

## **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 year ended December 31, 2019, the Corporation's unaudited financial statements as at and for the three and nine months ended September 30, 2020, and the notes thereto which were prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

This MD&A was prepared as of November 12, 2020. Additional information regarding the Corporation is available on SEDAR at [www.sedar.com](http://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 required licenses, dependence on major customers, system failures, delays and other problems, security and privacy breaches, adequacy of network resilience, network diversity and backup systems, loss of significant information, failure to develop, enhance or introduce new value-added services, competition, dependence on third-party software and equipment, market acceptance at desired pricing levels, key members of the management team, credit risk of accounts receivables, conflicts of interest, inability to satisfy customer demand for performance, price or terms and international risks. 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 Corporation's software products and services are expected to take on a different focus based on an outsourcing model approach leveraging on the lower cost base in

**GINSMS INC.**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**AS AT AND FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2020**

---

Indonesia and Malaysia. Therefore the revenue for the software segment in Indonesia and Malaysia should continue to increase.

- 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.

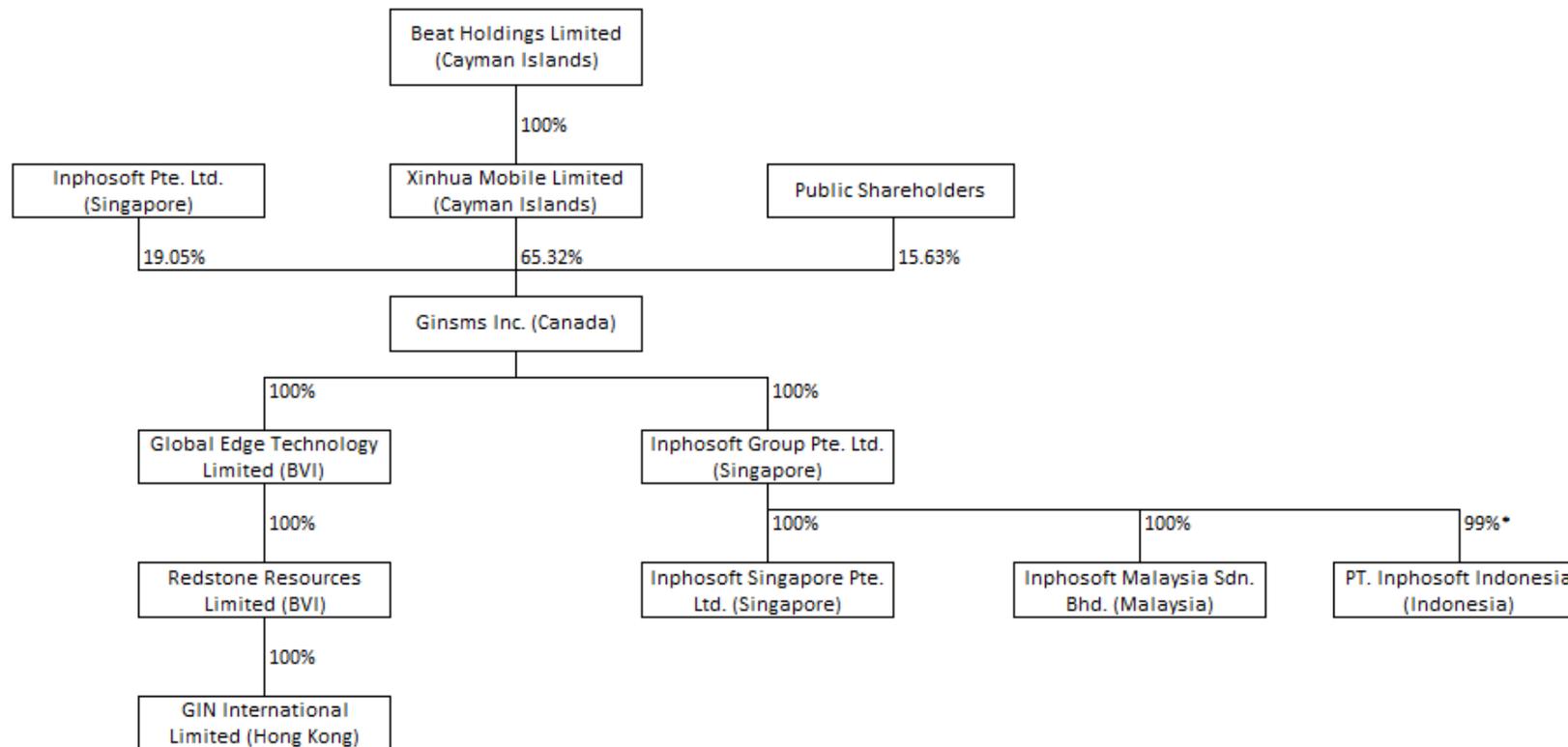
**GINSMS INC.  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
AS AT AND FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2020**

---

**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 Siang Hui Chin, the Chief Executive Officer of the Corporation.

**GINSMS INC.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**AS AT AND FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2020**

---

The Corporation has two main business segments:

- A. Messaging Business
- B. Software Products and Services

**A. Messaging Business**

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

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

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

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

A Transparency Market Research report dated October 2018 (<https://www.transparencymarketresearch.com/application-to-person-sms-api-market-2018-2026.html>) stated that the global A2P SMS market revenue is expected to reach US\$93.18 billion by 2026, expanding at a compound annual growth rate (“CAGR”) of 4.6% therein.

For the three ended September 30, 2020, GIN generated higher revenue of \$405,925 for its A2P messaging service as compared to \$326,582 for the three months ended September 30, 2019 mainly due to the increase in volume of messaging traffic by one major customer despite of the outbreak of coronavirus (COVID-19) . However, for the nine months ended September 30, 2020, GIN generated overall lower revenue of \$1,144,812 for its A2P messaging service as compared to \$1,268,628 for the nine months ended September 30, 2019. This was primarily the result of the overall decrease in the volume of messaging traffic as some customers reduced business activities as a results of COVID-19 and their governments imposed restrictions on movements of their people and activities of businesses to contain the outbreak during the nine months ended September 30, 2020.

**B. 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:

- i. Provision of support and maintenance services to customers that have purchased its products and solutions.

## **GINSMS INC.**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

#### **AS AT AND FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2020**

---

- ii. Maintain the A2P Cloud platform and develops new features as and when necessary, to support the Corporation's A2P messaging business
- iii. Outsourcing of technical resources to customers for the purpose of software development based on a time and material basis.

#### Inphosoft Singapore Pte. Ltd. ("ISPL")

ISPL's business was scaled down in the quarter ended March 31, 2019 to better streamline Inphosoft's business and to reduce the operational cost of Inphosoft. Mr. Joel Siang Hui Chin ("Mr. Chin"), the Chief Executive Officer and a director of the Corporation, has stopped drawing salary from ISPL effective February 1, 2019 and the key functions of ISPL have been transferred to other companies within the Inphosoft group. As part of this restructuring, the staff in ISPL has been transferred to Activate Interactive Pte. Ltd. ("Activate") during the quarter ended March 31, 2019. Prior to the quarter ended September 30, 2020, Activate was 43% owned by Xinhua Mobile Limited ("Xinhua Mobile"), the immediate parent of the Corporation, and 42% beneficially owned by Mr. Chin. On August 20, 2020, Xinhua Mobile had disposed all the shareholding in Activate to Mr. Chin. Activate is currently 85% beneficially owned by Mr. Chin.

ISPL has stopped selling products and solutions for mobile operators in the areas of 3G/4G mobile data value-added services like mobile entertainment and mobile advertising. ISPL continues to provide mobile application development services and support and maintenance services to its existing customers that have purchased its products and services, but the services are now fulfilled through Inphosoft Malaysia Sdn. Bhd., its fellow subsidiary in Malaysia.

#### 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 customers. IMSB will charge a customer a negotiated fixed fee for each project. The cost of sales incurred consists mainly of the salary of employees working on these projects. IMSB provides technical and sales resources to support GIN's A2P messaging business operations.

IMSB also has time and material agreements ("T&M Agreements") with Activate 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.

In addition, IMSB provides technical support for the A2P Cloud platform and also develops new features as and when necessary, to support the Corporation's A2P messaging business.

Salaries and office rental are the major costs of IMSB.

#### PT Inphosoft Indonesia ("PTIN")

PTIN provides A2P messaging service and also has T&M Agreements with Activate 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.

During the year ended December 31, 2019, some of the Activate projects have been sold to Actxa Pte Ltd ("Actxa") and Xinhua Mobile HK Limited ("Xinhua Mobile HK"). Actxa is 85% beneficially owned by the Chief Executive Officer of the Corporation and Xinhua Mobile HK is 100% owned by Xinhua Mobile.

PTIN signed T&M Agreements with Actxa and Xinhua Mobile HK to provide technical resources to them on a time and material basis during the quarter ended December 31, 2019.

**GINSMS INC.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**AS AT AND FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2020**

---

Salaries, subcontractor costs and office rental are the major costs of PTIN.

The current focus of Inphosoft is to provide solution to support the need of existing customers and to look for additional enterprise customers to increase sales. Inphosoft is no longer focusing on creating new products. Hence professional fee and support and maintenance revenue will continue to increase or be stable.

The improvement of gross margin of software products and services segment was caused by an increase in chargeable hours and man-hour charge out rates of Inphosoft staff providing technical and support resources to Activate and other key customers from January 1, 2019.

This segment of the Corporation's business managed to improve its revenue to \$360,868 and \$994,263 for the three and nine months ended September 30, 2020, compared to the 314,543 and \$736,138 for the three and nine months ended September 30, 2019, respectively. The outbreak of COVID-19 did not affect the segment materially.

**GINSMS INC.**
**MANAGEMENT'S DISCUSSION AND ANALYSIS**
**AS AT AND FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2020**
**3. RESULTS OF OPERATIONS FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2020**
**Selected Profit and Loss Information**

Financial Highlights	Three-month period ended September 30, 2020 (Unaudited) \$	Three-month period ended September 30, 2019 (Unaudited) \$	Nine-month period ended September 30, 2020 (Unaudited) \$	Nine-month period ended September 30, 2019 (Unaudited) \$
Revenue (\$)				
A2P Messaging Service	405,925	326,582	1,144,812	1,268,628
Software Products & Services	360,868	314,543	994,263	736,138
	<b>766,793</b>	641,125	<b>2,139,075</b>	2,004,766
Cost of sales (\$)				
A2P Messaging Service	304,449	280,653	882,416	1,057,356
Software Products & Services	180,377	145,086	506,848	449,180
	<b>484,826</b>	425,739	<b>1,389,264</b>	1,506,536
Gross profit (\$)				
A2P Messaging Service	101,476	45,929	262,396	211,272
Software Products & Services	180,491	169,457	487,415	286,958
	<b>281,967</b>	215,386	<b>749,811</b>	498,230
Gross margin				
A2P Messaging Service	25.0%	14.1%	22.9%	16.7%
Software Products & Services	50.0%	53.9%	49.0%	39.0%
	<b>36.8%</b>	33.6%	<b>35.1%</b>	24.9%
Adjusted EBITDA <sup>(1)</sup> (\$)	48,974	(6,524)	(67,891)	(127,483)
Adjusted EBITDA margin	6.4%	(1.0)%	(3.2)%	(6.4)%
Net profit / (loss) (\$)	43,479	(52,357)	(88,602)	(227,977)
Net profit / (loss) margin	5.7%	(8.2)%	(4.1)%	(11.4)%
Profit / (Loss) per share (\$)				
Basic (In Canadian cents)	0.029	(0.036)	(0.059)	(0.152)
Diluted	0.029	N/A	N/A	N/A

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

## **GINSMS INC.**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

#### **AS AT AND FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2020**

---

##### **Revenue**

For the three and nine months ended September 30, 2020, revenue was \$766,793 and \$2,139,075 compared to \$641,125 and \$2,004,766 for the three and nine months ended September 30, 2019, respectively. Higher revenue for three months ended September 30, 2020 was due to the increase in revenue in both the software products and services segment and the messaging business segment. However, for nine months ended September 30, 2020, net increase in revenue was mainly due to increase in revenue in the software products and services segment which exceeded the decrease in revenue in the messaging business segment.

##### **a) Messaging business segment**

The A2P messaging business generated revenue of \$405,925, \$328,660, \$410,227, \$321,329, \$326,582, \$486,229 and \$455,817 for the three-month periods ended September 30, 2020, June 30, 2020, March 31, 2020, December 31, 2019, September 30, 2019, June 30, 2019 and March 31, 2019, respectively.

Pricing of the A2P messaging 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 attempts to gain market share in different countries. The price per message is fixed for each customer but different customers may have different 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 business is primarily caused by the decrease in the volume of A2P messages delivered across all regions.

Messages delivered to South East Asia represent 50.3% of the total volume for the three months ended September 30, 2020, which decreased by 1.2% from the three months ended June 30, 2020. During the quarter ended September 30, 2020, the Corporation maintained the similar messaging traffic in this region as the prior quarter ended June 30, 2020 as business activities continued to be low as a results of the outbreak of COVID-19 and their governments imposed restrictions on movements of their people and activities of businesses to contain the outbreak during the quarter ended September 30, 2020.

Messages delivered to North Asia represent 46.2% of the total volume for the three months ended September 30, 2020, which increased by 33.0% from the three months ended June 30, 2020. During the quarter ended September 30, 2020, there was an increase in volume of messaging traffic by one major customer despite of the outbreak of COVID-19.

The average price per message charged to customers is \$0.0417 for the three months ended September 30, 2020 compared to \$0.0378 for the three months ended June 30, 2020. 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 messaging business is 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, 2020, the overall average price per message increased primarily due to the fact that the Corporation maintained pricing despite losing some of the customers to competitors and also

**GINSMS INC.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**AS AT AND FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2020**

increase in volume of messaging traffic by one major customer despite of the outbreak of COVID-19

b) Software products and services segment

Revenue in the software products and services segment increased by 14.7% from \$314,543 for the three months ended September 30, 2019, and increased slightly by 13.2% from \$318,876 for the three months ended June 30, 2020, to \$360,868 for the three months ended September 30, 2020.

The increase for the three-month period ended September 30, 2020 compared to the three-month period ended September 30, 2019 was due to increase in chargeable hours and man-hour rates of Inphosoft staff providing technical and support resources to Activate and other key customers during the quarter ended September 30, 2020.

Moving forward, the Corporation believes that the business environment in the software products and services will remain challenging.

**Cost of Sales**

	<b>Three-month period ended September 30, 2020 (Unaudited) \$</b>	Three-month period ended September 30, 2019 (Unaudited) \$	<b>Nine-month period ended September 30, 2020 (Unaudited) \$</b>	Nine-month period ended September 30, 2019 (Unaudited) \$
Depreciation				
- Property, plant and equipment	<b>5,297</b>	4,944	<b>17,382</b>	14,408
Loss on written off of suspended project costs	-	-	-	9,466
Salaries and wages	<b>173,650</b>	146,553	<b>486,898</b>	416,144
Subcontractor costs	<b>304,764</b>	280,491	<b>882,731</b>	1,059,777
Software and hardware	-	(8,349)	<b>147</b>	242
Others	<b>1,115</b>	2,100	<b>2,106</b>	6,499
	<b>484,826</b>	425,739	<b>1,389,264</b>	1,506,536

For the three and nine months ended September 30, 2020, cost of sales was \$484,826 and \$1,389,264 compared to \$425,739 and \$1,506,536 for three and nine months ended September 30, 2019, respectively.

Messaging business segment

For the A2P messaging business, 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 made with the A2P suppliers. The higher the volume commitment, the lower the rates that GIN will be charged by the providers.

The increase of 8.7% in the subcontractor costs in the quarter ended September 30, 2020 from the quarter ended September 30, 2019 was lower than the increase in revenue in the A2P messaging service in the same quarter mainly due to the fact that the Corporation could get better price from the A2P suppliers in view of the higher traffic volume in the current quarter.

**GINSMS INC.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**AS AT AND FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2020**

---

Software product and services segment

Revenues for the software products and services segment are not dependent on the amount of message volume. The cost of sales for the software products and services business is comprised of salaries and wages, amortization, depreciation and purchase of software and hardware.

There was an increase of 18.5% in salaries and wages in costs of sales for the quarter ended September 30, 2020 compared to the corresponding quarter ended September 30, 2019 which is in line with the increase of in revenue for the quarter ended September 30, 2020.

**Gross Margin**

The overall gross margin of the Corporation improved to 36.8% in the three months ended September 30, 2020 from 33.6% in the quarter ended September 30, 2019. This was mainly due to improvement in gross margin in the messaging segment.

Revenue from the contracts with Activate and other key customers contributed to the significant increase in gross margin of the software products and services segment in recent years. 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 agencies and ministries of the Singapore government. Activate values the skills and expertise of Inphosoft and Inphosoft is able to command a premium for its service to Activate. Gross margin of 47.2% was earned from the services rendered to Activate for the quarter ended September 30, 2020.

For the 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. The Corporation increased the pricing of the messaging service which in turns boosted the gross margin to 13.3% during the quarter ended March 31, 2019 and 21.6% during the quarter ended June 30, 2019. However, the gross margin dipped to 14.1% during the quarter ended September 30, 2019 as the Corporation had lowered the pricing of one international route for a major customer in order to boost its traffic volume. The gross margin improved to 27.0% during the quarter ended December 31, 2019 as the same major customer reduced the usage of the international route that earned low gross margin. The gross margin decreased slightly to 25.2% during the quarter ended March 31, 2020 as some customers increased the usage of some international routes that earned lower gross margin. The gross margin decreased to 17.5% during the quarter ended June 30, 2020 as some customers reduced the usage of some international routes and the A2P Suppliers increased the unit cost of messaging in view of the lower messaging traffic volume. The gross margin increased to 25.0% during the quarter ended September 30, 2020 mainly due to the fact that the Corporation could get better price from the A2P suppliers in view of the higher traffic volume in the current quarter.

For the software products and services segment, the revenue is mainly generated from the following two streams:

a) Professional services fees

Professional services revenue is generated by two methods:

- Charging a fixed fee to a customer for a project with a defined scope of work. This is mainly for developing be-spoke software solutions that meet the need of such customers.

**GINSMS INC.****MANAGEMENT'S DISCUSSION AND ANALYSIS****AS AT AND FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2020**

- Charging a customer for the resources provided to this 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 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. 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, range from 30% 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 is 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 the 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 has now become insignificant.

The gross margin for the software products and services of 50.0% for the three months ended September 30, 2020 exceeded the management's long-term expectations of approximately 20% to 25% as the Corporation set the man-hour charge out rates to be in line with market rates. 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**

	<b>Three-month period ended September 30, 2020 (Unaudited) \$</b>	Three-month period ended September 30, 2019 (Unaudited) \$	<b>Nine-month period ended September 30, 2020 (Unaudited) \$</b>	Nine-month period ended September 30, 2019 (Unaudited) \$
Salaries and wages	<b>85,425</b>	78,303	<b>296,293</b>	309,734
Directors' fees	<b>10,000</b>	-	<b>30,000</b>	-
Professional fees	<b>73,683</b>	69,433	<b>219,491</b>	215,389
Foreign currency exchange loss/(gain)	<b>19,184</b>	6,682	<b>138,679</b>	(43,356)
Other general & administrative expenses	<b>35,264</b>	72,436	<b>103,356</b>	165,182
Allowance for doubtful debts	-	-	<b>1,568</b>	6,131
Written back of allowance for doubtful accounts	-	-	-	(12,959)
Depreciation				
- Property, plant and equipment	<b>1,527</b>	946	<b>4,621</b>	1,182
- Right-of-use assets	<b>11,055</b>	11,268	<b>33,448</b>	11,268

**GINSMS INC.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**AS AT AND FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2020**

	<b>Three-month period ended September 30, 2020 (Unaudited) \$</b>	Three-month period ended September 30, 2019 (Unaudited) \$	<b>Nine-month period ended September 30, 2020 (Unaudited) \$</b>	Nine-month period ended September 30, 2019 (Unaudited) \$
Interest expenses	-	23,010	-	67,806
Lease interest on right-of-use assets	<b>3,679</b>	4,958	<b>12,249</b>	4,958
	<b>239,817</b>	267,036	<b>839,705</b>	725,335

Operating expenses and finance costs amounted to \$239,817 for the three months ended September 30, 2020, were lower than the operating expenses and finance costs for the three months ended September 30, 2019.

This was mainly due to the fact that there was no interest expenses on loan for the quarter ended September 30, 2020 compared to corresponding quarter ended September 30, 2019. From January 1, 2020, Xinhua Mobile agreed to convert the loan from interest-bearing to an interest-free loan.

The Corporation also incurred lower telephone and internet charges for the quarter ended September 30, 2020 compared to corresponding quarter ended September 30, 2019 as the staff worked mainly from home due to the outbreak of COVID-19 and their governments imposed restrictions on movements of their people

**Net loss**

The net profit for the three months ended September 30, 2020 amounted to \$43,479 compared to a net loss of \$52,357 for three months ended September 30, 2019.

The net profit for the three months ended September 30, 2020 is mainly due to higher gross margin and lower operating expenses and finance costs.

The net loss for the nine months ended September 30, 2020 amounted to \$88,602 compared to a net loss of \$227,977 for nine months ended September 30, 2019.

**GINSMS INC.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**AS AT AND FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2020**

**Selected Balance Sheet Information**

The figures reported below are based on the unaudited consolidated financial statements of the Corporation which have been prepared in accordance with IFRS.

	September 30, 2020 (Unaudited) \$	December 31, 2019 (Audited) \$
<b>Current Assets</b>		
Accounts receivable	494,237	360,885
Other receivables, prepayments and deposits	75,503	82,133
Bank and cash balances	264,303	194,411
	<b>834,043</b>	637,429
<b>Non-Current Assets</b>		
Property, plant and equipment	38,695	50,859
Right-of-use assets	82,460	120,385
<b>TOTAL ASSETS</b>	<b>955,198</b>	808,673
<b>Current Liabilities</b>		
Accounts payable and accrued liabilities	613,949	670,400
Advances from related parties	1,099,613	887,512
Loan from related parties	4,975,414	4,168,840
Promissory note payable	580,000	580,000
Lease liabilities	40,376	40,071
Current tax liabilities	562	590
	<b>7,309,914</b>	6,347,413
<b>Non-Current Liabilities</b>		
Loans from a related party	-	824,628
Lease liabilities	41,813	76,777
<b>TOTAL LIABILITIES</b>	<b>7,351,727</b>	7,248,818
<b>Equity</b>		
Share capital	11,415,709	11,415,709
Deficit	(18,120,060)	(18,032,088)
Accumulated other comprehensive income	320,921	189,253
Total deficiency attributable to equity shareholders	(6,383,430)	(6,427,126)
Non-controlling interest	(13,099)	(13,019)
<b>TOTAL DEFICIENCY</b>	<b>(6,396,529)</b>	(6,440,145)
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>955,198</b>	808,673

Total assets of GINSMS including cash, accounts receivable, other receivables, prepayment and deposits, property, plant and equipment and right-of-use assets as at September 30, 2020 amounted to \$955,198 compared to \$808,673 in December 31, 2019. Bank and cash balances amounted to \$264,303 as at September 30, 2020 an increase of 36.0% compared to \$194,411 as at December 31, 2019.

**GINSMS INC.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**AS AT AND FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2020**

**Accounts receivable**

	<b>September 30, 2020 (Unaudited) \$</b>	December 31, 2019 (Audited) \$
Trade receivables (third parties)	<b>127,324</b>	135,177
Less: Allowance for doubtful debts (third parties)	<b>(25,532)</b>	(25,872)
Receivable from related parties	<b>392,445</b>	251,580
Contract assets	-	-
	<b>494,237</b>	360,885

Included in accounts receivable at September 30, 2020 are receivables of \$204,816 due from Activate and receivable of \$184,654 due from Actxa, which are both 85% beneficially owned by the Chief Executive Officer of the Corporation. In addition, there are receivables of \$1,746 due from Xinhua Mobile HK, which is 100% owned by Xinhua Mobile and \$1,229 due from Beat Chain Pte. Ltd., which is 100% owned by Xinhua Mobile HK.

Prior to the quarter ended September 30, 2020, Activate was 43% owned by Xinhua Mobile Limited ("Xinhua Mobile"), the immediate parent of the Corporation, and 42% beneficially owned by Mr. Chin. On August 20, 2020, Xinhua Mobile had disposed all the shareholding in Activate to Mr. Chin. Activate is currently 85% beneficially owned by Mr. Chin.

Increase in trade receivables (third parties) is in line with the increase in revenue in the quarter ended September 30, 2020.

**Accounts payable and accrued liabilities**

	<b>September 30, 2020 (Unaudited) \$</b>	December 31, 2019 (Audited) \$
Trade payables (third parties)	<b>46,285</b>	31,636
Trade payables from related parties	<b>3,278</b>	3,322
Contract liabilities	<b>60,896</b>	55,657
Deferred income	<b>6,703</b>	1,942
Accrued liabilities and receipt in advance	<b>496,787</b>	577,843
	<b>613,949</b>	670,400

- a) Increase in trade payables as at September 30, 2020 compared to December 31, 2019 is in line with increase in cost of sales in the quarter ended September 30, 2020.

Included in accounts payables at September 30, 2020 are payables of \$3,278 due to Actxa.

- b) Contract assets / contract liabilities 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 contract assets. When the revenue computed using the percentage of completion is less than the invoiced amount for the month, the overstated revenue is considered contract liabilities.

**GINSMS INC.****MANAGEMENT'S DISCUSSION AND ANALYSIS****AS AT AND FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2020**

- 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 and receipt in advance as at September 30, 2020 compared with December 31, 2019 was mainly due to less accrual of messaging service fees that were incurred but not invoiced by the mobile operators and gateway providers despite higher cost of sales for the quarter ended September 30, 2020.

**Loans from Related Parties**

		<b>September 30, 2020 (Unaudited) \$</b>	December 31, 2019 (Audited) \$
Loans from the director and Chief Executive Officer of the Corporation	(a)	<b>3,774,785</b>	3,794,150
Loan from IPL	(b)	<b>815,939</b>	824,628
Loan from the immediate parent	(c)	<b>384,690</b>	374,690
		<b>4,975,414</b>	4,993,468

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

- (a) The loans are from the Corporation's director and Chief Executive Officer, Mr Chin, and bear interest at 12% per annum (compounded daily based on a 365-day year) until December 31, 2018. On January 1, 2019, these loans were converted to interest free loans and repayable on demand. During the quarter ended September 30, 2020, Mr Chin confirmed to the Corporation that he will not demand settlement of the loans until the Corporation is in a position to repay such loans.
- (b) The loan is from IPL, the former holding company of Inphosoft Group Pte. Ltd., and is interest-free. On September 24, 2015, IPL converted its convertible debentures of the Corporation and became a shareholder of the Corporation. The Chief Executive Officer of the Corporation, Mr Chin, 2 directors of the Corporation's subsidiaries, Mr. Wang Xianxiang and Mr. Xu Hongwei, each has significant influence over IPL. With effect from the quarter ended June 30, 2020, this loan was converted to be on demand. During the quarter ended September 30, 2020, IPL confirmed to the Corporation that it will not demand settlement of the loan until the Corporation is in a position to repay such loan.
- (c) The loan is from Xinhua Mobile, the immediate parent of the Corporation, and bears interest at 12% per annum (compounded daily based on a 365-day year) until December 31, 2019. From January 1, 2020, Xinhua Mobile agreed to convert the loan from interest-bearing to an interest-free loan and further extended the due date of the loan to March 31, 2021.

In addition to the above loans, Mr. Chin, Activate, and IPL have also provided interest-free advances of \$291,851, \$762,479 and \$45,283 to the Corporation, respectively. The loans and advance are used to finance the operations of the Corporation.

**Promissory note payable**

On partial consideration of the acquisition of Inphosoft Group on September 28, 2012, the Corporation issued a \$400,000 non-interest bearing promissory note, due on the first anniversary date

**GINSMS INC.****MANAGEMENT'S DISCUSSION AND ANALYSIS****AS AT AND FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2020**

of the closing date. The note had an initial present value of \$366,523 with accretion recorded at an annual interest rate of 6%. The promissory note payable is charged a simple interest of 12% per annum by the note holder, Inphosoft Pte. Ltd. ("IPL") effective from April 1, 2016 until December 31, 2019, after that IPL agreed to convert the promissory note payable from interest-bearing to interest-free from January 1, 2020 onwards. IPL has also agreed to extend the due date of the promissory note payable to March 31, 2021.

**4. SUMMARY OF QUARTERLY RESULTS**

The quarterly information set forth below has been presented on the same basis as the unaudited 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 unaudited consolidated financial statements and the notes thereto.

	Oct-Dec18	Jan-Mar19	Apr-Jun19	Jul-Sep19	Oct-Dec19	Jan-Mar20	Apr-Jun20	Jul-Sep 20
Revenue								
A2P Messaging Service	793,221	455,817	486,229	326,582	321,329	410,227	328,660	<b>405,925</b>
Software Products & Services	292,517	198,999	222,596	314,543	312,622	314,519	318,876	<b>360,868</b>
	<b>1,085,738</b>	<b>654,816</b>	<b>708,825</b>	<b>641,125</b>	<b>633,951</b>	<b>724,746</b>	<b>647,536</b>	<b>766,793</b>
Cost of Sales								
A2P Messaging Service	705,448	395,326	381,377	280,653	234,705	306,895	271,072	<b>304,449</b>
Software Products & Services	221,741	153,731	150,363	145,086	171,082	157,147	169,324	<b>180,377</b>
	<b>927,189</b>	<b>549,057</b>	<b>531,740</b>	<b>425,739</b>	<b>405,787</b>	<b>464,042</b>	<b>440,396</b>	<b>484,826</b>
Operating Expenses <sup>(1)</sup>	383,628	157,816	262,515	239,068	288,020	476,137	91,220	<b>225,083</b>
Net (Loss) / Profit Before Income Taxes	(280,599)	(74,191)	(101,264)	(51,650)	(88,453)	(231,302)	99,258	<b>42,150</b>
Income Taxes expense (recovery)	485	67	98	707	(1,119)	(207)	244	<b>(1,329)</b>
Net (Loss) / Profit	(281,084)	(74,258)	(101,362)	(52,357)	(87,334)	(231,095)	99,014	<b>43,479</b>
Net (Loss) / Profit (per share)								
Basic (in Canadian cents)	(0.19)	(0.05)	(0.07)	(0.04)	(0.06)	(0.15)	0.07	<b>0.03</b>
Diluted	N/A	N/A	N/A	N/A	N/A	N/A	0.07	<b>0.03</b>

(1) Represent the sum of selling, general and administrative expense. For comparative purpose, interest expenses, allowance for doubtful debts, reversal of allowance for doubtful debts, and non-recurring expenditure and income were excluded from the Operating Expenses calculation.

The A2P messaging service generated revenue declined due to the stiff competition faced by the Corporation especially in both the North Asia and South East Asia regions. The Corporation lost one key customer in the quarter ended March 31, 2018 and revenue declined in the quarters ended June 30, 2018 and September 30, 2018. During the quarter ended December 31, 2018, the Corporation managed to regain some messaging traffic in both the North Asia and the South East Asia regions which improved its revenue. However, revenue dipped for the quarter ended March 31, 2019 as the Corporation increased pricing to improve the gross margin. During the quarters ended June 30, 2019 to December 31, 2019, the messaging traffic and revenue fluctuated from quarter to quarter. During the quarter ended March 31, 2020, the Corporation managed to regain some messaging traffic in the North Asia region which improved its revenue. During the quarter ended June 30, 2020, the Corporation lost messaging traffic in all regions primarily due to the outbreak of COVID-19. During the quarter ended September 30, 2020, the Corporation gained messaging traffic in the North Asia region despite the outbreak of COVID. Management has set a goal to steer the A2P messaging business to

**GINSMS INC.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**AS AT AND FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2020**

---

more growth in the coming quarters. The Corporation intends to continue its focus on increasing the revenue from existing markets in the North Asia and South East Asia regions.

The revenue from software products and services segment fluctuated from the quarter ended March 31, 2018 to the quarter ended December 31, 2018. From the quarter ended March 31, 2019 to the quarter ended September 30, 2019, the revenue increased as the Corporation increased the man-hour charge out rates and chargeable hours since the beginning of year 2019. Revenue remained fairly stable since the quarter ended September 30, 2019. The outbreak of COVID-19 did not affect this segment materially. Moving forward, the Corporation believes that the business environment in the software products and services will remain challenging. The Corporation believes it needs to focus its efforts on other areas in order to create new revenue streams.

## 5. LIQUIDITY AND CAPITAL RESOURCES

Financial Highlights	Three-month period ended September 30, 2020 (Unaudited) \$	Three-month period ended September 30, 2019 (Unaudited) \$	Nine-month period ended September 30, 2020 (Unaudited) \$	Nine-month period ended September 30, 2019 (Unaudited) \$
<b>Cash, beginning of period</b>	<b>231,846</b>	166,557	<b>194,411</b>	267,951
<b>Operating activities</b>				
Net profit/(loss) for the period	<b>43,479</b>	(52,357)	<b>(88,602)</b>	(227,977)
Deferred income tax (credit)/expense	<b>(1,329)</b>	(80)	<b>(1,292)</b>	85
Current income tax expense	-	787	-	787
Interest expenses on other borrowings	-	23,010	-	67,806
Interest expenses on lease liabilities	<b>3,679</b>	4,958	<b>12,249</b>	4,958
Foreign currency exchange loss /(gain)	<b>19,184</b>	6,682	<b>138,679</b>	(43,356)
Allowance for doubtful debts	-	-	<b>1,568</b>	6,131
Written back of allowance for doubtful accounts	-	-	-	(12,959)
Loss on written off of suspended project costs	-	-	-	9,466
Depreciation of property, plant and equipment	<b>6,824</b>	5,890	<b>22,003</b>	15,590
Depreciation of right-of-use assets	<b>11,055</b>	11,268	<b>33,448</b>	11,268
Changes in working capital items	<b>(42,825)</b>	(134,183)	<b>(204,803)</b>	(172,556)
Interest paid	<b>(3,679)</b>	-	<b>(12,249)</b>	-
Income tax paid	-	(787)	-	(787)
<b>Net cash generated from/(used in) operating activities</b>	<b>36,388</b>	(134,812)	<b>(98,999)</b>	(341,544)
<b>Financing activities</b>				
Advances from related parties	<b>6,094</b>	215,739	<b>210,377</b>	350,178
Repayment of advance from a related party	-	(54,850)	<b>(1,845)</b>	(55,829)
Principal elements of lease payments	<b>(14,767)</b>	(14,231)	<b>(34,904)</b>	(14,231)
<b>Net cash (used in)/generated from financing activities</b>	<b>(8,673)</b>	146,658	<b>173,628</b>	280,118
<b>Investing activities</b>				
Purchase of property, plant and equipment	<b>(3,588)</b>	(25,335)	<b>(11,506)</b>	(31,567)
<b>Net cash used in investing activities</b>	<b>(3,588)</b>	(25,335)	<b>(11,506)</b>	(31,567)
Effect of exchange rate changes on cash held in foreign currencies	<b>8,330</b>	6,730	<b>6,769</b>	(15,160)
<b>Increase/(Decrease) in cash</b>	<b>32,457</b>	(6,759)	<b>69,892</b>	(108,153)
<b>Cash, end of period</b>	<b>264,303</b>	159,798	<b>264,303</b>	159,798

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, loans and advances from related parties.

**GINSMS INC.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**AS AT AND FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2020**

---

GINSMS has an improved liquidity position for the nine months ended September 30, 2020 compared to the twelve months ended December 31, 2019 primarily due to the fact that the Corporation relied more on the revenue generated from its operation and advances from related parties.

Nevertheless, GINSMS is facing a slightly higher liquidity risks as it has a working capital deficiency of \$6,475,871 as at September 30, 2020 as compared \$5,709,984 as at December 31, 2019. The Corporation's liabilities now include a promissory note payable, advance from related parties and the loans from related parties.

The operation of the Corporation is partially financed by the loans from related parties and the advances from related parties amounting to \$4,975,414 and \$1,099,613 respectively as at September 30, 2020. The terms and conditions of the loans are described above under *Section 3 – Loans from Related Parties*.

The Corporation entered into an office lease for its operations during the quarter ended September 30, 2019. The lease is for fixed term of 3 years. Lease liabilities of \$82,189 (December 31, 2019: \$116,848) are recognised with related right-of-use assets of \$82,460 (December 31, 2019: \$120,385) as at September 30, 2020. The lease agreement does not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Mr. Chin and IPL confirmed that they will not demand settlement of the loans until the Corporation is in sound financial position to repay them. Moreover, during the prior quarter ended March 31, 2020, Xinhua Mobile and IPL have agreed to further extend the maturity date of the loan and the promissory note to March 31, 2021.

## **6. OFF BALANCE SHEET ARRANGEMENTS**

GINSMS does not have 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, 2020 and September 30, 2019:

	<b>Three-month period ended September 30, 2020 (Unaudited)</b> \$	Three-month period ended September 30, 2019 (Unaudited) \$	<b>Nine-month period ended September 30, 2020 (Unaudited)</b> \$	Nine-month period ended September 30, 2019 (Unaudited) \$
Software products and services revenue from companies controlled by immediate parent <sup>1</sup>	<b>91,442</b>	222,249	<b>492,671</b>	602,937
Software products and services revenue from companies controlled by a director <sup>2</sup>	<b>179,253</b>	10,105	<b>287,473</b>	10,105
Write back of cost/Cost of hardware paid to a company controlled by a director <sup>3</sup>	-	(253)	-	159
Accounting fee paid to an officer <sup>4</sup>	<b>12,591</b>	10,011	<b>41,000</b>	39,642
Interest charged on loan from immediate parent	-	11,010	-	31,806
Interest charged on promissory note payable to a shareholder <sup>5</sup>	-	12,000	-	36,000

Notes:

1. Software products and services revenue earned from Activate, Beat Chain and/or Xinhua Mobile HK, companies controlled by Xinhua Mobile, for the professional services rendered by Inphosoft Subsidiaries on a time and material basis
2. Software products and services revenue earned from Activate and/or Actxa, companies controlled by Mr. Chin, for the professional services rendered by Inphosoft Subsidiaries on a time and material basis
3. Cost of hardware purchased from Actxa, a company controlled by Mr. Chin.
4. Accounting fee paid to the Interim Chief Financial Officer, Ms. Shum Chee Ming, in relation to her role as finance manager preparing management reports of the Corporation.
5. IPL is a shareholder of the Corporation.

As of September 30, 2020, the Corporation has non-trade loans from related parties of \$4,975,414 (Section 3 – *Loans from Related Parties*) and advance of \$1,099,613 (December 31, 2019 - \$4,993,468 and \$887,512). The loans and advances are used to finance the operations of the Corporation.

As of September 30, 2020, included in accounts payables and accrued liabilities are amounts of \$120,573 (December 31, 2019 - \$90,694) owed to related parties. As of September 30, 2020, included in accounts receivable are trade receivables of \$392,445 (December 31, 2019 - \$251,580) owed by related parties.

The T&M Agreements, entered into by IMSB and PTIN with Activate allow the customers to use resources from IMSB and PTIN on a time and material basis. 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 Singapore government. Activate can subcontract parts of its projects to IMSB and PTIN which possess software development skill sets and use the staff of such IMSB and PTIN to perform certain pre-sales roles, on a time and material basis. The professional services provided by IMSB and PTIN 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 non-exclusive T&M Agreements were initially entered into for a period of one year and have been subsequently automatically renewed on a yearly basis. These T&M Agreements can be terminated at any time upon one party giving to the other a 30-day termination notice. Under these T&M Agreements, Activate will settle invoices within 14 days, any late payment is subject to a 1% late interest charge. The IMSB and PTIN and Activate are bound by the terms and conditions of a non-disclosure agreement concluded between them.

IMSB and PTIN agreed to provide intellectual property indemnity to Activate and its customers in the event of any suit or proceeding being brought against Activate and its customers for a violation of intellectual property rights by IMSB and PTIN. All rights, titles and interests to any copyrights and other intellectual property rights produced by IMSB and PTIN solely in the course of services provided to Activate are the sole and exclusive properties of Activate, once the services provided by IMSB and PTIN have been paid in full. Activate has the right to assign to its customers any and all such intellectual property rights, without limitation.

Gross margin of IMSB and PTIN from work performed for Activate is higher because the invoicing to Activate is in SGD and a higher margin is built-in to cater for currency risk as revenue is charged in SGD. During the arm's-length negotiation in April 2016, Activate was willing to pay IMSB and PTIN 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 arm's-length and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

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

The significant accounting policies used in the preparation of the Corporation's audited consolidated financial statements are described in Note 4 of the audited consolidated financial statements for the twelve-month financial year ended December 31, 2019. There have been no changes to our accounting policies since December 31, 2019.

## **9. FINANCIAL INSTRUMENTS**

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

## 10. SHAREHOLDERS' EQUITY & DISCLOSURE OF OUTSTANDING SHARE DATA

### Shareholders' equity

	<b>September 30, 2020</b> (Unaudited) \$	December 31, 2019 (Audited) \$
Share capital	11,415,709	11,415,709
Deficit	(18,120,060)	(18,032,088)
Accumulated other comprehensive income	320,921	189,253
Non-controlling interest	(13,099)	(13,019)
	<b>(6,396,529)</b>	<b>(6,440,145)</b>

Shareholders' equity as at September 30, 2020, showed a deficit of \$6,396,529, is improving slightly from a deficit of \$6,440,145 as at December 31, 2019. The improvement in shareholders' equity is due to the increase in other comprehensive income of \$132,218 offset by the net loss of \$88,602 for the nine months ended September 30, 2020.

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

- (a) The Corporation intends to focus on increasing its gross profit margin in both its A2P messaging business and its software products and services business by scrutinizing existing and new business contracts to ensure that they generate satisfactory gross profit margins. The management has seen significant improvement in both gross profit margin and adjusted EBITDA due to these measures and believes that the Corporation will have the ability to continue its operations for the next twelve months.
- (b) Despite of the Corporation's liabilities which include a promissory note payable, the interest-free advance from related parties and the interest-free/interest-bearing loans from the related parties, the liquidity risk is addressed and mitigated as mentioned in Section 5 of this MD&A.

### Authorized share capital

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, 2020 versus the twelve months ended December 31, 2019.

Issued	<b>September 30, 2020</b> (Unaudited)		December 31, 2019 (Audited)	
	Shares	Amount (\$)	Shares	Amount (\$)
Balance, beginning and end of period/year	149,793,861	11,415,709	149,793,861	11,415,709

**GINSMS INC.****MANAGEMENT'S DISCUSSION AND ANALYSIS****AS AT AND FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2020**

Information on the Corporation's capital, including the numbers of common shares issued and outstanding is contained in the Corporation's unaudited consolidated financial statements which are available at [www.sedar.com](http://www.sedar.com).

**11.SEGMENTED INFORMATION****a) Revenue by customers**

	<b>Three-month period ended September 30, 2020 (Unaudited)</b>		<b>Three-month period ended September 30, 2019 (Unaudited)</b>	
	<b>\$</b>	<b>% of total revenue</b>	<b>\$</b>	<b>% of total revenue</b>
Customer A	<b>219,096</b>	<b>28.6</b>	229,815	35.8
Next five top customers				
Customer B	<b>185,296</b>	<b>24.2</b>	37,671	5.9
Customer C	<b>98,580</b>	<b>12.9</b>	94,075	14.7
Customer D	<b>58,910</b>	<b>7.7</b>	95,697	14.9
Customer E	<b>51,548</b>	<b>6.7</b>	7,532	1.2
Customer F	<b>64,393</b>	<b>8.4</b>	68,246	10.6
All other customers	<b>88,970</b>	<b>11.5</b>	108,089	16.9
<b>Total</b>	<b>766,793</b>	<b>100.0</b>	641,125	100.0

	<b>Nine-month period ended September 30, 2020 (Unaudited)</b>		<b>Nine-month period ended September 30, 2019 (Unaudited)</b>	
	<b>\$</b>	<b>% of total revenue</b>	<b>\$</b>	<b>% of total revenue</b>
Customer A	<b>616,338</b>	<b>28.8</b>	610,503	30.5
Next five top customers				
Customer B	<b>407,139</b>	<b>19.0</b>	272,432	13.6
Customer C	<b>319,338</b>	<b>14.9</b>	396,479	19.8
Customer D	<b>209,290</b>	<b>9.8</b>	229,175	11.4
Customer E	<b>159,767</b>	<b>7.5</b>	7,532	0.4
Customer F	<b>128,793</b>	<b>6.0</b>	113,671	5.7
All other customers	<b>298,410</b>	<b>14.0</b>	374,974	18.6
<b>Total</b>	<b>2,139,075</b>	<b>100.0</b>	2,004,766	100.0

**GINSMS INC.**
**MANAGEMENT'S DISCUSSION AND ANALYSIS**
**AS AT AND FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2020**
**b) Revenue by geographical location (by location of operations)**

	<b>Three-month period ended September 30, 2020 (Unaudited)</b>		<b>Three-month period ended September 30, 2019 (Unaudited)</b>	
	<b>\$</b>	<b>% of total revenue</b>	<b>\$</b>	<b>% of total revenue</b>
Singapore	287,092	37.4	238,318	37.2
Indonesia	78,193	10.2	104,345	16.3
Other Asia countries	35,716	4.7	59,905	9.3
Europe	75,125	9.8	97,924	15.3
United States	283,879	37.0	131,763	20.6
Other regions	6,788	0.9	8,870	1.3
<b>Total</b>	<b>766,793</b>	<b>100.0</b>	<b>641,125</b>	<b>100.0</b>

	<b>Nine-month period ended September 30, 2020 (Unaudited)</b>		<b>Nine-month period ended September 30, 2019 (Unaudited)</b>	
	<b>\$</b>	<b>% of total revenue</b>	<b>\$</b>	<b>% of total revenue</b>
Singapore	833,626	39.0	619,254	30.9
Indonesia	255,691	12.9	237,824	11.9
Other Asia countries	118,511	5.5	228,656	11.4
Europe	177,721	8.3	188,680	9.4
United States	726,481	34.0	669,461	33.4
Other regions	27,045	1.2	60,891	3.0
<b>Total</b>	<b>2,139,075</b>	<b>100.0</b>	<b>2,004,766</b>	<b>100.0</b>

**c) Total assets by geographical location**

	<b>As at September 30, 2020 (Unaudited)</b>		<b>As at December 31, 2019 (Audited)</b>	
	<b>\$</b>	<b>% of total assets</b>	<b>\$</b>	<b>% of total assets</b>
Singapore	84,989	8.9	83,739	10.4
Indonesia	506,983	53.1	435,139	53.8
Other Asia countries	326,754	34.2	205,461	25.4
Europe	3,623	0.4	11,512	1.4
United States	28,899	3.0	51,005	6.3
Other regions	3,950	0.4	21,817	2.7
<b>Total</b>	<b>955,198</b>	<b>100.0</b>	<b>808,673</b>	<b>100.0</b>

**GINSMS INC.**
**MANAGEMENT'S DISCUSSION AND ANALYSIS**
**AS AT AND FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2020**
**d) Financial information by business segments**

	Messaging	Software products and services	Unallocated	Total
	\$	\$	\$	\$
<b>Nine-months period ended September 30, 2020 (Unaudited)</b>				
Revenue	1,144,812	994,263	-	2,139,075
Intersegment revenue	-	139,358	-	139,358
Amortization and depreciation	-	55,451	-	55,451
Interest income	-	156	-	156
Interest and finance expenses	-	12,249	-	12,249
Income tax credit	-	(1,292)	-	(1,292)
Segment profit/(loss)	172,807	(56,395)	(205,014)	(88,602)
Additions to segment non-current assets	-	11,506	-	11,506
<b>At September 30, 2020 (Unaudited)</b>				
Segment assets	198,356	755,905	937	955,198
Segment liabilities	(3,659,291)	(2,391,400)	(1,301,036)	(7,351,727)

	Messaging	Software products and services	Unallocated	Total
	\$	\$	\$	\$
<b>Nine-months period ended September 30, 2019 (Unaudited)</b>				
Revenue	1,268,628	736,138	-	2,004,766
Intersegment revenue	-	398,889	-	398,889
Amortization and depreciation	-	26,858	-	26,858
Interest income	95	171	-	266
Interest and finance expenses	-	4,958	67,806	72,764
Income tax expense	-	872	-	872
Segment profit/(loss)	20,732	(42,614)	(206,095)	(227,977)
Additions to segment non-current assets	-	31,567	-	31,567
<b>At September 30, 2019 (Unaudited)</b>				
Segment assets	142,848	643,181	1,911	787,940
Segment liabilities	(3,150,289)	(2,735,218)	(1,223,037)	(7,108,544)

**12. FOREIGN CURRENCY RISK**

The Corporation is exposed to foreign currency rate variability primarily in relation to certain assets and liabilities denominated in foreign currencies such as United States Dollars ("USD"). However, the Corporation has no material exposure to foreign currency risk as most of its foreign operations are self-sustaining and these foreign operations' functional currencies are in HKD and SGD. The Corporation is mainly exposed to the effects of fluctuation in SGD and USD.

The Corporation also mitigates foreign currency risks, within each segment, by transacting in their functional currency for material procurement, sales contracts and financing activities.

The Corporation currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Corporation monitors its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

### **13. EVENTS AFTER THE REPORTING PERIOD**

#### Uncertainty of the Coronavirus (COVID-19) Outbreak

The extent to which the COVID-19 outbreak will spread and its impact on our result will depend on future developments, which are highly uncertain and unpredictable at this point of time. The outbreak could impede our ability to sell, grow and attract new customers. A number of our employees travel frequently to establish and maintain relationships with our customers. Although we continue to monitor the situation and may adjust our current policies as more information and guidance become available, suspending travel, not doing business in-person, and employees government imposed quarantined or sanitary public health authority imposed closures could negatively impact our operations and marketing efforts and also challenge our ability to enter into new customer contracts in a timely manner, which in turn could harm our business performance.

Due to the COVID-19 outbreak, the Corporation may have to switch its Annual Shareholder Meeting to a "virtual" meeting and may have to adopt other means of distribution for its proxy material.

For additional details, refer to our risk factors included under "Risks and Uncertainties" below in Section 14 - OTHER MD&A REQUIREMENTS.

**GINSMS INC.****MANAGEMENT'S DISCUSSION AND ANALYSIS****AS AT AND FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2020****14. OTHER MD&A REQUIREMENTS**

The Company announced its financial forecasts for the twelve months ending December 31, 2020 on February 13, 2020 and reforecast for the third and fourth quarter of 2020 on August 12, 2020. The table below shows an analysis of the difference between the actual and reforecasted financial highlights for the three months ended September 30, 2020.

**Financial Outlook**

Financial Highlights	Actual (\$)	Reforecast (\$)	Variance (\$)	Variance (%)
	Jul-Sep 2020	Jul-Sep 2020	Jul-Sep 2020	Jul-Sep 2020
Revenues \$				
A2P Messaging Service	405,925	251,225	154,700	61.6%
Software Product & Services	360,868	338,571	22,297	6.6%
	766,793	589,796	176,997	30.0%
Cost of sales \$				
A2P Messaging Service	304,449	203,915	100,534	49.3%
Software Product & Services	180,377	220,879	(40,502)	(18.3)%
	484,826	424,794	60,032	14.1%
Gross profit (loss) \$				
A2P Messaging Service	101,476	47,310	54,166	114.5%
Software Product & Services	180,491	117,692	62,799	53.4%
	281,967	165,002	116,965	70.9%
Gross margin %				
A2P Messaging Service	25.0%	18.8%	6.2%	32.7%
Software Product & Services	50.0%	34.8%	15.3%	43.9%
	36.8%	28.0%	8.8%	31.4%
Selling, general and administrative expenses	(216,983)	(237,548)	20,565	(8.7)%
Operating profit / (loss)	64,984	(72,546)	137,530	(189.6)%
Non-operating income	29	-	29	-
Non-operating expenses	(22,863)	(4,791)	(18,072)	377.2%
Ordinary profit/(loss)	42,150	(77,337)	119,487	(154.5)%
Extraordinary gains	-	-	-	-
Extraordinary losses	-	-	-	-
Loss before tax and non-controlling interest	42,150	(77,337)	119,487	(154.5)%
Income taxes	1,329	-	1,329	-
Non-controlling interest	378	-	378	-
Net profit/(loss) attributable to shareholders	43,857	(77,337)	121,194	(156.7)%
Adjusted EBITDA	63,708	(55,284)	118,992	(215.2)%

**Notes:**

- (1) Adjusted EBITDA is a non-GAAP measure related to cash earnings and is defined for these purposes as earnings before income taxes, depreciation & amortization (in both cost of sales and general and administration expenses), interest

**GINSMS INC.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**AS AT AND FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2020**

expenses and also excludes certain non-recurring or non-cash expenditure and income.

- (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, 2020,

- Revenue for the A2P messaging service segment exceeded the forecast primarily because the Corporation increased pricing to some customers and there was also an increase in volume of messaging traffic by one major customer despite of the outbreak of COVID-19 during the quarter ended September 30, 2020.
- The actual gross margin of 25.0% for the A2P messaging service segment was slightly higher than forecast because the Corporation increased pricing to customers and also increase in volume of messaging traffic by one major customer.
- The actual gross margin of 50.0% for the software product and services segment was higher than forecast because the Corporation increased pricing of its software product and service.
- Non-operating expenses were \$18,072 higher than forecast primarily because foreign currency exchange loss amounting not forecasted for.
- Net profit attributable to shareholders was \$43,857, which improved substantially from the loss of \$77,337 forecasted primarily due to increased in pricing to customers in both A2P messaging service segment software product and services segment that resulted in higher gross margin than forecasted for, partially offset by foreign currency exchange losses not forecasted for.

The table below shows an analysis of the difference between the actual and reforecasted financial highlights for the nine months ended September 30, 2020.

Financial Highlights	Actual (\$)	Reforecast (\$)	Variance (\$)	Variance (%)
	Jan-Sep 2020	Jan-Sep 2020	Jan-Sep 2020	Jan-Sep 2020
Revenues \$				
A2P Messaging Service	1,144,812	907,104	237,708	26.2%
Software Product & Services	994,263	1,015,713	(21,450)	(2.1)%
	2,139,075	1,922,817	216,258	11.2%
Cost of sales \$				
A2P Messaging Service	882,416	736,089	146,327	19.9%
Software Product & Services	506,848	662,637	(155,789)	(23.5)%
	1,389,264	1,398,726	(9,462)	(0.7)%
Gross profit (loss) \$				
A2P Messaging Service	262,396	171,015	91,381	53.4%
Software Product & Services	487,415	353,076	134,339	38.0%
	749,811	524,091	225,720	43.1%
Gross margin %				
A2P Messaging Service	22.9%	18.9%	4.1%	21.6%
Software Product & Services	49.0%	34.8%	14.3%	41.0%
	35.1%	27.3%	7.8%	28.6%
Selling, general and administrative expenses	(688,933)	(712,644)	23,711	(3.3)%

**GINSMS INC.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**AS AT AND FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2020**

Financial Highlights	Actual (\$)	Reforecast (\$)	Variance (\$)	Variance (%)
	Jan-Sep 2020	Jan-Sep 2020	Jan-Sep 2020	Jan-Sep 2020
Operating profit / (loss)	60,878	(188,553)	249,431	(132.3)%
Non-operating income	156	-	156	-
Non-operating expenses	(150,928)	(37,345)	(113,583)	304.1%
Ordinary loss	(89,894)	(225,898)	136,004	(60.2)%
Extraordinary gains	-	-	-	-
Extraordinary losses	-	-	-	-
Loss before tax and non-controlling interest	(89,894)	(225,898)	136,004	(60.2)%
Income taxes	1,292	-	1,292	-
Non-controlling interest	630	-	630	-
Net loss attributable to shareholders	(87,972)	(225,898)	137,926	(61.1)%
Adjusted EBITDA	(22,193)	(121,052)	98,859	(81.7)%

**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 Corporation'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.

**GINSMS INC.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**AS AT AND FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2020**

---

***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.

***Recent Measures Taken Due to the Outbreak of COVID-19***

In light of the uncertain and rapidly evolving situation relating to the spread of the COVID-19, the Corporation has taken temporary precautionary measures intended to help minimize the risk of the virus to its employees which could negatively impact its business. We are temporarily requiring all employees to work remotely, have suspended all non-essential travel worldwide for our employees, and are discouraging employee attendance at industry events and in-person work-related meetings. While we have a distributed workforce and our employees are accustomed to working remotely or working with other remote employees, our workforce is not fully remote. Our employees travel frequently to establish and maintain relationships with one another and with our customers and some of our business processes assume that employees can review and sign documents in person. Although we continue to monitor the situation and may adjust our current policies as more information and guidance become available, temporarily suspending travel and doing business in-person could negatively impact our marketing efforts, challenge our ability to enter into customer contracts in a timely manner, slow down our recruiting efforts, or create operational or other challenges as we adjust to a fully-remote workforce, any of which could harm our business. The extent to which the COVID-19 and our precautionary measure may impact our business will depend on future developments, which are highly uncertain and cannot be predicted at this time.

***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

## **GINSMS INC.**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

#### **AS AT AND FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2020**

---

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:

## **GINSMS INC.**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

#### **AS AT AND FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2020**

---

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

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

#### ***Key Members of the Management Team***

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

#### ***Credit Risk of Accounts Receivable***

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

#### ***Conflicts of Interest***

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

#### ***Inability to Satisfy Customer Demand for Performance, Price or Terms***

The market in which Inphosoft operates is highly competitive, and Inphosoft expects that the level of competition on pricing and product offering will continue to be intense. Additionally, certain emerging markets, such as countries in the Middle-East, Africa, South America and Southeast Asia, are particularly sensitive to pricing as a key differentiator. Where price is a primary decision driver, Inphosoft may not be able to effectively compete or it may choose 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 are 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.