



NEWS RELEASE

GINSMS ANNOUNCES FINANCIAL RESULTS FOR THE THREE AND TWELVE MONTHS ENDED DECEMBER 31, 2019 AND PROVIDES FINANCIAL FORECASTS FOR YEAR 2020

Calgary, Alberta, February 13, 2020 – GINSMS Inc. (TSXV: GOK) (“GINSMS” or the “Corporation”) has announced its financial results for the fourth quarter and twelve months ended December 31, 2019.

The annual audited financial statements of the Corporation for the twelve months ended December 31, 2019 are currently under audit and in the process of preparation. As required under Canadian securities law regulations, the Corporation will be disclosing and filing on SEDAR its annual audited financial statements and the related management’s discussion and analysis (“MD&A”) of the Corporation will be ready within 120 days after the end of its year end of December 31, 2019.

This financial disclosure was done in advance of the filing of the audited financial statements of the Corporation to allow GINSMS’ ultimate holding company, Beat Holdings Limited (“BHL”), a public company in Japan, to use certain of GINSMS’ financial information in the preparation of BHL’s financial statements and announcements.

The Corporation’s financial information for the twelve months ended December 31, 2019 is prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

Highlights include:

- Revenue of \$2,638,717 for the twelve-month period ended December 31, 2019 as compared to \$5,354,948 for the twelve-month period ended December 31, 2018.
- Revenue of \$633,951 for the three-month period ended December 31, 2019 as compared to \$1,085,738 for the three-month period ended December 31, 2018.
- Gross Profit of \$726,394 for the twelve-month period ended December 31, 2019 as compared to gross profit of \$638,124 for the twelve-month period ended December 31, 2018.
- Gross Profit of \$228,164 for the three-month period ended December 31, 2019 as compared to gross profit of \$158,549 for the three-month period ended December 31, 2018.
- Operating expenses and finance costs decreased from \$1,841,520 for the twelve-month period ended December 31, 2018 to \$1,041,952 for the twelve-month period ended December 31, 2019.
- Operating expenses and finance costs decreased from \$439,148 for the three-month period ended December 31, 2018 to \$316,617 for the three-month period ended December 31, 2019.
- Net loss of \$315,311 for twelve-month period ended December 31, 2019 as compared to a net loss of \$1,203,132 for twelve-month period ended December 31, 2018.
- Net loss of \$87,334 for three-month period ended December 31, 2019 as compared to a net loss of \$281,084 for three-month period ended December 31, 2018.

Selected Profit and Loss Information

Financial Highlights	Three-month period ended December 31, 2019 (Unaudited)	Three-month period ended December 31, 2018 (Unaudited)	Twelve-month period ended December 31, 2019 (Unaudited)	Twelve-month period ended December 31, 2018 (Audited)
Revenues \$				
A2P Messaging Service	321,329	793,221	1,589,957	4,142,212
Software Product & Services	312,622	292,517	1,048,760	1,212,736
	633,951	1,085,738	2,638,717	5,354,948
Cost of sales \$				
A2P Messaging Service	234,705	705,448	1,292,061	3,790,352
Software Product & Services	171,082	221,741	620,262	926,472
	405,787	927,189	1,912,323	4,716,824
Gross profit \$				
A2P Messaging Service	86,624	87,773	297,896	351,860
Software Product & Services	141,540	70,776	428,498	286,264
	228,164	158,549	726,394	638,124
Gross margin %				
A2P Messaging Service	27.0%	11.1%	18.7%	8.5%
Software Product & Services	45.3%	24.2%	40.9%	23.6%
	36.0%	14.6%	27.5%	11.9%
Adjusted EBITDA ⁽¹⁾ \$	(56,041)	(244,539)	(183,524)	(812,726)
Adjusted EBITDA margin	(8.8)%	(22.5)%	(7.0)%	(15.2)%
Net earnings (loss) \$	(87,334)	(281,084)	(315,311)	(1,203,132)
Net earnings (loss) margin	(13.8)%	(25.9)%	(11.9)%	(22.5)%
Net earnings (loss) per share \$				
Basic (in Canadian cents)	(0.06)	(0.19)	(0.21)	(0.80)
Diluted	N/A	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.

Cost of Sales

	Three-month period ended December 31, 2019 (Unaudited)	Three-month period ended December 31, 2018 (Unaudited)	Twelve-month period ended December 31, 2019 (Unaudited)	Twelve-month period ended December 31, 2018 (Audited)
Amortization				
- Development expenditures	-	-	-	40,838
Loss on written off of development expenditures	-	-	-	255,304
Depreciation				
- Property, plant and equipment	5,411	6,500	19,819	25,867
Loss on written off of suspended project costs	-	-	9,466	-
Salaries and wages	164,997	200,291	581,141	792,781
Subcontractor costs	234,015	707,339	1,293,792	3,543,691
Software and hardware	37	9,908	279	43,230
Others	1,327	3,151	7,826	15,113
	405,787	927,189	1,912,323	4,716,824

Operating Expenses and Finance Costs

	Three-month period ended December 31, 2019 (Unaudited)	Three-month period ended December 31, 2018 (Unaudited)	Twelve-month period ended December 31, 2019 (Unaudited)	Twelve-month period ended December 31, 2018 (Audited)
Salaries and wages	175,992	193,450	485,726	695,457
Directors' fees	40,000	40,000	40,000	40,000
Professional fees	58,081	75,453	273,470	330,142
Foreign currency exchange loss/(gain)	(25,332)	27,426	(68,688)	189,073
Other general & administrative expenses	37,729	47,155	202,911	236,779
Allowance for doubtful debts	-	26,104	6,131	26,104
Written back of allowance for doubtful accounts	-	-	(12,959)	-
Depreciation				
- Property, plant and equipment	1,550	144	2,732	1,026
- Right-of-use assets	3,749	-	15,017	-
Interest expenses	23,275	134,289	91,081	427,812
Gain on disposal of development expenditures	-	(108,971)	-	(108,971)
Loss on written-off of property, plant and equipment	-	4,098	-	4,098
Lease interest on right-of-use assets	1,573	-	6,531	-
	316,617	439,148	1,041,952	1,841,520

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.

	December 31, 2019 (Unaudited) \$	December 31, 2018 (Audited) \$
Current Assets		
Accounts receivable	360,885	664,031
Other receivables, prepayments and deposits	82,133	98,760
Bank and cash balances	194,411	267,951
	637,429	1,030,742
Non-Current Assets		
Right-of-use assets	120,385	-
Property, plant and equipment	50,859	35,486
TOTAL ASSETS	808,673	1,066,228
Current Liabilities		
Accounts payable and accrued liabilities	670,400	1,210,856
Advances from related parties	887,512	398,659
Loan from a related party	374,690	348,009
Lease liabilities	40,071	-
Promissory note payable	580,000	532,000
Current tax liabilities	590	588
	2,553,263	2,490,112
Non-Current Liabilities		
Loans from related parties	4,618,778	4,624,623
Lease liabilities	76,777	-
Deferred tax liability	-	1,188
TOTAL LIABILITIES	7,248,818	7,115,923
Equity		
Share capital	11,415,709	11,415,709
Deficit	(18,032,088)	(17,717,269)
Accumulated other comprehensive income	189,253	264,252
Total deficiency attributable to equity shareholders	(6,427,126)	(6,037,308)
Non-controlling interest	(13,019)	(12,387)
TOTAL DEFICIENCY	(6,440,145)	(6,049,695)
TOTAL LIABILITIES & EQUITY	808,673	1,066,228

Total assets of GINSMS including cash, accounts receivable, other receivables, prepayment and deposits, property, plant and equipment and right-of-use assets as at December 31, 2019 amounted to \$808,673 compared to December 31, 2018 amounted to \$1,066,228. Bank and cash balances amounted to \$194,411 as at December 31,

2019 a decrease of 27.4% compared to \$267,951 as at December 31, 2018. This decrease was mainly due to cash flow used in the operation of the Corporation. The cash flow generated from financing activities is \$469,503 for the twelve months ended December 31, 2019 against the cash flow used in financing activities of \$86,159 for the twelve months ended December 31, 2018.

Selected Liquidity and Capital Resources Information

Financial Highlights	Three-month period ended December 31, 2019 (Unaudited) \$	Three-month period ended December 31, 2018 (Unaudited) \$	Twelve-month period ended December 31, 2019 (Unaudited) \$	Twelve-month period ended December 31, 2018 (Audited) \$
Cash, beginning of period/year	159,798	245,855	267,951	340,765
Operating activities				
Net loss for the period/year	(87,334)	(281,084)	(315,311)	(1,203,132)
Deferred income tax expenses/(credit)	(1,119)	(244)	(1,034)	120
Current income tax expenses/(credit)	-	-	787	(384)
Interest expenses on other borrowings	23,275	134,289	91,081	427,812
Interest expenses on lease liabilities	1,573	-	6,531	-
Foreign currency exchange (gain)/loss	(25,332)	27,425	(68,688)	189,073
Allowance for doubtful debts	-	26,104	6,131	26,104
Written back of allowance for doubtful accounts	-	-	(12,959)	-
Loss on written off of suspended project costs	-	-	9,466	-
Loss on written off of property, plant and equipment	-	4,098	-	4,098
Gain on disposal of development expenditures	-	(108,971)	-	(108,971)
Loss on written off of development expenditures	-	-	-	255,304
Depreciation of property, plant and equipment	6,961	6,644	22,551	67,731
Depreciation of right-of-use assets	3,749	-	15,017	-
Changes in working capital items	(51,331)	128,198	(223,887)	270,825
Interest expenses on lease liabilities	(6,531)	-	(6,531)	-
Income tax refund/(paid)	-	-	(787)	384
Net cash used in operating activities	(136,089)	(63,541)	(477,633)	(71,036)
Financing activities				
Advances from related parties	220,628	1,403	570,806	110,058
Repayment of advance from a related party	(26,929)	(9,002)	(82,758)	(196,217)
Principal elements of lease payments	(4,314)	-	(18,545)	-
Net cash generated from/(used in) financing activities	189,385	(7,599)	469,503	(86,159)
Investing activities				
Development expenditures	-	-	-	(5,232)
Proceed from disposal of development	-	114,200	-	114,200

Financial Highlights	Three-month period ended December 31, 2019 (Unaudited) \$	Three-month period ended December 31, 2018 (Unaudited) \$	Twelve-month period ended December 31, 2019 (Unaudited) \$	Twelve-month period ended December 31, 2018 (Audited) \$
expenditures				
Purchase of property, plant and equipment	(6,012)	(9,392)	(37,579)	(29,282)
Net cash (used in)/generated from investing activities	(6,012)	104,808	(37,579)	79,686
Effect of exchange rate changes on cash held in foreign currencies	(12,671)	(11,572)	(27,831)	4,695
Increase/(Decrease) in cash	34,613	22,096	(73,540)	(72,814)
Cash, end of period/year	194,411	267,951	194,411	267,951

SEGMENTED INFORMATION

a) Revenue by customers

	Twelve-month period ended December 31, 2019 (Unaudited)		Twelve-month period ended December 31, 2018 (Audited)	
	\$	% of total revenue	\$	% of total revenue
Customer A	715,735	27.1	894,287	16.7
Next five top customers				
Customer B	508,608	19.3	676,709	12.6
Customer C	306,676	11.6	386,821	7.2
Customer D	301,059	11.4	326,912	6.1
Customer E	146,265	5.5	95,922	1.8
Customer F	134,064	5.2	71,295	1.3
All other customers	526,310	19.9	2,903,002	54.3
Total	2,638,717	100.0	5,354,948	100.0

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

	Twelve-month period ended December 31, 2019 (Unaudited)		Twelve-month period ended December 31, 2018 (Audited)	
	\$	% of total revenue	\$	% of total revenue
Singapore	778,854	29.5	3,071,615	57.4
Indonesia	441,679	16.7	326,912	6.1
Other Asia countries	289,087	11.0	491,337	9.2
Europe	234,651	8.9	323,578	6.0
United States	815,840	30.9	1,064,223	19.9
Other regions	78,606	3.0	77,283	1.4
Total	2,638,717	100.0	5,354,948	100.0

c) Total assets by geographical location

	As at December 31, 2019 (Unaudited)		As at December 31, 2018 (Audited)	
	\$	% of total assets	\$	% of total assets
Singapore	83,739	10.4	236,281	22.2
Indonesia	435,139	53.8	188,260	17.7
Other Asia countries	205,461	25.4	338,389	31.7
Europe	11,512	1.4	39,714	3.7
United States	51,005	6.3	239,946	22.5
Other regions	21,817	2.7	23,638	2.2
Total	808,673	100.0	1,066,228	100.0

d) Financial information by business segments

	Messaging	Software products and services	Unallocated	Total
	\$	\$	\$	\$
Twelve-month period ended December 31, 2019 (Unaudited)				
Revenue	1,589,957	1,048,760	-	2,638,717
Intersegment revenue	-	364,701	-	364,701
Amortization and depreciation	-	37,568	-	37,568
Interest income	119	267	-	386
Interest and finance expenses	-	6,531	91,081	97,612
Income tax credit	-	(247)	-	(247)
Segment profits/(losses)	583,856	(104,342)	(794,825)	(315,311)
Additions to segment non-current assets	-	37,579	-	37,579
At December 31, 2019 (Unaudited)				
Segment assets	171,894	636,021	758	808,673
Segment liabilities	(3,119,501)	(2,971,487)	(1,157,830)	(7,248,818)

	Messaging	Software products and services	Unallocated	Total
	\$	\$	\$	\$
Twelve-month period ended December 31, 2018 (Audited)				
Revenue	4,142,212	1,212,736	-	5,354,948
Intersegment revenue	-	618,445	-	618,445
Amortization and depreciation	-	67,731	-	67,731
Interest income	199	188	-	387
Interest and finance expenses	291,099	51,186	85,527	427,812
Income tax expense	-	264	-	264
Segment profits/(losses)	611,957	(1,407,755)	(407,334)	(1,203,132)
Additions to segment non-current assets	-	34,514	-	34,514
At December 31, 2018 (Audited)				
Segment assets	537,395	526,617	2,216	1,066,228
Segment liabilities	(3,574,336)	(2,349,687)	(1,191,900)	(7,115,923)

Outlook

The Corporation announces its financial forecasts for the twelve months ending December 31, 2020. The information included in this news release represents management's guidance as approved on February 13, 2020. The financial outlook was prepared for BHL, the ultimate holding company of the Corporation, for its public company reporting obligations in Japan.

The material factors and assumptions used to develop the financial outlook include:

- a. Continued business from the Corporation's major customers. The actual gross margin of Software Products and Services achieved 40.9% for the year ended December 31, 2019 and with the expected increased revenue earned from business with key customers of the Corporation, the forecasted gross margin of 26.0% in 2020 is reasonable and achievable. The man-hour rates in 2019 have been adjusted substantially to be in line with prevailing market rates hence the increment in man-hour rates in 2020 will be at reduced rate while the salary increments factored in the 2020 budget. Management believes that the forecast revenue and gross margin is conservative and reasonable.
- b. The actual traffic growth rate of A2P business for the year ended December 31, 2019 declined by 63.0% compared to the year ended December 31, 2018. Both the North Asia and South East Asia region experienced stiff competition and the growth from this region was affected. The Corporation also adjusted the prices to improve gross margin but that also resulted in a decrease in traffic from customers. Revenue for the year ended December 31, 2019 decreased by 61.6% but the annual gross margin increased substantially to 18.7% compared with gross margin of 8.5% for the year ended December 31, 2018. The actual gross margin for the quarter ended December 31, 2019 at 27.0% showed that the gross margin is improving as the Corporation increased the pricing to customers since the start of the 2019.
- c. No significant changes in the environment (including competition) where the Corporation operates that will significantly affect the pricing of the Corporation's services resulting in changes of the gross margin for the various business segments.
- d. Timely completion and launch of certain additional value-added services for the Corporation's customers.
- e. Except for the interest expense on loans from related parties, the expenses were forecasted to increase in line with the forecasted 3.73% inflation in 2020. Interest expenses were computed based on interest rate of 12% per annum on the estimated outstanding loan due to the holding company and notes payable in 2020. The other related parties agreed to convert their interest-bearing loans to interest-free loans with effect from the year 2019.
- f. Continued ability to obtain financing through loans and cash advances to support the sales operations of the Corporation.

The purpose of this financial outlook is to allow the Corporation's ultimate holding company, BHL, to make reference and/or to use such outlook in its own financial disclosure. The operation of GINSMS is a major part of the growth strategy of BHL. As such, BHL believes that disclosing such information would be useful for its shareholders. Consequently readers of this press release are cautioned that the financial outlook of GINSMS concerning its expected gross margin and revenue is forward looking information and may not be appropriate for other purposes.

Financial Highlights	Forecast	Forecast	Forecast	Forecast
(\$)	Jan – Mar	Apr – Jun	Jul – Sep	Oct – Dec
	2020	2020	2020	2020
Revenues \$				
A2P Messaging Service	325,887	329,992	334,148	338,356
Software Product & Services	338,571	338,571	338,571	338,571
	664,458	668,563	672,719	676,927
Cost of sales \$				
A2P Messaging Service	264,422	267,752	271,124	274,539
Software Product & Services	220,879	220,879	220,879	220,879
	485,301	488,631	492,003	495,418
Gross profit \$				
A2P Messaging Service	61,465	62,240	63,024	63,817
Software Product & Services	117,692	117,692	117,692	117,692
	179,157	179,932	180,716	181,509
Gross margin %				
A2P Messaging Service	18.9%	18.9%	18.9%	18.9%
Software Product & Services	34.8%	34.8%	34.8%	34.8%
	27.0%	26.9%	26.9%	26.8%
Selling, general and administrative expenses	(237,548)	(237,548)	(237,548)	(237,548)
Operating loss	(58,391)	(57,616)	(56,832)	(56,039)
Non-operating income (1)	-	-	-	-
Non-operating expenses (1)	(16,108)	(16,446)	(16,794)	(17,153)
Ordinary loss	(74,499)	(74,062)	(73,626)	(73,192)
Extraordinary gains	-	-	-	-
Extraordinary losses	-	-	-	-
Loss before tax and non-controlling interest	(74,499)	(74,062)	(73,626)	(73,192)
Income taxes	-	-	-	-
Non-controlling interest	-	-	-	-
Net loss for the period	(74,499)	(74,062)	(73,626)	(73,192)
Adjusted EBITDA (2)	(41,129)	(40,354)	(39,569)	(38,777)

(1) Non-operating income included interest income and other non-operating income. Non-operating expenses included loss on foreign exchange and interest expense.

(2) 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.

About GINSMS

GINSMS is a mobile technology and services company focusing on 2 areas namely its A2P Messaging Service and its Software Products and Services. GINSMS operates a cloud-based A2P messaging service that allows the termination of SMS to mobile subscribers of more than 200 mobile operators globally. GINSMS also develops and distribute innovative software products and services for mobile operators and enterprises and have successfully deployed more than 100 solutions worldwide. GINSMS has offices in China, Singapore, Hong Kong, Malaysia and Indonesia.

Forward Looking Statements

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

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

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

- Management’s belief that the 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 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 A2P Messaging Service 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 press release 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. Forward looking statements are presented in this news release for the purpose of assisting investors and others in understanding certain key elements of our expected fiscal 2019 and 2020 financial results, as well as our objectives, strategic priorities and business outlook for fiscal 2019 and 2020, and in obtaining a better understanding of the Corporation's anticipated operating environment. Readers are cautioned that such information may not be appropriate for other purposes. All forward-looking statements contained in this press release are qualified by this cautionary statement.

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