

GINSMS INC.

Condensed Interim Consolidated Financial Statements
Three months period ended March 31, 2017 and 2016
(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 periods ended March 31, 2017 and 2016.

May 12, 2017

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

/s/ "Kuen Kuen Lau"
Director

GINSMS INC.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
FOR THE THREE MONTHS ENDED MARCH 31, 2017 AND MARCH 31, 2016 (Unaudited)

(In Canadian Dollars)

For the three months ended	Note	<i>(Unaudited)</i> March 31, 2017 \$	<i>(Unaudited)</i> March 31, 2016 \$
Revenue	7	1,599,637	1,661,412
Cost of sales		<u>(1,345,674)</u>	<u>(1,394,011)</u>
Gross profit		253,963	267,401
Expenses			
Salaries and wages		(241,555)	(193,223)
Professional fees		(89,399)	(88,733)
Allowance for doubtful debts		(7,489)	-
General and administrative		(61,995)	(61,358)
Amortization and depreciation		(436)	(3,398)
Foreign currency exchange loss		<u>(11,994)</u>	<u>79,897</u>
(Loss) Profit from operations		(158,905)	586
Finance costs			
Interest expenses on other borrowings		<u>(207,673)</u>	<u>(199,459)</u>
Loss before tax		(366,578)	(198,873)
Income tax expense		<u>-</u>	<u>(530)</u>
Net loss for the period		<u>(366,578)</u>	<u>(199,403)</u>
Other comprehensive income (loss), net of tax: <i>Items that may be reclassified to profit or loss:</i>			
Foreign exchange differences on translating foreign operations		<u>56,805</u>	<u>(156,810)</u>
Total comprehensive loss for the period		<u>(309,773)</u>	<u>(356,213)</u>
Net loss for the period attributable to:			
Shareholders		(366,050)	(199,279)
Non-controlling interest		<u>(528)</u>	<u>(124)</u>
		<u>(366,578)</u>	<u>(199,403)</u>
Total comprehensive loss for the period attributable to:			
Shareholders		(309,246)	(355,839)
Non-controlling interest		<u>(527)</u>	<u>(374)</u>
		<u>(309,773)</u>	<u>(356,213)</u>
Loss per share	10		
Basic		(0.003)	(0.001)
Diluted		<u>(0.003)</u>	<u>(0.001)</u>

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

GINSMS INC.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT MARCH 31, 2017 AND DECEMBER 31, 2016

(In Canadian Dollars)

	Note	<i>(Unaudited)</i> March 31, 2017 \$	<i>(Audited)</i> December 31, 2016 \$
Non-current assets			
Property, plant and equipment	11	31,494	35,660
Goodwill	12	-	-
Development expenditures	13	437,686	464,779
		<u>469,180</u>	<u>500,439</u>
Current assets			
Accounts receivable	14	1,020,239	1,822,661
Other receivables, prepayments and deposits		131,128	164,182
Bank and cash balances		102,703	139,808
		<u>1,254,070</u>	<u>2,126,651</u>
Current liabilities			
Accounts payable and accrued liabilities	15	1,313,686	2,096,917
Advance from a related party	17	801,180	756,079
Loan from a related party	19	275,741	261,273
Promissory note payable	18	448,000	436,000
Current tax liabilities		622	5,317
		<u>2,839,229</u>	<u>3,555,586</u>
Net current liabilities		<u>(1,585,159)</u>	<u>(1,428,935)</u>
Total assets less current liabilities		<u>(1,115,979)</u>	<u>(928,496)</u>
Non-current liabilities			
Loans from related parties	19	3,862,371	3,740,061
Deferred tax liability		1,187	1,208
		<u>3,863,558</u>	<u>3,741,269</u>
NET LIABILITIES		<u>(4,979,537)</u>	<u>(4,669,765)</u>
EQUITY			
Share capital	20	10,484,429	10,484,429
Deficit		(15,761,512)	(15,395,462)
Accumulated other comprehensive income		304,840	248,035
Total deficiency attributable to equity shareholders of the Corporation		(4,972,243)	(4,662,998)
Non-controlling interests		(7,294)	(6,767)
TOTAL DEFICIENCY		<u>(4,979,537)</u>	<u>(4,669,765)</u>

Approved on behalf of the board on May 12, 2017

Director
/s/ "Joel Siang Hui Chin"

Director
/s/ "Kuen Kuen Lau"

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

GINSMS INC.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE THREE MONTHS ENDED MARCH 31, 2017 AND MARCH 31, 2016 (Unaudited)

(In Canadian Dollars)

For the three months ended	Share capital	Deficit	Accumulated other comprehensive income/(loss)	Total	Non-controlling interest	Total deficit
	\$	\$	\$	\$	\$	\$
Balance January 1, 2017	10,484,429	(15,395,462)	248,035	(4,662,998)	(6,767)	(4,669,765)
Loss for the period	-	(366,050)	-	(366,050)	(528)	(366,578)
Other comprehensive income	-	-	56,805	56,805	1	56,806
Balance March 31, 2017	<u>10,484,429</u>	<u>(15,761,512)</u>	<u>304,840</u>	<u>(4,972,243)</u>	<u>(7,294)</u>	<u>(4,979,537)</u>

For the three months ended	Share capital	Deficit	Accumulated other comprehensive income/(loss)	Total	Non-controlling interest	Total deficit
	\$	\$	\$	\$	\$	\$
Balance January 1, 2016	10,484,429	(13,889,187)	187,496	(3,217,262)	(5,307)	(3,222,569)
Loss for the period	-	(199,279)	-	(199,279)	(124)	(199,403)
Other comprehensive income (loss)	-	-	(156,810)	(156,810)	(250)	(157,060)
Balance March 31, 2016	<u>10,484,429</u>	<u>(14,088,466)</u>	<u>30,686</u>	<u>(3,573,351)</u>	<u>(5,681)</u>	<u>(3,579,032)</u>

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

GINSMS INC.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH 31, 2017 AND MARCH 31, 2016

(In Canadian Dollars)

For the three months ended	<i>(Unaudited)</i> March 31, 2017	<i>(Unaudited)</i> March 31, 2016
	\$	\$
OPERATING ACTIVITIES		
Net loss for the period	(366,578)	(199,403)
Current tax expense	-	530
Allowance for doubtful debts	7,489	-
Interest expenses	207,673	199,459
Foreign currency exchange loss (gain)	11,994	(79,897)
Depreciation of property, plant and equipment	4,744	12,833
Amortization of development expenditures	27,913	29,465
Changes in non-cash working capital items:		
Accounts receivable	772,338	453,602
Other receivables, prepayments and deposits	31,732	15,057
Accounts payable and accrued liabilities	(761,413)	(630,322)
Income tax paid	(4,666)	(43,995)
Net cash used in operating activities	(68,774)	(242,671)
FINANCING ACTIVITIES		
Advance from a related party	152,305	-
Repayment of advance to a related party	(94,166)	-
Loans from related parties	-	219,030
Repayment of loan to a related party	(13,997)	-
Net cash generated from financing activities	44,142	219,030
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(591)	(18,692)
Development expenditures	(112)	(2,554)
Net cash used in investing activities	(703)	(21,246)
Effect of exchange rate changes on cash held in foreign currencies	(11,770)	(87,637)
Decrease in cash	(37,105)	(132,524)
Cash, beginning of period	139,808	310,805
Cash, end of period	102,703	178,281

GINSMS INC.
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2017 AND MARCH 31, 2016 *(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 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 23 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; Xinhua Holdings Limited ("Xinhua Holdings"), a company incorporated in the Cayman Islands, is the ultimate parent.

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

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

GINSMS INC.

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2017 AND MARCH 31, 2016 (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 (“IASB”).

Amounts are reported in Canadian dollars 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 \$366,578 for the three months ended March 31, 2017. Additionally, as at March 31, 2017, the Corporation had net current liabilities and net liabilities of \$1,585,159 and \$4,979,537 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 subsequent to the quarter end date on April 10, 2017, the Corporation completed its 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 C\$0.13 per common share (the “Private Placement”) (*Note 24*).

In connection with the Private Placement, the related parties have agreed to: (i) lower the interest rate of loans to the Corporation to 12% per annum with effect from March 1, 2017; (ii) extend the maturity date of such loans to March 31, 2018 (*Note 19a, 19c and 19d*); and (iii) extend the maturity date on the Corporation’s promissory note to March 31, 2018 (*Note 18*).

- b. The related parties have further confirmed with the Corporation that they will not call the interest-bearing loans of \$3,862,371 in the next twelve months from the quarter ended March 31, 2017.
- c. The Corporation intends to expand its A2P Service customer base by directly marketing the service to more countries in Northeast 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.

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 CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2017 AND MARCH 31, 2016 (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, 2016.

Accounting Standards issued but not yet applied

The International Accounting Standards Board has issued several new standards and amendments that will be effective on various dates. The listing below is of standards, interpretations and amendments issued which the Corporation reasonably expects to be applicable after December 31, 2016. The Corporation intended to adopt these standards when they become effective. The Corporation is in the process of assessing, where applicable, the potential effect of all new and revised IFRSs that will be effective, but is not yet in a position to state whether these new and revised IFRSs would have a material impact on its results of operations and financial position.

	Effective for accounting periods beginning on or after
Amendments to IAS 7 Statement of Cash Flows: Disclosure initiative	1 January 2017
Amendments to IAS 12 Income Taxes: Recognition of deferred tax assets for unrealised losses	1 January 2017
IFRS 9 Financial Instruments	1 January 2018
IFRS 15 Revenue from Contracts with Customers	1 January 2018
IFRS 16 Leases	1 January 2019

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These unaudited condensed interim consolidated financial statements as at and for the three months ended March 31, 2017 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, 2016 which has been prepared in accordance with IFRS.

GINSMS INC.
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2017 AND MARCH 31, 2016 (Unaudited)

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES

Critical judgements in applying accounting policies

In the process of applying the accounting policies, the directors have made the following judgments that have the most significant effect on the amounts recognized 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 period, the Corporation reconsidered the recoverability of development expenditures, which are included in its consolidated statement of financial position as at March 31, 2017 at \$437,686 (December 31, 2016: \$464,779). The software development projects continue to progress in a very satisfactory manner, and customer reaction has reconfirmed the Corporation's previous estimates of anticipated revenues from the project. Detailed sensitivity analysis has been carried out and the Corporation is confident that the carrying amount of the asset will be recovered in full, even if returns are reduced. This situation will be closely monitored, and adjustments made in future periods, if future market activity indicates that such adjustments are appropriate.

(b) Allowance for doubtful accounts

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

As at March 31, 2017, accumulated allowance for doubtful accounts amounted to \$17,717 (December 31, 2016: \$10,133).

GINSMS INC.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2017 AND MARCH 31, 2016 (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 March 31, 2017 (Unaudited)						
	CDN \$	SGD \$	HKD \$	USD \$	Euro \$	Others \$	Total \$
Bank and cash balances	1,762	4,682	4,064	58,975	449	32,771	102,703
Trade receivables	-	227,545	-	623,840	98,128	6,389	955,902
Other receivables and deposits	-	15,396	110	-	26,328	7,459	49,293
Accounts payable and accrued liabilities	(113,495)	(125,249)	(661,722)	(195,470)	(18,225)	(47,391)	(1,161,552)
Advance from a related party	-	-	(786,933)	-	-	(14,247)	(801,180)
Promissory note payable	(448,000)	-	-	-	-	-	(448,000)
Loans from related parties	-	(1,309,563)	(2,146,397)	(682,152)	-	-	(4,138,112)
	At December 31, 2016 (Audited)						
	CDN \$	SGD \$	HKD \$	USD \$	Euro \$	Others \$	Total \$
Bank and cash balance	2,031	45,711	5,121	13,350	56,738	16,857	139,808
Trade receivables	-	210,364	-	1,383,680	138,527	15,727	1,748,298
Other receivables and deposits	-	15,356	112	-	26,783	7,515	49,766
Accounts payable and accrued liabilities	(142,330)	(90,080)	(697,163)	(981,789)	(25,138)	(48,491)	(1,984,991)
Advance from a related party	-	-	(741,834)	-	-	(14,245)	(756,079)
Promissory note payable	(436,000)	-	-	-	-	-	(436,000)
Loans from related parties	-	(1,261,566)	(2,079,137)	(660,631)	-	-	(4,001,334)

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

GINSMS INC.**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2017 AND MARCH 31, 2016 (Unaudited)****6. FINANCIAL RISK MANAGEMENT (CONT'D)****(b) Credit risk**

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

Credit risk also results from the possibility that a loss may occur from the failure of another party to adhere to payment terms. To lower this risk, the Corporation's extension of credit is based on an evaluation of each customer's financial condition. Management reviews the ageing of trade accounts receivable and other factors relating to the risk that customer accounts may not be paid in full and, when appropriate, reduces the carrying value to provide for possible loss.

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

	Total	Up to 3 months	3 to 6 months	Over 6 months
	\$	\$	\$	\$
At March 31, 2017 (Unaudited)	589,243	554,896	1,087	33,260
At December 31, 2016 (Audited)	1,290,052	660,733	586,698	42,621

As at March 31, 2017, approximately 90% (December 31, 2016: 89%) of significant individual accounts receivable was owed from four customers.

The carrying amount of bank balances and accounts receivable represents the Corporation's maximum credit exposure.

(c) Liquidity risk

The Corporation manages its risk of not meeting its financial obligations through management of its capital structure, and annual budgeting of its revenues, expenditures and cash flows.

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

	Less than 1 year	Between 1 to 2 years	Total
	\$	\$	\$
At March 31, 2017 (Unaudited)			
Accounts payable and accrued liabilities	1,161,552	-	1,161,552
Advance from a related party	801,180	-	801,180
Promissory note payable	496,000	-	496,000
Loans from related parties	310,891	4,354,726	4,665,617
At December 31, 2016 (Audited)			
Accounts payable and accrued liabilities	1,984,991	-	1,984,991
Advance from a related party	756,079	-	756,079
Promissory note payable	448,000	-	484,000
Loans from related parties	300,174	4,754,174	5,054,348

GINSMS INC.
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2017 AND MARCH 31, 2016 (Unaudited)

6. FINANCIAL RISK MANAGEMENT (CONT'D)

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

The Corporation has working capital deficiency of \$1,585,159 as at March 31, 2017 (December 31, 2016: \$1,428,935). The liquidity risk is mitigated as subsequent to the quarter end date on April 10, 2017, the Corporation has raised US\$700,000 from Private Placement (Note 24). In connection with the Private Placement, the related parties have agreed to: (i) lower the interest rate of loans to the Corporation to 12% per annum with effect from March 1, 2017; (ii) extend the maturity date of such loans to March 31, 2018 (Note 19a, 19c and 19d); and (iii) extend the maturity date on the Corporation's promissory note to March 31, 2018 (Note 18). The related parties have further confirmed with the Corporation that they will not call the interest-bearing loans of \$3,862,371 in the next twelve months from the quarter ended March 31, 2017.

(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 March 31, 2017 and December 31, 2016.

(e) **Categories of financial instruments**

	<i>(Unaudited)</i> As at <u>March 31, 2017</u>	<i>(Audited)</i> As at <u>December 31, 2016</u>
	\$	\$
Financial assets:		
Loan and receivables (including cash and cash equivalents)	<u>1,107,898</u>	<u>1,937,871</u>
Financial liabilities:		
Financial liabilities at amortized costs	<u>6,548,844</u>	<u>7,178,405</u>

(f) **Fair values**

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

(g) **Capital management**

Capital is comprised of shareholders equity (deficit) on the consolidated statement of financial position. The Corporation's objective when managing capital is to safeguard its ability to continue as a going concern, so that it can continue to provide returns to shareholders. The Corporation's sources of additional capital and policies for distribution of excess capital may also be affected by the Corporation's capital management objectives.

The Corporation manages capital by regularly monitoring its current and expected liquidity requirements rather than using debt/equity ratio analysis. The capital is generally used for defraying the administrative expenses in promoting the objectives of the Corporation. The Corporation is not subject to either internally or externally imposed capital requirements. There have been no changes in the Corporation's capital management policies for the three months ended March 31, 2017 and for the year ended December 31, 2016.

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2017 AND MARCH 31, 2016 (Unaudited)**

7. REVENUE

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

	<i>(Unaudited)</i> Three months ended March 31, 2017	<i>(Unaudited)</i> Three months ended March 31, 2016
	\$	\$
Service income	1,572,868	1,625,008
Miscellaneous income	26,769	36,404
	<u>1,599,637</u>	<u>1,661,412</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 months ended March 31, 2017 and three months ended March 31, 2016 as indicated in the following table.

	<i>(Unaudited)</i> Three months ended March 31, 2017		<i>(Unaudited)</i> Three months ended March 31, 2016	
	\$	% of total revenue	\$	% of total revenue
Customer A	613,043	38.3	-	-
Next five top customers				
Customer B	552,604	34.5	349,026	21.0
Customer C	126,529	7.9	77,056	4.6
Customer D	92,567	5.8	120,842	7.3
Customer E	88,207	5.5	270,521	16.3
Customer F	73,573	4.6	90,278	5.4
All other customers	53,114	3.4	753,689	45.4
	<u>1,599,637</u>	<u>100.0</u>	<u>1,661,412</u>	<u>100.0</u>

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

(b) **Revenue by geographical location**

	<i>(Unaudited)</i> Three months ended March 31, 2017		<i>(Unaudited)</i> Three months ended March 31, 2016	
	\$	% of total revenue	\$	% of total revenue
Singapore	843,354	52.7	828,294	49.9
United Arab Emirates	88,207	5.5	270,521	16.3
Other Asia countries	65,054	4.1	121,573	7.3
Europe	49,530	3.1	71,109	4.3
United States	552,735	34.6	349,027	21.0
Other regions	757	0.0	20,888	1.2
	<u>1,599,637</u>	<u>100.0</u>	<u>1,661,412</u>	<u>100.0</u>

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

	<i>(Unaudited)</i> Three months ended March 31, 2017		<i>(Audited)</i> Twelve months ended December 31, 2016	
	\$	% of total assets	\$	% of total assets
Singapore	1,247,720	72.4	2,054,528	78.2
United Arab Emirates	12,502	0.7	10,494	0.4
Other Asia countries	359,608	20.9	408,701	15.6
Europe	9,231	0.5	12,255	0.5
United States	72,314	4.2	109,930	4.2
Other regions	21,875	1.3	31,182	1.1
	<u>1,723,250</u>	<u>100.0</u>	<u>2,627,090</u>	<u>100.0</u>

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

	MS	SPS	Unallocate	Total
	\$	\$	\$	\$
Three months ended March 31, 2017 (Unaudited)				
Revenue	1,349,460	250,177	-	1,599,637
Intersegment revenue	-	75,611	-	75,611
Amortization and depreciation	-	32,657	-	32,657
Interest income	-	17	-	17
Interest and finance expenses	103,360	77,657	26,656	207,673
Income tax expense	-	-	-	-
Segment profits/(losses)	35,853	(319,824)	(82,607)	(366,578)
Additions to segment non-current assets	-	703	-	703
As at March 31, 2017 (Unaudited)				
Segment assets	786,386	916,693	20,171	1,723,250
Segment liabilities	(3,666,725)	(2,047,537)	(988,525)	(6,702,787)

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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>
	\$	\$	\$	\$
Three-months ended March 31, 2016 <i>(Unaudited)</i>				
Revenue	1,405,400	256,012	-	1,661,412
Intersegment revenue	-	86,002	-	86,002
Amortization and depreciation	14	42,264	20	42,298
Interest income	1	13	-	14
Interest and finance expenses	104,798	83,074	11,587	199,459
Income tax expense	-	530	-	530
Segment profits/ (losses)	90,172	(260,813)	(28,762)	(199,403)
Additions to segment non-current assets	-	21,246	-	21,246
As at March 31, 2016 <i>(Unaudited)</i>				
Segment assets	851,127	1,204,188	27,707	2,083,022
Segment liabilities	<u>(3,049,403)</u>	<u>(1,786,863)</u>	<u>(825,788)</u>	<u>(5,662,054)</u>

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

9. EMPLOYEE BENEFITS EXPENSE

	<i>(Unaudited)</i> Three months ended March 31, 2017	<i>(Unaudited)</i> Three months ended March 31, 2016
	\$	\$
Directors' fees	-	-
Employee benefits expense (including key management personnel):		
Salaries, bonuses and allowances (Note)	310,437	285,959
Retirement benefit scheme contributions	33,084	32,440
	<u>343,521</u>	<u>318,399</u>
	<u>343,521</u>	<u>318,399</u>

Note: Included expenses of \$112 and \$101,855 (Three months ended March 31, 2016: \$2,554 and \$122,622) capitalized in development expenditures and recognized in cost of sales respectively.

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10. **LOSS PER SHARE**

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

	<i>(Unaudited)</i> Three months ended March 31, 2017	<i>(Unaudited)</i> Three months ended March 31, 2016
	<u>\$</u>	<u>\$</u>
Loss		
Loss for the purpose of calculating basic and diluted loss per share	<u>(366,050)</u>	<u>(199,279)</u>
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic and diluted loss per share	<u>142,630,169</u>	<u>142,630,169</u>

The Corporation did not have any dilutive potential ordinary shares during the three month ended March 31, 2017 and March 31, 2016, the diluted loss per share was the same as the basic loss per share.

GINSMS INC.
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11. PROPERTY, PLANT AND EQUIPMENT

	Computer equipment and software
	\$
Cost	
At January 1, 2016	183,939
Additions	29,667
Written off	(12,809)
Exchange difference	<u>(2,775)</u>
At December 31, 2016 and January 1, 2017	198,022
Additions	591
Exchange difference	<u>94</u>
At March 31, 2017	<u>198,707</u>
Accumulated depreciation	
At January 1, 2016	130,783
Depreciation	47,241
Written off	(12,809)
Exchange difference	<u>(2,853)</u>
At December 31, 2016 and January 1, 2017	162,362
Depreciation	4,744
Exchange difference	<u>107</u>
At March 31, 2017	<u>167,213</u>
Carrying amount	
As at March 31, 2017	<u><u>31,494</u></u>
As at December 31, 2016	<u><u>35,660</u></u>

12. GOODWILL

	\$
Cost less impairment	
At January 1, 2016, December 31, 2016 and March 31, 2017	<u><u>-</u></u>

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

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13. DEVELOPMENT EXPENDITURES

	Cost	Accumulated amortization	Total
	\$	\$	\$
At January 1, 2016	896,240	(319,254)	576,986
Additions	2,865	-	2,865
Amortization	-	(116,271)	(116,271)
Translation difference	(4,410)	5,609	1,199
	<u>894,695</u>	<u>(429,916)</u>	<u>464,779</u>
At December 31, 2016	894,695	(429,916)	464,779
Additions	112	-	112
Amortization	-	(27,913)	(27,913)
Translation difference	2,292	(1,584)	708
	<u>897,099</u>	<u>(459,413)</u>	<u>437,686</u>
At March 31, 2017	<u>897,099</u>	<u>(459,413)</u>	<u>437,686</u>

Research costs recognized as expense for the three months ended March 31, 2017 and three months ended March 31, 2016, are \$20,387 and \$2,018 respectively.

14. ACCOUNTS RECEIVABLE

	<i>(Unaudited)</i> As at March 31, 2017	<i>(Audited)</i> As at December 31, 2016
	\$	\$
Trade receivables	973,619	1,758,431
Less: Allowance for doubtful accounts	(17,717)	(10,133)
	955,902	1,748,298
Amounts due from customers on contracts (Note 16)	64,337	74,363
Total	<u>1,020,239</u>	<u>1,822,661</u>

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

Reconciliation of allowance for doubtful account balances:

	<i>(Unaudited)</i> As at March 31, 2017	<i>(Audited)</i> As at December 31, 2016
	\$	\$
As at beginning of period/year	10,133	18,349
Allowance for the period/year	7,489	-
Reversal of allowance for the period/year	-	(8,249)
Exchange differences	95	33
As at end of period/year	<u>17,717</u>	<u>10,133</u>

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15. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	<i>(Unaudited)</i> As at March 31, 2017	<i>(Audited)</i> As at December 31, 2016
	\$	\$
Trade payables	281,301	1,074,497
Amounts due to customers on contracts (Note 16)	64,158	61,849
Deferred income	79,403	42,747
Accrued liabilities and receipt in advance	<u>888,824</u>	<u>917,824</u>
Total	<u><u>1,313,686</u></u>	<u><u>2,096,917</u></u>

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

16. AMOUNT DUE FROM/TO CUSTOMERS FOR CONTRACT WORK

	<i>(Unaudited)</i> As at March 31, 2017	<i>(Audited)</i> As at December 31, 2016
	\$	\$
Contract costs incurred plus recognized profits less recognized losses to date	639,291	635,360
Less: Progress billings	<u>(639,112)</u>	<u>(622,846)</u>
	<u>179</u>	<u>12,514</u>
Amount due from customers for contract work	64,337	74,363
Amount due to customers for contract work	<u>(64,158)</u>	<u>(61,849)</u>
	<u><u>179</u></u>	<u><u>12,514</u></u>

17. ADVANCE FROM A RELATED PARTY

The advance from an officer is unsecured, interest-free and repayable on demand.

GINSMS INC.
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18. PROMISSORY NOTE PAYABLE

	Total \$
As at January 1, 2016	400,000
Interest expenses for the year	36,000
As at December 31, 2016	<u>436,000</u>
Interest expenses for the period	12,000
As at March 31, 2017	<u><u>448,000</u></u>

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%. In 2016, the Corporation had negotiated with the note holder, Inphosoft Pte Ltd. ("IPL") on extending the due date on the note payable and the promissory note holder had agreed to extend the due date of the promissory note payable of \$400,000 to March 31, 2017. A simple interest of 12% per annum was charged and interest was accrued effective from April 1, 2016.

In connection with the Private Placement (*Note 24*), IPL agreed to further extend the maturity date on the promissory note payable issued to March 31, 2018.

19. LOANS FROM RELATED PARTIES

		<i>(Unaudited)</i> As at March 31, 2017 \$	<i>(Audited)</i> As at December 31, 2016 \$
Non-current:			
Loan from a director	(a)	3,062,490	2,962,538
Loan from a director of a subsidiary	(b)	-	17,880
Loan from a related party	(c)	<u>799,881</u>	<u>759,643</u>
		3,862,371	3,740,061
Current:			
Loan from immediate parent	(d)	<u>275,741</u>	<u>261,273</u>
Total		<u><u>4,138,112</u></u>	<u><u>4,001,334</u></u>

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

(a) The loans are from the Corporation's director, Mr. Joel Siang Hui Chin, and bear interest at 24% for the month of January and February 2017 (December 31, 2016: 24%) per annum (compounded daily based on a 365-day year) and were originally matured on or before September 30, 2015.

(b) The loan bear interest at 24% (December 31, 2016: 24%) per annum (compounded daily based on a 365-day year), and matured on June 12, 2014.

On March 27, 2017, the Corporation and Mr. Xu Hongwei, the director of a subsidiary of the Corporation, have reached the agreement to waive the loan interest of about \$4,500 and to settle the full loan at about \$14,000.

GINSMS INC.**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
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(c) The loan is from IPL, a shareholder of the Corporation, bears interest at 24% for the month of January and February 2017 (December 31, 2016: 24%) per annum (compounded daily based on a 365-day year), and has no fixed term of repayment. A director of the Corporation, Mr. Joel Siang Hui Chin, and 2 directors of the Corporation's subsidiaries, Mr. Wang Xianxiang and Mr. Xu Hongwei, each has significant influence over IPL.

(d) The loan is from Xinhua Mobile, the immediate parent of the Corporation, and bears interest at 28% (December 31, 2016: 28%) per annum (compounded daily based on a 365-day year) and originally due on June 30, 2017.

In connection with the Private Placement (*Note 24*), Mr. Joel Siang Hui Chin, IPL and Xinhua Mobile has also agreed to: (i) lower the interest rate from 24% to 28% per annum to 12% per annum with effect from March 1, 2017; and (ii) extend the maturity date of such loans to March 31, 2018.

Subsequent to the three months ended March 31, 2017, Mr. Joel Siang Hui Chin and IPL have also advised the Corporation that they will not call the loans in the next twelve months from the quarter ended March 31, 2018.

20. SHARE CAPITAL**Authorised:**

Unlimited common shares

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

Issued:

Note	<i>(Unaudited)</i> Three months ended March 31, 2017 Amount	Common shares	<i>(Audited)</i> Twelve months ended December 31, 2016 Amount
	\$	\$	\$
Balance, beginning/end of period/year	<u>142,630,169</u>	<u>10,484,429</u>	<u>142,630,169</u> <u>10,484,429</u>

Subsequent to the quarter end date on April 10, 2017, the Corporation completed its 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 C\$0.13 per common share, and the Corporation now has 149,793,861 common shares issued and outstanding (*Note 24*).

21. COMMITMENTS

The Corporation has lease agreements outstanding for various terms up to May 15, 2018. Payments are to be incurred in SGD, MYR, the CDN equivalent as of March 31, 2017 is a total of \$78,083 (December 31, 2016: \$102,328), of which \$70,989 (December 31, 2016: \$76,387) is to be incurred within one year of the statement of financial position date and \$7,094 (December 31, 2016: \$25,941) after one year and within five years.

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22. RELATED PARTY TRANSACTIONS

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

	<i>(Unaudited)</i> Three months ended March 31, 2017	<i>(Unaudited)</i> Three months ended March 31, 2016
	\$	\$
Revenue and accounting fee income from a company controlled by a director	135,907	77,271
Cost of consignment stocks paid to a company controlled by a director	222	-
Accounting fee paid to an officer	20,655	24,553
Rent charged by a company controlled by a director	14,059	14,729
Interest charged on loan from a director	146,902	148,650
Interest (waived) / charged on loan from a director of a subsidiary	(3,768)	902
Interest charged on loans from a related party	37,883	38,320
Interest charged on loan from immediate parent	14,656	11,587
Interest charged on promissory note payable to a related party	12,000	-

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

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

	Accounts receivable	Accounts payables and accrued liabilities	Advance payable	Promissory note payable	Loan payables
	\$	\$	\$	\$	\$
As at March 31, 2017					
<i>(Unaudited)</i>					
Directors	-	(80,961)	(801,180)	-	(3,062,490)
An officer	-	(7,654)	-	-	-
A company controlled by a director	160,729	(1,314)	-	-	-
Directors of subsidiaries	-	(1,921)	-	-	-
A related party	-	-	-	(448,000)	(799,881)
Immediate parent	-	-	-	-	(275,741)
As at December 31, 2016					
<i>(Audited)</i>					
Directors	-	(80,958)	(756,079)	-	(2,962,538)
An officer	-	(5,204)	-	-	-
A company controlled by a director	144,819	(1,080)	-	-	-
Directors of subsidiaries	-	(1,916)	-	-	(17,880)
A related party	-	-	-	(436,000)	(759,643)
Immediate parent	-	-	-	-	(261,273)

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22. RELATED PARTY TRANSACTIONS (CONT'D)

(c) Key management personnel compensation

	<i>(Unaudited)</i> Three months ended March 31, 2017	<i>(Unaudited)</i> Three months ended March 31, 2016
	\$	\$
Salaries and related costs	89,742	92,759
Accounting fees	20,655	24,553
Contributions to defined mandatory contribution funds	8,566	8,976
	118,963	126,288
Directors' fees	-	-
Total	118,963	126,288

23. PARTICULARS OF SUBSIDIARIES

Particulars of the principal subsidiaries as at March 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

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24. SUBSEQUENT EVENT

Subsequent to the quarter end date on April 10, 2017, the Corporation completed its 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 C\$0.13 per common share. The Corporation now has 149,793,861 common shares issued and outstanding. Xinhua Mobile now owns 97,841,852 common shares or 65.32% of all issued and outstanding common shares of the Corporation (*Note 20*).

In connection with the Private Placement, Mr. Joel Chin, the Chief Executive Officer of the Corporation, and Inphosoft Pte. Limited, a company in which Mr. Chin is a shareholder and a director, agreed to: (i) lower the interest rate of loans to the Corporation from 24% per annum to 12% per annum with effect from March 1, 2017; (ii) extend the maturity date of such loans to March 31, 2018 (*Note 19a and 19c*); and (iii) extend the maturity date on the Corporation's promissory note issued to Inphosoft Pte. Limited to March 31, 2018 (*Note 18*).

In addition, Xinhua Mobile has also agreed to: (i) lower the interest rate of loan to the Corporation from 28% per annum to 12% per annum with effect from March 1, 2017; and (ii) extend the maturity date of such loan to March 31, 2018 (*Note 19d*).

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 May 12, 2017.