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, 2015, the Corporation's consolidated financial statements as at and for the three and nine months ended September 30, 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 November 11, 2016. 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:

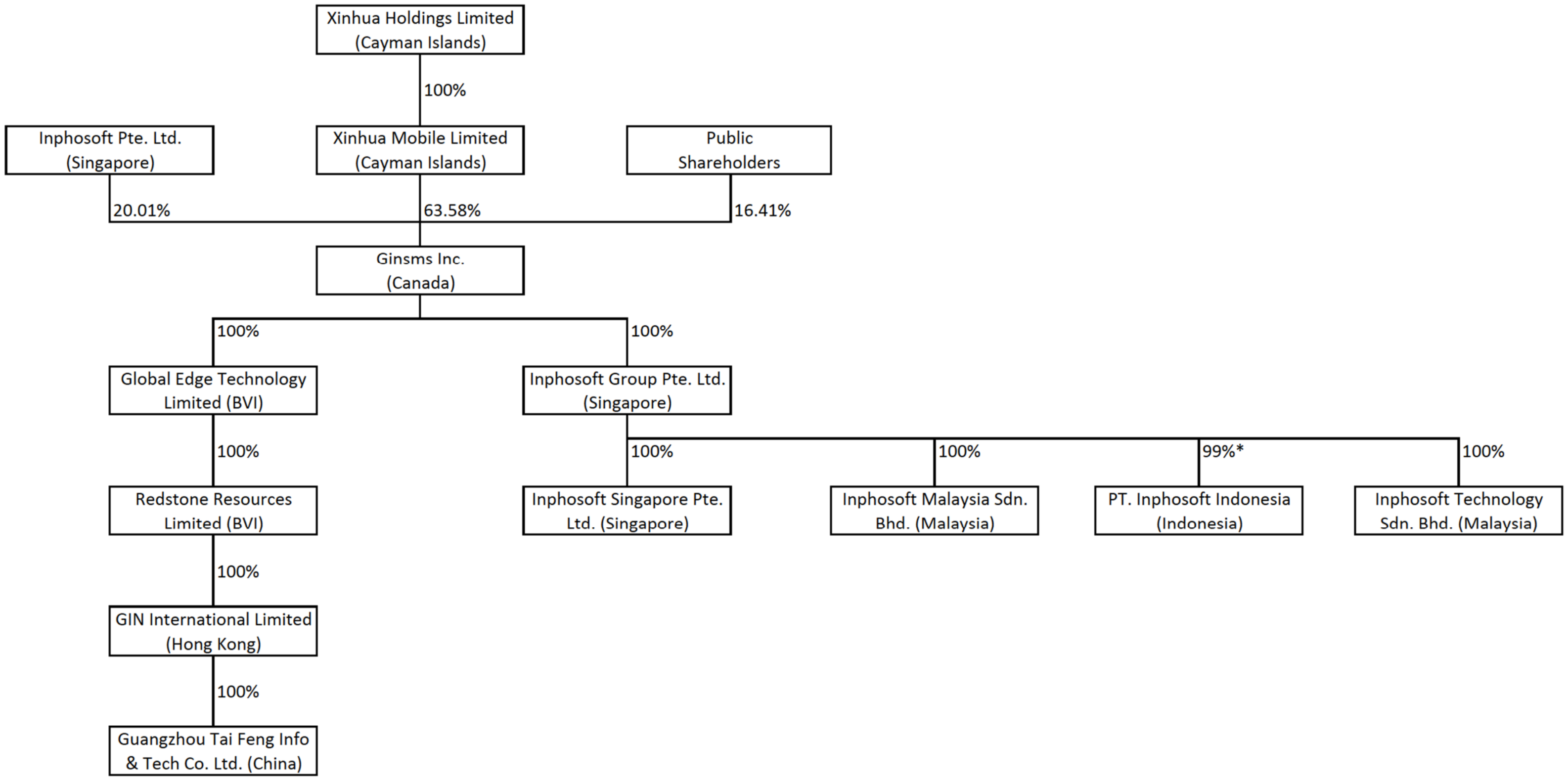
- Management's belief that the availability of 3G/4G services in China and the rest of the world will continue to create demand for the Corporation's software products and services.
- Management's belief that the future growth in messaging is in the area of application-to-person ("A2P") messaging and 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").

Juniper Research (*http://www.transparencymarketresearch.com/pressrelease/a2p-sms-market.htm*) predicts that in 2016, revenue from A2P messaging will overtake that of P2P messaging as the mobile messaging ecosystem shifts from communication between individuals to sending and receiving service-enabling messages.

For the three and nine months ended September 30, 2016, GIN generated revenue of $1,211,177 and $4,100,354 for its A2P messaging service as compared to $1,066,242 and $2,501,886 for the three and nine months ended September 30, 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 September 30, 2016, GIN has spent about $300,000 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.

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 would be mainly 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 is 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.

   The cost of sales incurred would be mainly the salary of the 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 would be mainly the salary of the employees working on these projects.

The main research and development focus of ISPL is 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 would be mainly the salary of the 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 Interactive Pte Ltd ("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 near future.

Brief summary Inphosoft's business and operation

Inphosoft's main customers are mobile operators and these customers have been cutting their budget for investments in value-added services. This lower level of investment negatively impacted Inphosoft's business. Inphosoft is also facing increased competition from local and international competitors. As a result, management expects Inphosoft's business to continue to weaken. Inphosoft is taking steps to rein in operation cost as well as diversifying its customer base such that it becomes less dependent on mobile operators.

Consequently, the Corporation wrote off development costs of projects that were no longer capable to generate future economic benefits in the prior year ended March 31, 2015. Management performed a detailed reviewed of its activities and decided which projects to be stopped and wrote off the related development costs. The Corporation had also performed the review of impairment of intangible assets in conjunction with the review of impairment of goodwill in the year ended March 31, 2015. This was because the intangible assets were part of the net assets of Inphosoft Group that were acquired by the Company in 2012.

At the same time, with Inphosoft's expertise in the telecommunications industry, the Company sees an opportunity to venture into the A2P business by leveraging on GIN's license and infrastructure in Hong Kong and the technical competency and existing products of Inphosoft. Therefore, substantial technical resource from Inphosoft's team was channeled to develop the A2P Cloud platform by extending the functionalities of an existing Inphosoft product called Mobile Campaign Manager. The A2P Cloud platform was completed in March 2014 and the A2P business was officially launched on March 27, 2014. ISPL provides research and development and technical support for the A2P Cloud platform and IMSB provides the sales and technical support for the operations of GIN.

ISPL, IMSB and PTIN also managed to conclude 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, the Chief Executive Officer of the Corporation, acquired 85% shareholdings in Activate in July 2015.

Other than supporting the A2P business, 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 only managed to have revenue of $262,164 and $713,820 for the three and nine months ended September 30, 2016 compared to the $264,551 and $710,903 in the three and nine months ended September 30, 2015 respectively.

3. RESULTS OF OPERATIONS FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2016

Selected Profit and Loss Information

Financial Highlights	Three-month period ended September 30, 2016 (Unaudited)	Three-month period ended September 30, 2015 (Unaudited)	Nine-month period ended September 30, 2016 (Unaudited)	Nine-month period ended September 30, 2015 (Unaudited)
Revenue $				
A2P Messaging Service	1,211,177	1,066,242	4,100,354	2,501,886
IOSMS Messaging Service	-	-	-	12,598
Software Products & Services	262,164	264,551	713,820	710,903
	1,473,341	1,330,793	4,814,174	3,225,387
Cost of sales $				
A2P Messaging Service	1,003,415	966,867	3,480,602	2,327,110
IOSMS Messaging Service	-	-	-	14,219
Software Products & Services	182,441	201,653	540,918	693,585
	1,185,856	1,168,520	4,021,520	3,034,914
Gross profit $				
A2P Messaging Service	207,762	99,375	619,752	174,776
IOSMS Messaging Service	-	-	-	(1,621)
Software Products & Services	79,723	62,898	172,902	17,318
	287,485	162,273	792,654	190,473
Gross margin %				
A2P Messaging Service	17.2%	9.3%	15.1%	7.0%
IOSMS Messaging Service	-	-	-	(12.9)%
Software Products & Services	30.4%	23.8%	24.2%	2.4%
	19.5%	12.2%	16.5%	5.9%
Adjusted EBITDA[(1)] $	(103,129)	(271,943)	(304,517)	(908,551)
Adjusted EBITDA margin	(7.0)%	(20.4)%	(6.3)%	(28.2)%
Net loss $	(377,237)	(888,217)	(1,077,652)	(6,089,375)
Net loss margin	(25.6)%	(66.7)%	(22.4)%	(188.8)%
Loss per share $				
Basic	(0.003)	(0.015)	(0.008)	(0.113)
Diluted	(0.003)	(0.015)	(0.008)	(0.113)

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 measurepresented 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 nine months ended September 30, 2016, revenue was $1,473,341 and $4,814,174 compared to $1,330,793 and $3,225,387 for the three and nine months ended September 30, 2015 respectively. This is largely due to the increase in revenue in A2P messaging service.

a) Messaging business segment

The A2P messaging service that the Corporation introduced on March 27, 2014 generated revenue of $1,211,177, $1,483,777, $1,405,400, $1,195,023, $1,066,242 and $808,109 for the three-months periods ended 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 decrease in the revenue of the A2P messaging service is primarily contributed by the decrease in the volume of A2P messages delivered to China and Taiwan. Messages delivered to China totaled 40.0 million, representing 53.8% of the total volume for the three months ended September 30, 2016, which significantly decreased by 18.4% from the three months ended June 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 the quarter ended September 30, 2016.

Messages delivered to Taiwan totaled 7.4 million, representing 10.0% of the total volume for the three months ended September 30, 2016, which decreased by 44.6% from the three months ended June 30, 2016. This is primarily due to the substantial decline in contribution from an existing major customer that uses the Company's A2P service to deliver OTP messages to mobile subscribers in Taiwan since the quarter ended June 30, 2016. The customer has lost traffic from its own customers for the quarter ended September 30, 2016.

Messages delivered to Malaysia totaled 13.7 million, representing 18.5% of the total volume for the three months ended September 30, 2016, which increased slightly by 1.7% from the three months ended June 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 12.4 million, representing 16.7% of the total volume for the three months ended September 30, 2016, which decreased by 0.1% from the three months ended June 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 $0.0163 for the three months ended September 30, 2016 compared to $0.0166 for the three months ended June 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 September 30, 2016, the average price per message decreased quarter-on-quarter primarily due to the significant decrease in volume of messages delivered to Taiwan where the price per message charged to customers is substantially higher than the average price per message, hence bringing down 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 50.1% to $109,930 for the three months ended September 30, 2016 and contributed to the increase in revenue of software products and services segment compared to that for the three months ended June 30, 2016.

Revenue in the software products and services segment decreased slightly by 0.9% from $264,551 for the three months ended September 30, 2015 but increased substantially by 34.0% from $195,644 for the three months ended June 30, 2016 to $262,164 for the three months ended September 30, 2016. The increase in revenue of software products and services segment was mainly due to the increase in both the revenue from Activate and other customers (other than Activate) by 50.1% and 24.4% compared to that for the three months ended June 30, 2016 respectively. The Corporation's staff is focusing to get new customers and to attend more training in order to serve the potential new customers. During the preceding quarter that ended June 30, 2016, Inphosoft was invited to send staff to attend the training provided by a major global telecom vendor in anticipation of future projects that might be awarded to Inphosoft. Hence there was lower revenue earned during the quarter ended June 30, 2016. During the current quarter ended September 30, 2016, the Corporation was awarded more projects from Activate and other customers. Moving forward, the Corporation believes that the business conditions 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 September 30, 2016 (Unaudited)	Three-month period ended September 30, 2015 (Unaudited)	Nine-month period ended September 30, 2016 (Unaudited)	Nine-month period ended September 30, 2015 (Unaudited)
Amortization				
- Development expenditures	29,084	29,102	87,091	99,995
Depreciation				
- Property, plant and equipment	10,046	9,324	29,438	27,099
Salaries and wages	124,402	142,701	334,729	339,385
Subcontractor costs	1,009,662	968,162	3,482,042	2,362,933
Software & hardware	9,562	3,215	51,472	16,585
Suspended projects impairments	-	-	-	144,945
Others	3,100	16,016	36,748	43,972
	1,185,856	1,168,520	4,021,520	3,034,914

For the three and nine months ended September 30, 2016, cost of sales was $1,185,856 and $4,021,520 compared to $1,168,520 and $3,034,914 for the three and nine months ended September 30, 2015 respectively.

a) Messaging business segment

The cost of sales for messaging business is mainly the costs charged by the messaging gateways. While the IOSMS messaging business was being phased out, it was not surprising that the gross margin was negative. Even without the revenue generated via IOSMS, the gateway had to be paid in the duration of the contract signed between the subsidiary and the gateway.

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 slight increase of 4.3% in the subcontractor costs in quarter ended September 30, 2016 from the quarter ended September 30, 2015 was lower than the increase of 13.6% in revenue in A2P messaging service in the same quarter and was mainly due to higher discount given by mobile operators and gateway providers when the thresholds volume of messages delivered are met by the Corporation.

The decrease of 19.7% in the subcontractor costs in the quarter ended September 30, 2016 from the preceding quarter ended June 30, 2016 was slightly higher than the decrease of 18.4% in revenue in A2P messaging service in the quarter ended September 30, 2016 from preceding quarter ended June 30, 2016.

b) 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.

Decrease of salaries and wages in costs of sales for the quarter ended September 30, 2016 compared to quarter ended September 30, 2015 is mainly due to decrease in hours of Inphosoft staff required to provide technical and support resources in view of reduced demand from other customers (other than Activate). The staff is focusing to get new customers and to attend more training in order to serve the potential new customers. The staff costs related to sales and training was reflected in operating expenses instead of costs of sales.

There is increase of salaries and wages in costs of sales for the quarter ended September 30, 2016 compared to the preceding quarter ended June 30, 2016. During the preceding quarter ended June 30, 2016, Inphosoft was invited to send staff to attend the training provided by a major global telecom vendor in anticipation of future projects that might be awarded to Inphosoft. The staff costs related to training was significantly higher than other quarter and was reflected in operating expenses instead of costs of sales. During the current quarter ended September 30, 2016, Inphosoft staff devoted more hours to provide technical and support resources in view of new projects awarded by Activate and other customers and the staff costs related to technical and support resources were reflected in costs of sales.

Gross Margin

With the continued increase in revenue in A2P messaging in the quarter ended September 30, 2016 compared to the quarter ended September 30, 2015, the overall gross margin of the Corporation continued to improve to 19.5% in the three months ended September 30, 2016 from 14.2% in the quarter ended June 30, 2016. The improvement is mainly attributed to the significantly higher gross margin of 17.2% and 30.4% earned in the A2P Messaging Service segment and Software Products and Services segment respectively for the three months ended September 30, 2016.

There was increase in gross margin of Software Products and Services in the quarter ended September 30, 2016 compared to the preceding quarter ended June 30, 2016 and the corresponding quarter ended September 30, 2015. Revenue from Activate and other customers 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 55.9% and 28.7% are earned from the business with Activate and other customers for the quarter ended September 30, 2016 as the Corporation was awarded more projects in the current quarter. The low gross margin of 11.0% for the preceding quarter ended June 30, 2016 was due to overrun of project costs of two projects. If the overrun of project costs amounting to $37,360 was excluded, the gross margin of the Software Products and Services segment would be 30.1% for the quarter ended June 30, 2016.

The costs of sales of the Software Products and Services segment for the nine months ended September 30, 2015 included the suspended projects impairments of $144,945. Excluding the amount of suspended projects impairments, the gross margin of the Software Products and Services segment would be 22.8% for the nine months ended September 30, 2015 instead.

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 Company, 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 to 17.2% in the quarter ended September 30, 2016.

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 30.4% for the three months ended September 30, 2016 and is higher than management's long-term expectations of approximately 20% to 25%, due to more staff hours from Indonesia subsidiary involved in new projects awarded by Activate. The gross margin of approximately 50% earned by the Corporation's Indonesia subsidiary for Activate projects is higher than that billed by the Corporation's Singapore subsidiary. 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 September 30, 2016 (Unaudited)	Three-month period ended September 30, 2015 (Unaudited)	Nine-month period ended September 30, 2016 (Unaudited)	Nine-month period ended September 30, 2015 (Unaudited)
Salaries and wages	230,043	165,138	734,732	632,124
Director fees	-	-	-	30,000
Professional fees	85,472	113,103	263,169	282,014
Foreign exchange loss/ (gain)	40,688	109,684	16,504	195,984
Other general & administrative expenses	73,541	84,717	199,295	230,940
Goodwill impairment	-	-	-	2,830,364
Intangible assets impairment	-	-	-	393,375
Development expenditures impairment (expense)	-	-	-	164,456
Depreciation (expense)				
-Property, plant and equipment	3,338	3,290	9,942	9,969
Amortization (expense)				
-Intangible assets-software	-	-	-	39,338
Interest expenses	233,157	157,706	647,355	397,651

Accretion on obligations	-	416,602	-	1,197,539
	666,239	1,050,240	1,870,997	6,403,754

Operating expenses and finance costs amounted to $666,239 for the three months ended September 30, 2016. Operating expenses and finance costs amounted to $1,050,240 for the three months ended September 30, 2015. Included in operating expenses and finance costs for the three months ended September 30, 2015, were accretion costs of $416,602 that were not incurred in the three months ended September 30, 2016.

Operating expenses and finance costs amounted to $1,870,997 for the nine months ended September 30, 2016. Operating expenses and finance costs amounted to $6,403,754 for the nine months ended September 30, 2015. Included in operating expenses and finance costs for the nine months ended September 30, 2015, were non-cash charges to earnings of $3,427,532 and accretion costs of $1,197,539 that were not repeated in the nine months ended September 30, 2016.

These non-cash charges to earnings included $2,830,364, $393,375, $164,456 and $39,338 for the impairment of goodwill, impairment of intangible assets, impairment of development expenditures and amortisation of intangible assets respectively. These non-cash charges were related to software products and services segment. The recoverable amount of goodwill and intangible assets were determined to be below its carrying value at March 31, 2015 and accordingly, the goodwill and the intangible assets were fully impaired during the three months ended March 31, 2015. The Corporation had reviewed the projects on hand and impaired the cost of development expenditure and projects whereby the demand has declined and the projects can no longer generate positive realisable value for the quarter ended March 31, 2015. For the quarter ended September 30, 2016, the Corporation continued to consider the recoverability of development expenditures and noted the on-going software development projects continue to progress in a very satisfactory manner, and customer reaction has reconfirmed the Corporation's previous estimates of anticipated revenues from the projects. Detailed sensitivity analysis has been carried out and the Corporation is confident the carrying amount of the development expenditures will be recovered. Hence there is no impairment of development expenditures in the quarter ended September 30, 2016.

On September 24, 2015, Xinhua Mobile Limited and Inphosoft Pte Ltd., the only 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 quarter ended September 30, 2016 compared to accretion cost of $416,602 for the quarter ended September 30, 2015.

Excluding the accretion charge, the operating and finance costs amounted to $633,638 for the three months ended September 30, 2015, an amount slightly lower than the amount of $666,239 incurred during the three months ended September 30, 2016. Excluding these non-cash charges and accretion charge, the operating and finance costs amounted to $1,778,682 for the nine months ended September 30, 2015, an amount lower than the amount of $1,870,997 incurred during the nine months ended September 30, 2016. The moderate increase in operating expenses and finance costs is mainly due to increment in staff salaries and wages

Finance costs were also affected by the foreign currency exchange gain earned by the Corporation mainly due to the United States Dollar weakened against the Singapore Dollars, Malaysia Ringgit and Indonesia Rupiah during the three and nine months ended September 30, 2016. In addition, there was increase in interest expenses in the three and nine months ended September 30, 2016 due to more loans received by the Corporation from related parties and the rollover effect on the daily compounded interest on the outstanding loans compared to the three and nine months September 30, 2015. To date, the Corporation has not been able to repay any 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 major customers.

Net loss

The net loss for the three and nine months ended September 30, 2016 amounted to $377,237 and $1,077,652 compared to a net loss of $888,217 and $6,089,375 for the three and nine months ended September 30, 2015 respectively.

As mentioned earlier, the higher net loss for the three months ended September 30, 2015 was mainly due to the accretion cost that were not incurred for the three months ended September 30, 2016. The higher net loss for the nine months ended September 30, 2015 was mainly due to non-cash charges to earnings and the accretion cost that were not incurred for the nine months ended September 30, 2016. The non-cash charges to earnings were the impairment of goodwill, impairment of intangible assets, impairment of development expenditures and amortisation of intangible assets.

Excluding the accretion cost, the net loss for the three months ended September 30, 2015 would be $471,615. Excluding the non-cash charges to earnings and accretion cost, the net loss for the nine months ended September 30, 2015 would be $1,464,303.

No accretion costs were accounted for both the three and nine months ended September 30, 2016 compared to $416,602 and $1,197,539 for the three and nine months ended September 30, 2015 respectively. Loan interest expenses totalled $233,157 and $647,355 for the three and nine months ended September 30, 2016 compared to $157,706 and $397,651 for the three and nine months ended September 30, 2015. Foreign exchange loss amounted to $40,688 and $16,504 for the three and nine months ended September 30, 2016 compared to foreign exchange loss of $109,684 and $195,984 for the three and nine months ended September 30, 2015 respectively.

The gross profit of $287,485 and $792,654 for the three and nine months ended September 30, 2016 was a significant improvement from the gross profit of $162,273 and $190,473 for the three and nine months ended September 30, 2015 respectively. With improvement of gross margin and lower operating expenses and finance costs, the net loss of the Corporation improved from $888,217 and $6,089,375 for three and nine months ended September 30, 2015 to $377,237 and $1,077,652 for the three and nine months ended September 30, 2016 respectively.

Selected Balance Sheet Information

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

	September 30, 2016 (Unaudited) $	December 31, 2015 (Audited) $
Current Assets		
Accounts receivable	1,226,382	1,536,894
Other receivables, prepayments and deposits	145,706	136,588
Bank and cash balances	106,047	310,805
	1,478,135	1,984,287
Non-Current Assets		
Property, plant and equipment	43,780	53,156
Development expenditures	502,452	576,986
TOTAL ASSETS	2,024,367	2,614,429
Current Liabilities		
Accounts payable and accrued liabilities	1,388,695	1,844,293
Advance from a related party	730,582	556,370
Promissory note payable	424,000	400,000
Convertible debentures	-	-
Loans from related parties	238,801	-
Current tax liabilities	5,428	89,885
	2,787,506	2,890,548
Non-Current Liabilities		
Loans from related parties	3,494,160	2,943,129
Deferred tax liability	1,182	3,321
TOTAL LIABILITIES	6,282,848	5,836,998
Equity		
Share capital	10,484,429	10,484,429
Reserves	-	-
Equity component of convertible debentures	-	-
Deficit	(14,965,654)	(13,889,187)
Accumulated other comprehensive income	229,349	187,496
Total equity (deficiency) attributable to equity shareholders	(4,251,876)	(3,217,262)
Non-controlling interest	(6,605)	(5,307)
TOTAL EQUITY (DEFICIENCY)	(4,258,481)	(3,222,569)
TOTAL LIABILITIES & EQUITY	2,024,367	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 September 30, 2016 amounted to $2,024,367 compared to $2,614,429 as at December 31, 2015. Bank and cash balances amounted to $106,047, compared to $310,805, a decrease of 65.9%. The decrease was mainly due to operating loss and getting fewer loans from the related parties in the nine months ended September 30, 2016 as the Corporation relied more on the cash flow from its operations. The cash flow from financing activities is $405,535 for the nine months ended September 30, 2016 compared to $1,301,925 for the nine months ended September 30, 2015.

Accounts receivable

	September 30, 2016 (Unaudited) $	December 31, 2015 (Audited) $
Trade receivables (third parties)	1,076,217	1,278,354
Less: Allowance for doubtful debts (third parties)	(18,621)	(18,349)
Receivable from a related party	87,881	192,924
Accounts due from customers on contracts	80,905	83,965
TOTAL ACCOUNTS RECEIVABLE	1,226,382	1,536,894

Included in accounts receivable at September 30, 2016 are receivables of $87,881 due from a company that is 85%-owned by the Chief Executive Officer of the Corporation, Activate.

Decline in trade receivables (third parties) and receivables from a related party are mainly due to the fact that customers have settled receivables more promptly.

Accounts payable and accrued liabilities

	September 30, 2016 (Unaudited) $	December 31, 2015 (Audited) $
Trade payables (third parties)	837,641	1,243,544
Trade payables from a related party	757	-
Amounts due to customers on contracts	78,654	93,857
Deferred income	40,879	51,489
Accrued liabilities and receipt in advance	430,764	455,403
TOTAL ACCOUNTS PAYABLE AND ACCRUED LIABILITIES	1,388,695	1,844,293

a) Decrease in trade payables as at September 30, 2016 compared with December 31, 2015 was due to prompt settlement of trade payables in line with the improvement of collections of trade receivables.

   Included in accounts payables at September 30, 2016 are payables of $757 due to a company that is 85%-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) Decrease in accrued liabilities as at September 30, 2016 compared with December 31, 2015 was due to decrease in the accrued service fees that were incurred but not billed by the mobile operators and gateway providers.

Loans from Related Parties

	September 30, 2016 (Unaudited) $	December 31, 2015 (Audited) $
Loans from the director and Chief Executive Officer of the Corporation	2,745,119	2,326,692
Loan from a director of a subsidiary	17,225	14,175
Loan from Inphosoft Pte Ltd.	731,816	602,262
Loan from the immediate parent	238,801	-
TOTAL LOANS FROM RELATED PARTIES	3,732,961	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 September 30, 2017.

(a) The loans from the director and Chief Executive Officer of the Corporation, Mr. Joel Siang Hui Chin ("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% (December 31, 2015: 24%) per annum (compounded daily based on a 365-day year) 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) 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 Limited ("Xinhua Mobile") bears interest at rate of 28% per annum (compounded daily based on a 365-day year). 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 September 30, 2016, US$150,000 has been drawn down under the Credit Facility. The total loan payable amounted to $238,801 as at September 30, 2016.

In addition to the above loans, Mr. Chin also provided an interest-free advance of $730,582 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 20.3% (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 September 30, 2016, showed a deficit of $4,258,481, 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 $1,077,652 for the nine months ended September 30, 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.

$	Oct-Dec14	Jan-Mar15	Apr-Jun15	Jul-Sep15	Oct-Dec15	Jan-Mar16	Apr-Jun16	Jul-Sep16
Revenue								
A2P Messaging Service	307,127	627,535	808,109	1,066,242	1,195,023	1,405,400	1,483,777	**1,211,177**
IOSMS Messaging Service	(11,105)	12,598	-	-	-	-	-	**-**
Software Products & Services	140,235	183,415	262,937	264,551	291,828	256,012	195,644	**26,164**
	436,257	823,548	1,071,046	1,330,793	1,486,851	1,661,412	1,679,421	**1,473,341**
Cost of Sales								
A2P Messaging Service	285,500	582,239	778,004	966,867	1,047,554	1,209,744	1,267,443	**1,003,415**
IOSMS Messaging Service	1,059	14,219	-	-	-	-	-	**-**
Software Products & Services(1)	123,545	276,208	215,724	201,653	249,624	184,267	174,210	**182,441**
	410,104	872,666	993,728	1,168,520	1,297,178	1,394,011	1,441,653	**1,185,856**
Operating Expenses(2)	379,483	392,155	368,000	475,932	614,108	266,815	523,745	**433,082**
Net Loss Before Income Taxes	(821,075)	(4,491,210)	(834,104)	(887,967)	(614,130)	(198,873)	(500,716)	**(378,754)**
Income Taxes expense (recovery)	63	(126,728)	2,572	250	93,159	530	296	**(1,517)**
Net Loss	(821,138)	(4,364,482)	(836,676)	(888,217)	(707,289)	(199,403)	(501,012)	**(377,237)**
Net Loss (per share)								
Basic	(0.016)	(0.085)	(0.016)	(0.015)	(0.013)	(0.001)	(0.004)	**(0.003)**
Diluted	(0.016)	(0.085)	(0.016)	(0.015)	(0.013)	(0.001)	(0.004)	**(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 from Oct-Dec14 to Jan-Mar15 were excluded. Accretions on obligations related to the convertible debentures and a promissory note from Oct-Dec14 to Jul-Sep15 were excluded. Interest expenses on loans from Oct-Dec14 to Jul-Sep16 were excluded. Finally, doubtful debts in Oct-Dec 15 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 lost of major customers by the Corporation's major customers. The management is working hard to replace the revenue lost through these major customers and aim to steer the A2P business back to 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 September 30, 2016 (Unaudited)	Three-month period ended September 30, 2015 (Unaudited)	Nine-month period ended September 30, 2016 (Unaudited)	Nine-month period ended September 30, 2015 (Unaudited)
Cash, beginning of period	59,048	172,981	310,805	20,283
Operating activities				
Net loss for the period	(377,237)	(888,217)	(1,077,652)	(6,089,375)
Current tax expenses	646	-	1,472	-
Deferred tax expenses/(recovery)	(2,158)	(8)	(2,158)	(124,550)
Interest expenses	233,157	157,706	647,355	397,651
Foreign currency exchange loss	40,688	109,684	16,504	195,984
Suspended projects impairment	-	-	-	144,945
Goodwill impairment	-	-	-	2,830,364
Development expenditures impairment	-	-	-	164,456
Intangible assets impairment	-	-	-	393,375
Accretion on convertible debentures	-	416,602	-	1,197,539
Amortization & depreciation	42,467	41,717	126,471	176,399
Changes in working capital items	87,433	(236,147)	(139,117)	(251,308)
Tax paid	(538)	-	(87,502)	-
Net cash generated from/(used in) operating activities	24,458	(398,663)	(514,627)	(964,520)
Financing activities				
Advance from a related party	48,624	492,455	253,828	492,455
Repayment of advance from a related party	-	(102,994)	(67,323)	(102,994)
Loans from related parties	-	177,608	219,030	1,644,712
Repayment of loans from related parties	-	-	-	(732,248)
Net cash generated from financing activities	48,624	567,069	405,535	1,301,925
Investing activities				
Development expenditures	-	(21,371)	(2,849)	(62,464)
Purchase of property, plant and equipment	(3,772)	(6,948)	(28,983)	(14,253)
Net cash used in investing activities	(3,772)	(28,319)	(31,832)	(76,717)
Effect of exchange rate changes on cash	(22,311)	(185,836)	(63,834)	(153,739)
(Decrease)/Increase in cash	46,999	(45,749)	(204,758)	106,949
Cash, end of period	106,047	127,232	106,047	127,232

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 nine months ended September 30, 2016 compared to the nine months ended September 30, 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 $1,309,371 as at September 30, 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 $3,494,160 and $730,582 respectively as at September 30, 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*.

The promissory note has an initial present value of $366,523 with accretion recorded at an annual interest rate of 6%.

During the nine months ended September 30, 2016, the note holder and the Corporation 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 September 30, 2016, the promissory note amounted to $424,000.

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

However, the liquidity risk is mitigated as the Corporation has extended the due date on the promissory note payable of $400,000 to March 31, 2017. The Corporation has also received confirmation from its related party lenders other than the immediate parent that they will not recall their loans in the next twelve months as mentioned above under Section 3 – *Loans from Related Parties*. They have informed the Corporation that they will not recall the interest-bearing loans before September 30, 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 nine months ended September 30, 2016 and September 30, 2015:

	Three-month period ended September 30, 2016 (Unaudited) $	Three-month period ended September 30, 2015 (Unaudited) $	Nine-month period ended September 30, 2016 (Unaudited) $	Nine-month period ended September 30, 2015 (Unaudited) $
Software products and services revenue from a company controlled by an officer [7]	109,930	144,180	260,443	271,106
Cost of hardware paid to a company controlled by an officer [8]	378	-	669	-
Accounting fee paid to an officer (appointed on September 4, 2015) [6]	16,278	5,579	60,527	5,579
Consulting fees paid to a former director (resigned on September 4, 2015) [1]	-	2,342	-	9,068
Management salaries paid to directors of a subsidiary[3]	66,162	61,567	197,644	182,499
Management salaries paid to an officer[4]	34,790	33,128	104,175	98,183
Rent charged by a company controlled by a director	14,548	14,005	43,561	20,944
Rent charged by a family member of a director (resigned on September 4, 2015) [2]	-	-	-	1,305
Interest charged on loan from a director	160,810	124,198	457,013	285,198
Interest charged on loan from a director of a subsidiary	1,016	771	2,847	2,132
Interest charged on loan from a shareholder[5]	43,133	32,737	120,943	108,394
Interest charged on loan from immediate parent	16,198	-	42,552	-
Interest charged on loan from a related party	-	-	-	1,927
Interest charged on promissory note	12,000	-	24,000	-

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. The rent charged by a company controlled by a family member of a former director, Mr. Lai Man Kon Jonathan, was for the office used by Global Edge Technology Limited ("GET") and GIN up to January 31, 2015.
3. 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.
4. Management salaries paid to an officer were for Mr. Chin's role as Chief Executive Officer and director of the Corporation.
5. 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).
6. 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.
7. Software products and services revenue earned from a company controlled by Mr Chin, Activate Interactive Pte Ltd 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.
8. Cost of hardware purchased from a company controlled by Mr Chin, Actxa Pte Ltd by a subsidiary of the Corporation, Inphosoft Malaysia Sdn Bhd.

As of September 30, 2016, the Corporation has non-trade loans from related parties of $3,494,160 and advance of $730,582 (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 $82,323 (December 31, 2015 - $89,380) owed to related parties.

Included in accounts receivable is a trade receivable of $87,881 (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 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. Activate regularly subcontracts parts of their projects to other companies with software development skillsets. Activate enters into the time and material agreements with the various subsidiaries of Inphosoft such that Activate can subcontract parts of its projects to Inphosoft subsidiaries and from time to time, utilize resources from the Inphosoft subsidiaries to perform certain pre-sales roles, on a time and material basis. The professional services provided by the Inphosoft 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 subsidiaries of Inphosoft 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.

The subsidiaries of Inphosoft, acting as service providers, will provide staff with appropriate abilities and skills to perform the services.

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 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 transitional nine-month financial year ended December 31, 2015. There have been no changes to our accounting-policies since December 31, 2015.

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 GET 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

	September 30, 2016 (Unaudited) $	December 31, 2015 (Audited) $
Share capital	10,484,429	10,484,429
Reserves	-	-
Equity component of convertible debentures	-	-
Accumulated other comprehensive income	229,349	187,496
Deficit	(14,965,654)	(13,889,187)
Non-controlling interest	(6,605)	(5,307)
	(4,258,481)	(3,222,569)

Shareholders' equity as at September 30, 2016 is a negative amount of $4,258,481 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 $1,077,652 recorded in the nine months ended September 30, 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 nine months ended September 30, 2016 versus the nine months ended December 31, 2015.

Issued	September 30, 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 September 30, 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 September 30, 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.

<u>Conversion of Convertible Debentures of the Corporation into Common Shares</u>

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

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

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

	Three-month period ended September 30, 2016 (Unaudited)		Three-month period ended September 30, 2015 (Unaudited)	
	$	% of total revenue	$	% of total revenue
Singapore	801,450	54.4	621,829	46.7
India	329,649	22.4	423,720	31.9
Other Asia countries	71,360	4.8	45,634	3.4
Europe	79,633	5.4	32,275	2.4
United States	189,935	12.9	192,291	14.5
Other regions	1,314	0.1	15,044	1.1
Total	1,473,341	100.0	1,330,793	100.0

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

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

c) Total assets by geographical location

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

d) Financial information by business segments

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

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

	Messaging	Software products and services	Unallocated	Total
	$	$	$	$
Nine-month period ended September 30, 2015 (Unaudited)				
Revenue	2,514,484	710,903	-	3,225,387
Intersegment revenue	-	169,389	-	169,389
Amortization and depreciation	(460)	(175,850)	(89)	(176,399)
Interest income	3	26	-	29
Interest and finance expenses	(210,353)	(187,298)	(1,197,539)	(1,595,190)
Income tax recovery	-	123,906	-	123,906
Segment losses	(98,846)	(1,397,754)	(4,592,775)	(6,089,375)
Other material non-cash items				
Goodwill impairment	-	(2,830,364)	-	(2,830,364)
Intangible assets impairment	-	(393,375)	-	(393,375)
Development expenditure impairment	-	(164,456)	-	(164,456)
Additions to segment non-current assets	-	76,717	-	76,717
At September 30, 2015 (Unaudited)				
Segment assets	845,384	1,238,751	19,935	2,104,070
Segment liabilities	(2,616,817)	(1,626,087)	(484,145)	(4,727,049)

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 September 30, 2016:

Financial Highlights	Actual	Forecasted	Variance	Variance %
($)	Jul - Sep 2016	Jul - Sep 2016	Jul - Sep 2016	Jul - Sep 2016
Revenues $				
A2P Messaging Service	1,211,177	1,561,085	(349,908)	(22.4)%
Software Product & Services	262,164	263,345	(1,181)	(0.4)%
	1,473,341	1,824,430	(351,089)	(19.2)%
Cost of sales $				
A2P Messaging Service	1,003,415	1,373,755	(370,340)	(27.0)%
Software Product & Services	182,441	205,171	(22,730)	(11.1)%
	1,185,856	1,578,926	(393,070)	(24.9)%
Gross profit (loss) $				
A2P Messaging Service	207,762	187,330	20,432	10.9%
Software Product & Services	79,723	58,174	21,549	37.0%
	287,485	245,504	41,981	17.1%
Gross margin %				
A2P Messaging Service	17.2%	12.0%	5.2%	43.3%
Software Product & Services	30.4%	22.1%	8.3%	37.6%
	19.5%	13.5%	6.1%	45.2%
Selling, general and administrative expenses	(392,406)	(443,540)	51,134	(11.5)%
Operating loss	(104,921)	(198,036)	93,115	(47.0)%
Non-operating income	12	100	(88)	(88.0)%
Non-operating expenses	(273,845)	(408,625)	134,780	(33.0)%
Ordinary loss	(378,754)	(606,561)	227,807	(37.6)%
Extraordinary gains	-	-	-	-
Extraordinary losses	-	-	-	-
Loss before tax and non-controlling interest	(378,754)	(606,561)	227,807	(37.6)%
Income taxes	1,517	-	1,517	-
Non-controlling interest	359	-	359	-
Net loss attributable to shareholders	(376,878)	(606,561)	229,683	(37.9)%
Adjusted EBITDA	(103,129)	(143,597)	40,468	(28.2)%

(1) 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) and interest expenses.
(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 September 30, 2016,

- Revenue for A2P Messaging Service was $349,908 lower than forecasted primarily because of lower than expected number of messages delivered to Taiwan and China.
- Gross margin of 30.4% for Software Products and Services was higher than forecasted due to more projects from Activate and a key customer. Gross margin of 17.2% for A2P Messaging Service was better than forecasted due to lower advertising cost and higher margin for revenue generated from messages delivered to North Asia despite lower revenue earned for the quarter.
- Selling, general and administrative expenses was $51,134 lower than forecasted partially due to the fact that fewer sales staff were hired than forecasted.
- Non-operating expenses was $47,281 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 September 30, 2016.
- Net loss attributable to shareholders was $376,878, $142,184 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 nine months ended September 30, 2016:

Financial Highlights	Actual	Forecasted	Variance	Variance %
($)	Jan - Sep 2016	Jan - Sep 2016	Jan - Sep 2016	Jan - Sep 2016
Revenue $				
A2P Messaging Service	4,100,354	4,270,406	(170,052)	(4.0)%
Software Product & Services	713,820	790,035	(76,215)	(9.6)%
	4,814,174	5,060,441	(246,267)	(4.9)%
Cost of sales $				
A2P Messaging Service	3,480,602	3,854,931	(374,329)	(9.7)%
Software Product & Services	540,918	607,474	(66,556)	(11.0)%
	4,021,520	4,462,405	(440,885)	(9.9)%
Gross profit (loss) $				
A2P Messaging Service	619,752	415,475	204,277	49.2%
Software Product & Services	172,902	182,561	(9,659)	(5.3)%
	792,654	598,036	194,618	32.5%

Financial Highlights	Actual	Forecasted	Variance	Variance %
($)	Jan - Sep 2016	Jan - Sep 2016	Jan - Sep 2016	Jan - Sep 2016
Gross margin %				
A2P Messaging Service	15.1%	9.7%	5.4%	55.7%
Software Product & Services	24.2%	23.1%	1.1%	4.8%
	16.5%	11.8%	4.6%	39.0%
Selling, general and administrative expenses	(1,207,176)	(1,240,226)	33,050	(2.7)%
Operating loss	(414,522)	(642,190)	227,668	(35.5)%
Non-operating income	38	300	(262)	(87.3)%
Non-operating expenses	(663,859)	(943,867)	280,008	(29.7)%
Ordinary loss	(1,078,343)	(1,585,757)	507,414	(32.0)%
Extraordinary gains	-	-	-	
Extraordinary losses	-	-	-	
Loss before tax and non-controlling interest	(1,078,343)	(1,585,757)	507,414	(32.0)%
Income tax	691		691	-
Non-controlling interest	1,185	-	1,185	-
		-		
Net loss attributable to shareholders	(1,076,467)	(1,585,757)	509,290	(32.1)%
Adjusted EBITDA	(304,517)	(486,912)	182,395	(37.5)%

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 Company. 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 Company 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.