2019. Subsequent to the end of the reporting period, Xinhua Mobile agreed to extend the due date of the loan to March 31, 2020.

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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:

| | <u>Common shares</u> | <u>2018 Amount</u> \$ | <u>Common shares</u> | <u>2017 Amount</u> \$ |
|--|--------------------------|------------------------------|--------------------------|------------------------------|
| Balance, beginning of year | 149,793,861 | 11,415,709 | 142,630,169 | 10,484,429 |
| Issuance of shares in a private placement (note) | - | - | 7,163,692 | 931,280 |
| Balance, end of year | <u>149,793,861</u> | <u>11,415,709</u> | <u>149,793,861</u> | <u>11,415,709</u> |

Note: 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.

| | <u>January 1, 2018</u> \$ | <u>Cash flows</u> \$ | <u>Interest expenses</u> \$ | <u>Exchange differences</u> \$ | <u>December 31, 2018</u> \$ |
|---|----------------------------------|-------------------------|------------------------------------|---------------------------------------|------------------------------------|
| Advances from related parties (note 18) | 475,620 | (86,159) | - | 9,198 | 398,659 |
| Loan from a related party (note 20) | 284,217 | - | 37,527 | 26,265 | 348,009 |
| Promissory note payable (note 19) | 484,000 | - | 48,000 | - | 532,000 |
| Loans from related parties (note 20) | 4,170,273 | - | 342,285 | 112,065 | 4,624,623 |
| | <u>5,414,110</u> | <u>(86,159)</u> | <u>427,812</u> | <u>147,528</u> | <u>5,903,291</u> |
| | <u>January 1, 2017</u> \$ | <u>Cash flows</u> \$ | <u>Interest expenses</u> \$ | <u>Exchange differences</u> \$ | <u>December 31, 2017</u> \$ |
| 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) | 3,740,061 | (13,997) | 541,950 | (97,741) | 4,170,273 |
| | <u>5,193,413</u> | <u>(267,515)</u> | <u>629,799</u> | <u>(141,587)</u> | <u>5,414,110</u> |

GINSMS INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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23. COMMITMENTS

The Corporation has no lease agreements outstanding as at December 31, 2018. As at December 31, 2017, payments are to be incurred in SGD, MYR, the CDN equivalent is a total of \$42,383 to be incurred within one year of the statement of financial position date.

24. RELATED PARTY TRANSACTIONS

(a) The Corporation had the following related party transactions for the years ended December 31, 2018 and 2017:

| | <u>2018</u> | <u>2017</u> |
|---|-----------------|-------------|
| | \$ | \$ |
| Revenue and accounting fee income from companies controlled by immediate parent/ a director | 919,098 | 775,618 |
| Cost of consignment stocks paid to a company controlled by a director | 2,065 | 2,221 |
| Accounting fee paid to an officer | 71,043 | 68,410 |
| Rent charged by a company controlled by a director | 43,282 | 56,835 |
| Gain on disposal of development expenditures from a related party | 108,971 | - |
| Interest charged on loan from a director | 419,458 | 431,642 |
| Reversal of interest on loan from a director of a subsidiary | - | (3,768) |
| (Reversal of interest) interest charged on loans from a related party | (77,173) | 114,076 |
| Interest charged on loan from immediate parent | 37,527 | 39,849 |
| Interest charged on promissory note payable to a related party | 48,000 | 48,000 |

The above transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

GINSMS INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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24. **RELATED PARTY TRANSACTIONS (CONT'D)**

- (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, 2018 | | | | | |
| Directors | - | (80,988) | (294,000) | - | (3,801,960) |
| An officer | - | (7,355) | - | - | - |
| A company controlled by a director | 236,562 | (31,213) | - | - | - |
| Directors of subsidiaries | - | (1,976) | - | - | - |
| Related parties | - | - | (104,659) | (532,000) | (822,663) |
| Immediate parent | - | - | - | - | (348,009) |
| <hr/> | | | | | |
| 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) |

- (c) Key management personnel compensation

| | 2018 | 2017 |
|--|----------------|-------------|
| | \$ | \$ |
| Salaries and related costs | 382,961 | 363,922 |
| Consulting and accounting fees | 71,043 | 68,410 |
| Contributions to defined mandatory contribution funds | 35,241 | 34,631 |
| | 489,245 | 466,963 |
| Directors' fees | 40,000 | 40,000 |
| Total | 529,245 | 506,963 |

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

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25. PARTICULARS OF SUBSIDIARIES

Particulars of the principal subsidiaries as at December 31, 2018 and December 31, 2017 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 |