1. DATE AND GENERAL INFORMATION

This management's discussion and analysis ("MD&A") of GINSMS Inc. ("GINSMS" or the "Corporation") has been prepared by management and should be read in conjunction with the Corporation's annual audited financial statements and MD&A as at and for the period ended December 31, 2016, the Corporation's consolidated financial statements as at and for the three and twelve months ended December 31, 2016, and the notes thereto which were prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

On January 26, 2016, the Corporation changed its financial year end to December 31 of each year, instead of March 31, 2016. This is in line with the financial year end of its ultimate holding company, Xinhua Holdings Limited.

This MD&A was prepared as of March 30, 2017. Additional information regarding the Corporation is available on SEDAR at www.sedar.com. All monetary amounts set forth in the MD&A are expressed in Canadian dollars, except where otherwise stated. Other currencies are mainly United States dollars ("USD"), Hong Kong dollars ("HKD"), China renminbi ("RMB"), Singapore dollars ("SGD"), Malaysian dollars ("MYR") and Indonesian rupiah ("IDR").

The Corporation Board of Directors has reviewed and approved this MD&A.

Caution Regarding Forward-Looking Information

Certain information included in this MD&A may contain forward-looking statements. Forward-looking statements generally can be identified by the use of forward-looking terminology such as "may", "could", "will", "expect", "intend", "estimate", "anticipate", "believe", or "continue" or the negative thereof or variations thereon or similar terminology. These statements are not historical facts, but reflect management's current beliefs and are based on information currently available to management regarding future results and events. Particularly, these forward-looking statements are based on management's estimate of future events based on technological advances relating to the Corporation's services, current market conditions and past experiences of management in relation to how certain contracts will affect revenues. Forward-looking statements, by their very nature, involve significant risks, uncertainties and assumptions.

A number of factors could cause actual results to differ materially from the results discussed in the forward-looking statements, including, but not limited to dependence on major customers, system failures, delays and other problems, increasing competition, security and privacy breaches, dependence on third-party software and equipment, adequacy of network reliance, network diversity and backup systems, loss of significant information, insurance coverage, capacity limits, rapid technology changes, market acceptance, decline in volume of attractions, retention of key members of the management team, success of expansion into Chinese and other Asian markets, credit risk, consolidation of existing customers, dependence on required licenses, economy and politics in countries where the Corporation operates, conflicts of interest and residency of directors and officers. Although the Corporation has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results to differ from those anticipated, estimated or intended. Although the forward-looking statements contained herein are based upon what management believes to be reasonable assumptions, the Corporation cannot assure the reader that actual results will be consistent with these forward-looking statements.

In particular, forward-looking statements include the following assumptions:

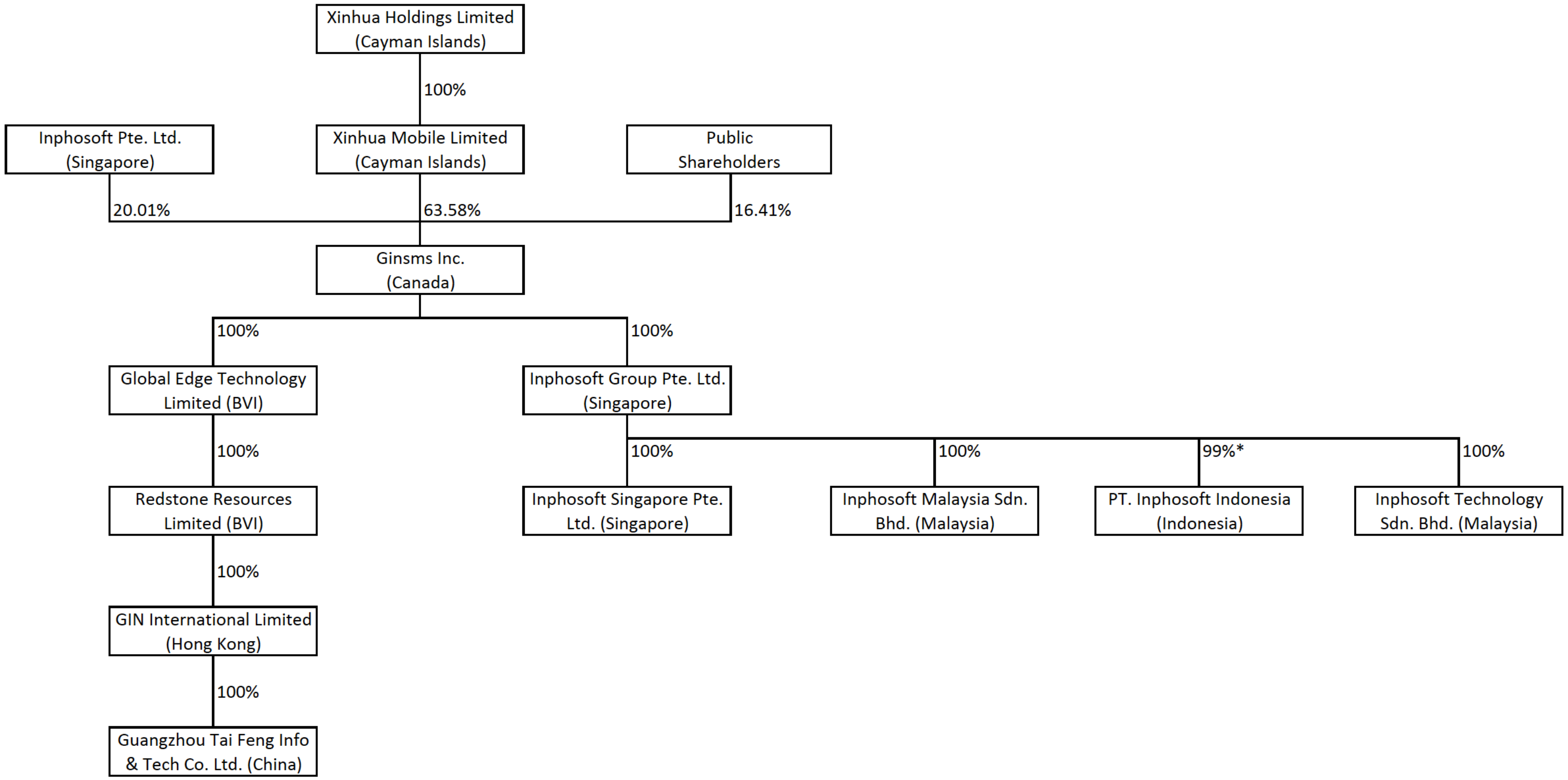
- Management's belief that the availability of 3G/4G services in China and the rest of the world will continue to create demand for the Corporation's software products and services.
- Management's belief that the future growth in messaging is in the area of application-to-person ("A2P") messaging and the Corporation's investment in this area will create a viable and profitable business in the future.
- Management's belief that the Corporation is able to generate sufficient amounts of cash through operations and financing activities to fulfil the working capital requirements of its present operations.

These forward-looking statements are made as of the date of this MD&A and the Corporation assumes no obligation to update or revise them to reflect new events or circumstances except as may be required by law. Accordingly, readers should not place undue reliance on the forward-looking statements. All forward-looking statements contained in this MD&A are qualified by this cautionary statement.

2. OVERALL PERFORMANCE – DESCRIPTION AND OUTLOOK OF BUSINESS

Group Structure

The following chart depicts the structure of the group. The country of incorporation for each entity in the group is enclosed in brackets next to the name of the entity.



*The remaining 1% is held by Joel Chin Siang Hui

The Corporation has two main business segments:

a) Messaging Business
b) Software Products and Services

Messaging Business

The Corporation operates its messaging business through GIN International Ltd ("GIN"), its wholly-owned subsidiary in Hong Kong and focus exclusively on the application-to-peer ("A2P messaging") messaging business.

The A2P messaging service allows the transmission of short message services ("SMS") to mobile subscribers of more than 100 mobile operators globally. This is achieved through partnerships with service providers and direct connections with mobile operators globally. GIN's close working relationships with mobile operators in China, Hong Kong and Southeast Asia puts it in a good position to become a leading provider of A2P messaging service in Asia.

Through its cloud-based A2P messaging service, GIN enables mobile application developers, SMS gateways, enterprises and financial institutions to deliver SMS worldwide without any upfront capital investment through the use of GIN's application programming interface ("API").

Mobile application developers use A2P messaging service to deliver one-time-passwords ("OTP") for authentication of over-the-top ("OTT") mobile applications, in-app purchase confirmations or promotion of latest game releases. Enterprises and financial institutions use the A2P service in the areas of mobile marketing, mobile transactions, security, customer relationship management ("CRM") and enterprise resource planning ("ERP").

A Transparency Market Research report dated October 5, 2016 *(*http://www.transparencymarketresearch.com/pressrelease/global-a2p-sms-market.htm*)* stated that the global A2P SMS market revenue stood at US$57.27 billion in 2015 and is expected to reach US$83.03 billion by 2024, expanding at a compound annual growth rate **("**CAGR") of 4.2% therein. The volume is projected to augment at a 4.1% CAGR from 2016 to 2024.

For the three and twelve months ended December 31, 2016, GIN generated revenue of $1,359,032 and $5,459,386 for its A2P messaging service as compared to $1,195,023 and $3,069,374 for the three and nine months ended December 31, 2015 respectively. The increase is substantial and GIN is expecting to grow the revenue significantly in the future.

To be successful in this new business, substantial investment has to be made in the areas of research and development. Up to December 31, 2016, GIN has spent about $314,000 to develop new services and improve the performance of its cloud-based A2P service.

Guangzhou Tai Feng Info & Tech Co. Ltd, incorporated in China, is a dormant company. The management feels that there is no foreseeable plan to utilize this company and will act to wind-up or dispose of this company in the near future.

Software Products and Services

GINSMS operates its software products and services through Inphosoft Group Pte Ltd ("Inphosoft"), its wholly-owned subsidiary. Inphosoft is headquartered in Singapore with subsidiaries in Malaysia and Indonesia.

The activities of Inphosoft consist of providing software products and services with a focus in the following areas:

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

Inphosoft Singapore Pte Ltd ("ISPL")

ISPL provides software products and services to local enterprises in Singapore and global companies in the telecommunication industry. The products and services provided fall largely into the following categories:

a. Products and solutions for mobile operators in the areas of 3G/4G mobile data value-added services like mobile entertainment and mobile advertising. Revenue is generated through license fees of ISPL's products and a negotiated fixed fee for developing the bespoke software solutions required by customers. The cost of sales incurred consists mainly of the salary of the employees working on these projects (tracked by the timesheets they fill). Occasionally, cost of sales may also include subcontractor fees paid to other companies. ISPL is not actively creating new products hence the revenue from license fees will continue to reducing over time.

b. Mobile application development services to local enterprises. Revenue is generated by two methods:
   - Charging a fixed fee to the customer for a project with a defined scope of work.
   - Charging the customer for the resources provided to the customer on a time and material basis. An example is the time and materials contract with Activate Interactive Pte Ltd ("Activate").

   The cost of sales incurred consists mainly of the salary of employees working on these projects (tracked by the timesheets they fill).

c. Support and maintenance services to customers that have purchased its products and services. ISPL will charge the customers a negotiated fee to provide support and maintenance services for a specified period (usually a year). The fee charged depends on the complexity of the products and solutions covered by the support and maintenance contract. Cost of sales incurred consists mainly of the salary of employees working on these projects.

ISPL is also focused on developing new features, enhancing the performance as well as providing technical support for the A2P Cloud platform that supports the Company's A2P business. Salaries, office rental, amortization of development costs and interest expenses on loans from related parties are the major costs of ISPL.

Inphosoft Malaysia Sdn Bhd ("IMSB")

IMSB is providing services to enterprise customers in Malaysia and global companies in the telecommunication industry to develop bespoke software solutions that meet the requirements of the customers. IMSB will charge a customer a negotiated fixed fee for each project. The cost of sales incurred consists mainly of the salary of employees working on these projects. IMSB does not earn revenue from license fee as it does not create new products. IMSB provides technical and sales resources to support GIN's A2P business operations. IMSB also outsources its technical resources to Activate on a time and material basis. Salaries and office rental are the major costs of IMSB.

PT Inphosoft Indonesia ("PTIN")

PTIN is providing services to enterprise customers in Indonesia to develop bespoke software solutions that meet the requirements of the customers. PTIN does not earn revenue from license fee as it does not create new products. However, it outsources its resources to ISPL in area of research and development. PTIN has started to provide A2P messaging service in 2016. PTIN also outsources its technical resources to Activate on a time and material basis. Salaries, amortization of development costs and office rental are the major costs of PTIN.

Inphosoft Technology Sdn Bhd ("ITSB")

ITSB is a dormant company. The management feels that there is no foreseeable plan to utilize this company and will act to wind-up or dispose of this company in the future.

ISPL, IMSB and PTIN entered into time and material agreements with Activate in April 2015 to provide technical resources to Activate for the purpose of developing software for Activate's customers and to perform certain pre-sales roles, on a time and material basis. The revenue and margin of Inphosoft has improved since the signing of the agreements with Activate. Activate became a related party when Mr. Joel Siang Hui Chin ("Mr. Chin"), the Chief Executive Officer of the Corporation, acquired 85% shareholdings in Activate in July 2015. Activate is now 20% owned by Xinhua Mobile Limited ("Xinhua Mobile"), the immediate parent of the Corporation, and 65% beneficially owned by Mr. Chin.

The focus of Inphosoft now is to provide solution to support the need of existing customers and to look for additional enterprise customers to increase sales. Inphosoft will not be focusing on creating new products. Hence professional fee and support and maintenance revenue will continue to increase or be stable. However, license fee revenue will decline over time.

This segment of the Corporation's business managed to have revenue of $305,979 and $1,019,799 for the three and twelve months ended December 31, 2016 compared to the $291,828 and $819,316 in the three and nine months ended December 31, 2015 respectively.

3. RESULTS OF OPERATIONS FOR THE THREE AND TWELVE MONTHS ENDED DECEMBER 31, 2016

Selected Profit and Loss Information

Financial Highlights	Three-month period ended December 31, 2016 (Unaudited)	Three-month period ended December 31, 2015 (Unaudited)	Twelve-month period ended December 31, 2016 (Audited)	Nine-month period ended December 31, 2015 (Audited)
Revenue $				
A2P Messaging Service	1,359,032	1,195,023	5,459,386	3,069,374
Software Products & Services	305,979	291,828	1,019,799	819,316
	1,665,011	1,486,851	6,479,185	3,888,690
Cost of sales $				
A2P Messaging Service	1,214,421	1,047,554	4,695,023	2,792,424
Software Products & Services	199,455	249,624	740,373	667,002
	1,413,876	1,297,178	5,435,396	3,459,426
Gross profit $				
A2P Messaging Service	144,611	147,469	764,363	276,950
Software Products & Services	106,524	42,204	279,426	152,314
	251,135	189,673	1,043,789	429,264
Gross margin %				
A2P Messaging Service	10.6%	12.3%	14.0%	9.0%
Software Products & Services	34.8%	14.5%	27.4%	18.6%
	15.1%	12.8%	16.1%	11.0%
Adjusted EBITDA[(1)] $	(150,958)	(383,247)	(455,475)	(904,932)
Adjusted EBITDA margin	(9.1)%	(25.8)%	(7.0)%	(23.3)%
Net loss $	(429,983)	(707,289)	(1,507,635)	(2,432,182)
Net loss margin	(25.8)%	(47.6)%	(23.3)%	(62.5)%
Loss per share $				
Basic	(0.003)	(0.005)	(0.011)	(0.029)
Diluted	(0.003)	(0.005)	(0.011)	(0.029)

(1) Adjusted EBITDA is a non-IFRS measure which does not have any standardized meaning under IFRS. Adjusted EBITDA is related to cash earnings and is defined for these purposes as earnings before income taxes, depreciation and amortization (in both cost of sales and general and administration expenses), interest expenses, the accretion on obligations and also excludes certain non-recurring or non-cash expenditure. This non-IFRS measure is not recognized under IFRS and accordingly, shareholders are cautioned that this measure should not be construed as an alternative to net income determined in accordance with IFRS. The non-IFRS measure presented is unlikely to be comparable to similar measure presented by other issuers. The Corporation believes that Adjusted EBITDA is a meaningful financial metric as it measures cash generated from operations which the Corporation can use to fund working capital requirements, service interest and principal debt repayment and fund future growth initiatives.

Revenue

For the three and twelve months ended December 31, 2016, revenue was $1,665,011 and $6,479,185 compared to $1,486,851 and $3,888,690 for the three and nine months ended December 31, 2015 respectively. This is largely due to the increase in revenue in A2P messaging service.

a) Messaging business segment

The A2P messaging service generated revenue of $1,359,032, $1,211,177, $1,483,777, $1,405,400, $1,195,023, $1,066,242 and $808,109 for the three-months periods ended December 31, 2016, September 30, 2016, June 30, 2016, March 31, 2016, December 31, 2015, September 30, 2015 and June 30, 2015 respectively.

Pricing of the A2P business is affected by volume, regulatory requirement in each country (i.e. destination of messages delivered), competition within the country and other factors. The margin varies from country to country and varies from customer to customer as the Corporation attempt to gain market share in different countries. The price per message is fixed for each customer but different customers may have difference price per message. The margin is lower in some countries where the messaging market is more competitive. In other market, due to the regulatory requirement, the Corporation can earn higher margin. The following analysis is based on the volume of messages delivered to various destinations. This differs from the segmented information for revenue by geographical location, which is based on the location of operations of our customers.

The increase in the revenue of the A2P messaging service is primarily caused by the increase in the volume of A2P messages delivered to Taiwan. Messages delivered to Taiwan totaled 19.6 million, representing 30.1% of the total volume for the three months ended December 31, 2016, which increased by 164.7% from the three months ended September 30, 2016. This is primarily due to the substantial increase in contribution from existing major customers that uses the Company's A2P service to deliver OTP messages to mobile subscribers in Taiwan since the quarter ended September 30, 2016. The customers had lost traffic from their own customers in the preceding quarter ended September 30, 2016 and since then have regained the customers and recovered the lost traffic in the quarter ended December 31, 2016.

Messages delivered to China totaled 17.2 million, representing 26.5% of the total volume for the three months ended December 31, 2016, which significantly decreased by 57.0% from the three months ended September 30, 2016 . This is primarily due to the decreased contribution from a major customer that uses the Company's A2P service to deliver OTP and marketing messages to mobile subscribers in China. The customer has lost traffic from its own customers for both the quarters ended December 31, 2016 and September 30, 2016.

Messages delivered to Malaysia totaled 14.1 million, representing 21.7% of the total volume for the three months ended December 31, 2016, which increased slightly by 2.5% from the three months ended September 30, 2016. Month-on-month, the volume of messages delivered to Malaysia remained relatively stable with monthly volume above 4.0 million messages.

Messages delivered to Indonesia totaled 12.5 million, representing 19.3% of the total volume for the three months ended December 31, 2016, which increased by 0.9% from the three months ended September 30, 2016. Month-on-month, the volume of messages delivered to Indonesia remained relatively stable with monthly volume above 4.0 million messages.

The average price per message charged to customers is $0.0209 for the three months ended December 31, 2016 compared to $0.0163 for the three months ended September 30, 2016. The price per message charged to customers may differ greatly depending on the location where the A2P message is delivered. For example, A2P messages delivered to China are priced at less than 50% of A2P messages delivered to Indonesia, Malaysia and Taiwan. Therefore, the average price per message for the A2P business will be dependent on the number of messages delivered to each country. Furthermore, the price per message per country charged to a customer may depend on the volume commitment of the customer. For the three months ended December 31, 2016, the average price per message increased quarter-on-quarter primarily due to the significant increase in volume of messages delivered to Taiwan where the price per message charged to customers is about the average price per message charged by the Corporation and decrease in volume of messages delivered to China where the price per message charged to customers is substantially lower than the average price per message charged by the Corporation, hence bringing up the overall average price per message.

b) Software products and services segment

Revenue in the software products and services segment generated through Inphosoft's global partner, Acision, had declined significantly for the past one year and is not expected to recover. Acision had downsized its global sales team to focus on Acision's core products and places less emphasis on reselling partners' products. This resulted in the reduced demand for the Corporation's products. Since April 2015, the Corporation's business partner, Activate, had helped the Corporation increase its revenue in the software products and services segment. Revenue from Activate increased by 70.2% to $187,111 for the three months ended December 31, 2016 and contributed to the increase in revenue of software products and services segment compared to that for the three months ended September 30, 2016.

Revenue in the software products and services segment increased by 4.8% from $291,828 for the three months ended December 31, 2015 and increased by 16.7% from $262,164 for the three months ended September 30, 2016 to $305,979 for the three months ended December 31, 2016. As mentioned earlier, the increase in revenue of software products and services segment was mainly due to the increase in the revenue from Activate. The

Corporation's staff is now focusing its efforts in attracting new customers and attending more training in order to better serve its new customers. During the current quarter ended December 31, 2016, the Corporation was awarded more projects from both Activate and other customers. Moving forward, the Corporation believes that the business environment in the software products and services will remain challenging. The Corporation believes it needs to focus its efforts on other areas in order to create new revenue streams.

Cost of Sales

Cost of Sales	Three-month period ended December 31, 2016 (Unaudited)	Three-month period ended December 31, 2015 (Unaudited)	Twelve-month period ended December 31, 2016 (Audited)	Nine-month period ended December 31, 2015 (Audited)
Amortization				
- Development expenditures	29,180	28,695	116,271	86,571
Depreciation				
- Property, plant and equipment	6,569	9,289	36,007	27,482
Salaries and wages	151,949	126,307	486,678	419,443
Subcontractor costs	1,217,683	1,046,494	4,699,725	2,802,416
Software & hardware	4,739	65,952	56,211	69,167
Others	3,756	20,441	40,504	54,347
	1,413,876	1,297,178	5,435,396	3,459,426

For the three and twelve months ended December 31, 2016, cost of sales was $1,413,876 and $5,435,396 compared to $1,297,178 and $3,459,426 for the three and nine months ended December, 2015 respectively.

a) Messaging business segment

For the A2P messaging service, the subcontractor costs are the costs paid to mobile operators and gateway providers ("A2P Suppliers") for usage of their infrastructure to deliver A2P messages to mobile subscribers. The A2P Suppliers charged GIN a per-message cost for delivering the message. The cost per message differs depending on the country where the message was delivered and the volume commitment that GIN has with the A2P suppliers. The higher the volume commitment, the lower the rates that GIN will be charged by the providers.

The increase of 16.4% in the subcontractor costs in quarter ended December 31, 2016 from the quarter ended December 31, 2015 was higher than the increase of 13.7% in revenue in A2P messaging service in the same quarter and was mainly due to higher route cost by mobile operators and gateway providers in Taiwan when the Euro Dollars weakened against the Taiwan Dollar. The mobile operators and gateway providers in Taiwan billed the Corporation in Euro Dollars but their route costs incurred in Taiwan Dollar.

The increase of 20.6% in the subcontractor costs in the quarter ended December 31, 2016 from the preceding quarter ended September 30, 2016 was higher than the increase of 12.2% in revenue in A2P messaging service in the quarter ended December 31, 2016 from preceding quarter ended September 30, 2016. This is explained in part, by the higher route cost experienced by mobile operators and gateway providers in Taiwan due to the weakening of the Euro Dollars against the Taiwan Dollar. The other reason is the decrease in the volume of A2P messages delivered to China in the quarter ended December 31, 2016. This decline in volume resulted in lower discount given by mobile operators and gateway providers in China.

Software product and services segment

The software products and services business is service-based and there is no consideration of amount of volumes processed for which revenue was generated. The cost of sales for software products and services business is comprised of salaries and wages, amortization, depreciation and purchase of software and hardware.

Increase of salaries and wages in costs of sales for the quarter ended December 31, 2016 compared to both the corresponding quarter ended December 31, 2015 and the preceding quarter ended September 30, 2016 is mainly due to increase in chargeable hours of Inphosoft staff required to provide technical and support resources in view of higher demand from Activate. These staff costs are recorded as costs of sales, instead of operating expenses.

Gross Margin

With the continued increase in revenue in Software Products and Services in the quarter ended December 31, 2016 compared to the quarter ended December 31, 2015, the overall gross margin of the Corporation continued to improve to 15.1% in the three months ended December 31, 2016 from 12.8% in the quarter ended December 31, 2015. The improvement is mainly attributed to the significantly higher gross margin of 34.8% earned in the Software Products and Services segment respectively for the three months ended December 31, 2016.

There was increase in gross margin of Software Products and Services in the quarter ended December 31, 2016 compared to the preceding quarter ended September 30, 2016 and the corresponding quarter ended December 31, 2015. Revenue from Activate contributed to significant increase in gross margin of Software Products and Services. Revenue from broad-based professional services provided to Activate is based on a time and material costs. Activate is a government contractor that provides software products and services tailored to the needs of Singapore government agencies. Activate values the skills and expertise of Inphosoft and Inphosoft is able to command a premium for its service to Activate. Gross margin of 67.0% is earned from the business with Activate for the quarter ended December 31, 2016 as the Corporation was awarded more projects in the current quarter.

For A2P messaging business, the gateway fee charged depends on how GIN negotiated the fees based on the estimated volume of messages to pass through the gateway. During the launching phase of the A2P messaging business, while no revenue was generated from this business, GIN had to charge lower fees to attract new customers. At the same time, the gateway would not provide better rate to GIN as a new player in the A2P messaging market. Consequently, the gross margin of the A2P messaging business was on average less than 10%. Over time, with the increased in volume of messages delivered by the Corporation, the gross margin has shown signs of improvement. The gross margin improved from 3.7% in the quarter ended June 30, 2015, 9.3% in the quarter ended September 30, 2015, 12.3% in the quarter ended December 31, 2015, 13.9% in the quarter ended March 31, 2016, 14.6% in the quarter ended June 30, 2016, 17.2% in the quarter ended September 30, 2016 but dipped slightly to 10.6% in the quarter ended December 31, 2016 mainly due to decrease in messages delivered to China with high gross profit margin.

For Software Products and Services segment, the revenue is mainly generated from the following two sources:

a) Professional services fees

Professional services revenue is generated by two methods:

- Charging a fixed fee to the customer for a project with a defined scope of work. This is mainly for developing be-spoke software solutions that meet the need of the customers.
- Charging the customer for the resources provided to the customer on a time and material basis. A fixed fee per resource per unit time (usually hour or day) is charged to the customer based on a negotiated fee for the said resource. An example is the time and materials contract with Activate.

The cost of sales incurred consists of the salary of the employees working on these projects (tracked by the timesheets they fill). For the development of a be-spoke software solution based on a fixed fee, the gross margin can fluctuate depending on the fee that was negotiated and also the ability to deliver the project as per planned. Typically, the gross margin has been in the range of 10% to 20%. For time and material contracts, the gross margin is based on the mark-up for each resource, which can range from 20% for resources based in Singapore to 50% for resources based in Malaysia and Indonesia.

b) Support and maintenance fees

Inphosoft charges a fee to customers who have elected to purchase after sale support and maintenance services. The fee is usually charged on a yearly basis pre-paid in advance. Support and maintenance is provided round the clock seven days a week to customers who have purchased Inphosoft's products or bespoke software, or both, and the support and maintenance services. Cost of sales incurred would be mainly the salary of the employees providing round the clock support services. The gross margin for the support and maintenance contracts is usually more than 20%.

Inphosoft research and develops its own software products for the telecommunication industry and these software products are sold by charging customers license fees in return for the right-to-use the software. The license fee revenue has been decreasing because Inphosoft has not been creating new products and the old products did not achieve the sales volume initially expected. The revenue from license fees is now immaterial.

The gross margin for the Software Products and Services is 34.8% for the three months ended December 31, 2016 and is higher than management's long-term expectations of approximately 20% to 25%, due to more involvement by the experienced management staff from Singapore subsidiary involved in new projects awarded by Activate. These management staff command higher chargeable hour rate. This margin could be adversely affected if there are cases of project cost overrun. Project cost overrun can occur during the delivery of a software solution to customers.

Operating Expenses and Finance Costs

	Three-month period ended December 31, 2016 (Unaudited)	Three-month period ended December 31, 2015 (Unaudited)	Twelve-month period ended December 31, 2016 (Audited)	Nine-month period ended December 31, 2015 (Audited)
Salaries and wages	189,229	169,942	923,961	500,667
Director fees	40,000	40,000	40,000	40,000
Professional fees	66,573	343,925	329,742	536,415
Foreign exchange loss/ (gain)	79,400	(8,220)	95,904	134,333
Other general & administrative expenses	62,640	65,257	261,935	236,834
(Reversal of allowance for)/Allowance for doubtful debts	(8,249)	18,056	(8,249)	18,056
Depreciation (expense)				
-Property, plant and equipment	1,292	3,204	11,234	9,791
Interest expenses	249,422	171,639	896,777	471,005
Accretion on obligations	-	-	-	818,364
	680,307	803,803	2,551,304	2,765,465

Operating expenses and finance costs amounted to $680,307 and $803,803 for the three months ended December 31, 2016 and December 31, 2015 respectively, higher operating expenses and finance costs for the three months ended December 31, 2015 was mainly due to higher professional fees. Included in operating expenses and finance costs for the three months ended December 31, 2015, was the professional fees relating to the acquisition of the shareholdings of the Corporation by Xinhua Mobile and higher audit fees for the nine months ended December 31, 2015. Subsequent to the acquisition by Xinhua Mobile, the Corporation changed its financial year end to December 31, 2015, instead of March 31, 2016. The remaining 50% of the audit fees of the Corporation were accrued in the quarter ended December 31, 2015, instead of being accrued in two separate quarters.

Operating expenses and finance costs amounted to $2,551,304 and $2,765,465 for the twelve months ended December 31, 2016 and for the nine months ended December 31, 2015 respectively. Higher operating expenses and finance costs for the nine months ended December 31, 2015 was mainly due to accretion costs of $818,364 that were not incurred in the twelve months ended December 31, 2016, partly offset by higher salaries and wages, and interest expenses for the twelve months ended December 31, 2016.

On September 24, 2015, Xinhua Mobile and Inphosoft Pte Ltd., the two holders of the Corporation's convertible debentures, 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 respectively (See below Section 10- Shareholders' Equity & Disclosure of Outstanding Share Data). Consequently, there was no accretion cost for the twelve months ended December 31, 2016 compared to accretion cost of $818,364 for the nine months ended December 31, 2015.

Excluding accretion cost, the operating and finance costs amounted to $1,947,101 for the nine months ended December 31, 2015, an amount lower than the amount of $2,551,304 incurred during the twelve months ended December 31, 2016.

The higher operating expenses and finance costs for the twelve months ended December 31, 2016 is partly due to higher staff salaries and wages that were recorded in operating expenses and finance costs instead of cost of sales in the quarter ended June 30, 2016 as the Corporation was invited to send staff to attend training provided by a major global telecom vendor in anticipation of future projects that might be awarded to the Corporation. The training was the vendor's required condition in order for the Corporation to be allowed to bid for future outsourcing projects. All its potential business partners or vendors were required to have the necessary product & technical knowledge in their operating systems. The training duration was about six weeks.

The higher operating expenses and finance costs for twelve months ended December 31, 2016 were also affected by higher interest expenses in the twelve months ended December 31, 2016 amounting to $896,777 due to the rollover effect on the daily compounded interest on the outstanding loans compared to the nine months ended December 31, 2015. To date, the Corporation has not been able to repay most of the loans from related parties.

The cost cutting exercise undertaken by the Corporation in both the prior year ended March 31, 2015 and the prior period ended December 31, 2015 had been lifted. The existing staff strength in the Software Products and Services segment is lean and is critical to provide the professional services to the Corporation's major customers.

Net loss

The net loss for the three and twelve months ended December 31, 2016 amounted to $429,983 and $1,507,635 compared to a net loss of $707,289 and $2,432,182 for the three and nine months ended December 31, 2015 respectively.

As mentioned earlier, the lower net loss for the three months ended December 31, 2016 was mainly due to higher gross margin earned and lower professional fees incurred for the three months ended December 31, 2016. The higher net loss for the nine months ended December 31, 2015 was mainly due to the accretion cost that were not incurred for the twelve months ended December 31, 2016, partly offset by higher salaries and wages, and interest expenses for the twelve months ended December 31, 2016. Excluding the accretion cost, the net loss for the nine months ended December 31, 2015 would be $1,613,818.

The gross profit of $251,135 and $1,043,789 for the three and twelve months ended December 31, 2016 was a significant improvement from the gross profit of $189,673 and $429,264 for the three and nine months ended December 31, 2015 respectively. With improvement of gross margin and lower operating expenses and finance costs, the net loss of the Corporation improved from $707,289 and $2,432,182 for three and nine months ended December 31, 2015 to $429,983 and $1,507,635 for the three and twelve months ended December 31, 2016 respectively.

Selected Balance Sheet Information

(1) The figures reported below are based on the audited consolidated financial statements of the Corporation which have been prepared in accordance with International Financial Reporting Standard.

	December 31, 2016 (Audited) $	December 31, 2015 (Audited) $
Current Assets		
Accounts receivable	1,822,661	1,536,894
Other receivables, prepayments and deposits	164,182	136,588
Bank and cash balances	139,808	310,805
	2,126,651	1,984,287
Non-Current Assets		
Property, plant and equipment	35,660	53,156
Development expenditures	464,779	576,986
TOTAL ASSETS	2,627,090	2,614,429
Current Liabilities		
Accounts payable and accrued liabilities	2,096,917	1,844,293
Advance from a related party	756,079	556,370
Promissory note payable	436,000	400,000
Loans from a related party	261,273	-
Current tax liabilities	5,317	89,885
	3,555,586	2,890,548
Non-Current Liabilities		
Loans from related parties	3,740,061	2,943,129
Deferred tax liability	1,208	3,321
TOTAL LIABILITIES	7,296,855	5,836,998
Equity		
Share capital	10,484,429	10,484,429
Deficit	(15,395,462)	(13,889,187)
Accumulated other comprehensive income	248,035	187,496
Total equity (deficiency) attributable to equity shareholders	(4,662,998)	(3,217,262)
Non-controlling interest	(6,767)	(5,307)
TOTAL EQUITY (DEFICIENCY)	(4,669,765)	(3,222,569)
TOTAL LIABILITIES & EQUITY	2,627,090	2,614,429

Total assets of GINSMS including cash, accounts receivable, other receivables, prepayment and deposits, property, plant and equipment and development expenditures as at December 31, 2016 amounted to $2,627,090 compared to $2,614,429 as at December 31, 2015. Bank and cash balances amounted to $139,808 compared to $310,805, a decrease of 55.0%. The decrease was mainly due to operating loss and getting fewer loans from the related parties in the twelve months ended December 31, 2016 as the Corporation relied more on the cash flow from its operations. The cash flow from financing activities is $416,760 for the twelve months ended December 31, 2016 compared to $864,627 for the nine months ended December 31, 2015.

Accounts receivable

	December 31, 2016 (Audited) $	December 31, 2015 (Audited) $
Trade receivables (third parties)	1,613,612	1,278,354
Less: Allowance for doubtful debts (third parties)	(10,133)	(18,349)
Receivable from a related party	144,819	192,924
Accounts due from customers on contracts	74,363	83,965
TOTAL ACCOUNTS RECEIVABLE	1,822,661	1,536,894

Included in accounts receivable at December 31 2016 are receivables of $144,819 due from Activate, which is 65% beneficially owned by the Chief Executive Officer of the Corporation and 20% owned by Xinhua Mobile.

Increase in trade receivables (third parties) and receivables from a related party are mainly due to the fact that more revenue for the year ended December 31, 2016. The debtor turnover has improved despite the increase in trade receivables as customers have settled receivables more promptly.

Accounts payable and accrued liabilities

	December 31, 2016 (Audited) $	December 31, 2015 (Audited) $
Trade payables (third parties)	1,073,417	1,243,544
Trade payables from a related party	1,080	-
Amounts due to customers on contracts	61,849	93,857
Deferred income	42,747	51,489
Accrued liabilities and receipt in advance	917,824	455,403
TOTAL ACCOUNTS PAYABLE AND ACCRUED LIABILITIES	2,096,917	1,844,293

a) Decrease in trade payables as at December 31, 2016 compared with December 31, 2015 was due to higher accrued service fees that were incurred but not billed by the mobile operators and gateway providers. Increase in total billed and unbilled service fees by the mobile operators and gateway providers are in line with the increase in revenue. The creditor turnover has improved despite the increase in total billed and unbilled service fees as the Corporation has settled payables more promptly.

Included in accounts payables at December 31, 2016 are payables of $1,080 due to a company that is 85% beneficially owned by the Chief Executive Officer of the Corporation, Actxa Pte Ltd. ("Actxa").

b) Amounts due from / to customers on contracts are related to the professional fees revenue of the Software Products and Services segment. For the professional fees revenue, the subsidiaries will issue invoice to the customers based on the timeframe specified in the contracts but the project manager will assess the progress of the project work and determine the percentage of completion based on actual work performed by the staff at the end of the month. When the revenue computed using the percentage of completion is more than the invoiced amount for the month, the understated revenue is considered amounts due from customers on contracts. When the revenue computed using the percentage of completion is less than the invoiced amount for the month, the overstated revenue is considered amounts due to customers on contract.

c) Deferred income is related to the support and maintenance revenue of the Software Products and Services segment. For support and maintenance revenue, the subsidiaries will usually invoice the customers in advance for the support and maintenance services to be provided in the coming year. Deferred income is computed for the number of months of unutilized support and maintenance service paid in advance by the customers.

d) Increase in accrued liabilities as at December 31, 2016 compared with December 31, 2015 was due to increase in the accrued service fees that were incurred but not billed by the mobile operators and gateway providers, in line with improvement in revenue.

Loans from Related Parties

	December 31, 2016 (Audited) $	December 31, 2015 (Audited) $
Loans from the director and Chief Executive Officer of the Corporation	2,962,538	2,326,692
Loan from a director of a subsidiary	17,880	14,175
Loan from Inphosoft Pte Ltd.	759,643	602,262
Loan from the immediate parent	261,273	-
TOTAL LOANS FROM RELATED PARTIES	4,001,334	2,943,129

All above loans from related parties are non-trade in nature and unsecured. All related parties other than immediate parent have advised the Corporation that they will not demand payment of the loans before December 31, 2017.

(a) The loans from the director and Chief Executive Officer of the Corporation, Mr. Chin, bear interest 24% (December 31, 2015: 24%) per annum (compounded daily based on a 365-day year) and matured on or before September 30, 2015.

(b) The loan from a director of a subsidiary, Mr. Xu Hongwei, bears interest at 24% per annum (December 31, 2015: 24%) (compounded daily based on a 365-day year) for the year 2016 and matured on June 12, 2014.

(c) The loan from Inphosoft Pte Ltd. ("IPL"), the former holding company of Inphosoft bears interest at a rate of 24% per annum (December 31, 2015: 24%) (compounded daily based on a 365-day year) for year 2016 and has no fixed term of repayment. On September 24, 2015, IPL converted its convertible debentures of the Corporation and became a shareholder of the Corporation (Section 10 – Shareholders' Equity & Disclosure of Outstanding Share Data). Mr. Chin and two directors of the Corporation's subsidiaries, Mr. Wang Xianxiang and Mr. Xu Hongwei, each has significant influence over IPL.

(d) The loan from immediate parent, Xinhua Mobile bears interest at rate of 28% per annum (compounded daily based on a 365-day year) for year 2016. The terms of repayment is stipulated in the agreement for an unsecured revolving credit facility of up to US$1 million ("Credit Facility") entered by the Corporation with Xinhua Mobile.

    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 payments are to be made in cash.

    As at December 31, 2016, US$150,000 has been drawn down under the Credit Facility. The total loan payable amounted to $261,273 as at December 31, 2016.

In addition to the above loans, Mr. Chin also provided an interest-free advance of $756,079 to the Corporation. Considering the loans from related parties and the interest-free advance from Mr. Chin together, the annual interest rate for the total amount of related party loans and advance is 20.4% (compounded daily based on a 365-day year).

The loans and advance are used to finance the operations of the Corporation.

Shareholders' equity

Shareholders' equity as at December 31, 2016, showed a deficit of $4,669,765, deteriorating from a deficit of $3,222,569 as at December 31, 2015. The deterioration in shareholders' equity is due to the net loss of $1,507,635 for the twelve months ended December 31, 2016.

To address the going concern issue, the Corporation has instituted the following plan:

(a) 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. Based on these plans, management believes that the Corporation will have the ability to continue operation for the next twelve months; and

(b) Despite of the Corporation's liabilities which include a promissory note payable, the interest-free advances from a related party and the interest-bearing loans from the related parties, the liquidity risk is addressed and mitigated as mentioned in Section 5 of this MD&A.

4. SUMMARY OF QUARTERLY RESULTS

The quarterly information set forth below has been presented on the same basis as the audited consolidated financial statements, and all necessary adjustments have been included in the amounts stated below to present fairly the unaudited quarterly results when read in conjunction with the audited consolidated financial statements and the notes thereto.

$	Jan-Mar15	Apr-Jun15	Jul-Sep15	Oct-Dec15	Jan-Mar16	Apr-Jun16	Jul-Sep16	Oct-Dec16
Revenue								
A2P Messaging Service	627,535	808,109	1,066,242	1,195,023	1,405,400	1,483,777	1,211,177	**1,359,032**
IOSMS Messaging Service	12,598	-	-	-	-	-	-	**-**
Software Products & Services	183,415	262,937	264,551	291,828	256,012	195,644	262,164	**305,979**
	823,548	1,071,046	1,330,793	1,486,851	1,661,412	1,679,421	1,473,341	**1,665,011**
Cost of Sales								
A2P Messaging Service	582,239	778,004	966,867	1,047,554	1,209,744	1,267,443	1,003,415	**1,214,421**
IOSMS Messaging Service	14,219	-	-	-	-	-	-	**-**
Software Products & Services(1)	276,208	215,724	201,653	249,624	184,267	174,210	182,441	**199,455**
	872,666	993,728	1,168,520	1,297,178	1,394,011	1,441,653	1,185,856	**1,413,876**
Operating Expenses(2)	392,155	368,000	475,932	614,108	266,815	523,745	433,082	**439,134**
Net Loss Before Income Taxes	(4,491,210)	(834,104)	(887,967)	(614,130)	(198,873)	(500,716)	(378,754)	**(429,172)**
Income Taxes expense (recovery)	(126,728)	2,572	250	93,159	530	296	(1,517)	**811**
Net Loss	(4,364,482)	(836,676)	(888,217)	(707,289)	(199,403)	(501,012)	(377,237)	**(429,983)**
Net Loss (per share)								
Basic	(0.085)	(0.016)	(0.015)	(0.005)	(0.001)	(0.004)	(0.003)	**(0.003)**
Diluted	(0.085)	(0.016)	(0.015)	(0.005)	(0.001)	(0.004)	(0.003)	**(0.003)**

(1) Included in cost of sales in Jan-Mar15 is an impairment on suspended projects amounting to $144,945.
(2) Represent the sum of selling, general and administrative expense. For comparative purpose, the fair value adjustment of convertible debenture, the development expenditures impairment, goodwill impairment, intangible assets impairment and suspended projects impairment in Jan-Mar15 were excluded. Amortizations of intangible assets in Jan-Mar15 were excluded. Accretions on obligations related to the convertible debentures and a promissory note from Jan-Mar15 to Jul-Sep15 were excluded. Interest expenses on loans from Jan-Mar15 to Oct-Dec16 were excluded. Finally, allowance for doubtful debts in Oct-Dec15 and reversal of allowance for doubtful debts in Oct-Dec16 were excluded.

The A2P SMS service generated revenue for the first time for the quarter ended June 30, 2014, increased in the quarters ended from September 30, 2014 to the quarter ended June 30, 2016. The revenue dipped for the quarter ended September 30, 2016 primarily due to the loss of major customers by the Corporation's major customers. Management has worked hard to replace the revenue lost through these major customers and revenue for the quarter ended December 31, 2016 has since bounced back. Management will continue to work hard and aim to steer the A2P business to more growth in the coming quarters. IOSMS revenue ceased by end of March 31, 2015 due to the termination of the P2P SMS services by the Corporation. The software products and services segment shows signs of improving but there is still no clear visibility on the trend moving forward.

5. LIQUIDITY AND CAPITAL RESOURCES

Financial Highlights	Three-month period ended December 31, 2016 (Unaudited)	Three-month period ended December 31, 2015 (Unaudited)	Twelve-month period ended December 31, 2016 (Unaudited)	Nine-month period ended December 31, 2015 (Audited)
Cash, beginning of period	106,047	127,232	310,805	515,208
Operating activities				
Net loss for the period	(429,983)	(707,289)	(1,507,635)	(2,432,182)
Current tax expense	845	93,411	2,317	93,411
Deferred tax expense/(recovery)	35	(15)	(2,197)	2,570
Interest expenses	249,422	171,639	896,777	471,005
Foreign currency exchange loss/(gain)	79,400	(8,220)	95,904	134,333
(Reversal of allowance for)/allowance for doubtful debts	(8,249)	18,056	(8,249)	18,056
Accretion on convertible debentures	-	-	-	818,364
Amortization & depreciation	37,041	41,187	163,512	123,844
Changes in working capital items	72,853	195,733	(66,264)	(83,859)
Income tax paid	(599)	(4,963)	(88,101)	(4,963)
Net cash generated from/(used in) operating activities	765	(200,461)	(513,936)	(859,421)
Financing activities				
Advance from a related party	67,007	290,787	320,835	680,248
Repayment of advance from a related party	(56,369)	-	(123,104)	(102,994)
Loans from related parties	-	55,242	219,029	287,373
Net cash generated from financing activities	10,638	346,029	416,760	864,627
Investing activities				
Development expenditures	-	(16,260)	(2,865)	(47,036)
Purchase of property, plant and equipment	(684)	(5,461)	(29,667)	(19,628)
Net cash used in investing activities	(684)	(21,721)	(32,532)	(66,664)
Effect of exchange rate changes on cash held in foreign currencies	23,042	59,726	(41,289)	(142,945)
(Decrease)/increase in cash	33,761	183,573	(170,997)	(204,403)
Cash, end of period	139,808	310,805	139,808	310,805

The capital resources of the Corporation are comprised mainly of the equity of the Corporation. The debts of the Corporation are comprised mainly of a promissory note payable and loans by the related parties.

GINSMS has a deteriorated liquidity position for the twelve months ended December 31, 2016 compared to the nine months ended December 31, 2015 primarily due to smaller unsecured interest-bearing loans provided by the related parties as the Corporation relied more on the revenue generated from the messaging and software product and service business in the period.

GINSMS is facing a higher liquidity risks as it has higher working capital deficiency of $1,428,935 as at December 31, 2016 as compared to $906,261 as at December 31, 2015. The Corporation's liabilities now include an interest-bearing promissory note payable, advance from a related party and the interest-bearing loans from the related parties.

The operation of the Corporation is partially financed by the interest-bearing loans from the related parties and the advance from a related party amounting to $3,740,061 and $756,079 respectively as at December 31, 2016 as compared to $2,943,129 and $556,370 as at December 31, 2015 respectively. The terms and conditions of the loans are described above under Section 3 – *Loans from Related Parties*.

During the twelve months ended December 31, 2016, the Corporation and Inphosoft Pte Ltd, the note holder and a shareholder of the Corporation *(Section 3 – Loans from Related Parties and Section 10- Shareholders' Equity & Disclosure of Outstanding Share Data)* have agreed to extend the due date of the promissory note to March 31, 2017 at a simple interest of 12% per annum. Interest shall be accrued effective from April 1, 2016. As at December 31, 2016, the promissory note amounted to $436,000.

Apart from obligations to pay the promissory note payable, the advance made by a related party and the loans made by related parties, the Corporation has also liabilities related to operating lease obligations for the lease of its office space.

The Corporation has lease agreements outstanding for various terms up to May 15, 2018. Payments are to be incurred in SGD, RMB and IDR. The Canadian dollar equivalent as of December 31, 2016 is a total of $102,328, of which $76,387 is to be incurred within one year of the statement of financial position date and $25,941 after one year and within five years.

However, the liquidity risk is mitigated as all related parties other than immediate parent have advised the Corporation that they will not demand payment of the loans before December 31, 2017 and the Corporation has agreed with Inphosoft Pte Ltd to extend the due date on the promissory note to March 31, 2017.

The A2P messaging service is the main business focus of the Corporation and the Corporation is required to continue to invest in research and development to come up with new services that will increase the competitiveness of the A2P service. The expected capital expenditure for research and development is less than $10,000 per quarter. Capital expenditures related to hardware purchase to maintain capacity to meet planned growth in the A2P messaging have been fully paid and no further investment is expected for the next 12 months.

The management of the Corporation is committed to grow the business of the Corporation. In order for the Corporation to expand the A2P business, the management is also planning to launch fund raising through issuance of bonds or other sources.

6. OFF BALANCE SHEET ARRANGEMENTS

GINSMS does not utilize off-balance sheet arrangements.

7. TRANSACTIONS WITH RELATED PARTIES

The Corporation was a party to the following related party transactions that have been recorded at their exchange amounts for the three and twelve months ended December 31, 2016:

	Three-month period ended December 31, 2016 (Unaudited) $	Three-month period ended December 31, 2015 (Unaudited) $	Twelve-month period ended December 31, 2016 (Audited) $	Nine-month period ended December 31, 2015 (Audited) $
Software products and services revenue from a company controlled by a director [6]	148,477	118,634	408,920	390,340
Cost of hardware paid to a company controlled by a director [7]	352	-	1,021	-
Accounting fee revenue from a company controlled by a director	38,634	13,408	38,634	13,408
Accounting fee paid to an officer (appointed on September 4, 2015) [5]	15,965	17,315	76,492	22,894
Consulting fees paid to a former director (resigned on September 4, 2015) [1]	-	105	-	5,811
Management salaries paid to directors of a subsidiary[2]	65,287	62,239	262,931	184,627
Management salaries paid to an officer[3]	34,330	33,481	138,505	99,318
Rent charged by a company controlled by a director	14,355	14,161	57,916	35,105
Interest charged on loan from a director	173,289	135,675	630,302	370,691
Interest charged on loan from a director of a subsidiary	1,065	827	3,912	2,307
Interest charged on loan from a shareholder[4]	45,270	35,136	166,213	98,007
Interest charged on loan from immediate parent	17,798	-	60,350	-
Interest charged on promissory note from a shareholder[4]	12,000	-	36,000	-

Notes:

1. The consulting fees paid to a former director, Mr. Lai Man Kon Jonathan, were related to his role as Chairman of Board of Directors of the Corporation.
2. Management salaries paid to directors of a subsidiary, Mr. Wang XianXiang and Mr. Xu Hongwei were for their roles as Group Chief Technology Officer and Chief Technology Officer (Mobile Application) of the Corporation, respectively.

3. Management salaries paid to an officer were for Mr. Chin's role as Chief Executive Officer and director of the Corporation.
4. Inphosoft Pte Ltd. is a shareholder of the Corporation since September 24, 2015. Prior to that date, it was a related party *(Section 3 – Loans from Related Parties and Section 10- Shareholders' Equity & Disclosure of Outstanding Share Data)*.
5. Accounting fee paid to the Interim Chief Financial Officer, Ms. Shum Chee Ming, was for her role as finance manager preparing management reports of the Corporation.
6. Software products and services revenue earned from a company controlled by Mr. Chin, Activate, for the professional services by the subsidiaries of the Corporation – Inphosoft Singapore Pte Ltd, Inphosoft Malaysia Sdn Bhd and PT Inphosoft Indonesia on a time and material basis.
7. Cost of hardware purchased from a company controlled by Mr Chin, Actxa, by a subsidiary of the Corporation, Inphosoft Malaysia Sdn Bhd.

As of December 31, 2016, the Corporation has non-trade loans from related parties of $3,740,061 and advance of $756,079 (December 31, 2015 - $2,943,129 and $556,370).

Please refer to Section 3 – *Loans from Related Parties* above for more details of these loans. The loans and advances are used to finance the operations of the Corporation.

Included in accounts payables and accrued liabilities are amounts of $89,158 (December 31, 2015 - $54,359) owed to related parties.

Included in accounts receivable is a trade receivable of $144,819 (December 31, 2015 - $192,924) owed by a related party. Please refer to Section 3 – *Accounts receivable* above for more details.

The time and material agreements of the Corporation's subsidiaries namely ISPL, IMSB and PTIN with Activate were signed in April 2015. Activate utilizes resources from the Inphosoft subsidiaries on a time and material basis such that Activate can earn revenues from its customers. Activate generates revenue by providing software products and services, primarily in the area of mobile applications and games to its customers that include various agencies and ministries of the government of Singapore. These time and material agreements with ISPL, IMSB and PTIN allowed Activate subcontracts parts of their projects to the staff of these three companies with software development skillsets and to utilize the staff to perform certain pre-sales roles, on a time and material basis. The professional services provided by the Corporation's subsidiaries are broad-based ranging from account management, pre-sales support, design and development of software programs, project management, testing, deployment and support and maintenance of software programs. The time and material agreements were concluded in arm's length. The business relationship continued when Mr. Chin acquired 85% shareholding of Activate in July 2015 and Activate became a related party.

The non-exclusive agreements with the three Corporation's subsidiaries were for a period of one year and were automatically renewed on a yearly basis unless terminated in accordance to the termination clause of the agreements or if a notice is given to the other party 30 days before the end of the term.

Activate will settle the billings of the service within 14 days of date of invoice. If the payment is late, 1% late interest charge will be charged.

The subsidiaries of Inphosoft and Activate are bound by the terms and conditions of the Non-Disclosure agreement concluded between them.

The subsidiaries of Inphosoft provide intellectual property indemnity to Activate and its customers in event of any suit or proceeding brought against Activate and its customers due to the violation of intellectual property rights by the Inphosoft subsidiaries. All rights, title and interest to any copyrights and other intellectual property rights produced by the subsidiaries solely in the course of services provided to Activate are the sole and exclusive properties of Activate, once paid for in full. Activate has the right to assign to its customers any and all such intellectual property rights, without limitation.

The subcontractor fee charged by ISPL is about 20% margin on staff costs. Gross margin of IMSB and PTIN from work performed for Activate is higher because the billings to Activate is in SGD and a higher margin is built in to cater for currency risk as revenue is charged in SGD. The margin is even higher now that SGD has strengthened against MYR and IDR in the current period. Gross margin of IMSB and PTIN are higher also because the cost of resources in Singapore is a lot more expensive than in Malaysia and Indonesia. During the arms-length negotiation in April 2016, Activate was willing to pay IMSB and PTI the rates quoted as they are still a lot cheaper than paying for similar resources in Singapore.

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

8. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CHANGES) AND BASIS OF PRESENTATION AND ADOPTION OF IFRS

The significant accounting policies used in the preparation of the Corporation's audited consolidated financial statements are described in Note 4 of the audited consolidated financial statements for the twelve-month financial year ended December 31, 2016. There have been no changes to our accounting-policies since December 31, 2016.

9. FINANCIAL INSTRUMENTS

Financial instruments of the Corporation consist of cash, account receivables, accounts payable, accrued liabilities, interest-free advance from a related party, interest-bearing loans of related parties and a promissory note payable. GINSMS limits exposure to credit loss by placing its cash with high credit quality financial institutions.

The carrying amounts of cash, accounts receivable and other accounts payable, accrued liabilities, interest-free advance from a related party and interest-bearing loans of related parties approximate their values due to the short-term nature of these instruments. The functional currency of Global Edge Technology Limited and GIN is the HKD. In the case of Inphosoft group, the functional currency is principally that of the SGD but also the IDR and the MYR. In accordance with Canadian GAAP, the consolidated financial statements of the Corporation, which are prepared using the functional currencies, have been translated into Canadian dollars. Assets and liabilities are translated at exchange rates applicable at the balance sheet dates; revenues and expenses are translated at the average exchange rates applicable during the period covered by the financial statements; and capital and statutory capital reserves are translated at historical exchange rates.

10. SHAREHOLDERS' EQUITY & DISCLOSURE OF OUTSTANDING SHARE DATA

Share Capital

	December 31, 2016 (Audited) $	**December 31, 2015 (Audited) $**
Share capital	10,484,429	10,484,429
Accumulated other comprehensive income	248,035	187,496
Deficit	(15,395,462)	(13,889,187)
Non-controlling interest	(6,767)	(5,307)
	(4,669,765)	(3,222,569)

Shareholders' equity as at December 31, 2016 is a negative amount of $4,669,765 compared to a negative amount of $3,222,569 as at December 31, 2015. The deterioration in shareholders' equity is due to a large extent to the net loss of $1,507,635 recorded in the twelve months ended December 31, 2016.

Authorized

The authorised share capital of the Corporation consists of an unlimited number of common shares and an unlimited number of preferred shares.

The holders of the common shares are entitled to dividends, if, as and when declared by the Board of Directors, to one vote per share at meetings of the shareholders and, upon dissolution, to share equally in such assets of the Corporation as are distributable to the holders of common shares.

The holders of the preferred shares are entitled to preference over the holders of common shares with respect to the payment of dividends, dissolution or winding-up or any other return of capital or distribution of assets for the purpose of winding up the Corporation's affairs. As at the date thereof, there are no preferred shares issued and outstanding.

The table below summarizes the issued and outstanding shares of the Corporation for the twelve months ended December 31, 2016 versus the nine months ended December 31, 2015.

Issued	December 31, 2016		December 31, 2015	
	Shares	**Amount ($)**	**Shares**	**Amount ($)**
Balance, beginning of period	**142,630,169**	**10,484,429**	**51,537,499**	**1,339,386**
Common shares issued as a result of the conversion of convertible debentures	-	-	91,092,670	9,109,267
Transfer from equity component of convertible debentures	-	-	-	35,776
Balance, end of period	**142,630,169**	**10,484,429**	**142,630,169**	**10,484,429**

Information on the Corporation's capital, including the numbers of common shares issued and outstanding is contained in the Corporation's audited consolidated financial statements which are available at www.sedar.com.

During fiscal year 2010, the Corporation completed its IPO by issuing 11,337,500 units at $0.15 per unit with each unit consisting of one common share and one-half of one common share purchase warrant. During the three month period ended December 31, 2011, 5,668,750 share purchase warrants exercisable into common shares at a price of $0.20 per share and 907,000 broker warrants exercisable into common shares at a price of $0.15 per share expired unexercised.

During fiscal year 2010, 233,333 shares were issued to directors and officers for gross proceeds of $35,000.

In 2012, 200,000 were issued to the Sponsor of GINSMS as part of its compensation in connection with the acquisition of Inphosoft.

On April 5, 2013, the Corporation closed a private placement by issuing 8,000,000 common shares at a price of $0.05 per share for total gross proceeds of $400,000.

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 respectively (See below Section 10 – *Conversion of Convertible Debentures of the Corporation into Common Shares*).

Stock-based compensation plan

On May 13, 2009, the Corporation 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 TSXV 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. The Board of Directors of the Corporation has discretion to determine vesting conditions affecting the stock options.

Options granted to consultants performing investor relations activities will contain vesting provisions such that vesting occurs over at least twelve months with no more than ¼ 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 optionee ceases to be a director, officer, or technical consultant of the Corporation for any reason other than death, the optionee 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.

On July 25, 2011, the Corporation granted 1,375,000 options at $0.10 per share to directors and officers of the Corporation exercisable for a period of 10 years. The fair value is recognized as share-based compensation over the related vesting period of the options which is one half on each of the first two anniversary date of the options. On January 5, 2012, the Corporation passed a resolution making all 1,375,000 outstanding directors and officers options immediately vested and exercisable. All other terms of the options remained unchanged from the original grant.

	Exercise Price	Number of options	Reserve Balance
	$		$
Balance, March 31, 2012 and 2013			
Issued to directors and officers	0.10	1,375,000	429,431
Cancellation of options		(575,000)	
			-
Balance, March 31, 2014		800,000	429,431
Adjustment of fair value of options		-	(297,436)
Balance, March 31, 2015		800,000	131,995
Cancellation of options – Jonathan Lai		(500,000)	(82,497)
Cancellation of options – Non-executive directors		(300,000)	(49,498)
Balance, December 31, 2015 and December 31, 2016		-	-

During the three months ended June 30, 2013, 500,000 stock options of a director and officer were cancelled in exchange for the payment of $5,000 which has been expensed and included with professional fees for the period ended. Another 75,000 stock options were cancelled due to the resignation of the director to whom those options had been granted.

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 the 300,000 stock options of the Corporation granted to its two non-executive directors.

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

Transfer of 20% shareholding of the Corporation to One Heart International Limited

On March 28, 2014, the then Corporation's Chairman of the Board of Directors, Mr. Jonathan Lai, through a company called Panaco Limited, and another company in which Mr. Lai held a five percent ownership interest, Royal Link Investment Limited ("Royal Link"), entered into a Share Purchase Agreement with One Heart International Limited ("One Heart") to sell 10,307,500 common shares of the Corporation representing 20% of all of the issued and outstanding common shares of the Corporation.

One Heart is controlled by Mr. Yih Hann Lian, the co-founder and a former Chairman and director of Inphosoft, a wholly owned subsidiary of the Corporation. He is also the Chairman and Chief Executive Officer of Xinhua Holdings Limited. One Heart has paid an aggregate purchase price of $1,546,125 or $0.15 per Common Share in consideration for the sale of the Common Shares. The purchase price is payable by way of two promissory notes. Each note was due and became payable three months from its issuance and bore an interest of 18% per annum. The transfer of the Common Shares to One Heart was approved by both the TSXV and the Corporation's shareholders. The transaction closed on December 19, 2014.

Transfer of 54.57% shareholding of the Corporation to Xinhua Mobile Limited

On January 15, 2015, the Corporation was informed that Mr. Lai, Panaco and One Heart had entered into Share Purchase Agreements with Xinhua Mobile to sell an aggregate of 28,123,320 common shares of the Corporation representing 54.57% of all of the issued and outstanding common shares of the Corporation (collectively, the "Common Shares").

Xinhua Mobile is a 100% owned subsidiary of Xinhua Holdings Limited ("Xinhua Holdings"), together with its subsidiaries ("Xinhua Group"). Xinhua Group is a multi-disciplinary group headquartered in Hong Kong and doing businesses in China and the rest of Asia, including Japan. Xinhua Holdings' securities are listed on the Tokyo Stock Exchange's ("TSE") Second Section (9399).

Xinhua Mobile paid an aggregate purchase price of $6,235,537 or $0.35 per Common Share in consideration for the sale of 17,815,820 Common Share from Mr. Lai and Panaco. The purchase price was payable by way of two promissory notes and the transfer to Royal Link of all of the equity interest in a Peoples Republic of China subsidiary of the Xinhua Group. Each note was due and payable three months from its issuance and will bear an interest of 18% per annum compounded on a daily basis. In addition, Xinhua Mobile paid an aggregate purchase price of $1,546,125 or $0.15 per Common Share in consideration for the sale of 10,307,500 Common Share from One Heart. The purchase price was paid by way of a promissory note. The note was due and payable six months from its issuance and had an interest of 9% per annum compounded on a daily basis.

On January 15, 2015, One Heart granted an option ("Option") to Xinhua Mobile to purchase convertible debentures of the Corporation with a principal amount of $6,255,484 (collectively the "Convertible Debentures"). 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 a total consideration of $6,255,484. The purchase price was by way of a promissory note. The note was due and payable 6 months from its issuance and had an interest of 18% per annum compounded on a daily basis. On April 13, 2015, the transfer of the Common Shares and the Convertible Debentures to Xinhua Mobile was approved by the TSXV and by the shareholders of the Corporation. The transaction was completed on September 8, 2015.

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

Conversion of Convertible Debentures of the Corporation into Common Shares

On June 3, 2015, during the Corporation's Annual and Special Meeting of Shareholders, the shareholders of the Corporation adopted a resolution amending the terms of the Corporation's convertible debentures to remove the conversion restriction affecting such convertible debentures and preventing a holder thereof from converting the convertible debentures in certain specific situations. Consequently, holders of the Corporation's convertible debentures had a right to convert all of their convertible debentures into shares at any time before the convertible debentures expiry date.

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 respectively. 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, now 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.

11. SEGMENTED INFORMATION

a) Revenue by customers

	Three-month period ended December, 2016 (Unaudited)		Three-month period ended December 31, 2015 (Unaudited)	
	$	% of total revenue	$	% of total revenue
Customer A	194,246	11.7	581,392	39.1
Next five top customers				
Customer B	492,650	29.6	201,239	13.5
Customer C	151,557	9.1	263,631	17.7
Customer D	148,477	8.9	118,634	8.0
Customer E	80,305	4.8	78,099	5.3
Customer F	387,596	23.3	-	-
All other customers	210,180	12.6	243,856	16.4
Total	1,665,011	100.0	1,486,851	100.0

	Twelve-month period ended December 31, 2016 (Audited)		Nine-month period ended December 31, 2015 (Audited)	
	$	% of total revenue	$	% of total revenue
Customer A	1,939,640	29.9	1,541,256	39.6
Next five top customers				
Customer B	1,395,637	21.5	543,441	14.0
Customer C	1,234,139	19.0	713,375	18.3
Customer D	408,837	6.3	390,340	10.0
Customer E	398,248	6.1	270,061	6.9
Customer F	387,597	6.0	-	-
All other customers	715,087	11.2	430,217	11.2
Total	6,479,185	100.0	3,888,690	100.0

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

	Three-month period ended December 31, 2016 (Unaudited)		Three-month period ended December 31, 2015 (Unaudited)	
	$	% of total revenue	$	% of total revenue
Singapore	867,383	52.1	858,084	57.7
United Arab Emirates	151,557	9.1	263,631	17.7
Other Asia countries	90,837	5.5	84,385	5.7
Europe	58,050	3.5	59,506	4.0
United States	492,722	29.6	203,452	13.7
Other regions	4,462	0.2	17,793	1.2
Total	1,665,011	100.0	1,486,851	100.0

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

	Twelve-month period ended December 31, 2016 (Audited)		Nine-month period ended December 31, 2015 (Audited)	
	$	% of total revenue	$	% of total revenue
Singapore	3,228,246	49.8	2,283,942	58.8
United Arab Emirates	1,234,139	19.0	713,375	18.3
Other Asia countries	332,934	5.1	166,539	4.3
Europe	259,479	4.0	123,137	3.2
United States	1,397,145	21.6	552,740	14.2
Other regions	27,242	0.5	48,957	1.2
Total	6,479,185	100.0	3,888,690	100.0

c) Total assets by geographical location

	As at December 31, 2016 (Audited)		As at December 31, 2015 (Audited & Restated)	
	$	% of total assets	$	% of total assets
Singapore	2,054,528	78.2	1,918,993	73.4
United Arab Emirates	10,494	0.4	31,636	1.2
Other Asia countries	408,701	15.6	549,122	21.0
Europe	12,255	0.5	34,066	1.3
United States	109,930	4.2	39,116	1.5
Other regions	31,182	1.1	41,496	1.6
Total	2,627,090	100.0	2,614,429	100.0

d) Financial information by business segments

	Messaging	Software products and services	Unallocated	Total
	$	$	$	$
Twelve-months period ended December 31, 2016 (Audited)				
Revenue	5,459,386	1,019,799	-	6,479,185
Intersegment revenue	-	348,241	-	348,241
Amortization and depreciation	14	163,478	20	163,512
Interest income	3	47	-	50
Interest and finance expenses	440,771	359,656	96,350	896,777
Income tax expense	-	120	-	120
Segment profits / (losses)	177,405	(1,309,326)	(375,714)	(1,507,635)
Additions to segment non-current assets	-	32,532	-	32,532
At December 31, 2016 (Audited)				
Segment assets	1,668,101	932,918	26,071	2,627,090
Segment liabilities	(4,417,575)	(1,923,647)	(955,633)	(7,296,855)

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

	Messaging	Software products and services	Unallocated	Total
	$	$	$	$
Nine-month period ended December 31, 2015 (Audited)				
Revenue	3,069,374	819,316	-	3,888,690
Intersegment revenue	-	115,828	-	115,828
Amortization and depreciation	375	123,380	89	123,844
Interest income	4	30	-	34
Interest and finance expenses	259,971	211,034	818,364	1,289,369
Income tax expenses	-	95,981	-	95,981
Segment losses	(45,159)	(1,082,895)	(1,304,128)	(2,432,182)
Additions to segment non-current assets	-	66,664	-	66,664
At December 31, 2015 (Audited)				
Segment assets	1,360,033	1,220,699	33,697	2,614,429
Segment liabilities	(3,467,382)	(1,769,000)	(600,616)	(5,836,998)

12. OTHER MD&A REQUIREMENTS

Financial Outlook

The Company announced its financial forecasts for the twelve months ending December 31, 2016 on November 11, 2015 and provided an update on May 12, 2016. The table below shows an analysis of the difference between the actual and forecasted financial highlights for the three months ended December 31, 2016:

Financial Highlights	Actual	Forecasted	Variance	Variance %
($)	Oct - Dec 2016	Oct - Dec 2016	Oct - Dec 2016	Oct - Dec 2016
Revenues $				
A2P Messaging Service	1,359,032	1,717,194	(358,162)	(20.9)%
Software Product & Services	305,979	263,345	42,634	16.2%
	1,665,011	1,980,539	(315,528)	(15.9)%
Cost of sales $				
A2P Messaging Service	1,214,421	1,511,131	(296,710)	(19.6)%
Software Product & Services	199,455	207,601	(8,146)	(3.9)%
	1,413,876	1,718,732	(304,856)	(17.7)%
Gross profit (loss) $				
A2P Messaging Service	144,611	206,063	(61,452)	(29.8)%
Software Product & Services	106,524	55,744	50,780	91.1%
	251,135	261,807	(10,672)	(4.1)%
Gross margin %				
A2P Messaging Service	10.6%	12.0%	(1.4)%	(11.3)%
Software Product & Services	34.8%	21.2%	13.6%	64.5%
	15.1%	13.2%	1.9%	14.1%
Selling, general and administrative expenses	(351,498)	(376,055)	24,557	(6.5)%
Operating loss	(100,363)	(114,248)	13,885	(12.2)%
Non-operating income	13	100	(87)	(87.0)%
Non-operating expenses	(328,822)	(427,893)	99,071	(23.2)%
Ordinary loss	(429,172)	(542,041)	112,869	(20.8)%
Extraordinary gains	-	-	-	-
Extraordinary losses	-	-	-	-
Loss before tax and non-controlling interest	(429,172)	(542,041)	112,869	(20.8)%
Income taxes	(811)	-	(811)	-
Non-controlling interest	175	-	175	-
Net loss attributable to shareholders	(429,808)	(542,041)	112,233	(20.7)%
Adjusted EBITDA	(150,958)	(57,378)	(93,580)	163.1%

(1) Adjusted EBITDA is a non-GAAP measure related to cash earnings and is defined for these purposes as earnings before income taxes, depreciation & amortization (in both cost of sales and general and administration expenses), interest expenses and also excludes certain non-recurring or non-cash expenditure.
(2) Non-operating income included interest income and other non-operating income. Non-operating expenses included loss on foreign exchange and interest expense.

For the three months ended December 31, 2016,

- Revenue for A2P Messaging Service was $358,162 lower than forecasted primarily because of lower than expected number of messages delivered to North Asia.
- Gross margin of 34.8% for Software Products and Services was higher than forecasted due to more projects from Activate and a key customer. Gross margin of 10.6% for A2P Messaging Service was lower than forecasted due to lower margin for revenue generated from messages delivered to North Asia for the quarter. The decline in number of messages delivered to North Asia resulted in lower discount given by mobile operators and gateway providers in North Asia.
- Selling, general and administrative expenses were $24,557 lower than forecasted mainly due to the fact that fewer sales staff was hired than forecasted.
- Non-operating expenses was $99,071 lower than forecasted partially because a related party provided additional interest-free advance to the Company instead of interest-bearing loans as forecasted in the quarter ended December 31, 2016.
- Net loss attributable to shareholders was $429,808, $112,233 less than forecasted due to higher gross margin for Software Products and Services and lower in expenses.

The table below shows an analysis of the difference between the actual and forecasted financial highlights for the twelve months ended December 31, 2016:

Financial Highlights	Actual	Forecasted	Variance	Variance %
($)	Jan - Dec 2016	Jan - Dec 2016	Jan - Dec 2016	Jan - Dec 2016
Revenue $				
A2P Messaging Service	5,459,386	5,987,600	(528,214)	(8.8)%
Software Product & Services	1,019,799	1,053,380	(33,581)	(3.2)%
	6,479,185	7,040,980	(561,795)	(8.0)%
Cost of sales $				
A2P Messaging Service	4,695,023	5,366,062	(671,039)	(12.5)%
Software Product & Services	740,373	815,075	(74,702)	(9.2)%
	5,435,396	6,181,137	(745,741)	(12.1)%
Gross profit (loss) $				
A2P Messaging Service	764,363	621,538	142,825	23.0%
Software Product & Services	279,426	238,305	41,121	17.3%
	1,043,789	859,843	183,946	21.4%

Financial Highlights	Actual	Forecasted	Variance	Variance %
($)	Jan - Dec 2016	Jan - Dec 2016	Jan - Dec 2016	Jan - Dec 2016
Gross margin %				
A2P Messaging Service	14.0%	10.4%	3.6%	34.9%
Software Product & Services	27.4%	22.6%	4.8%	21.1%
	16.1%	12.2%	3.9%	31.9%
Selling, general and administrative expenses	(1,558,674)	(1,616,281)	57,607	(3.6)%
Operating loss	(514,885)	(756,438)	241,553	(31.9)%
Non-operating income	51	400	(349)	(87.3)%
Non-operating expenses	(992,681)	(1,371,759)	379,078	(27.6)%
Ordinary loss	(1,507,515)	(2,127,797)	620,282	(29.2)%
Extraordinary gains	-	-	-	-
Extraordinary losses	-	-	-	-
Loss before tax and non-controlling interest	(1,507,515)	(2,127,797)	620,282	(29.2)%
Income tax	(120)	-	(120)	-
Non-controlling interest	1,360	-	1,360	-
Net loss attributable to shareholders	(1,506,275)	(2,127,797)	621,522	(29.2)%
Adjusted EBITDA	(455,475)	(544,288)	88,813	(16.3)%

For the twelve months ended December 31, 2016,

- Revenue for A2P Messaging Service was $528,214 lower than forecasted primarily because of significantly lower than expected number of messages delivered to North Asia in third and fourth quarters.
- Gross margin of 27.4% for Software Products and Services was higher than forecasted due to more projects from Activate and a key customer. Gross margin of 14.0% for A2P Messaging Service was higher than forecasted despite lower revenue earned due to higher margin for revenue generated from messages delivered to North Asia for the first three quarters. Also, the actual cost of advertising for the full year was lower than forecasted. Lower discount given by mobile operators and gateway providers in fourth quarter did not affect the full year gross margin.
- Selling, general and administrative expenses were $57,607 lower than forecasted mainly due mainly due to the fact that fewer sales staff was hired than forecasted.
- Non-operating expenses was $379,078 lower than forecasted partially because a related party provided additional interest-free advance to the Company instead of interest-bearing loans as forecasted in the year ended December 31, 2016.

Net loss attributable to shareholders was $1,506,275, $621,522 less than forecasted due to higher gross margin for both Software Products and Services and A2P Messaging Services and lower in expenses.

Risks and Uncertainties

Through its operations, the Corporation is exposed to various business risks and uncertainties which could have an impact on its capacity to achieve its growth objectives. Consequently, the following factors should be taken into account when evaluating the Company's future prospects:

Dependence on Required Licenses

The A2P messaging business in Hong Kong is a highly regulated business activity and requires licenses from the Hong Kong Telecommunications Authority ("TA"), without which GIN would be unable to operate. GIN is subject to the rules and regulations of the TA, which regulates the telecom industry in Hong Kong, and the Hong Kong Office of Communications Authority ("HOCA"), which assists the TA in enforcing and administering the *Telecommunications Ordinance*. The TA's authority includes regulating and licensing telecom facilities and managing the radio frequency spectrum. If the TA determines that GIN has violated Hong Kong's telecom laws or regulations or the conditions of its licenses, the TA may suspend or cancel GIN's licenses or take other action detrimental to GIN. GIN is also subject to various other rules, laws and ordinances applicable to companies operating in Hong Kong, including, for example, laws relating to obscenity and privacy. If GIN is found to be in violation of these laws, it may face judgments or consequences detrimental to its business. In addition, the Public Non-exclusive Telecommunications Service (PNETS) licence granted by HOCA to GIN is normally valid for one year, subject to renewal at the discretion of HOCA and compliance of all terms and conditions of the licenses. In the event that HOCA refuses to renew any of the existing licenses of GIN, GIN's ability to offer its services will be adversely affected. The Chief Executive in council of the HOCA may also cancel or suspend licenses if it considers that it is in the public's interest to do so. Moreover, if the TA changes its existing regulations or policies such as those governing interconnection or competition, including the requirement on GIN to obtain separate or further licenses for its existing operations or services, or to obtain licenses in respect of its future operations or services based on new communication technologies, the Corporation's results of operations, financial condition, business and prospects could be adversely affected. GIN may also incur extra costs in order to comply with technical specifications or other conditions resulting from any enacted or proposed changes in the applicable laws and regulations. As a result, the Corporation's financial condition, results of operations and/or prospects may be adversely affected. The business of the Corporation's customers is also subject to regulations. As a result, such regulations could indirectly affect the Corporation's business. As communications technologies and the telecom industry continue to evolve, the regulations governing the telecom industry may change. If this were to occur, the demand for the Corporation's services could change in ways that GIN cannot easily predict and may result in a decline in the Corporation's revenue.

Dependence on Major Customers

The Corporation depends on major customers for a significant portion of its business and the loss of any of such customers could materially and adversely affect the Corporation, and hence the Corporation's business and financial position. A significant portion of the Corporation's revenue has been and is expected to continue to be, derived from a limited number of customers. Most of these customers are major operators of telecom services in the Asia Pacific region. There can be no assurance that its major customers will continue to use its services. In the event that any of these customers cease to use the services of the Corporation and the Corporation fails to replace such customer(s), the Corporation's business and financial position may be materially and adversely affected.

System Failures, Delays and Other Problems

System failures, delays and other problems could harm the Corporation's reputation and business, cause it to lose customers and expose GINSMS to customer liability. GIN's system architecture is contingent on its ability to process a high volume of transactions in a timely and effective manner. GIN may experience failures or interruptions of its systems and services, or other problems in connection with its operations as a result of, amongst others things:

- damage to or failure of its computer software or hardware or its infrastructure and connections;
- data processing errors by its systems;
- computer viruses or software defects;
- physical or electronic break-ins, sabotage, intentional acts of vandalism and similar events; and
- failure of GIN to adapt to rapid technological changes in the telecom industry.

If GIN cannot adequately ensure that its network services perform consistently at a high level or otherwise fails to meet its customers' expectations:

- it may experience damage to its reputation, which may adversely affect its ability to attract or retain customers for its existing services, and may also make it more difficult for GIN to market its existing or future services;
- it may suffer significant damage or expose itself to customer liability claims, under its contracts or otherwise, including the requirement to pay penalties relating to service level requirements in its contracts;
- its operating expenses or capital expenditures may increase as a result of corrective actions that GIN must perform;

- GIN's customers may reduce their use of GIN's services; or
- one or more of its significant contracts may be terminated early, or may not be renewed.

These or other consequences would adversely affect the Corporation's revenue and performance.

Security and Privacy Breaches

Security or privacy breaches may result in an interruption of service or a reduced quality of service, which could increase GIN's costs or result in a reduction in the use of GIN's services by its customers. GIN's systems may be vulnerable to physical break-ins, computer viruses, attacks by computer hackers or similar disruptive problems. If unauthorized users gain access to GIN's databases, they may be able to steal, publish, delete or modify sensitive information that is stored or transmitted on GIN's networks and which GIN is required by its contracts to keep confidential. A security or privacy breach could result in an interruption of service or a reduced quality of service. Confidential information internal to GIN may also be disclosed to unauthorized personnel who may use such information in a manner adverse to the interests of GIN. Hackers may attempt to "flood" the network, thereby preventing legitimate network traffic or to disrupt the connection between two machines, thereby preventing access to a service or preventing a particular individual from accessing a service. The Corporation may therefore be required to make significant expenditures in connection with corresponding corrective or preventive measures. In addition, a security or privacy breach may harm GIN's reputation and cause its customers to reduce their use of GIN's services, which could harm the Corporation's revenue and business prospects. In addition, GIN's revenue may be adversely affected by un-captured usage, in the event that GIN's system is "hacked" into, resulting in transmissions that may not be detected by its billing system. Further, the increase in traffic as a result of such unauthorized "hacking" may slow or overload GIN's transmission network, thereby adversely affecting the overall quality of services which GIN provides to its paying customers. GIN's exposure to telecom security concerns is heightened as Hong Kong and Chinese laws relating to liability under such circumstances are relatively new. In addition, GIN does not carry "errors and omissions" or other insurance covering losses or liabilities caused by computer viruses or security breaches, which under such circumstances could mitigate damages that GIN may suffer. If GIN incurs any such losses or liabilities, the Corporation's operating results, financial condition, business and prospects may be adversely affected.

Adequacy of Network Resilience, Network Diversity and Backup Systems

Inadequate network resilience, network diversity and backup systems may result in service disruptions. Any failure of GIN's backup systems or any insufficiency in GIN's redundancy capacity may disrupt GIN's operations. GIN regularly reviews its network and assesses its vulnerability to such outside factors. However, there can be no assurance that GIN's existing alternative routes and cable diversity will provide adequate backup for all types of service interruptions that may occur. Moreover, even with these contingency measures, service disruptions could last for a considerable period of time before complete service can be restored. This may cause customers to reduce their use of GIN's services, which could harm the Corporation's revenue and business prospects.

Loss of Significant Information

Loss of significant information may adversely affect the Corporation's business. In cases of a failure of GIN's data storage system, GIN may lose critical network or billing data, source code, proprietary production system designs or important email correspondence with its customers and suppliers.

Failure to Develop, Enhance or Introduce New Value-Added Services ("VAS")

If the Corporation fails to develop or introduce on a timely basis new VAS, its business will suffer. Rapid change in technology, short product life cycles, changes in customer requirements and evolving industry standards characterize the markets for the Corporation's products. The success of the Corporation depends on the Corporation's ability to timely develop and introduce innovative new VAS that gain market acceptance. The Corporation may not be successful in forecasting future customer requirements or in selecting, developing and marketing new products or enhancing the Corporation's existing products on a timely or cost-effective basis. Moreover, the Corporation may encounter technical problems in connection with its product development that could result in delayed introduction or its inability to introduce new products or product enhancements. Such cancellations or delays could result in a decrease in sales or a loss of customers, or both. The Corporation may also focus on technologies that do not function as expected or are not widely adopted. In addition, products or technologies developed by others may render the Corporation's products non-competitive or obsolete and result in a significant reduction in traffic volume from the Corporation's customers and the loss of existing and prospective customers.

Competition

The market for communications services is extremely competitive and rapidly changing. The Corporation faces competition from other providers of connectivity and value-added services, some of which are larger and may be better funded than the Corporation. A number of the Corporation's current and potential competitors may have greater name recognition and/or more extensive customer bases than GIN. Increasing competition could result in reduced revenue, reduced sales margins and loss of market share, any one of which could harm the business of the Corporation.

Dependence on Third-Party Software and Equipment

The failure of third-party software and equipment that GIN uses in its systems may cause interruptions or failures of its systems. In addition to the use of the internet and certain telecom networks maintained by broker carriers and other third parties for the transmission of data traffic, GIN also incorporates hardware, software and equipment developed by third parties into its systems. As a result, GIN's ability to provide interoperability services depends in part on the continued performance and support of these third-party products. If these products experience failures or contain defects, and the third parties supplying these products fail to provide adequate remedial support, this may result in the interruption or unsatisfactory performance of GIN's systems or services.

Market Acceptance at Desired Pricing Levels

The Corporation's failure to achieve or sustain market acceptance at desired pricing levels may impact its ability to maintain profitability or positive cash flow. The Corporation's competitors and customers may cause the Corporation to reduce the prices it charges for its services which in turn could adversely affect the Corporation's profitability and cash flow. The primary sources of pricing pressure include:

- competitors offering competing services at reduced prices, or bundling and pricing services in a manner which makes it difficult for the Corporation to compete; and
- customers with a significant volume of transactions may have enhanced leverage in pricing negotiations with the Corporation;

GINSMS may not be able to offset the effects of all or any price reductions.

Key Members of the Management Team

The loss of any key members of the management team may impair the Corporation's ability to identify and secure new contracts with customers or otherwise manage its business effectively. The Corporation's success depends, in part, on the continued contributions of its senior management. Most of them are well experienced in the telecom industry and have in depth knowledge of various aspects of the development of a telecom business.

Credit Risk of Accounts Receivable

The Corporation is subject to credit risk in respect of its accounts receivable. GINSMS provides credit periods to its customers, which are calculated from the dates the invoices are issued by GINSMS to the dates of payment by the customers. Although GINSMS implements credit control policies and measures, GINSMS cannot assure that these measures are adequate in protecting GINSMS against material credit risks. GINSMS may provide services to customers who do not provide sufficient deposits, advance payments or bank guarantees for GINSMS' services. Moreover, should GINSMS' customers be unable to pay in full for any reason, the Corporation's profit and cash flow will be adversely affected. Any delay in the payment by customers may also adversely affect the Corporation's operations and financial position. The Corporation may have to sustain legal costs in pursuing unsettled invoices, a process which is time-consuming and may be affected by a variety of factors including any counterclaim from such non-paying customers. Even if the Corporation obtains favourable judgments, enforcement of such judgments may take time and may not always be successful.

Conflicts of Interest

Certain directors and officers of the Corporation are also directors, officers, or shareholders of other companies that may operate in the same sectors as the Corporation. Such associations may give rise to conflicts of interest from time to time. The directors of the Corporation are required by law to act honestly and in good faith with a view to the best interests of the Corporation and to disclose any interest which they may have in any project or opportunity of the Corporation. If a conflict of interest arises at a meeting of the board of directors, any director in a conflict is required under the *Canada Business Corporations Act* to disclose his interest and to abstain from voting on such matter.

Inability to Satisfy Customer Demand for Performance, Price or Terms

The market in which Inphosoft operates is highly competitive, and Inphosoft expects that the level of competition on pricing and product offering will continue to be intense. Additionally, certain emerging markets, such as countries in the Middle-East, Africa, South America and Southeast Asia, are particularly sensitive to pricing as a key differentiator. Where price is a primary decision driver, Inphosoft may not be able to effectively compete or it may chose not to compete due to unacceptable margins. If Inphosoft is not able or chooses not to compete against its current and future competitors, its current and potential customers may choose to purchase similar products offered by Inphosoft's competitors, which would negatively affect its revenues or profitability, or both. The markets for Inphosoft's products are subject to rapid technological changes, evolving industry standards and regulatory developments, and its operating results depend to a significant extent on its ability to adapt to these changes. Inphosoft competes principally on the basis of: (i) product performance and functionality; (ii) product quality and reliability; (iii) customer service and support; and (iv) price. Many of Inphosoft competitors have substantially broader product portfolios and financial and technological resources, product development, marketing, distribution and support capabilities, name recognition and established relationships with telecommunications service providers than it has. Certain competitors of Inphosoft may price their products at unsustainably low levels in an effort to acquire market share or delay or avoid business failures. Inphosoft may not be able to compete effectively against existing or future competitors or to maintain or capture meaningful market share, and Inphosoft's business could be harmed if its competitors' products and services provide higher performance, offer additional features and functionality or are more reliable or less expensive than its products. Increased competition could force Inphosoft to lower its prices or take other actions to differentiate its products, which could adversely affect its business.

International Risks

GINSMS's international operations is significant and it intends to continue to expand these international operations, particularly in Asia. Foreign operations face additional specific local risks, which may adversely affect GINSMS, including but not limited to, change in legal and regulatory requirements and less favourable intellectual property laws, change in local tax rates and other potentially adverse tax consequences (including the cost of repatriation of earnings), collectability of accounts in foreign jurisdictions, and burdens of complying with a wide variety of foreign laws, including changing import and export regulations.