

GINSMS INC.

Condensed Interim Consolidated Financial Statements
Nine months period ended September 30, 2022 and 2021
(Unaudited)

To the Shareholders of GINSMS Inc.:

Management is responsible for the preparation and presentation of the accompanying unaudited condensed interim 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 unaudited condensed interim 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.

The auditor of GINSMS Inc. has not performed a review of the unaudited condensed interim consolidated financial statements for the three-month and nine-month periods ended September 30, 2022 and 2021.

November 10, 2022

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

/s/ "Kuen Kuen Lau"
Director

GINSMS INC.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2022 AND SEPTEMBER 30, 2021 (Unaudited)

(In Canadian Dollars)

| | | <i>(Unaudited)</i> Three months ended September 30, 2022 | <i>(Unaudited)</i> Three months ended September 30, 2021 | <i>(Unaudited)</i> Nine months ended September 30, 2022 | <i>(Unaudited)</i> Nine months ended September 30, 2021 |
|---|----|--|--|---|---|
| | | \$ | \$ | \$ | \$ |
| Revenue | 7 | 789,371 | 739,706 | 2,145,787 | 2,036,381 |
| Cost of sales | | <u>(480,062)</u> | <u>(483,315)</u> | <u>(1,341,931)</u> | <u>(1,301,929)</u> |
| Gross profit | | 309,309 | 256,391 | 803,856 | 734,452 |
| Expenses | | | | | |
| Salaries and wages | | (111,289) | (79,579) | (218,254) | (199,752) |
| Professional fees | | (61,661) | (71,974) | (194,981) | (219,105) |
| Directors' fees | | (10,000) | (10,000) | (30,000) | (30,000) |
| General and administrative | | (30,180) | (32,050) | (88,788) | (72,945) |
| Depreciation of property, plant and equipment | | (602) | (1,387) | (3,400) | (4,288) |
| Depreciation of right-of-use asset | | (15,648) | (15,358) | (46,743) | (46,660) |
| Foreign currency exchange loss | | (129,415) | (21,307) | (197,786) | (5,315) |
| | | <u>(358,795)</u> | <u>(231,655)</u> | <u>(779,952)</u> | <u>(578,065)</u> |
| (Loss)/profit from operations | | (49,486) | 24,736 | 23,904 | 156,387 |
| Finance costs | | | | | |
| Interest expenses | | (1,149) | (2,120) | (3,105) | (7,759) |
| (Loss)/profit before tax | | (50,635) | 22,616 | 20,799 | 148,628 |
| Income tax (expense)/credit | | (21,622) | 883 | (32,576) | 883 |
| Net (loss)/profit for the period | | <u>(72,257)</u> | <u>23,499</u> | <u>(11,777)</u> | <u>149,511</u> |
| Other comprehensive income, net of tax: <i>Items that may be reclassified to profit or loss</i> | | | | | |
| Foreign exchange differences on translating of foreign currency financial operations | | (29,312) | (150,158) | 79,721 | 178,753 |
| Total comprehensive income for the period | | <u>(101,569)</u> | <u>(126,659)</u> | <u>67,944</u> | <u>328,264</u> |
| Net (loss)/profit for the period attributable to: | | | | | |
| Shareholders | | (72,712) | 23,105 | (13,025) | 148,468 |
| Non-controlling interest | | 455 | 394 | 1,248 | 1,043 |
| | | <u>(72,257)</u> | <u>23,499</u> | <u>(11,777)</u> | <u>149,511</u> |
| Total comprehensive income for the period attributable to: | | | | | |
| Shareholders | | (101,855) | (126,599) | 66,570 | 326,732 |
| Non-controlling interest | | 286 | (60) | 1,374 | 1,532 |
| | | <u>(101,569)</u> | <u>(126,659)</u> | <u>67,944</u> | <u>328,264</u> |
| (Loss)/profit per share | 10 | | | | |
| Basic (In Canadian cents) | | (0.049) | 0.015 | (0.009) | 0.099 |
| Diluted | | N/A | 0.015 | N/A | 0.099 |

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

GINSMS INC.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT SEPTEMBER 30, 2022 AND DECEMBER 31, 2021

(In Canadian Dollars)

| | Note | <i>(Unaudited)</i> September 30, 2022 | <i>(Audited)</i> December 31, 2021 |
|---|------|---|--|
| | | \$ | \$ |
| Non-current assets | | | |
| Property, plant and equipment | 11 | 59,099 | 33,199 |
| Right-of-use assets | 12 | 94,517 | 48,777 |
| Goodwill | 13 | - | - |
| | | <u>153,616</u> | <u>81,976</u> |
| Current assets | | | |
| Accounts receivable | 14 | 458,206 | 601,321 |
| Other receivables, prepayments and deposits | | 65,732 | 62,985 |
| Current tax assets | | 112 | 2,586 |
| Bank and cash balances | | 231,142 | 183,941 |
| | | <u>755,192</u> | <u>850,833</u> |
| Current liabilities | | | |
| Accounts payable and accrued liabilities | 15 | 581,203 | 591,373 |
| Advances from related parties | 17 | 610,260 | 878,410 |
| Loan from related parties | 19 | 4,938,682 | 4,826,177 |
| Promissory note payable | 18 | 580,000 | 580,000 |
| Lease Liabilities | 20 | 50,289 | 46,093 |
| Current tax liabilities | | 31,929 | - |
| | | <u>6,792,363</u> | <u>6,922,053</u> |
| Net current liabilities | | <u>(6,037,171)</u> | <u>(6,071,220)</u> |
| Non-Current liabilities | | | |
| Lease liabilities | 20 | 37,745 | - |
| | | <u>37,745</u> | <u>-</u> |
| NET LIABILITIES | | <u>(5,921,300)</u> | <u>(5,989,244)</u> |
| EQUITY | | | |
| Share capital | 21 | 11,415,709 | 11,415,709 |
| Deficit | | (17,766,448) | (17,753,423) |
| Accumulated other comprehensive income | | 441,469 | 361,874 |
| Total deficiency attributable to equity shareholders of the Corporation | | <u>(5,909,270)</u> | <u>(5,975,840)</u> |
| Non-controlling interests | | <u>(12,030)</u> | <u>(13,404)</u> |
| TOTAL DEFICIENCY | | <u>(5,921,300)</u> | <u>(5,989,244)</u> |

Approved on behalf of the board on November 10, 2022

/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.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2022 AND SEPTEMBER 30, 2021 (Unaudited)

(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, 2022 | 11,415,709 | (17,753,423) | 361,874 | (5,975,840) | (13,404) | (5,989,244) |
| (Loss)/profit for the period | - | (13,025) | - | (13,025) | 1,248 | (11,777) |
| Other comprehensive income | - | - | 79,595 | 79,595 | 126 | 79,721 |
| Balance as at September 30, 2022 | <u>11,415,709</u> | <u>(17,766,448)</u> | <u>441,469</u> | <u>(5,909,270)</u> | <u>(12,030)</u> | <u>(5,921,300)</u> |

| | 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, 2021 | 11,415,709 | (18,034,210) | 239,449 | (6,379,052) | (14,109) | (6,393,161) |
| Profit for the period | - | 148,468 | - | 148,468 | 1,043 | 149,511 |
| Other comprehensive income | - | - | 178,264 | 178,264 | 489 | 178,753 |
| Balance as at September 30, 2021 | <u>11,415,709</u> | <u>(17,885,742)</u> | <u>417,713</u> | <u>(6,052,320)</u> | <u>(12,577)</u> | <u>(6,064,897)</u> |

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

GINSMS INC.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2022 AND SEPTEMBER 30, 2021 (Unaudited)

(In Canadian Dollars)

| | <i>(Unaudited)</i> Three months ended September 30, 2022 | <i>(Unaudited)</i> Three months ended September 30, 2021 | <i>(Unaudited)</i> Nine months ended September 30, 2022 | <i>(Unaudited)</i> Nine months ended September 30, 2021 |
|--|--|--|---|---|
| | \$ | \$ | \$ | \$ |
| OPERATING ACTIVITIES | | | | |
| Net (loss)/profit before tax | (50,635) | 22,616 | 20,799 | 148,628 |
| Lease interest on right-of-use assets | 1,149 | 2,120 | 3,105 | 7,759 |
| Foreign currency exchange loss | 129,415 | 21,307 | 197,786 | 5,315 |
| Depreciation of property, plant and equipment | 7,986 | 5,551 | 22,460 | 18,089 |
| Depreciation of right-of-use assets | 15,648 | 15,358 | 46,743 | 46,660 |
| Changes in non-cash working capital items: | | | | |
| Accounts receivable | 15,971 | 19,424 | 143,115 | (46,392) |
| Other receivables, prepayments and deposits | (11,547) | (7,878) | (2,747) | 4,448 |
| Accounts payable and accrued liabilities | 49,694 | 35,164 | (10,172) | (94,620) |
| Interest on lease liabilities | (1,149) | (2,120) | (3,105) | (7,759) |
| Income tax refund | 1,513 | - | 1,617 | - |
| Net cash generated from operating activities | 158,045 | 111,542 | 419,601 | 82,128 |
| FINANCING ACTIVITIES | | | | |
| Advance received from a related party | - | - | - | 5,950,591 |
| Repayment of advance from a related party | - | (5,950,591) | - | (5,950,591) |
| Advance from related parties | 522 | - | 522 | 233,180 |
| Repayment of advance from a related party | (79,873) | (293,859) | (274,278) | (294,154) |
| Principal elements of lease payments | (16,404) | (18,321) | (52,867) | (62,564) |
| Net cash used in financing activities | (95,755) | (6,262,771) | (326,623) | (123,538) |
| INVESTING ACTIVITIES | | | | |
| Purchase of property, plant and equipment | (15,190) | (4,283) | (48,890) | (7,020) |
| Net cash used in investing activities | (15,190) | (4,283) | (48,890) | (7,020) |
| Effect of exchange rate changes on cash held in foreign currencies | 7,568 | 222,408 | 3,113 | (22,075) |
| Increase/(decrease) in cash | 54,668 | (5,933,104) | 47,201 | (70,505) |
| Cash, beginning of period | 176,474 | 6,158,911 | 183,941 | 296,312 |
| Cash, end of period | 231,142 | 225,807 | 231,142 | 225,807 |

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

GINSMS INC.
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2022 AND SEPTEMBER 30, 2021 *(Unaudited)*

(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 700 9th Avenue S.W., Suite 3000, 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 23 to the unaudited condensed interim 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 Standard Markets (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"). 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 and develop new features as and when necessary, to support the Corporation's A2P business.
- iii. Outsource technical resources to customers for the purpose of software development based 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 CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2022 AND SEPTEMBER 30, 2021 *(Unaudited)*

2. BASIS OF PREPARATION

These unaudited interim consolidated financial statements are prepared according to International Accounting Standard (“IAS”) 34 Interim Financial Reporting using accounting policies consistent with International Financial Reporting Standards (“IFRSs”) as issued by the International Accounting Standards Board (the “IASB”).

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. As at September 30, 2022, the Corporation had net current liabilities and net liabilities of \$6,037,171 and \$5,921,300 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 spread of COVID-19 in all relevant jurisdictions has impacted the Corporation’s operation and customer base and uncertainty regarding the extent, duration and are having a material impact on all aspects of the Corporation’s operations. The Corporation confirms to adopt the going concern basis in preparing its unaudited condensed interim 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 demand settlement of the interest-free loans of \$4,543,186 and cash advances of \$610,260 until the Corporation is in sound financial position to repay to them. Furthermore, the immediate parent and the promissory note holder have confirmed with the Corporation that they will not demand settlement of the loan of \$395,496 and promissory note of \$580,000, respectively until the Corporation is in sound financial position to repay to them.
- (b) Of the interest-free loans of \$4,543,186, subsequent to the period end, a related party has agreed to convert loans of \$3,732,451 into 37,324,507 common shares of the Corporation at a price of \$0.10 per share. The shares for debt transaction is subject to the approval of TSXV (Note 24).
- (c) The directors will continuously and closely monitor the Corporation’s liquidity position and financial performance and implement measures to improve the Corporation cash flows.

As a result, after considering all relevant information, including its actions completed to date and its future plans, the management has concluded that the Corporation is able to continue as a going concern for a period of 12 months from September 30, 2022.

GINSMS INC.
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2022 AND SEPTEMBER 30, 2021 *(Unaudited)*

3. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

The new and revised international financial reporting standards that have been adopted by the Corporation are described in Note 3 of the audited consolidated financial statements for the year ended December 31, 2021.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These unaudited condensed interim consolidated financial statements as at and for the nine months ended September 30, 2022 have been prepared under the historical cost convention.

The preparation of these unaudited condensed interim 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 unaudited condensed interim consolidated financial statements do not include all of the information required for annual financial statements and should be read in conjunction with the audited consolidated financial statement for the twelve months ended December 31, 2021 which has been prepared in accordance with IFRS.

GINSMS INC.
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2022 AND SEPTEMBER 30, 2021 *(Unaudited)*

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 unaudited condensed interim 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 unaudited condensed interim 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) **Impairment of trade receivables and contract assets**

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 September 30, 2022, the carrying amount of trade receivables and contract assets is \$458,206 (net of allowance for doubtful debts of \$Nil) (December 31, 2021: \$601,321 (net of allowance for doubtful debts of \$Nil)).

GINSMS INC.
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2022 AND SEPTEMBER 30, 2021 (Unaudited)

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 September 30, 2022 (Unaudited) | | | | | | |
|--|-----------------------------------|-------------|-------------|-----------|------------|--------------|-------------|
| | CDN \$ | SGD \$ | HKD \$ | USD \$ | Euro \$ | Others \$ | Total \$ |
| Bank and cash balances | 5,632 | 53,453 | 4,585 | 29,895 | 33,848 | 103,729 | 231,142 |
| Trade receivables | - | 321,984 | - | 7,210 | 119,825 | 9,187 | 458,206 |
| Other receivables and deposits | - | - | - | - | 25,920 | 22,019 | 47,939 |
| Accounts payable and accrued liabilities | (69,760) | (35,345) | (240,905) | (6,477) | (55,552) | (146,978) | (555,017) |
| Advances from related parties | - | (39,773) | (289,182) | - | - | (281,305) | (610,260) |
| Promissory note payable | (580,000) | - | - | - | - | - | (580,000) |
| Loans from related parties | - | (1,422,898) | (2,607,891) | (907,893) | - | - | (4,938,682) |
| | | | | | | | |
| | At December 31, 2021 (Audited) | | | | | | |
| | CDN \$ | SGD \$ | HKD \$ | USD \$ | Euro \$ | Others \$ | Total \$ |
| Bank and cash balances | 4,517 | 31,228 | 2,672 | 57,927 | 779 | 86,818 | 183,941 |
| Trade receivables | - | 474,004 | - | 1,042 | 92,653 | 8,564 | 576,263 |
| Other receivables and deposits | - | - | - | - | 25,440 | 22,354 | 47,794 |
| Accounts payable and accrued liabilities | (80,161) | (21,657) | (191,331) | (6,357) | (38,242) | (222,566) | (560,314) |
| Advances from related parties | - | (82,658) | (283,821) | - | - | (511,931) | (878,410) |
| Promissory note payable | (580,000) | - | - | - | - | - | (580,000) |
| Loans from related parties | - | (1,419,331) | (2,559,548) | (847,298) | - | - | (4,826,177) |

GINSMS INC.
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2022 AND SEPTEMBER 30, 2021 *(Unaudited)*

6. **FINANCIAL RISK MANAGEMENT (CONT'D)**

(a) **Foreign currency risk (cont'd)**

At September 30, 2022, if the SGD had weakened or strengthened 5 per cent against USD with all other variables held constant, consolidated loss after tax and the deficiency for the year would have been \$21,000 (December 31, 2021: \$19,000) higher or lower, arising mainly as a result of the foreign exchange gain or loss denominated on net payables denominated in USD.

(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.

Expected loss rates are based on actual loss experience over the past 4 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 CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2022 AND SEPTEMBER 30, 2021 (Unaudited)

6. **FINANCIAL RISK MANAGEMENT (CONT'D)**

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

Trade receivables and contract assets

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

| | <i>(Unaudited)</i> As at September 30, 2022 | <i>(Audited)</i> As at December 31, 2021 |
|---|--|---|
| | \$ | \$ |
| At beginning of period/year | - | 25,876 |
| Amount written off during the period/year | - | (15,505) |
| Reversal of allowance for doubtful debt for the period/year | - | (9,565) |
| Exchange differences | - | (806) |
| At end of period/year | <u>-</u> | <u>-</u> |

(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 and 2 years | Between 2 and 5 years | Total |
|--|---------------------|-----------------------------|-----------------------------|-----------|
| | \$ | \$ | \$ | \$ |
| At September 30, 2022 <i>(Unaudited)</i> | | | | |
| Accounts payable and accrued liabilities | 555,017 | - | - | 555,017 |
| Advances from related parties | 610,260 | - | - | 610,260 |
| Promissory note payable | 580,000 | - | - | 580,000 |
| Loans from related parties | 4,938,682 | - | - | 4,938,682 |
| Lease liabilities | 57,909 | 39,675 | - | 97,584 |
| At December 31, 2021 <i>(Audited)</i> | | | | |
| Accounts payable and accrued liabilities | 560,314 | - | - | 560,314 |
| Advance from related parties | 878,410 | - | - | 878,410 |
| Promissory note payable | 580,000 | - | - | 580,000 |
| Loans from related parties | 4,826,177 | - | - | 4,826,177 |
| Lease liabilities | 47,530 | - | - | 47,530 |

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6. FINANCIAL RISK MANAGEMENT (CONT'D)

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

The Corporation has working capital deficiency of \$6,037,171 as at September 30, 2022 (December 31, 2021: \$6,071,220). The liquidity risk is mitigated as related parties have confirmed with the Corporation that they will not demand settlement of the interest-free loans of \$4,543,186 and cash advances of \$610,260 until the Corporation is in sound financial position to repay to them. Furthermore, the immediate parent and the promissory note holder have confirmed with the Corporation that they will not demand settlement of the loan of \$395,496 and promissory note of \$580,000 until the Corporation is in sound financial position to repay to them. Of the interest-free loans of \$4,543,186, subsequent to the period end, a related party has agreed to convert loans of \$3,732,451 into 37,324,507 common shares of the Corporation at a price of \$0.10 per share. The shares for debt transaction is subject to the approval of TSXV (Note 24).

(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 September 30, 2022 and December 31, 2021.

(e) **Categories of financial instruments**

| | <i>(Unaudited)</i> As at <u>September 30, 2022</u> | <i>(Audited)</i> As at <u>December 31, 2021</u> |
|---|--|---|
| | \$ | \$ |
| Financial assets: | | |
| Financial assets measured at amortised cost | 737,287 | 807,998 |
| Financial liabilities: | | |
| Financial liabilities at amortized costs | <u>6,683,959</u> | <u>6,844,901</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 September 30, 2022, 15.63% of the shares were held in public hands.

There have been no changes in the Corporation's capital management policies for the nine months ended September 30, 2022 and year ended December 31, 2021.

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7. REVENUE

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

| | <i>(Unaudited)</i> Three months ended September 30, 2022 | <i>(Unaudited)</i> Three months ended September 30, 2021 | <i>(Unaudited)</i> Nine months ended September 30, 2022 | <i>(Unaudited)</i> Nine months ended September 30, 2021 |
|--|--|--|---|---|
| | \$ | \$ | \$ | \$ |
| Revenue from contracts with customers within the scope of IFRS 15 | | | | |
| A2P Messaging Service Income | 376,476 | 419,237 | 1,057,361 | 990,814 |
| Software Product & Service Income | 399,877 | 306,686 | 1,041,821 | 943,798 |
| | <u>776,353</u> | <u>725,923</u> | <u>2,099,182</u> | <u>1,934,612</u> |
| Other income | | | | |
| Administrative income from related parties | 13,018 | 9,172 | 46,605 | 43,110 |
| Government grants | - | 4,931 | - | 4,931 |
| Miscellaneous income | - | (320) | - | 53,728 |
| | <u>789,371</u> | <u>739,706</u> | <u>2,145,787</u> | <u>2,036,381</u> |

8. SEGMENT INFORMATION

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

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

(a) Revenue by customers

The revenues are primarily generated in HKD, USD, and SGD. Six major customers have contributed to sales revenue for the three and nine months ended September 30, 2022 and September 30, 2021 as indicated in the following table.

| | <i>(Unaudited)</i> Three months ended September 30, 2022 | | <i>(Unaudited)</i> Three months ended September 30, 2021 | |
|-------------------------|---|-----------------------|---|-----------------------|
| | \$ | % of total revenue | \$ | % of total revenue |
| Customer A | 256,856 | 32.5 | 207,577 | 28.1 |
| Next five top customers | | | | |
| Customer B | 121,957 | 15.4 | 61,178 | 8.3 |
| Customer C | 111,542 | 14.1 | 70,042 | 9.5 |
| Customer D | 73,100 | 9.3 | 61,283 | 8.3 |
| Customer E | 18,332 | 2.3 | 207,140 | 28.0 |
| Customer F | 31,147 | 3.9 | 22,553 | 3.0 |
| All other customers | 176,437 | 22.5 | 109,933 | 14.8 |
| | <u>789,371</u> | <u>100.0</u> | <u>739,706</u> | <u>100.0</u> |

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8. SEGMENT INFORMATION (CONT'D)

(a) Revenue by customers (Cont'd)

| | <i>(Unaudited)</i> Nine months ended September 30, 2022 | | <i>(Unaudited)</i> Nine months ended September 30, 2021 | |
|-------------------------|--|-----------------------|--|-----------------------|
| | \$ | % of total revenue | \$ | % of total revenue |
| Customer A | 649,158 | 30.3 | 744,313 | 36.6 |
| Next five top customers | | | | |
| Customer B | 310,047 | 14.4 | 61,178 | 3.0 |
| Customer C | 305,340 | 14.2 | 165,520 | 8.1 |
| Customer D | 184,588 | 8.6 | 288,791 | 14.2 |
| Customer E | 124,278 | 5.8 | 353,483 | 17.4 |
| Customer F | 121,426 | 5.7 | 26,306 | 1.3 |
| All other customers | 450,950 | 21.0 | 396,790 | 19.4 |
| | <u>2,145,787</u> | <u>100.0</u> | <u>2,036,381</u> | <u>100.0</u> |

(b) Revenue by geographical location

| | <i>(Unaudited)</i> Three months ended September 30, 2022 | | <i>(Unaudited)</i> Three months ended September 30, 2021 | |
|----------------------|---|-----------------------|---|-----------------------|
| | \$ | % of total revenue | \$ | % of total revenue |
| Singapore | 385,114 | 48.8 | 285,470 | 38.6 |
| Indonesia | 119,280 | 15.1 | 86,147 | 11.6 |
| Other Asia countries | 124,854 | 15.8 | 56,310 | 7.6 |
| Europe | 64,957 | 8.2 | 39,772 | 5.4 |
| United States | 91,494 | 11.6 | 268,804 | 36.3 |
| Other regions | 3,672 | 0.5 | 3,203 | 0.5 |
| | <u>789,371</u> | <u>100.0</u> | <u>739,706</u> | <u>100.0</u> |

| | <i>(Unaudited)</i> Nine months ended September 30, 2022 | | <i>(Unaudited)</i> Nine months ended September 30, 2021 | |
|----------------------|--|-----------------------|--|-----------------------|
| | \$ | % of total revenue | \$ | % of total revenue |
| Singapore | 978,223 | 45.6 | 877,106 | 43.1 |
| Indonesia | 350,987 | 16.4 | 221,753 | 10.9 |
| Other Asia countries | 295,936 | 13.8 | 131,131 | 6.4 |
| Europe | 205,095 | 9.6 | 154,771 | 7.6 |
| United States | 309,079 | 14.4 | 644,315 | 31.6 |
| Other regions | 6,467 | 0.2 | 7,305 | 0.4 |
| | <u>2,145,787</u> | <u>100.0</u> | <u>2,036,381</u> | <u>100.0</u> |

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8. **SEGMENT INFORMATION (CONT'D)**

(c) **Total non-current assets by geographical location**

| | <i>(Unaudited)</i> | | <i>(Audited)</i> | |
|----------------------|---|--|--|--|
| | Nine months ended September 30, 2022 | | Twelve months ended December 31, 2021 | |
| | \$ | % of total non-current assets | \$ | % of total non-current assets |
| Indonesia | 134,813 | 87.8 | 50,831 | 62.0 |
| Other Asia countries | 18,803 | 12.2 | 31,145 | 38.0 |
| | 153,616 | 100.0 | 81,976 | 100.0 |

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

| | MS | SPS | Unallocated | Total |
|---|--------------------|------------------|--------------------|--------------------|
| | \$ | \$ | \$ | \$ |
| Nine months ended September 30, 2022 | | | | |
| <i>(Unaudited)</i> | | | | |
| Revenue | 1,057,361 | 1,088,426 | - | 2,145,787 |
| Intersegment revenue | 18,293 | 207,778 | - | 226,071 |
| Amortisation and depreciation | - | 69,203 | - | 69,203 |
| Interest income | - | 188 | - | 188 |
| Interest and finance expenses | - | 3,105 | - | 3,105 |
| Income tax expense | - | 32,576 | - | 32,576 |
| Segment profit/(loss) | 145,681 | 123,618 | (281,076) | (11,777) |
| Additions to segment non-current assets | - | 141,860 | - | 141,860 |
| As at September 30, 2022 | | | | |
| <i>(Unaudited)</i> | | | | |
| Segment assets | 251,810 | 483,215 | 173,783 | 908,808 |
| Segment liabilities | (3,460,545) | (582,027) | (2,787,536) | (6,830,108) |

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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> |
|---|--------------------|--------------------|--------------------|--------------------|
| | \$ | \$ | \$ | \$ |
| Nine months ended September 30, 2021 | | | | |
| <i>(Unaudited)</i> | | | | |
| Revenue | 990,814 | 1,045,567 | - | 2,036,381 |
| Intersegment revenue | 10,363 | 108,606 | - | 118,969 |
| Amortisation and depreciation | - | 64,749 | - | 64,749 |
| Interest income | 41 | 133 | - | 174 |
| Interest and finance expenses | - | 7,759 | - | 7,759 |
| Income tax credit | - | (883) | - | (883) |
| Segment profit/(loss) | 85,427 | 225,503 | (161,419) | 149,511 |
| Additions to segment non-current assets | - | 47,500 | - | 47,500 |
| As at September 30, 2021 | | | | |
| <i>(Unaudited)</i> | | | | |
| Segment assets | 145,042 | 843,774 | 3,561 | 992,377 |
| Segment liabilities | <u>(3,146,289)</u> | <u>(1,437,123)</u> | <u>(2,473,862)</u> | <u>(7,057,274)</u> |

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

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9. **EMPLOYEE BENEFITS EXPENSE**

| | <i>(Unaudited)</i> Three months ended September 30, 2022 | <i>(Unaudited)</i> Three months ended September 30, 2021 | <i>(Unaudited)</i> Nine months ended September 30, 2022 | <i>(Unaudited)</i> Nine months ended September 30, 2021 |
|---|--|--|---|---|
| | \$ | \$ | \$ | \$ |
| Directors' fees | 10,000 | 10,000 | 30,000 | 30,000 |
| Employee benefits expense (including key management personnel): | | | | |
| Salaries, bonuses and allowances (Note) | 288,628 | 213,903 | 696,678 | 612,961 |
| Retirement benefit scheme contributions | 39,814 | 27,947 | 100,429 | 86,054 |
| | 328,442 | 241,850 | 797,107 | 699,015 |
| | 338,442 | 251,850 | 827,107 | 729,015 |

Note: Included expenses of \$578,853 (Nine months ended September 30, 2021: \$499,264) recognised in cost of sales.

10. **(LOSS)/EARNINGS PER SHARE**

The calculation of the basic (loss)/earnings per share is based on the following:

| | <i>(Unaudited)</i> Three months ended September 30, 2022 | <i>(Unaudited)</i> Three months ended September 30, 2021 | <i>(Unaudited)</i> Nine months ended September 30, 2022 | <i>(Unaudited)</i> Nine months ended September 30, 2021 |
|---|--|--|---|---|
| | \$ | \$ | \$ | \$ |
| (Loss)/earnings | | | | |
| (Loss)/earnings for the purpose of calculating basic loss per share | (72,712) | 23,105 | (13,025) | 148,468 |
| Weighted average number of ordinary shares for the purpose of calculating basic (loss)/earnings per share | 149,793,861 | 149,793,861 | 149,793,861 | 149,793,861 |

The Corporation did not have any dilutive potential ordinary shares during the three and nine months ended September 30, 2022 and September 30, 2021.

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11. **PROPERTY, PLANT AND EQUIPMENT**

| | Computer equipment and software |
|--|--|
| | \$ |
| Cost | |
| At January 1, 2021 | 163,498 |
| Additions | 18,357 |
| Exchange difference | <u>(6,482)</u> |
| At December 31, 2021 and January 1, 2022 | 175,373 |
| Additions | 48,890 |
| Written off | (67,572) |
| Exchange difference | <u>(3,644)</u> |
| At September 30, 2022 | <u>153,047</u> |
| Accumulated depreciation and impairment | |
| At January 1, 2021 | 123,499 |
| Depreciation | 23,914 |
| Exchange difference | <u>(5,239)</u> |
| At December 31, 2021 and January 1, 2022 | 142,174 |
| Depreciation | 22,460 |
| Written off | (67,572) |
| Exchange difference | <u>(3,114)</u> |
| At September 30, 2022 | <u>93,948</u> |
| Carrying amount | |
| As at September 30, 2022 | <u><u>59,099</u></u> |
| As at December 31, 2021 | <u><u>33,199</u></u> |

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12. **RIGHT-OF-USE ASSETS**

| | Leased properties |
|--|----------------------|
| | \$ |
| At January 1, 2021 | 73,331 |
| Addition | 41,169 |
| Depreciation | (63,473) |
| Exchange differences | <u>(2,250)</u> |
| At December 31, 2021 and January 1, 2022 | 48,777 |
| Addition | 92,970 |
| Depreciation | (46,743) |
| Exchange difference | <u>(487)</u> |
| At September 30, 2022 | <u>94,517</u> |

Lease liabilities of \$88,034 (December 31, 2021: \$46,093) are recognised with related right-of-use assets of \$94,517 (December 31, 2021: \$48,777) as at September 30, 2022. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

| | <i>(Unaudited)</i> Nine months ended September 30, 2022 | <i>(Unaudited)</i> Nine months ended September 30, 2021 |
|--|---|---|
| | \$ | \$ |
| Depreciation expenses on right-of-use assets | 46,743 | 46,660 |
| Interest expense on lease liabilities (included in finance cost) | 3,105 | 7,759 |
| Expenses relating to short-term lease (included in administrative) | <u>-</u> | <u>1,463</u> |

The Corporation leased offices in Indonesia and Malaysia, for its operations. Lease contracts were entered into for fixed term of 2 years. During the quarter ended September 30, 2022, the Corporation has renewed its lease office in Indonesia for a fixed term of 2 years.

13. **GOODWILL**

| | \$ |
|--|-----------------|
| Cost less impairment | |
| At January 1, 2021, December 31, 2021, January 1, 2022 and September 30, 2022 | <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. ACCOUNTS RECEIVABLE | <u>(Unaudited)</u> | <u>(Audited)</u> |
|------------------------------------|--------------------------------|-------------------------------|
| | As at September 30, 2022 | As at December 31, 2021 |
| | \$ | \$ |
| Trade receivables | 458,206 | 576,263 |
| Less: Allowance for doubtful debts | - | - |
| | <u>458,206</u> | <u>576,263</u> |
| Contract assets (Note 16) | - | 25,058 |
| Total | <u><u>458,206</u></u> | <u><u>601,321</u></u> |

As at September 30, 2022, an allowance was made for estimated irrecoverable trade receivables of approximately \$Nil (December 31, 2021: \$Nil).

| 15. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES | <u>(Unaudited)</u> | <u>(Audited)</u> |
|--|--------------------------------|-------------------------------|
| | As at September 30, 2022 | As at December 31, 2021 |
| | \$ | \$ |
| Trade payables | 24,502 | 3,077 |
| Accrued liabilities and other payable | 556,701 | 588,296 |
| Total | <u><u>581,203</u></u> | <u><u>591,373</u></u> |

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

| 16. CONTRACT ASSETS | <u>(Unaudited)</u> | <u>(Audited)</u> |
|--|--------------------------------|-------------------------------|
| | As at September 30, 2022 | As at December 31, 2021 |
| | \$ | \$ |
| Receivables from contracts with customers within the scope of IFRS 15, which are included in "Account receivables" | - | 25,058 |
| | <u><u>-</u></u> | <u><u>25,058</u></u> |

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.

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17. **ADVANCES FROM RELATED PARTIES**

The balances represent advances from an officer and related companies which are unsecured, interest-free and repayable on demand.

The officer and related companies have confirmed to the Corporation that they will not demand settlement of the advances until the Corporation is in sound financial position to repay to them.

18. **PROMISSORY NOTE PAYABLE**

| | |
|---|----------------|
| | <u>Total</u> |
| | \$ |
| As at January 1, 2021, December 31, 2021, January 1, 2022 and September 30, 2022 | <u>580,000</u> |

The promissory note payable is from Inphosoft Pte. Ltd. ("IPL") (Note 19(a)) and is interest free, unsecured and repayable on demand. IPL has confirmed that it will not demand settlement of the note payable until the Corporation is in sound financial position.

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19. **LOANS FROM RELATED PARTIES**

| | | <u>(Unaudited)</u> | <u>(Audited)</u> |
|----------------------------|------|-------------------------|-------------------------|
| | Note | As at | As at |
| | | September 30, | December 31, |
| | | 2022 | 2021 |
| | | <u>\$</u> | <u>\$</u> |
| Current: | | | |
| Loan from a related party | (a) | 796,521 | 794,524 |
| Loan from immediate parent | (b) | 395,496 | 365,519 |
| Loans from a director | (c) | 3,746,665 | 3,666,134 |
| Total | | <u>4,938,682</u> | <u>4,826,177</u> |

All above loans from related parties are interest-free, non-trade nature, unsecured and repayable on demand.

- (a) The loan is from IPL. A director of the Corporation, Mr. Joel Siang Hui Chin, two 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 it will not demand settlement of the loan until the Corporation is in sound financial position to repay.
- (b) The loan is from Xinhua Mobile, the immediate parent of the Corporation. Subsequent to the end of the reporting period, Xinhua Mobile agreed to extend the due date of the loan to March 31, 2023 and confirmed to the Corporation that it will not demand settlement of the loan until the Corporation is in sound financial position to repay.
- (c) The loans are from the Corporation's director, Mr. Joel Siang Hui Chin who confirmed to the Corporation that he will not demand settlement of the loans until the Corporation is in sound financial position to repay. Subsequent to the quarter ended September 30, 2022, Mr. Joel Siang Hui Chin has agreed to convert loans of \$3,732,451 into 37,324,507 common shares of the Corporation at a price of \$0.10 per share.

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20. **LEASE LIABILITIES**

| | Minimum lease payments | | Present value of minimum lease payments | |
|--|--|---|--|---|
| | <i>(Unaudited)</i> As at September 30, 2022 \$ | <i>(Audited)</i> As at December 31, 2021 \$ | <i>(Unaudited)</i> As at September 30, 2022 \$ | <i>(Audited)</i> As at December 31, 2021 \$ |
| Within one year | 57,909 | 47,530 | 50,289 | 46,093 |
| In the second to fifth years, inclusive | 39,675 | - | 37,745 | - |
| | 97,584 | 47,530 | 88,034 | 46,093 |
| Less: Future finance charges | (9,550) | (1,437) | N/A | N/A |
| Present value of lease obligations | 88,034 | 46,093 | 88,034 | 46,093 |
| Less: Amount due for settlement within 12 months (shown under current liabilities) | | | (50,289) | (46,093) |
| Amount due for settlement after 12 months | | | 37,745 | - |

The weighted average incremental borrowing rates applied to lease liabilities for the nine months ended September 30, 2022 was 5.5% - 12.1% (December 31, 2021: 5.5% - 15.0%). The lease liabilities are denominated in Indonesian Rupiah and Malaysian Ringgit (December 31, 2021: Indonesian Rupiah and Malaysian Ringgit).

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:

| | <i>(Unaudited)</i> Nine Months ended September 30, 2022 Amount \$ | | <i>(Audited)</i> Twelve months ended December 31, 2021 Amount \$ |
|------------------------------------|--|---------------|---|
| Common shares | | Common shares | |
| Balance, beginning and end of year | 149,793,861 | 149,793,861 | 11,415,709 |

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22. RELATED PARTY TRANSACTIONS

- (a) The Corporation had the following related party transactions for the three and nine months ended September 30, 2022 and September 30, 2021:

| | <i>(Unaudited)</i> Three months ended September 30, 2022 | <i>(Unaudited)</i> Three months ended September 30, 2021 | <i>(Unaudited)</i> Nine months ended September 30, 2022 | <i>(Unaudited)</i> Nine months ended September 30, 2021 |
|--|--|--|---|---|
| | \$ | \$ | \$ | \$ |
| Revenue and administrative fee income from companies controlled by immediate parent / a director | 378,804 | 268,756 | 959,189 | 805,492 |
| Administrative fee income from ultimate parent | 5,582 | 5,556 | 16,778 | 16,869 |
| Accounting fee paid to an officer | 2,489 | 7,662 | 12,424 | 45,183 |

- (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 September 30, 2022 | | | | | |
| <i>(Unaudited)</i> | | | | | |
| Directors | - | (70,000) | (289,184) | - | (3,746,665) |
| Companies controlled by a director | 320,341 | (2,361) | (281,825) | - | - |
| A related party | - | - | (39,251) | (580,000) | (796,521) |
| A fellow subsidiary | 1,538 | - | - | - | - |
| Immediate parent | - | - | - | - | (395,496) |
| As at December 31, 2021 | | | | | |
| <i>(Audited)</i> | | | | | |
| Directors | - | (80,000) | (283,821) | - | (3,666,134) |
| An officer | - | (1,023) | - | - | - |
| Companies controlled by a director | 468,300 | - | (553,128) | - | - |
| A related party | - | - | (41,461) | (580,000) | (794,524) |
| Immediate parent | - | - | - | - | (365,519) |
| Ultimate parent | 5,612 | - | - | - | - |

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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2022 AND SEPTEMBER 30, 2021 (Unaudited)

22. RELATED PARTY TRANSACTIONS (CONT'D)

(c) Key management personnel compensation

| | <i>(Unaudited)</i> Three months ended September 30, 2022 | <i>(Unaudited)</i> Three months ended September 30, 2021 | <i>(Unaudited)</i> Nine months ended September 30, 2022 | <i>(Unaudited)</i> Nine months ended September 30, 2021 |
|-----------------|--|--|---|---|
| | \$ | \$ | \$ | \$ |
| Accounting fees | 2,489 | 7,662 | 12,424 | 45,183 |
| Directors' fees | 10,000 | 10,000 | 30,000 | 30,000 |
| Total | <u>12,489</u> | <u>17,662</u> | <u>42,424</u> | <u>75,183</u> |

23. PARTICULARS OF SUBSIDIARIES

Particulars of the principal subsidiaries as at September 30, 2022 and December 31, 2021 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. Ltd. | Singapore | 1,000,000 ordinary shares of Singapore Dollar 1,614,500 | 100% | - | Investment holding |
| PT Inphosoft Indonesia | Indonesia | 1,000 ordinary shares of Indonesian Rupiah 962,500,000 | - | 99% | Provision for messaging service and outsourcing of technical resources to customers |
| GIN International Limited | Hong Kong | 100 ordinary shares of Hong Kong Dollar 100 | - | 100% | Provision for short message services |
| Inphosoft Malaysia Sdn. Bhd. | Malaysia | 100,000 ordinary shares of Malaysian Ringgit 100,000 | - | 100% | Provision for messaging service and outsourcing of technical resources to customers |

24. SUBSEQUENT EVENT

Subsequent to the quarter ended September 30, 2022, in an effort to improve the Corporation's financial position by decreasing the Corporation's and its subsidiaries debt and increasing its net asset value, the Corporation has entered into an agreement with Mr. Joel Siang Hui Chin, a director of the Corporation, for the repayment of loans representing an aggregate principal and interest total amount of \$3,732,451 granted to the Corporation by Mr. Joel Siang Hui Chin by the way of issuance of 37,324,507 common shares of the Corporation at a price of \$0.10 per share. The shares for debt transaction is subject to the approval of TSXV. The shares for debt transaction approved by the TSX Venture Exchange on October 31, 2022 and will close in November 2022. Following this loan conversion into common shares of the Corporation, Mr. Joel Chin Siang Chin now has loans granted to the Corporation having an aggregate principal amount of \$145,786, which is higher than the balance as at September 30, 2022 due to fluctuation in exchange rate.

25. **APPROVAL OF CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

The unaudited condensed interim consolidated financial statements were approved and authorised for issue by the Board of Directors on November 10, 2022.