

GINSMS INC.

Condensed Interim Consolidated Financial Statements
Nine months period ended September 30, 2016 and 2015
(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 unaudited condensed interim 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, 2016 and September 30, 2015.

November 11, 2016

/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 AND NINE MONTHS ENDED SEPTEMBER 30, 2016 AND SEPTEMBER 30, 2015

(In Canadian Dollars)

		<i>(Unaudited)</i> Three months ended September 30, 2016 \$	<i>(Unaudited)</i> Three months ended September 30, 2015 \$	<i>(Unaudited)</i> Nine months ended September 30, 2016 \$	<i>(Unaudited)</i> Nine months ended September 30, 2015 \$
Revenue	7	1,473,341	1,330,793	4,814,174	3,225,387
Cost of sales		(1,185,856)	(1,168,520)	(4,021,520)	(3,034,914)
Gross profit		287,485	162,273	792,654	190,473
Expenses					
Salaries and wages		(230,043)	(165,138)	(734,732)	(632,124)
Professional fees		(85,472)	(113,103)	(263,169)	(282,014)
Directors' fees		-	-	-	(30,000)
General and administrative		(73,541)	(84,717)	(199,295)	(230,941)
Goodwill impairment	12	-	-	-	(2,830,364)
Development expenditures impairment		-	-	-	(164,456)
Intangible assets impairment	14	-	-	-	(393,375)
Amortization and depreciation		(3,338)	(3,290)	(9,942)	(49,306)
Foreign currency exchange loss		(40,688)	(109,684)	(16,504)	(195,984)
Loss from operations		(145,597)	(313,659)	(430,988)	(4,618,091)
Finance costs					
Interest expenses on other borrowings		(233,157)	(157,706)	(647,355)	(397,651)
Finance expense on convertible debentures	20	-	(416,602)	-	(1,197,539)
Loss before tax		(378,754)	(887,967)	(1,078,343)	(6,213,281)
Income tax (expense)/recovery		1,517	(250)	691	123,906
Net loss		(377,237)	(888,217)	(1,077,652)	(6,089,375)
Other comprehensive income (loss), net of tax:					
<i>Items that may be reclassified to profit or loss</i>					
Foreign exchange differences arising from translation of foreign currency financial statements		(1,279)	14,409	41,853	10,483
Total comprehensive loss		(378,516)	(873,808)	(1,035,799)	(6,078,892)
Net loss attributable to:					
Shareholders		(376,878)	(887,514)	(1,076,467)	(6,087,311)
Non-controlling interest		(359)	(703)	(1,185)	(2,064)
		(377,237)	(888,217)	(1,077,652)	(6,089,375)
Total comprehensive income (loss) attributable to:					
Shareholders		(377,957)	(873,168)	(1,034,501)	(6,076,892)
Non-controlling interest		(559)	(640)	(1,298)	(2,000)
		(378,516)	(873,808)	(1,035,799)	(6,078,892)
Loss per share	10				
Basic		(0.003)	(0.015)	(0.008)	(0.113)
Diluted		(0.003)	(0.015)	(0.008)	(0.113)

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, 2016 AND DECEMBER 31, 2015

(In Canadian Dollars)

	Note	<i>(Unaudited)</i> September 30, 2016 \$	<i>(Audited)</i> December 31, 2015 \$
Non-current assets			
Property, plant and equipment	11	43,780	53,156
Goodwill	12	-	-
Development expenditures	13	502,452	576,986
Intangible assets	14	-	-
		<u>546,232</u>	<u>630,142</u>
Current assets			
Accounts receivable	15	1,226,382	1,536,894
Other receivables, prepayments and deposits		145,706	136,588
Bank and cash balances		106,047	310,805
		<u>1,478,135</u>	<u>1,984,287</u>
Current liabilities			
Accounts payable and accrued liabilities	16	1,388,695	1,844,293
Advance from a related party	18	730,582	556,370
Promissory note payable	19	424,000	400,000
Convertible debentures	20	-	-
Loans from related parties	21	238,801	-
Current tax liabilities		5,428	89,885
		<u>2,787,506</u>	<u>2,890,548</u>
Net current liabilities		<u>(1,309,371)</u>	<u>(906,261)</u>
Total assets less current liabilities		<u>(763,139)</u>	<u>(276,119)</u>
Non-current liabilities			
Loans from related parties	21	3,494,160	2,943,129
Deferred tax liability		1,182	3,321
		<u>3,495,342</u>	<u>2,946,450</u>
NET LIABILITIES		<u>(4,258,481)</u>	<u>(3,222,569)</u>
EQUITY			
Share capital	22	10,484,429	10,484,429
Reserves	23	-	-
Equity component of convertible debentures	20	-	-
Deficit		(14,965,654)	(13,889,187)
Accumulated other comprehensive income		229,349	187,496
Total deficiency attributable to equity shareholders of the Corporation		<u>(4,251,876)</u>	<u>(3,217,262)</u>
Non-controlling interest		<u>(6,605)</u>	<u>(5,307)</u>
TOTAL DEFICIENCY		<u>(4,258,481)</u>	<u>(3,222,569)</u>

Approved on behalf of the board

 Director
 /s/ "Joel Slang Hul 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 AND NINE MONTHS ENDED SEPTEMBER 30, 2016 AND SEPTEMBER 30, 2015
(Unaudited)

(In Canadian Dollars)

For the nine months ended	Attributable to equity shareholders of the Corporation							
	Share capital	Reserves	Equity component of convertible debentures	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	-	-	-	(1,076,467)	-	(1,076,467)	(1,185)	(1,077,652)
Other comprehensive income	-	-	-	-	41,853	41,853	(113)	41,740
Balance September 30, 2016	<u>10,484,429</u>	<u>-</u>	<u>-</u>	<u>(14,965,654)</u>	<u>229,349</u>	<u>(4,251,876)</u>	<u>(6,605)</u>	<u>(4,258,481)</u>

For the nine months ended	Attributable to equity shareholders of the Corporation							
	Share capital	Reserves	Equity component of convertible debentures	Deficit	Accumulated other comprehensive income/(loss)	Total	Non-controlling interest	Total deficit
	\$	\$	\$	\$	\$	\$	\$	\$
Balance January 1, 2015	1,339,386	429,431	35,776	(7,524,069)	69,184	(5,650,292)	(3,063)	(5,653,355)
Loss for the period	-	-	-	(6,087,311)	-	(6,087,311)	(2,064)	(6,089,375)
Conversion of convertible debentures into common shares	9,145,043	-	(35,776)	-	-	9,109,267	-	9,109,267
Adjustment of fair value of options	-	(297,436)	-	297,436	-	-	-	-
Cancellation of options	-	(131,995)	-	131,995	-	-	-	-
Other comprehensive income	-	-	-	-	10,483	10,483	1	10,484
Balance September 30, 2015	<u>10,484,429</u>	<u>-</u>	<u>-</u>	<u>(13,181,949)</u>	<u>79,667</u>	<u>(2,617,853)</u>	<u>(5,126)</u>	<u>(2,622,979)</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 AND NINE MONTHS ENDED SEPTEMBER 30, 2016 AND SEPTEMBER 30, 2015

(In Canadian Dollars)

	<i>(Unaudited)</i> Three months ended September 30, 2016 \$	<i>(Unaudited)</i> Three months ended September 30, 2015 \$	<i>(Unaudited)</i> Nine months ended September 30, 2016 \$	<i>(Unaudited)</i> Nine months ended September 30, 2015 \$
OPERATING ACTIVITIES				
Net loss	(377,237)	(888,217)	(1,077,652)	(6,089,375)
Current tax expense	646	-	1,472	-
Deferred tax expense/(recovery)	(2,158)	(8)	(2,158)	(124,550)
Interest expenses	233,157	157,706	647,355	397,651
Foreign currency exchange loss	40,688	109,684	16,504	195,984
Suspended projects impairment	-	-	-	144,945
Goodwill impairment	-	-	-	2,830,364
Development expenditures impairment	-	-	-	164,456
Intangible assets impairment	-	-	-	393,375
Accretion on convertible debentures	-	416,602	-	1,197,539
Depreciation of property, plant and equipment	13,383	12,615	39,380	37,066
Amortization of intangible assets	-	-	-	39,338
Amortization of development expenditures	29,084	29,102	87,091	99,995
Changes in non-cash working capital items:				
Accounts receivable	(372,943)	(167,609)	310,368	(683,994)
Other receivables, prepayments and deposits	(27,282)	(92,161)	(7,808)	(66,205)
Accounts payable and accrued liabilities	487,658	23,623	(441,677)	498,891
Income tax paid	(538)	-	(87,502)	-
Net cash generated from/(used in) operating activities	24,458	(398,663)	(514,627)	(964,520)
FINANCING ACTIVITIES				
Advance from a related party	48,624	492,455	253,828	492,455
Repayment of advance from a related party	-	(102,994)	(67,323)	(102,994)
Loans from related parties	-	177,608	219,030	1,644,712
Repayment of loans from related parties	-	-	-	(732,248)
Net cash generated from financing activities	48,624	567,069	405,535	1,301,925
INVESTING ACTIVITIES				
Purchase of property, plant and equipment	(3,772)	(6,948)	(28,983)	(14,253)
Development expenditures	-	(21,371)	(2,849)	(62,464)
Net cash used in investing activities	(3,772)	(28,319)	(31,832)	(76,717)
Effect of exchange rate changes on cash held in foreign currencies	(22,311)	(185,836)	(63,834)	(153,739)
(Decrease)/increase in cash	46,999	(45,749)	(204,758)	106,949
Cash, beginning of period	59,048	172,981	310,805	20,283
Cash, end of period	106,047	127,232	106,047	127,232

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

GINSMS INC.
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2016 AND SEPTEMBER 30, 2015
(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 trade on the TSX Venture Exchange ("TSXV").

The Corporation is an investment holding company. The principal activities of its subsidiaries are set out in note 26 to the consolidated financial statements.

In the opinion of the directors of the Corporation, at September 30, 2016, 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).

On September 28, 2012, the Corporation completed an arm's length share purchase agreement with Inphosoft Pte. Ltd. ("IPL"), a private corporation governed by the laws of Singapore, to acquire all of the issued and outstanding shares of IPL's wholly owned subsidiary, Inphosoft Group Pte. Ltd. ("Inphosoft Group") which wholly owns the subsidiaries of Inphosoft Technology Sdn Bhd, Inphosoft Malaysia Sdn Bhd, Inphosoft Singapore Pte Ltd., and owns 99% of PT Inphosoft Indonesia.

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 ("IOSMS"). On March 27, 2014, the Corporation launched its cloud-based application-to-peer ("A2P") messaging service ("A2P Service"). On September 12, 2014, the Corporation discontinued its IOSMS service to focus on the A2P Service. Through the provision of A2P Service, the Corporation enables the mobile application developers, short message service ("SMS") gateway, enterprises and financial institution to deliver SMS worldwide without any upfront capital investment through the use of the Corporation's rich application programming interface.

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

The Corporation operates its Software Products and Services business through Inphosoft Group Pte Ltd. ("Inphosoft"), its wholly-owned subsidiary. Inphosoft is headquartered in Singapore with subsidiaries in Malaysia and Indonesia. The activities of Inphosoft consist of providing software products and services with a focus in the following areas:

- i. Provision of products and solutions to mobile operators in the areas 3G/4G mobile data value-added services like mobile entertainment and mobile advertising.
- ii. Provision of mobile application development services.
- iii. Provision of support and maintenance services to customers that have purchased its products and solutions.

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 AND NINE MONTHS ENDED SEPTEMBER 30, 2016 AND SEPTEMBER 30, 2015
(Unaudited)****2. BASIS OF PREPARATION**

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

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 \$1,077,652 for the nine months ended September 30, 2016. Additionally, as at September 30, 2016, the Corporation had net current liabilities and net liabilities of \$1,309,371 and \$4,258,481 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. Firstly, the promissory note holder has 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 amounting to \$24,000 was charged and accrued effective April 1, 2016. Secondly, for the interest-bearing loans financed by related parties of \$3,494,160, the related parties have confirmed with the Corporation that they will not call the loans in the next twelve months from the nine months ended September 30, 2016.
- b. 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.
- c. The Corporation has entered into an agreement with its immediate parent Xinhua Mobile for an unsecured revolving credit facility of up to US\$1 million (“Credit Facility”). All outstanding principal amounts under the Credit Facility shall bear interest at a rate of 28% per annum compounded on a daily basis. Any amount drawn under the Credit Facility on or before June 30, 2016 shall be repaid in full on June 30, 2017 together with all interest accrued; and any amount drawn after June 30, 2016 shall be repaid in full on December 31, 2017, together with all interest accrued. The Corporation will be able to make draws under the Credit Facility at any time on or before December 31, 2016, subject to the prior consent of Xinhua Mobile, and all repayments are to be made in cash. As at September 30, 2016, US\$150,000 has been drawn down under the Credit Facility. The total amount of loan payable amounted to \$238,801 as at September 30, 2016.

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 AND NINE MONTHS ENDED SEPTEMBER 30, 2016 AND SEPTEMBER 30, 2015
(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 nine months ended December 31, 2015.

Accounting Standards issued but not yet effective

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 at a future date. 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 in future periods 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.

IFRS 9	Financial Instruments ¹
IFRS 15	Revenue from Contracts with Customers ¹
IFRS 16	Lease ⁴
Amendments to IAS 1	Disclosure Initiative ²
Amendments to IAS 7	Disclosure Initiative ⁵
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation ²
Amendments to IFRSs	Annual Improvements to IFRSs 2012-2014 Cycle ²

¹ Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

² Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.

³ Effective for annual periods beginning on or after a date to be determined.

Early adoption is permitted.

⁴ Effective for annual periods beginning on or after 1 January 2019, with earlier application permitted.

⁵ Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These unaudited condensed interim consolidated financial statements as at and for the nine months ended September 30, 2016 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 nine months ended December 31, 2015 which has been prepared in accordance with IFRS.

GINSMS INC.
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2016 AND SEPTEMBER 30, 2015
(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 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 controlling shareholder 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 goodwill and intangible assets

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating unit to which goodwill has been allocated. The value in use calculation requires the Corporation to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value.

The Corporation's management has performed its annual goodwill impairment testing by preparing the forecasted profit or loss account and cashflow of the cash-generating unit and noted the recoverable amount of the goodwill and intangible assets was below its carrying value, and accordingly was considered impaired and the remaining amount of goodwill and intangible assets was written off.

(b) 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 September 30, 2016 in the amount of \$502,452 (December 31, 2015: \$576,986). 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.

GINSMS INC.
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2016 AND SEPTEMBER 30, 2015
(Unaudited)

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

Key sources of estimation uncertainty (Cont'd)

(c) 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. 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 bad 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 September 30, 2016, accumulated allowance for doubtful accounts amounted to \$18,621 (December 31, 2015:\$18,349).

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:

GINSMS INC.
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2016 AND SEPTEMBER 30, 2015
(Unaudited)

6. FINANCIAL RISK MANAGEMENT (CONT'D)

(a) Foreign currency risk (Cont'd)

	At September 30, 2016 (Unaudited)						
	CDN \$	SGD \$	HKD \$	USD \$	Euro \$	Others \$	Total \$
Bank and cash balances	199	881	5,142	68,655	17,013	14,157	106,047
Trade receivables	-	231,723	-	776,538	136,092	1,124	1,145,477
Other receivables and deposits	-	15,715	109	-	26,214	6,969	49,007
Accounts payable and accrued liabilities	(84,476)	(113,481)	(428,556)	(569,570)	(24,816)	(41,729)	(1,262,628)
Advance from a related company	-	(57,671)	(658,652)	-	-	(14,259)	(730,582)
Promissory note payable	(424,000)	-	-	-	-	-	(424,000)
Loan from related parties	-	(1,578,614)	(1,915,546)	(238,801)	-	-	(3,732,961)
	At December 31, 2015 (Audited)						
	CDN \$	SGD \$	HKD \$	USD \$	Euro \$	Others \$	Total \$
Bank and cash balances	722	45,801	9,190	229,027	1,689	24,376	310,805
Trade receivables	2,404	235,026	-	1,091,250	107,116	17,133	1,452,929
Other receivables and deposits	-	15,485	112	-	-	6,767	22,364
Accounts payable and accrued liabilities	(81,719)	(167,896)	(210,518)	(1,172,720)	(5,997)	(54,035)	(1,692,885)
Advance from a related company	-	-	(556,370)	-	-	-	(556,370)
Promissory note payable	(400,000)	-	-	-	-	-	(400,000)
Loan from related parties	-	(1,000,198)	(1,633,405)	(309,526)	-	-	(2,943,129)

At September 30, 2016, if the SGD had weakened or strengthened 5 percent against the USD with all other variables held constant, consolidated loss after tax and the equity would have been approximately \$600 (At December 31, 2015: \$10,000) higher or lower, arising mainly as a result of the foreign exchange loss or gain on net payables denominated in USD.

(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:

GINSMS INC.
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2016 AND SEPTEMBER 30, 2015
(Unaudited)

6. FINANCIAL RISK MANAGEMENT (CONT'D)

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

	<u>Total</u>	<u>Up to 3 months</u>	<u>3 to 6 months</u>	<u>Over 6 months</u>
	\$	\$	\$	\$
At September 30, 2016 (Unaudited)	<u>785,695</u>	<u>731,993</u>	<u>35,261</u>	<u>18,441</u>
At December 31, 2015 (Audited)	<u>1,088,513</u>	<u>772,678</u>	<u>270,704</u>	<u>45,131</u>

As at September 30, 2016, approximately 82% of significant individual accounts receivable was owed from four customers (December 31, 2015: 89% 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:

	<u>Less than 1 year</u>	<u>Between 1 to 2 years</u>	<u>Total</u>
	\$	\$	\$
At September 30, 2016 (Unaudited)			
Accounts payable and accrued liabilities	1,262,628	-	1,262,628
Advance from a related party	730,582	-	730,582
Promissory note payable	424,000	-	424,000
Loans from related parties	238,801	4,441,599	4,680,400
At December 31, 2015 (Audited)			
Accounts payable and accrued liabilities	1,692,885	-	1,692,885
Advance from a related party	556,370	-	556,370
Promissory note payable	400,000	-	400,000
Loans from related parties	-	3,741,156	3,741,156

The Corporation has working capital deficiency of \$1,309,371 as at September 30, 2016 (December 31, 2015: \$906,261). The liquidity risk is mitigated as the note holder and the Corporation have agreed to extend the due date on the promissory note payable of \$400,000 to March 31, 2017 at a simple interest rate of 12% per annum. Interest shall be effective from April 1, 2016. Also, for the interest-bearing loans financed by the related parties of \$3,494,160, the related parties have confirmed to the Corporation that they will not call the loans in the next twelve months from the nine months ended September 30, 2016. The Corporation has an unsecured revolving credit facility up to US\$1 million and US\$150,000 has been drawn down under the Credit facility as at September 30, 2016. This interest-bearing loan amounted to \$238,801 as at September 30, 2016.

GINSMS INC.
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2016 AND SEPTEMBER 30, 2015
(Unaudited)

6. FINANCIAL RISK MANAGEMENT (CONT'D)

(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 interest rate risk would arise from borrowings, issued at variable rates and expose the Corporation to cash flow interest rate risk. 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, 2016 and December 31, 2015.

(e) **Categories of financial instruments**

	<i>(Unaudited)</i> At September 30, 2016	<i>(Audited)</i> At December 31, 2015
	<u>\$</u>	<u>\$</u>
Financial assets:		
Loan and receivables (including cash and cash equivalents)	<u>1,300,531</u>	<u>1,786,098</u>
Financial liabilities:		
Financial liabilities at amortized costs	<u>6,150,171</u>	<u>5,592,384</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 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 nine months ended September 30, 2016 and nine months ended December 31, 2015.

GINSMS INC.
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2016 AND SEPTEMBER 30, 2015
(Unaudited)

7. REVENUE

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

	<i>(Unaudited)</i> Three months ended September 30, 2016	<i>(Unaudited)</i> Three months ended September 30, 2015	<i>(Unaudited)</i> Nine months ended September 30, 2016	<i>(Unaudited)</i> Nine months ended September 30, 2015
	\$	\$	\$	\$
Service income	1,471,744	1,328,468	4,773,569	3,205,347
Miscellaneous income	1,597	2,325	40,605	20,040
	<u>1,473,341</u>	<u>1,330,793</u>	<u>4,814,174</u>	<u>3,225,387</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 Hong Kong, United States, and Singapore dollars. Six major customers have contributed to sales revenue for the three and nine months ended September 30, 2016 and September 30, 2015 as indicated in the following table.

	<i>(Unaudited)</i> Three months ended September 30, 2016		<i>(Unaudited)</i> Three months ended September 30, 2015	
	\$	% of total revenue	\$	% of total revenue
Customer A	571,075	38.8	379,188	28.5
Next five top customers				
Customer B	329,649	22.4	423,720	31.8
Customer C	189,028	12.8	185,206	13.9
Customer D	118,025	8.0	93,166	7.0
Customer E	109,931	7.5	144,780	10.9
Customer F	27,281	1.9	23,684	1.8
All other customers	128,352	8.6	81,049	6.1
	<u>1,473,341</u>	<u>100.0</u>	<u>1,330,793</u>	<u>100.0</u>

GINSMS INC.
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2016 AND SEPTEMBER 30, 2015
(Unaudited)

8. SEGMENT INFORMATION (CONT'D)

(a) Revenue by customers (Cont'd)

	<i>(Unaudited)</i> Nine months ended September 30, 2016		<i>(Unaudited)</i> Nine months ended September 30, 2015	
	\$	% of total revenue	\$	% of total revenue
Customer A	1,745,395	36.3	1,406,486	43.6
Next five top customers				
Customer B	1,082,582	22.5	452,355	14.0
Customer C	902,988	18.8	459,734	14.3
Customer D	317,943	6.6	295,349	9.2
Customer E	260,360	5.4	271,707	8.4
Customer F	76,564	1.6	42,588	1.3
All other customers	428,342	8.8	297,168	9.2
	<u>4,814,174</u>	<u>100.0</u>	<u>3,225,387</u>	<u>100.0</u>

(b) Revenue by geographical location

	<i>(Unaudited)</i> Three months ended September 30, 2016		<i>(Unaudited)</i> Three months ended September 30, 2015	
	\$	% of total revenue	\$	% of total revenue
Singapore	801,450	54.4	621,829	46.7
India	329,649	22.4	423,720	31.8
Other Asia countries	71,360	4.8	45,634	3.4
Europe	79,633	5.4	32,275	2.4
United States	189,935	12.9	192,291	14.4
Other regions	1,314	0.1	15,044	1.1
	<u>1,473,341</u>	<u>100.0</u>	<u>1,330,793</u>	<u>100.0</u>

	<i>(Unaudited)</i> Nine months ended September 30, 2016		<i>(Unaudited)</i> Nine months ended September 30, 2015	
	\$	% of total revenue	\$	% of total revenue
Singapore	2,360,863	49.0	2,017,961	62.6
India	1,082,582	22.5	452,355	14.0
Other Asia countries	242,097	5.0	121,632	3.8
Europe	201,429	4.2	112,241	3.5
United States	904,423	18.8	466,586	14.5
Other regions	22,780	0.5	54,612	1.6
	<u>4,814,174</u>	<u>100.0</u>	<u>3,225,387</u>	<u>100.0</u>

GINSMS INC.
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2016 AND SEPTEMBER 30, 2015
(Unaudited)

8. SEGMENT INFORMATION (CONT'D)

(c) Total assets by geographical location

	<i>(Unaudited)</i>		<i>(Audited)</i>	
	As at September 30, 2016		As at December 31, 2015	
	\$	% of total assets	\$	% of total assets
Canada	16,107	0.8	33,697	1.3
Hong Kong & China	1,057,035	52.2	1,360,033	52.0
Singapore	709,297	35.0	940,490	36.0
Malaysia	60,068	3.0	50,704	1.9
Indonesia	181,860	9.0	229,505	8.8
	<u>2,024,367</u>	<u>100.0</u>	<u>2,614,429</u>	<u>100.0</u>

(d) Financial information by business segments

	MS	SPS	Unallocated	Total
	\$	\$	\$	\$
Nine months ended September 30, 2016 (Unaudited)				
Revenue	4,100,354	713,820	-	4,814,174
Intersegment revenue	-	262,575	-	262,575
Amortization and depreciation	(14)	(126,437)	(20)	(126,471)
Interest income	2	36	-	38
Interest and finance expenses	(319,726)	(261,077)	(66,552)	(647,355)
Income tax expense	-	(1,247)	-	(1,247)
Segment profit/(losses)	256,463	(1,084,828)	(249,287)	(1,077,652)
Additions to segment non-current assets	-	31,774	-	31,774
As at September 30, 2016 (Unaudited)				
Segment assets	1,057,035	951,225	16,107	2,024,367
Segment liabilities	(3,505,595)	(1,930,708)	(846,545)	(6,282,848)

GINSMS INC.
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2016 AND SEPTEMBER 30, 2015
(Unaudited)

8. SEGMENT INFORMATION (CONT'D)

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

	MS	SPS	Unallocated	Total
	\$	\$	\$	\$
Nine months ended September 30, 2015 (Unaudited)				
Revenue	2,514,484	710,903	-	3,225,387
Intersegment revenue	-	169,389	-	169,389
Amortization and depreciation	(460)	(175,850)	(89)	(176,399)
Interest income	3	26	-	29
Interest and finance expenses	(210,353)	(187,298)	(1,197,539)	(1,595,190)
Income tax recovery	-	123,906	-	123,906
Segment losses	(98,846)	(1,397,754)	(4,592,775)	(6,089,375)
Other material non-cash items:				
Goodwill impairment	-	(2,830,364)	-	(2,830,364)
Intangible assets impairment	-	(393,375)	-	(393,375)
Development expenditure impairment	-	(164,456)	-	(164,456)
Additions to segment non-current assets	-	76,717	-	76,717
As at September 30, 2015 (Unaudited)				
Segment assets	845,384	1,238,751	19,935	2,104,070
Segment liabilities	<u>(2,616,817)</u>	<u>(1,626,087)</u>	<u>(484,145)</u>	<u>(4,727,049)</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 September 30, 2016 \$	<i>(Unaudited)</i> Three months ended September 30, 2015 \$	<i>(Unaudited)</i> Nine months ended September 30, 2016 \$	<i>(Unaudited)</i> Nine months ended September 30, 2015 \$
Director's fee	-	-	-	30,000
Employee benefits expense (including key management personnel):				
Salaries, bonuses and allowances (Note)	318,006	277,086	961,632	1,034,068
Equity-settled share-based payments	-	-	-	-
Retirement benefit scheme contributions	<u>36,381</u>	<u>30,753</u>	<u>110,620</u>	<u>91,571</u>
	<u>354,387</u>	<u>307,839</u>	<u>1,072,252</u>	<u>1,125,639</u>
	<u>354,387</u>	<u>307,839</u>	<u>1,072,252</u>	<u>1,155,639</u>

Note: Included expenses of \$2,791 and \$334,729 (Nine months ended September 30, 2015: \$154,130 and \$339,385) capitalized in development expenditures and recognized in cost of sales for the nine months ended September 30, 2016 respectively.

GINSMS INC.
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2016 AND SEPTEMBER 30, 2015
(Unaudited)

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 September 30, 2016 \$	<i>(Unaudited)</i> Three months ended September 30, 2015 \$	<i>(Unaudited)</i> Nine months ended September 30, 2016 \$	<i>(Unaudited)</i> Nine months ended September 30, 2015 \$
Loss				
Loss for the purpose of calculating basic and diluted loss per share	<u>(376,878)</u>	<u>(887,514)</u>	<u>(1,076,467)</u>	<u>(6,087,311)</u>
Weighted average number of ordinary shares for the purpose of calculating basic and diluted loss per share	<u>142,630,169</u>	<u>58,468,463</u>	<u>142,630,169</u>	<u>53,873,208</u>

The effect of the potential dilutive convertible debenture and share options are anti-dilutive for the three months and nine months ended September 30, 2016. There were no convertible debenture and share options as at December 31, 2015.

11. PROPERTY, PLANT AND EQUIPMENT

	Computer equipment and software \$
Cost	
At April 1, 2015	173,106
Additions	19,628
Disposal	(9,894)
Exchange differences	<u>1,099</u>
Balance at December 31, 2015 and January 1, 2016	183,939
Additions	28,983
Exchange difference	<u>4,661</u>
Balance at September 30, 2016	<u>217,583</u>
Accumulated depreciation	
At April 1, 2015	102,297
Depreciation	37,273
Disposal	(9,894)
Exchange difference	<u>1,107</u>
Balance at December 31, 2015 and January 1, 2016	130,783
Depreciation	39,380
Exchange difference	<u>3,640</u>
Balance at September 30, 2016	<u>173,803</u>
Carrying amount	
As at September 30, 2016	<u>43,780</u>
As at December 31, 2015	<u>53,156</u>

GINSMS INC.
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2016 AND SEPTEMBER 30, 2015
(Unaudited)

12. **GOODWILL**

	<i>(Unaudited)</i> As at September 30, 2016	<i>(Audited)</i> As at December 31, 2015
	\$	\$
Balance, beginning of period	-	-
Impairment loss recognized	-	-
Balance at the end of the period	-	-

The Corporation performs its annual goodwill impairment testing in accordance with its policy. The goodwill represents the excess of the consideration on acquisition of Inphosoft Group. The consideration, or purchase price, was computed based on forecasted revenue and profit before income tax of Inphosoft Group for the years from 2013 to 2016. The goodwill and the intangible assets are part of the acquired assets of Inphosoft Group by the Corporation has been allocated to mobile segment.

However, revenue and profit before income tax of Inphosoft Group for March 31, 2014 and 2015 have not met the forecast. For the year ended March 31, 2015, in the forecast of the Corporation prepared by management, Inphosoft Group was expected to continue to incur net losses through the year ending 2019. Inphosoft Group was forecasted to continue to be in net cash deficit through 2020 which was expected to require funding by loans from related parties. The intangible assets are also subjected to impairment testing. The recoverable amounts of Inphosoft Group have been determined on the basis of their value in use using discounted cash flow method. The key assumptions for the discounted cash flow method are those regarding the discount rates, growth rates and budgeted gross margin and turnover during the period. The Corporation estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to Inphosoft Group. The growth rates are based on long-term average economic growth rate of the geographical area in which the businesses of Inphosoft Group operate. Budgeted gross margin and turnover are based on past practices and expectations on market development.

The Corporation prepared cash flow forecasts derived from the most recent financial budgets approved by the directors for the next five years with the residual period using the growth rate of 3.8%. This rate does not exceed the average long-term growth rate for the relevant markets.

The pre-tax rate used to discount the forecast cash flows from the Corporation's professional products and services business is 21.37%.

The recoverable amount of the goodwill and intangible assets were determined to be below its carrying value at March 31, 2015, and accordingly, the goodwill of \$2,830,364 and intangible assets of \$393,375 were considered fully impaired during the three months ended March 31, 2015.

GINSMS INC.
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2016 AND SEPTEMBER 30, 2015
(Unaudited)

13. DEVELOPMENT EXPENDITURES

	Cost	Accumulated amortization	Total
	\$	\$	\$
Balance at April 1, 2015	829,649	(223,605)	606,044
Additions	47,036	-	47,036
Amortization	-	(86,571)	(86,571)
Translation difference	19,555	(9,078)	10,477
	<u>896,240</u>	<u>(319,254)</u>	<u>576,986</u>
Balance at December 31, 2015	896,240	(319,254)	576,986
Additions	2,849	-	2,849
Amortization	-	(87,091)	(87,091)
Translation difference	15,809	(6,101)	9,708
	<u>914,898</u>	<u>(412,446)</u>	<u>502,452</u>
Balance at September 30, 2016	<u>914,898</u>	<u>(412,446)</u>	<u>502,452</u>

Research costs recognized as expense for the nine months ended September 30, 2016 and nine months ended September 30, 2015, are \$34,716 and \$27,455 respectively.

14. INTANGIBLE ASSETS

	Contracts	Software	Total
	\$	\$	\$
Cost			
Balance at April 1, 2015	-	-	-
Impairment	-	-	-
Balance at December 31, 2015 and September 30, 2016	<u>-</u>	<u>-</u>	<u>-</u>
Accumulated amortization			
Balance at April 1, 2015	-	-	-
Amortization for the period	-	-	-
Impairment	-	-	-
Balance at December 31, 2015 and September 30, 2016	<u>-</u>	<u>-</u>	<u>-</u>
Carrying amount			
As at September 30, 2016 and December 31, 2015	<u>-</u>	<u>-</u>	<u>-</u>

The recoverable amount of the intangible assets were determined to be below its carrying value at March 31, 2015, and accordingly, the intangible assets of \$393,375 were considered fully impaired during the three months ended March 31, 2015.

GINSMS INC.
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2016 AND SEPTEMBER 30, 2015
(Unaudited)

15. ACCOUNTS RECEIVABLE

	<i>(Unaudited)</i> As at September 30, 2016	<i>(Audited)</i> As at December 31, 2015
	\$	\$
Trade receivables	1,164,098	1,471,278
Less: Allowance for doubtful accounts	(18,621)	(18,349)
	1,145,477	1,452,929
Amounts due from customers on contracts (Note 17)	80,905	83,965
Total	<u>1,226,382</u>	<u>1,536,894</u>

As at September 30, 2016, allowance for estimated irrecoverable trade receivables amounted to \$18,621 (December 31, 2015: \$18,349).

Reconciliation of allowance for doubtful account balances:

	<i>(Unaudited)</i> As at September 30, 2016	<i>(Audited)</i> As at December 31, 2015
	\$	\$
As at beginning of period	18,349	-
Allowance for the nine months ended December 31, 2015 and nine months ended September 30, 2016	-	18,056
Exchange differences	272	293
As at end of period	<u>18,621</u>	<u>18,349</u>

16. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	<i>(Unaudited)</i> As at September 30, 2016	<i>(Audited)</i> As at December 31, 2015
	\$	\$
Trade payables	838,398	1,243,544
Amounts due to customers on contracts (Note 17)	78,654	93,857
Deferred income	40,879	51,489
Accrued liabilities and receipt in advance	430,764	455,403
Total	<u>1,388,695</u>	<u>1,844,293</u>

Accrued liabilities consist mainly of accrued rental, professional fees and general administration expenses incurred by the employees.

GINSMS INC.
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2016 AND SEPTEMBER 30, 2015
(Unaudited)

17. AMOUNT DUE FROM/TO CUSTOMERS FOR CONTRACT WORK

	<i>(Unaudited)</i> As at September 30, 2016	<i>(Audited)</i> As at December 31, 2015
	\$	\$
Contract costs incurred plus recognized profits less recognized losses to date	597,650	453,501
Less: Progress billings	<u>(595,399)</u>	<u>(463,393)</u>
	<u>2,251</u>	<u>(9,892)</u>
Amount due from customers for contract work	80,905	83,965
Amount due to customers for contract work	<u>(78,654)</u>	<u>(93,857)</u>
	<u>2,251</u>	<u>(9,892)</u>

18. ADVANCE FROM A RELATED PARTY

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

19. PROMISSORY NOTE PAYABLE

	Total
	\$
Balance as at April 1, 2015 and December 31, 2015	400,000
Interest for the period	<u>24,000</u>
Balance as at September 30, 2016	<u>424,000</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%. During the current reporting period, the Corporation has concluded with the note holder to extend the due date of the promissory note payable of \$400,000 to March 31, 2017. A simple interest of 12% per annum shall be charged and interest shall accrue effective April 1, 2016. As at September 30, 2016, the promissory note payable amounted to \$424,000.

GINSMS INC.
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2016 AND SEPTEMBER 30, 2015
(Unaudited)

20. CONVERTIBLE DEBENTURES

	<u>Total</u>
	\$
Balance as at April 1, 2015	8,290,903
Accretion for the period	818,364
Converted fully into common shares	<u>(9,109,267)</u>
Balance as at December 31, 2015 and September 30, 2016	<u><u>-</u></u>

The adjusted face value of the convertible debentures issued as part of the transaction on September 28, 2012 is \$9,109,267. The convertible debentures have a due date three years from date of closing (September 28, 2015) and are non-interest bearing, convertible at any time into common shares at \$0.10 per share. The value assigned to the conversion option for the convertible debentures is \$35,776.

Accretion has been recorded at the implied interest rate of 19.44%.

On March 31, 2014, IPL, the holder of convertible debentures for a principal amount of \$9,109,267 entered into an Escrow Purchase Agreement for the sale of convertible debentures with a principal amount of \$6,255,484 (the "Convertible Debentures") to One Heart International Limited ("One Heart") for aggregate consideration of \$6,255,484. The transfer of the Convertible Debentures was approved by TSX Venture Exchange ("TSXV") and was completed on December 22, 2014.

On January 15, 2015, One Heart granted an option to Xinhua Mobile to purchase the Convertible Debentures ("Option"). The exercise price of the option is equal to the face value of the Convertible Debentures. Xinhua Mobile exercised the Option on May 1, 2015 and entered into a Convertible Debentures Purchase Agreement with One Heart to purchase the Convertible Debentures for total consideration of \$6,255,484. The transaction was completed on September 8, 2015.

On September 24, 2015, Xinhua Mobile and IPL, converted all convertible debentures with an aggregate principal amount of \$6,255,484 and \$2,853,783 into 62,554,840 and 28,537,830 common shares of the Corporation respectively.

GINSMS INC.
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2016 AND SEPTEMBER 30, 2015
(Unaudited)

21. LOANS FROM RELATED PARTIES

	Note	<i>(Unaudited)</i> As at September 30, 2016	<i>(Audited)</i> As at December 31, 2015
		<u>\$</u>	<u>\$</u>
Loan from a director	(a)	2,745,119	2,326,692
Loan from a director of a subsidiary	(b)	17,225	14,175
Loan from a related party	(c)	731,816	602,262
Loan from the immediate parent	(d)	238,801	-
Total		<u>3,732,961</u>	<u>2,943,129</u>

All above loans from related parties are non-trade nature and unsecured. All related parties other than immediate parent have advised the Corporation that they shall not demand payment of the loans before September 30, 2017.

- (a) The loans are from the Corporation's director, Mr. Joel Siang Hui Chin, and bear interest at 24% (December 31, 2015: 12% to 24%) per annum (compounded daily based on a 365-day year) and were matured on or before September 30, 2015.
- (b) The loan bears interest at 24% (December 31, 2015: 12% to 24%) per annum (compounded daily based on a 365-day year), and was matured on June 12, 2014.
- (c) The loan is from IPL, the former holding company of Inphosoft Group Pte Ltd., bears interest at 24% (December 31, 2015: 24%) per annum (compounded daily based on a 365-day year), and has no fixed term of repayment. On September 24, 2015, IPL converted its convertible debentures of the Corporation and becomes a shareholder of the Corporation. A director of the Corporation, Mr. Joel Siang Hui Chin, 2 directors of the Corporation's subsidiaries, Mr. Wang Xianxiang and Mr. Xu Hongwei, each has significant influence over IPL.
- (d) The loan is from its immediate parent, Xinhua Mobile and bears interest at 28% per annum (compounded daily based on a 365-day year). The term of repayment is in accordance to the Credit Facility agreement with Xinhua Mobile (Note 2c).

GINSMS INC.
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2016 AND SEPTEMBER 30, 2015
(Unaudited)

22. 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	(Unaudited) Nine months ended September 30, 2016 Amount	Common shares	(Audited) Nine months ended December 31, 2015 Amount
		\$		\$
Balance, beginning of period		10,484,429	51,537,499	1,339,386
Common shares issued as a result of the conversion of convertible debentures	(b)	-	91,092,670	9,109,267
Transfer from equity component of convertible debentures	(b)	-	-	35,776
Balance, end of period		10,484,429	142,630,169	10,484,429

(a) Transfer of 54.57% shareholding of the Corporation to Xinhua Mobile Limited

On September 8, 2015, Xinhua Mobile completed its previously announced acquisition of 17,815,820 common shares from Mr. Jonathan Lai and Panaco Limited for an aggregate purchase price of \$6,235,537 or \$0.35 per common share; and of 10,307,500 common shares from One Heart for an aggregate purchase price of \$1,546,125 or \$0.15 per common share.

(b) Conversion of Convertible Debentures of the Corporation into Common Shares

On September 24, 2015, Xinhua Mobile and IPL converted their convertible debentures with an aggregate principal amount of \$6,255,484 and \$2,853,783 respectively into 62,554,840 and 28,537,830 common shares of the Corporation (Note 20). After the conversion, Xinhua Mobile, together with its current ownership of 28,123,320 common shares or 54.57% of all issued and outstanding common shares of the Corporation, owns 90,678,160 common shares of the Corporation or 63.58% of all issued and outstanding common shares of the Corporation. IPL owns 28,537,830 common shares of the Corporation or 20.01% of all issued and outstanding common shares of the Corporation.

Following these two transactions, the Corporation became a subsidiary of Xinhua Mobile. Consequently, Xinhua Holdings became ultimate holding company of the Corporation.

GINSMS INC.
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2016 AND SEPTEMBER 30, 2015
(Unaudited)

23. RESERVES

The Corporation has adopted a stock-option plan which provides that the Board of Directors of the Corporation may from time to time, in its discretion and in accordance with the Exchange requirements, grant to directors, officers, employees and consultants of the Corporation and its subsidiaries, non-transferable options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed 10% of the total issued and outstanding common shares of the Corporation, for a period of up to ten years from the date of the grant. It is at the discretion of the Board of Directors of the Corporation to determine the time during which options shall vest and the method of vesting, or that no vesting restriction shall exist.

Options granted to Consultants performing investor relations activities contain vesting provisions such that vesting occurs over at least twelve months with no more than 1/4 of the options vesting in any three month period. The number of common shares reserved for issuance to any individual director or officer of the Corporation will not exceed 5% of the issued and outstanding common shares and the number of common shares reserved for issuance to all technical consultants, if any, will not exceed 2% of the issued and outstanding common shares.

If an option holder ceases to be a director, officer, or technical consultant of the Corporation for any reason other than death, the option holder may exercise options at the date of the cessation of the optionee's position or arrangement with the Corporation, provided that if the cessation of such position or arrangement was by reason of death, the option may be exercised within a maximum period of one year after such death, subject to the expiry date of such option.

	Exercise Price	Number of options	Reserve balance
	\$		\$
Balance, April 1, 2015	0.1	800,000	131,995
Cancellation of options	0.1	<u>(800,000)</u>	<u>(131,995)</u>
Balance, December 31, 2015 and September 30, 2016	<u>N/A</u>	<u>-</u>	<u>-</u>

For the nine months ended December 31, 2015, all outstanding options to purchase common shares that were outstanding during the respective periods were not included in the calculations of the weighted average number of shares outstanding as they were anti-dilutive.

On September 4, 2015, the Corporation announced that Mr. Jonathan Lai resigned as both interim Chief Financial Officer and Director of the Corporation. Mr. Jonathan Lai did not exercise his stock options at the date of the cessation of his roles as interim Chief Financial Officer and Director of the Corporation. Consequently, all the 500,000 stock options of the Corporation granted to Mr. Jonathan Lai were cancelled.

On September 15, 2015, the Corporation announced that it cancelled all 300,000 stock options of the Corporation granted to its two non-executive directors.

As of December 31, 2015 and September 30, 2016, there are no options outstanding.

All options were fully vested as of September 30, 2015, and no expense was recognized for the nine months ended September 30, 2016 and nine months ended December 31, 2015.

GINSMS INC.
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2016 AND SEPTEMBER 30, 2015
(Unaudited)

24. 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 September 30, 2016 is a total of \$119,368, of which \$81,224 is to be incurred within one year of the statement of financial position date and \$38,144 after one year and within five years.

25. RELATED PARTY TRANSACTIONS

(a) The Corporation had the following related party transactions for the three and nine months ended September 30, 2016 and September 30, 2015:

	<i>(Unaudited)</i> Three months ended September 30, 2016 \$	<i>(Unaudited)</i> Three months ended September 30, 2015 \$	<i>(Unaudited)</i> Nine months ended September 30, 2016 \$	<i>(Unaudited)</i> Nine months ended September 30, 2015 \$
Revenue and accounting fee income from a company controlled by a director	109,930	144,180	260,443	271,106
Cost of hardware paid to a company controlled by a director	378	-	669	-
Consulting fee paid to a former director	-	2,342	-	9,068
Accounting fee paid to an officer	16,278	5,579	60,527	5,579
Rent charged by a company controlled by a director	14,548	14,005	43,561	20,944
Rent charged by a family member of a director	-	-	-	1,305
Interest charged on loan from a director	160,810	124,198	457,013	285,198
Interest charged on loan from a director of a subsidiary	1,016	771	2,847	2,132
Interest charged on loan from immediate parent	16,198	-	42,552	-
Interest charged on loan from other related parties	43,133	32,737	120,943	110,321
Interest charged on promissory note payable	12,000	-	24,000	-

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 \$	Loan & promissory notes payables \$
As at September 30, 2016 (Unaudited)				
Directors	-	(40,980)	(730,582)	(2,745,119)
A former director	-	(34,301)	-	-
An officer	-	(4,325)	-	-
Companies controlled by a director	87,881	(757)	-	-
Directors of subsidiaries	-	(1,960)	-	(17,225)
A related party	-	-	-	(1,155,816)
Immediate parent	-	-	-	(238,801)

GINSMS INC.
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2016 AND SEPTEMBER 30, 2015
(Unaudited)

25. RELATED PARTY TRANSACTIONS (CONT'D)

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

	Accounts receivable	Accounts payables and accrued liabilities	Advance payable	Loan payables
As at December 31, 2015 (Audited)				
Directors	-	(40,805)	(556,370)	(2,326,692)
A former director	-	(35,021)	-	-
An officer	-	(11,454)	-	-
A company controlled by a director	192,924	-	-	-
Directors of subsidiaries	-	(1,610)	-	(14,175)
A related party	-	-	-	(602,262)
Ultimate parent	-	(490)	-	-
	<u>-</u>	<u>(490)</u>	<u>-</u>	<u>-</u>

- (c) Key management personnel compensation

	<i>(Unaudited)</i> Three months ended September 30, 2016 \$	<i>(Unaudited)</i> Three months ended September 30, 2015 \$	<i>(Unaudited)</i> Nine months ended September 30, 2016 \$	<i>(Unaudited)</i> Nine months ended September 30, 2015 \$
Salaries and related costs	92,087	87,553	275,275	259,917
Consulting and accounting fees	16,278	7,921	60,527	11,285
Contributions to defined mandatory contribution funds	8,865	7,142	26,544	20,765
	117,230	102,616	362,346	291,967
Directors' fees	-	-	-	30,000
Total	<u>117,230</u>	<u>102,616</u>	<u>362,346</u>	<u>321,967</u>

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

GINSMS INC.
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2016 AND SEPTEMBER 30, 2015
(Unaudited)

26. PARTICULARS OF SUBSIDIARIES

Particulars of the principal subsidiaries as at September 30, 2016 are as follows:

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

27. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current period's presentation. The new classification of the accounting items was considered to provide a more appropriate presentation of the state of affairs of the Group.

28. 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 11, 2016.